

## The UK Public Sector EMU preparations

Since the Prime Minister's speech earlier this year, the UK public sector has begun to take an increasingly urgent interest in what will need to be done if the UK is to adopt the euro as its currency. This article looks at some of the preparations which have been made so far, what is likely to happen in the near future, and takes a look at some of the approaches being considered.

### The story so far

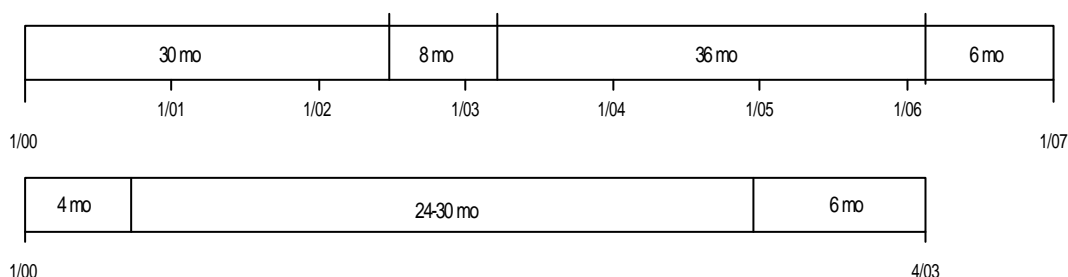
Not surprisingly, different parts of the public sector have been moving at different speeds. The revenue ministries – broadly Customs and Excise and Inland Revenue, have been much exercised by strategic euro questions already. One or two of the larger ministries – notably Social Security – have also made significant progress because they have reasoned that with system as large and complex as theirs, they may have problems if they start late.

Other ministries and agencies are only now beginning to take a serious look at the issues surrounding the euro, and it is to provide a common source of guidance and information that the Treasury has begun to develop some guidelines for public sector preparations. It is expected that these will be published in a few weeks.

During the last government, it was almost amusing to see the way in which civil servants avoided euro-related questions. Mentioning the 'e-word' brought glazed horrified looks and the sudden remembrance that they had a pressing engagement elsewhere. Even the Bank of England, which always had a pretty independent view even before its formal liberation, claimed that all the work it was doing was related to ensuring that there were orderly markets.

But just because Tony Blair has announced the intention of joining does not clear the road to full scale euro preparation. In the first place, the timing and nature of the UK entry are still only sketchy. If the UK were to join before 2002 it would – in principle - be possible to adopt notes and coins at the same time as other countries.

However, this does not appear to be within anyone's planning horizon. At present, the estimates typically anticipate that the timetable will be roughly as in the following diagram:



It can be seen that the planning and implementation period for the UK are somewhat shorter than for other countries – and of course we are here assuming that the UK can control its own destiny as to timescales. It is not impossible that other countries will insist on changes to the UK's preferred schedule.

At present it is assumed that, apart from the revenue authorities, there will not be any requirement to complete all changes before the introduction of euro cash and notes.

Now, one of the most significant differences between private and public sector use of the euro is the political significance of such use. If ICI, British Steel or Ford begins to operate in euro, this is an interesting point for business partners and competitors, but is of only collateral political significance. By contrast, if the government and its ministries do not make it clear that they are taking a leading role in setting standards, and in the debate on use of the currency, it will be taken by the public that the government is not really serious about the subject. And if it is felt that the government does not take the euro seriously, then it is unlikely that anyone else will.

#### Future plans and preparations

The Treasury is now in the final stages of drafting a set of guidelines for public sector usage, and all of the major ministries – and some of the smaller ones – are contributing and editing the current draft.

Sensibly the draft guidelines do not specify exactly what to do – it is recognised that there are many options, and that in different situations, different solutions will be appropriate.

What the guide is likely to do, however, is to provide assistance as to how the effort should be organised, and what areas are most likely to be affected. Probably one of the most difficult areas concerns matters such as taxes and benefits which are likely to change at each forthcoming budget, and so ministries handling such matters must be prepared to change thresholds and rates at very little notice.

The treasury document stresses the importance of high level support and sponsorship for the project (though if the Prime Minister and Chancellor are behind it, that seems a reasonable level of support). But perhaps it is meant more practically – namely that when conflicts for time and resources, or even decisions are required, then the euro takes and appropriate level of priority.

The draft also notes that lack of high level support will result in knowledge and decisions being isolated and that costs will be very likely to rise as a result. Indeed, two large private sector organisations are cited as having managed – in part through good management – to deliver euro projects for one third and one tenth respectively of the original estimates.

The paper also sets out a list of areas where the euro is likely to have an impact. These include:

Treasury operations	Budgeting systems	Filing and billing systems
Portfolio management	Management accounting	Purchase and supply systems
Asset management and registers	MIS	Costing systems
Property management	Invoicing and sales systems	Stock control
Financial accounting ledgers	Marketing systems	Manufacturing systems
Spreadsheets	Pricing, ticketing and labelling systems	EDI
Import/export	Petty cash	Electronic ordering and supply systems
	Claims and awards	

documentation Payroll systems Expenses	Legal systems	Distribution and logistics systems
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The document also recognises that the project may, for many organisations, be iterative. That is, it may well be that the development has to go through several iterations before it can determine and meet all requirements. There may also be different stages which have different requirements (for example, a move from single currency to dual currency will in due course be superseded by a move from dual currency to single currency – albeit a different one!)

The role of communications, both internal and external is another key factor. It may well be that the discoveries of some of the more advanced ministries can be of use to followers, for example in the identification and selection of tools for scanning or wrapping. Similarly, lessons, both good and bad will be learned and if they can be made available, it may help others at least to avoid some pitfalls (even if they find new ones for themselves)

Some approaches

The range of systems in the public sector is vast. It spans one-off spreadsheets which may need a simple macro with the fixed sterling – euro rate to be input, to vast systems for social security. So the Treasury paper considered some of the options for facilitating the changes.

It lists – with some detail of the methods – methods which convert on input and output (broadly similar to wrapping or encapsulation – a word which seems to be heartily detested by the author of the paper). It also looks at bridging techniques, which are similar but operate within the IT world to provide interfaces between systems.

Parallel systems ('cloning') are also considered. Generally this is not considered a good way of doing things. It is expensive and requires a significant amount of additional development for consolidation of data. However, if there is concern that the systems requiring conversion are so complex, or that the volumes are very high and it is feared that interfering could upset the whole operation, then cloning may be an option.

This method works best where the underlying system does not have responsibility for the source or destination of the data. Bank clearing is an example here. CHAPS or BACS is only a process in the middle of payments from the accounts of individuals to accounts of others. It does not itself have responsibility for the interpretation of the final data.

Other solutions are considered involving running with two currencies or with multiple currencies and these are considered for particular situations.

Finally the 'perennials' are considered. These are the questions which turn up on every euro assignment. And they can absorb much time, effort and be productive of many ingenious – and contradictory – solutions. These are the questions of:

- Historic data
- Euro symbol
- Threshold rounding

- Rounding
- Triangulation

At the moment, the Treasury seems to be taking an admirably pragmatic view and suggesting that, in fact these are not 'absolute stoppers' and that it is perfectly possible to avoid the great majority of problems with a simple statement of policy while allowing carefully monitored exceptions to go through.

Finally, and using its own dictum that we should learn from the experience of others, the document sets out a series of questions to help to decide how a particular euro project should be organised and what indeed are the major issues. This parallels closely an Irish document which has the same objective.

But things are not standing still. While the major public sector expenditure will need to be voted through Parliament in some detail, the Prime Minister's statement included a paragraph which said that funding for preliminary work in the revenue and larger ministries is to be included in the Social Security and Budget bills in the current session of Parliament.

So it has already started. The Treasury intends to give a lead if it can, and will, I suspect, not be unhappy if its ideas and suggestions are adopted and adapted in the private sector too.

As Tom Lehrer (I believe) said:

*God gave you eyes  
So plagiarise*

And so I have.