

Canadian Receiver General's Department
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Developments in Government Banking in the UK

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Main Development Objective

Creating a single efficient and cost-effective service meeting the needs of:

- ✍ Revenue and Customs;
- ✍ National Savings and Investments (the UK government's retail savings agency);
- ✍ Office of the Paymaster General (an existing shared service operation providing banking services to 900 public sector customers);

While retaining overnight balances in the Bank of England for aggregate cash management.



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Why are we doing it?

A series of reviews and feasibility studies pointed to it being a natural development:

- potential for economies of scale;
- concentrating and developing expertise;
- better operational links with the commercial banking sector.

The government's current principal banker – the Bank of England – announced last year that it wanted to cease being a volume transaction processor, essentially forcing a change in any case.



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Cash Management

All overnight balances pooled at Bank of England

UK Debt Management Office (part of HM Treasury) actively manages the pooled cash position, eg:

- lending when there is a daily surplus;
- borrowing when there is a deficit.

Needs good visibility of the forecast end of day position
So the new service must provide real time data to support accurate intra-day forecasting



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Indicative Transaction volumes

2005-06 Estimates

	<u>Payments</u> millions	<u>Receipts</u> millions
<u>Paper based payments</u>		
Cheques	25.3	21.8
BGC	-	4.0
<u>Electronic transfers</u>		
3 Day cycle (BACS)		
Direct Credits	380.0	7.5
Direct Debits	-	21.6
RTGS (CHAPS)	0.07	0.5
Other transactions	-	1.8



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Indicative Transaction values

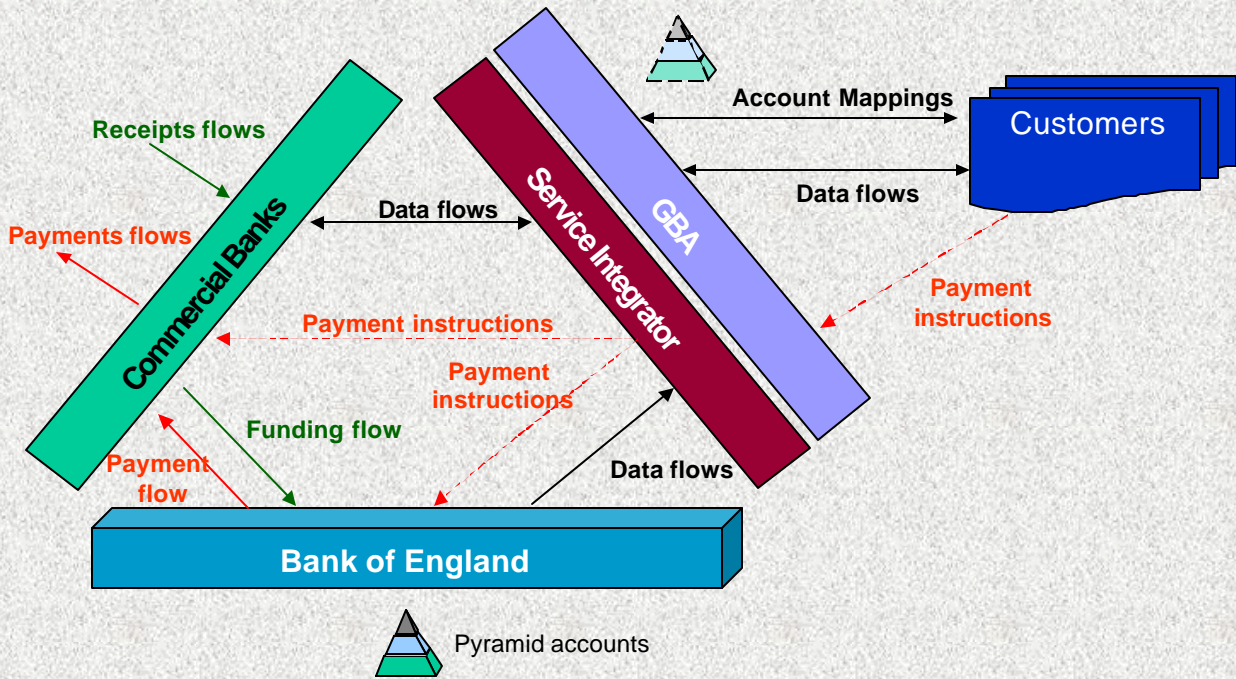
2005-06 Estimates

	<u>Payments</u> £bn	<u>Receipts</u> £bn
<u>Paper based payments</u>		
Cheques	19.7	104.4
BGC	-	17.4
<u>Electronic transfers</u>		
3 Day cycle (BACS)		
Direct Credits	265.0	113.0
Direct Debits	0.1	40.0
RTGS (CHAPS)	54.4	228.0
Other transactions	4.9	7.0

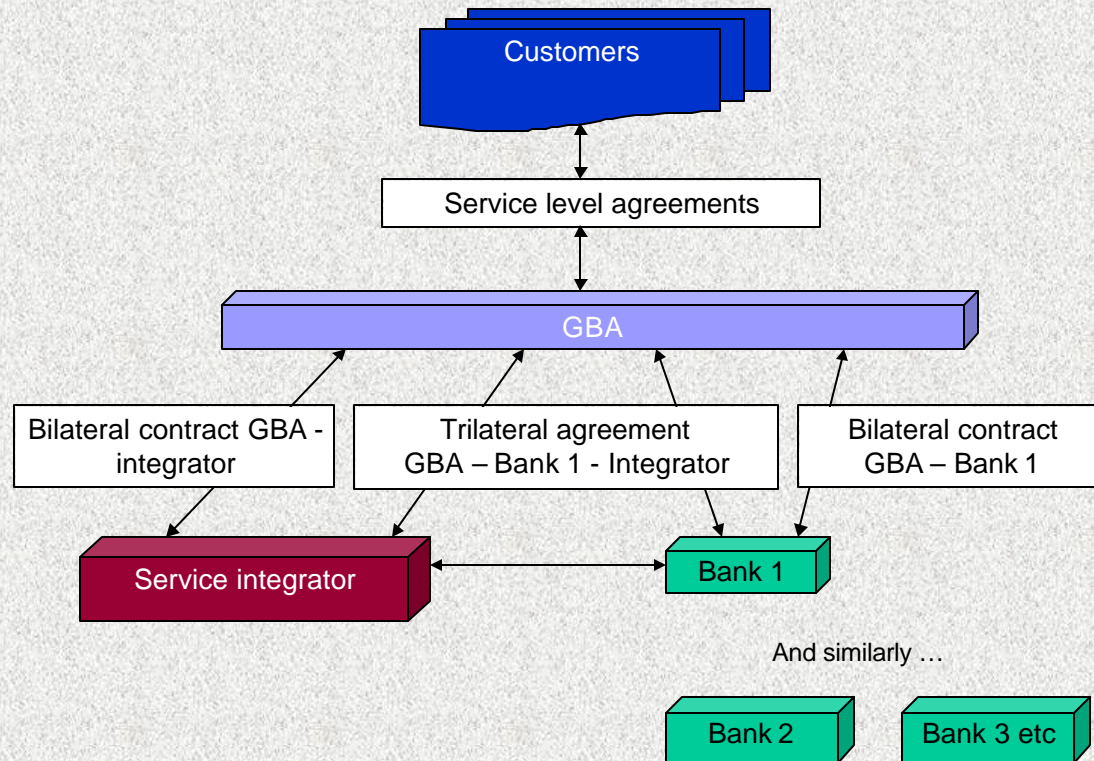


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Proposed Data and Financial Flows



Proposed Contractual Arrangements



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Progress: The Market

We have had 2 consultations with the market:

- informal bidders conference last November
- formal responses to a detailed consultation paper this Summer

And generated a high level of interest from UK banks and outsourcing operators.



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Progress: Design and Transition

All departments are now involved in developing their transition plans.

Different challenges for each:

- Customs and Revenue currently do all banking 'in-house';
- Customs and Revenue also working on merging the two departments;
- National Savings and Office of Paymaster General: 'back offices' totally outsourced already.



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Timetable

December 2005 – launch formal procurement

December 2006 – award contracts

2007 – systems configuration by contractors:
detailed transition planning and preparation
by partners

2008 – transition of services



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