



House of Commons  
Committee of Public Accounts

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# **Excess Votes 2016–17**

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**Nineteenth Report of Session 2017–19**





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*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
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## The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No. 148).

### Current membership

[Meg Hillier MP](#) (Labour (Co-op), Hackney South and Shoreditch) (Chair)

[Bim Afolami MP](#) (Conservative, Hitchin and Harpenden)

[Heidi Allen MP](#) (Conservative, South Cambridgeshire)

[Sir Geoffrey Clifton-Brown MP](#) (Conservative, The Cotswolds)

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[Bridget Phillipson MP](#) (Labour, Houghton and Sunderland South)

[Gareth Snell MP](#) (Labour (Co-op), Stoke-on-Trent Central)

### Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No. 148. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the [Committee's website](#) and in print by Order of the House.

### Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Dominic Stockbridge (Second Clerk), Hannah Wentworth (Chair Support), Ruby Radley (Senior Committee Assistant), Kutumya Kibedi (Committee Assistant), and Tim Bowden (Media Officer).

### Contacts

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## Summary

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1. The Committee of Public Accounts scrutinises, on behalf of Parliament, the reasons individual departments exceeded their allocated resources, and reports to the House of Commons on whether it has any objection to the amounts needed to rectify the reported excesses. The Committee may also make recommendations to departments concerning the causes of these excesses.
2. In 2016–17, two bodies breached their expenditure limits:
  - The Competition and Markets Authority
  - The House of Commons (Members Account)
3. Within this report we provide further detail on the reasons for these bodies breaching their 2016–17 expenditure limits. On the basis of our examination of the reasons why these bodies exceeded their voted provisions, we have no objection to Parliament providing the necessary amounts by means of an Excess Vote.

## Conclusions and Recommendations

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1. **The Competitions and Markets Authority (CMA) breached its Resource Annually Managed Expenditure limit by £65,506,000.** The breach arose because the CMA was unable to anticipate the outcome of a Supreme Court ruling on its leave to appeal the repayment of tobacco pricing penalties collected several years ago. The CMA had rightly sought Resource Departmental Expenditure Limit (RDEL) cover prior to the leave to appeal being granted, to shelter probable repayments of uncertain amounts. The Supreme Court's subsequent ruling to grant the CMA leave to appeal meant that provision was then required under Resource Annually Managed Expenditure (RAME) at 31 March 2017. HM Treasury rules prevent the CMA from obtaining RAME and RDEL cover for the same event, resulting in the CMA breaching its RAME control total by £65.5 million, with a corresponding surplus against its RDEL control total. CMA acted appropriately in notifying Parliament of the potential need for additional resources through the Supplementary Estimate, as confirmed by the Comptroller and Auditor General (C&AG) in his report on the accounts.

**Recommendation:** *Under the terms of the Standing Order of the House of Commons number 55(2)(d), we recommend that Parliament provides the additional resources by means of an Excess Vote, as set out in Figure 1 on Page 5.*

2. **The House of Commons: Members Account breached its Capital Departmental Expenditure Limit by £55,000.** The breach arose because of weaknesses in budgetary control and forecasting. The House of Commons failed to anticipate the cost of ICT equipment for new Members elected in by-elections, and there was a delay in recognising capital expenditure on ICT equipment from the previous year. The House did not identify the need to request cover for these additional costs in time for the Supplementary Estimate. In its accounts, the House outlines briefly some actions to mitigate such an excess reoccurring, and also notes concerns about the overall framework of governance, risk management and control.

**Recommendations:**

*Under the terms of the Standing Order of the House of Commons number 55(2)(d), we recommend that Parliament provides the additional resources by means of an Excess Vote, as set out in Figure 1 on Page 5.*

*The House of Commons should set out what improvements it has made to its budgeting processes to ensure it is better able to manage in-year spending and stay within its approved spending limits.*



## Excess Votes in 2016–17

1. This Report is part of the framework of control over government spending. Resource-based Supply requires Departments to estimate and manage the financial resources they need during each financial year on an accruals basis for commitments to provide services, and on a cash basis to meet commitments as they mature. Parliament authorises Departments' proposed cash spending and use of resources.
2. HM Treasury is responsible for monitoring and overseeing Departments' compliance with the limits authorised by Parliament and for controlling adjustments to the approved limits during the financial year. If a Department needs to adjust its budget during the year it has one opportunity to do so via a Supplementary Estimate, which is approved by Parliament towards the end of the financial year.
3. Resource-based Estimates reflect accruals and non-cash consumption of resources, such as depreciation. A cash limit is also voted by Parliament together with a non-budget line, through which departments are required to record adjustments to their prior year costs. A breach of any of the budgetary control limits, the cash limit or the non-budget line results in the need for the expenditure to be regularised through the Parliamentary Excess Votes process. In 2016–17, Parliament granted total net resources of £639.2 billion and total cash of £479.5 billion in Supply Estimates to 51 vote-funded bodies.<sup>1</sup>
4. Parliament expects Departments to stay within the limits they are voted. Under Standing Order of the House of Commons number 55(2)(d),<sup>2</sup> the Committee of Public Accounts scrutinises the reasons behind any individual bodies exceeding their allocated resources, and reports to the House of Commons on whether it has any objection to making good the reported excesses. Once the Committee has reported, Statements of Excesses will be presented to Parliament, to be voted into the Supply and Appropriation (Anticipation and Adjustments) Act. The passing of this Act authorises the additional grant by Parliament to regularise the excesses incurred by departments.
5. Figure 1 shows the excesses incurred in 2016–17. Parliament is being asked to approve additional budget for the excesses reported in the table.

**Figure 1: Summary of 2016–17 Excesses**

Department	Resource AME		Capital DEL	
	Excess	Amount to be voted	Excess	Amount to be voted
	£	£	£	£
Competitions and Markets Authority	65,506,000	65,506,000		
House of Commons: Members account			55,000	55,000

1 HM Treasury, [Central Government Supply Estimates: Supplementary Estimates and New Estimates 2016–17](#), February 2017, HC 946

2 House of Commons, [Standing Orders of the House of Commons Public Business](#), HC 900, December 2013

## Competitions and Markets Authority: Excess on Annually Managed Expenditure<sup>3</sup>

6. In April 2010, the Office of Fair Trading, which subsequently merged with the Competition Commission to form the Competition and Markets Authority (CMA), levied and collected a penalty from two companies following its investigation into tobacco pricing. Gallaher and Somerfield subsequently sought repayment of the penalty, plus interest and related costs through legal proceedings. In June 2016, the Court of Appeal ruled in favour of the two companies. Following the Court of Appeal’s decision, CMA sought leave to appeal to the Supreme Court.<sup>4</sup>

7. CMA sought and was granted additional resources, through the Supplementary Estimates process in February 2017, to cover potential repayments to the two companies. At that time, CMA was still awaiting the decision from the Supreme Court on its leave to appeal. Having consulted with HM Treasury, CMA requested (and were granted) supplementary RDEL cover of £70.0 million, so that it had budgetary cover in the event that leave to appeal was not granted and repayment would be required.

8. Following the Supplementary Estimate, on 23 February 2017 the Supreme Court granted the CMA leave to appeal. Consequently at 31 March 2017 the repayment of the penalties remained (and still remains) uncertain. Under International Financial Reporting Standards CMA was required to make provision in the financial statements and, under HM Treasury’s consolidated budgeting guidance, the new provision has to be under AME. As a result CMA breached its RAME control total by £65.5 million, with a corresponding surplus against its RDEL control total.

9. As set out in the Comptroller and Auditor General’s report on the CMA’s accounts, it would not have been permissible for CMA to have requested cover under both DEL and AME spending limits for the same transaction. CMA acted appropriately in notifying Parliament of the need for additional resources and requesting RDEL cover through the supplementary estimate.

## House of Commons Members Account: Excess on Capital Departmental Expenditure<sup>5</sup>

10. The House of Commons: Members Account breached its authorised Capital Departmental Expenditure limit of £200,000, by £54,978 (actual expenditure incurred: £254,978). The Capital Departmental Expenditure limit on the House of Commons Members Account Estimate is solely for the provision of loan Information and Communication Technologies (ICT) equipment to Members of the House of Commons. Each Member is allocated a capped allowance for ICT equipment, which they can draw down against.

11. No individual Member exceeded their individual allowance for equipment purchases. However, during 2016–17 the House failed to apply its normal level of budgetary control on this specific ICT expenditure, which sat outside the normal purchase order processes

3 Competition and Markets Authority, [Annual Report and Accounts 2016–17](#), HC 24, July 2017

4 The Supreme Court, [Case ID: UKSC 2016/0185](#)

5 The House of Commons: Members, [Annual Accounts & Audit Committee Annual Report 2016–17](#), HC 227, July 2017

applicable to other areas of expenditure. The House failed to anticipate, in considering its Supplementary Estimate, the impact of the high level of new Members from by-elections since the 2015 General Election, resulting in additional capital expenditure of £32,000. Furthermore, capital expenditure of £63,000 which should have been recognised in 2015–16 (as it related to ICT equipment ordered and received in that year) was not identified until late in 2016–17.

12. These factors contributed to inadequate forecasting and the overall capital overspend in 2016–17. The House of Commons failed to identify the need to request cover for these costs in time for the Supplementary Estimate.

13. We note that, in its Annual Accounts, the House describes, at a high level, some actions to mitigate against such an excess happening again. The accounts also note that the Director of Internal Audit, in his annual report, concluded that “whilst he felt that the governance, risk management and control arrangements in place were generally adequate for the purposes of the House, there were significant weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective. Action will be taken in the coming year to address the issues identified.”

# Formal minutes

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**Wednesday 31 January 2018**

Members present:

Heidi Allen	Gillian Keegan
Sir Geoffrey Clifton-Brown	Nigel Mills
Martyn Day	Layla Moran
Chris Evans	Bridget Phillipson
Caroline Flint	
Luke Graham	

In the absence of the Chair, Sir Geoffrey Clifton-Brown was called to the chair.

Draft Report (*Excess Votes 2016–17*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 13 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

*Resolved*, That the Report be the Nineteenth of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 5 February 2018 at 3.30pm]

# List of Reports from the Committee during the current session

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397
Sixth Report	The growing threat of online fraud	HC 399
Seventh Report	Brexit and the UK border	HC 558
Eighth Report	Mental health in prisons	HC 400
Ninth Report	Sheffield to Rotherham tram-trains	HC 453
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454
Eleventh Report	Homeless households	HC 462
Twelfth Report	HMRC's Performance in 2016–17	HC 456
Thirteenth Report	NHS continuing healthcare funding	HC 455
Fourteenth Report	Delivering Carrier Strike	HC 394
Fifteenth Report	Offender-monitoring tags	HC 458
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463
Seventeenth Report	Retaining and developing the teaching workforce	HC 460
Eighteen Report	Exiting the European Union	HC 467
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347