



Office of H M Paymaster General
H M Treasury
1 Horse Guards Road
London SW1A 2HQ

9 March 2006

Dear Customer

Future ownership of the Office of H M Paymaster General (OPG)

We are writing to let you know that OPG will move shortly from being part of the Treasury (HMT) to become part of HM Revenue and Customs (HMRC). The transfer is expected to be effective from or shortly after 3 April 2006, subject to receiving Parliamentary approval.

OPG became part of HMT following reorganisation of central government debt and asset management announced by the then Financial Secretary on 1 July 2002. OPG and HMT wrote to you at the time to assure you about continuity of the OPG service and to provide safeguards on any conflicts of interest that might have arisen from direct Treasury control over your banking service.

The purpose of this letter is to set out the reasons for the current move, reconfirm previous assurances over service provision, and provide safeguards relevant to the new departmental ownership.

There are two main reasons for the move.

Firstly, you will be aware from OPG User Groups that HMT and OPG have been working together with HMRC and National Savings & Investments (NS&I) on the Government Banking Project. The aim is to develop a common shared service for banking to meet the needs of all the Chancellor's departments, delivered from a single service provider and based broadly on the current OPG model. This project will therefore bring together services to HMRC and NS&I with the existing shared service provided to public bodies by OPG. The work is being carried out against the backdrop of the Bank of England's stated intention to withdraw from retail banking activities.

This project is now moving towards the procurement and implementation stages. It is a complex and resource intensive project, with many dependencies and a substantial transition programme, not least across HMRC's range of tax systems. After careful consideration it has been agreed by Treasury Ministers that responsibility for seeing the project through to a successful conclusion should transfer to HMRC, who have the project management experience and resources required. As OPG is an integral part of the future single service provider it is right to transfer ownership of the current service to HMRC, together with its staff and service infrastructure. HMT will continue to be a key sponsor and stakeholder in the project.

Secondly, OPG remains essentially a service provider, focussed on meeting the banking needs of customers across the public sector. We want to continue to provide a value for money and responsive service to meet your changing needs and to develop our customer base. See www.opg.gov.uk for further information. HMRC

will provide a well resourced and operationally focussed base for ensuring provision of the current OPG service and future development of the business, using the best available means of service delivery.

The practical implications of the move are few. From the effective date HMRC will assume responsibility for delivery of the role and functions of the Assistant Paymaster General (APG). The core role and functions of the APG remain unchanged. The APG is responsible for operation of the Paymaster General's accounts at the Bank of England, in which OPG customer balances are held. OPG provides banking services to enable you to make use of your balances efficiently and effectively to meet your business needs.

In this way customer balances are both safeguarded and made available at close of business each day to the National Loans Fund so as to minimise government borrowing costs. The continued effective operation of the OPG service will remain an important element of the overall cash management function for which HMT (and its agency the Debt Management Office) will continue to be responsible.

Your Service Level Agreement (SLA) will continue to be with OPG, and final ownership of the SLA will therefore remain within the Crown. However, transfer to HMRC will mean that the Commissioners of Revenue and Customs will now become ultimately responsible for service delivery. OPG had been planning to update its customer SLAs for some while and an updated SLA will be sent to all customers during 2006 – this version will recognise the change of OPG ownership. The OPG Banking Services User Guide and related Customer Service Advice Letters (CSALs) which form an integral part of the SLA will continue in full force and effect, and there will be no change to your terms of business, including tariffs, as a result of the move. All your normal contacts, both at OPG and our service centre at Crawley, remain unchanged.

Following integration with HMRC, OPG's services to its customers will continue unchanged. OPG will continue to be fully engaged in meeting its customers' banking needs, with a focus on maintaining and improving the service wherever possible.

Your accounts with OPG and management of the balances they contain will remain your responsibility and fully under your control. The safeguards set out in the annex are intended to ensure there is no conflict of interest between the operations of OPG and HMRC's role as the UK's tax authority.

All your current banking needs will continue to be provided from the OPG service centre at Crawley, where all contact details remain unchanged.

Please pass this letter to anyone else in your organisation who should see it.

Gabriel Makhlouf
Director, Debt Management and Banking
HMRC

Lee Palmer
Assistant Paymaster General
OPG

Organisational Safeguards:

- Separate OPG team, with separate senior responsible managers, responsible for service delivery.
- HMRC will remain responsible for all aspects of tax assessment and collection, including from public bodies.
- Responsibility for government policy on departmental banking, Government Accounting and the Cashflow Management Scheme or the way they are operated will remain with HM Treasury.
- The APG's functions and roles will be managed to avoid any potential or actual conflicts of interest with both HMRC and HMT functions.

Operational Safeguards:

- OPG sets out its service standards in its Banking Services User Guide and is accountable to customers for their achievement.
- Service Level Agreements set out the responsibilities of OPG and the customer, recognise the Banking Services User Guide and provide a dispute resolution procedure up to the level of Accounting Officer, or equivalent, on each side.
- Instructions from a customer for operation of their account(s) are not accepted by OPG unless they are authorised by the customer's (or their appointed agents) approved signatories. No other instructions are accepted.
- OPG's contractor is responsible for ensuring that customer instructions are correctly authorised and is liable for the consequences of a failure to do so.
- Only OPG customers have access to their accounts. Data from accounts is only reported to HMT for overall Cash Management purposes and for calculation of interest on balances where applicable.
- Data on individual customer transactions is only reported to the customer, or their appointed agent. It is the responsibility of the customer to provide information required by HMRC as the UK's tax authority.
- OPG will comply with all relevant legislation and regulations in the operation of accounts and provision of information.

Corporate Governance Safeguards:

- The Commissioners of Revenue and Customs, in fulfilling the functions and role of the APG, are responsible for the effective operation of OPG, and for complying with relevant legislation and guidance such as Government Accounting.
- The HMRC system of internal audit will provide reports and assurances to senior management/OPG stakeholders on the adequacy and effectiveness of OPG's internal controls.

If you need more information or have any further questions on the merger of OPG with HMRC please contact us at the address shown above.