

**EXPLANATORY MEMORANDUM TO  
THE TRANSFER OF FUNCTIONS (PAYMASTER GENERAL) ORDER 2006**

**2006 No.607**

- 1.** This explanatory memorandum has been prepared by H M Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

**2. Description**

2.1 This instrument transfers to the Commissioners for Her Majesty's Revenue and Customs ("the Commissioners") the functions of the Paymaster General relating to the administration and oversight of the Office of HM Paymaster General and the powers to authorise or require action by or in relation to that Office for the purpose of discharging a duty or liability of the Paymaster General or for any other purpose. The functions to be transferred will give the Commissioners management of all the activities that OPG undertakes as its business.

2.2 OPG's business is to provide a banking operations service to government departments and to other public sector bodies. In order to do so, it is empowered to operate the bank accounts held in the name of the Paymaster General, which have, to date, been held at the Bank of England. The OPG operation extends to providing its customers with a single view of their transactions and balances while also using a variety of other banks to provide clearing services.

2.3 Because of the volume of banking transactions in which Her Majesty's Revenue and Customs ("HMRC") is itself already involved, its capacity to conduct work of this kind, and in view of the forthcoming joint banking project (covered in 7 below) on which HMRC will be taking the lead, it is the policy intention to transfer all the administration and oversight of OPG from the PMG to the Commissioners.

**3. Matters of special interest to the Joint Committee on Statutory**

3.1 None.

**4. Legislative Background**

4.1 The Order is being made to transfer functions of the Paymaster General relating to the administration and oversight of the OPG, and to confer these functions on the Commissioners so that the work may be carried out by HMRC.

- 4.2 The Order is made under the Ministers of the Crown Act 1975, which was amended by the 2005 Act to allow ministerial functions to be transferred to the Commissioners by such an Order.
- 4.3 The functions of the Paymaster General that are being transferred are not set out expressly in statute. Instead, statute establishes the OPG (section 3 of the Paymaster General Act 1835), contemplating that it will operate the accounts in the PMG's name in the Bank of England under the administration and oversight of the PMG. These administrative function of the PMG will transfer to HMRC.
- 4.4 The bank accounts held in the name of the Paymaster General will be unaffected by the Order, and will remain the property of the Paymaster General. They will continue to be operated by OPG under the management of the Commissioners.

## **5. Extent**

- 5.1 This instrument applies to all of the United Kingdom.

## **6. European Convention on Human Rights**

The Paymaster General has made the following statement regarding Human Rights:

“In my view the provisions of the Transfer of Functions (Paymaster General) Order 2006 are compatible with the Convention”.

## **7. Policy background**

- 7.1 The business of OPG under the administration and oversight of the PMG is the provision of a banking service to its customers in the public sector. The banking service comprises the holding of customers' balances in the PMG's high level accounts at the Bank of England (where they are made available to offset the government's borrowing requirements), the provision of individual accounts for customers which record their payments, receipts and balances and enable them to receive interest payments from HM Treasury, the provision of money transmission services to enable customers to make payments to and receive receipts from third parties, in sterling and foreign currencies, and the provision of cash flow and other banking data services to HM Treasury to support the government's cash management operations. OPG introduces new banking services from time to time to meet the changing needs of its customers or as new services become available from the banking market.
- 7.2 OPG is a provider of a shared service to public sector bodies. It does not provide services direct to the public or the private sector. OPG is not itself an authorised bank; balances are held by at accounts at the Bank of England. OPG purchases money transmission, data processing and customer services from a range of banks and other suppliers in order to provide an overall service to its customers.

- 7.3 OPG's customers are public sector bodies who are required or approved by HM Treasury to hold their balances in the accounts held by the PMG, operated by OPG. Such bodies may also use OPG's transaction processing services, on a repayment basis, but they are not obliged to, and may use commercial banks instead. The bodies include public departments (who must receive resources voted by parliament into accounts at OPG), non-departmental public bodies and NHS bodies in England, Wales and Scotland. OPG also holds accounts for some local authorities, although in practice OPG does not currently provide banking services to local government bodies.
- 7.4 Following an interdepartmental review lead by HM Treasury of banking arrangements across the Chancellor's departments, Ministers concluded that banking services currently procured by HMRC and National Savings and Investments direct from banks will be provided by OPG, extending its existing shared service role to include HMRC and NS&I. It is envisaged that OPG may also extend its provision of banking services more widely through the public sector in future. It is not expected that the banking services so provided will be materially different in kind from those currently undertaken by OPG. There will be no expected change in the service provided to customers and for this reason there has been no need to undertake a consultation. Customers will be informed of the administrative change. In practical terms, the transfer is an administrative matter. The change will not necessitate any change in the names of any bank accounts which are operated by these functions.
- 7.5 In view of the scale and complexity of the project and the level of operational and project management experience of HMRC, Ministers have concluded that HMRC should take on responsibility for implementation of the project. Accordingly the functions of the PMG relating to the administration and oversight of OPG the powers to authorise or require action by or in relation to that Office for the purpose of discharging a duty or liability of the Paymaster General or for any other purpose should be transferred to HMRC. The 6 officials in the Office of the Paymaster General will also transfer to HMRC.

## **8. Impact**

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 There is not expected to be any impact on the public sector as the banking services provided will not materially change as a result of this transfer.

## **9. Contact**

Lee Palmer at HM Treasury Tel: 020 7270 4889 or e-mail: lee.palmer@hm-treasury.x.gsi.gov.uk can answer any queries regarding the instrument.