

EXPLANATORY MEMORANDUM TO

THE WHOLE OF GOVERNMENT ACCOUNTS (DESIGNATION OF BODIES) ORDER 2023

2023 No. 1016

1. Introduction

- 1.1 This explanatory memorandum has been prepared by His Majesty's Treasury and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

- 2.1 The Whole of Government Accounts (Designation of Bodies Order 2023 ("the Order")) identifies bodies to be included in the consolidated Whole of Government Accounts for the year ending 31 March 2023. Designating these bodies enables the Treasury to require them to provide the necessary audited financial information, in a specified form and to a specified timescale, for the preparation of the Whole of Government Accounts.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

4. Extent and Territorial Application

- 4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.
- 4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. European Convention on Human Rights

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

- 6.1 Section 9(1) of the Government Resources and Accounts Act 2000 ("the GRAA") requires the Treasury to prepare "Whole of Government Accounts" for a group of bodies that appears to the Treasury to exercise functions of a public nature or to be entirely or substantially funded from public money. In practice, the Treasury primarily include bodies in the accounts based on their classification to the public sector by the Office for National Statistics ("ONS") for National Accounts purposes. On this basis, the accounts include bodies within the central government, devolved administrations, local government, public corporations and health sectors during the period covered by the accounts.
- 6.2 Where the Treasury intend the Whole of Government Accounts for a financial year to relate in part to a particular body which falls within section 9(1) of the GRAA, section 10(1) of that Act enables the Treasury by order to designate that body. A body

designated in this way must provide the Treasury with information in accordance with section 10(2) and (3) of the GRAA.

- 6.3 The composition of central government, local government and public corporations changes each year as bodies are created, merged or dissolved. Therefore, a designation order must be made annually under section 10(1) of the GRAA in respect of each set of accounts to reflect the bodies for the period covered by the accounts.
- 6.4 Section 9(4) of the GRAA requires the Treasury to prepare accounts that present a true and fair view and conforms to generally accepted accounting practice (subject to such adaptations as are necessary in the context).
- 6.5 Health trusts are not included in the Order since the audited financial information they are required to provide to the Department of Health and Social Care for the purposes of producing the Department of Health and Social Care's annual resource accounts is also used for Whole of Government Accounts purposes.
- 6.6 Northern Ireland Bodies that are subject to the requirements of the Government Resources and Accounts (Northern Ireland) Act 2001 are designated by the Northern Ireland Department of Finance.
- 6.7 Bodies whose activities are confined to Scotland are also not covered by the Order. The Scottish Government relies either on administrative powers or the Public Finance and Accountability Act (Scotland) 2001 to collect audited financial information from them.

7. Policy background

What is being done and why?

- 7.1 Parliament originally requested consolidated accounts for central government in the 1994-95 parliamentary session (Public Accounts Committee Fifteenth Report, Session 1994-95).
- 7.2 In July 1998, the Treasury published a scoping study report into the development of consolidated public sector accounts. The report concluded that Government should aim to develop a fully-audited set of accounts based on Generally Accepted Accounting Practice adapted as necessary for the public sector context with the approval of the Financial Reporting Advisory Board, and covering the whole of the public sector as far as practically possible. The reasons for preparing the Whole of Government Accounts include providing better transparency and accountability to Parliament, as well as improved information for fiscal policy.
- 7.3 Sections 9 to 11 of the GRAA provide the statutory framework for preparing Whole of Government Accounts, obtaining the necessary information, and for scrutiny by the Comptroller and Auditor General ("C&AG").
- 7.4 The C&AG qualified the Whole of Government Accounts for 2020-21 ("WGA 2020-21") on a number of grounds including a disagreement regarding the definition and application of the boundary of the accounts, in particular the exclusion of public sector banks and other bodies.
- 7.5 The Treasury has chosen to exclude NatWest Group on the basis that the inclusion of their figures would materially distort the position of the public sector as represented in the Whole of Government Accounts, the intent was to hold them on a temporary basis, and the Government's holding has been reducing over time.

- 7.6 The C&AG also qualified WGA 2020-21 on grounds of: the inconsistent application of accounting policies relating to local government infrastructure assets and Department for Environment, Food and Rural Affairs operational assets; consolidation of components with non-coterminous year ends; consolidation of components whose accounts have not been audited; and disagreement and limitation in audit scope from underlying statutory audits of bodies falling within the boundary of the Whole of Government Accounts. The Treasury continues to work towards removing these qualifications.
- 7.7 The audit of the WGA 2020-21 is complete and the full audited account was published on 20 of July 2023.
- 7.8 The Whole of Government Accounts for 2021-22 has yet to be published and is in the process of being prepared.
- 7.9 The Annex provides further information on the bodies which were added, removed and names changed for the Order.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

- 9.1 Consolidation is not relevant because the Order relates to a single financial year.

10. Consultation outcome

- 10.1 The Treasury has made a decision to designate bodies for inclusion in the Order following consultation with government departments, local authorities and the Welsh Administration.

11. Guidance

- 11.1 Guidance is not required.

12. Impact

- 12.1 The impact on business, charities or voluntary bodies is negligible.
- 12.2 The impact on the public sector is limited. The majority of information required by the Treasury is largely the same as each body produces for its own accounts and is also audited by its existing auditors. The additional work for most bodies is restricted to identifying the in-year transaction streams and year-end balances with other bodies within the boundary of the Whole of Government Accounts. These must be cancelled out so that the result and year-end position of the whole of government are presented as if it were a single entity.
- 12.3 An Impact Assessment has not been prepared for this instrument because of its low-level impact on the public sector.

13. Regulating small business

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

- 14.1 The approach to monitoring of this legislation is that His Majesty's Treasury and the National Audit Office will monitor compliance with the requirements of this instrument. Review by those same bodies will inform the lists included in similar instruments for subsequent years.
- 14.2 The instrument does not include a statutory review clause.

15. Contact

- 15.1 Matthew Rowe, Head of WGA, Government Financial Reporting at His Majesty's Treasury, email: Matthew.Rowe@hmtreasury.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Charlotte Goodrich, Deputy Director, Government Financial Reporting at His Majesty's Treasury can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Chief Secretary to the Treasury (John Glen) at His Majesty's Treasury can confirm that this Explanatory Memorandum meets the required standard.

ANNEX

This Annex provides a summary of changes to the Order as compared with the Whole of Government Accounts (Designation of Bodies) (No. 2) Order 2022.

Bodies added:

Central Government

Air Safety Support International Limited
British Technology Investments Limited
Career Choices Dewis Gyrfa Ltd
The Commissioners of Irish Lights
Covent Garden Market Authority
Criminal Cases Review Commission
Crossrail International
Department for Business and Trade
Department for Energy Security and Net Zero
Department for Science, Innovation and Technology
Development Bank of Wales
Digital Health and Care Wales
Health Education and Improvement Wales
Housing Ombudsman
Institute for Apprenticeships and Technical Education
IUK Investments Holdings Limited
Judicial Appointments Commission
Leasehold Advisory Service
Legal Services Board
NHS England
Oak National Academy Limited
Oil and Pipelines Agency
Pool Reinsurance Company Limited
Public Health Wales NHS Trust
RCDTS Ltd
Regeneration Investment Fund for Wales LLP
Regulator of Social Housing
Royal Commission on the Ancient and Historical Monuments of Wales
Royal NAAFI
Royal Parks Limited
Salix Finance Limited
SE Trains Limited
Sizewell C Limited
Skipton Fund Limited

Social Work England
Trade Remedies Authority
Transport Focus
Transport for Wales
UK Hydrographic Office
Valuation Tribunal Service
Velindre University NHS Trust
Welsh Ambulance Service NHS Trust
WGC Holdco Limited

Local Government

Cumberland Council
North Yorkshire Council
Somerset Council
Transport for the North
Westmoreland and Furness Council

Bodies removed:

Central Government

BPDTS Limited
Bulb Energy Limited
Department for Business, Energy and Industrial Strategy
Department for International Trade
Disabled People’s Employment Corporation (GB) Ltd
HM Inspectorate of Constabulary and Fire & Rescue Services
National Citizen Service Trust
National Health Service Trust Development Authority
Prudential Regulation Authority
Territorial, auxiliary and volunteer reserve associations

Bodies renamed:

Former name: 2021-2022 Designation Order	Current name: 2022-23 Designation Order
Atomic Weapons Establishment (AWE) plc	AWE Plc
Commonwealth Development Corporation	British International Investment
Charity Commission	Charity Commission for England and Wales
Department for Digital, Culture, Media and Sport	Department for Culture, Media and Sport
National Museum of Wales	National Museums and Galleries of Wales

Abolished local government bodies whose former functions are now exercised by another body:

Former name: 2021-2022 Designation Order	Current Name: New Body for 2022-23 Designation Order
Allerdale Borough Council	Cumberland Council
Carlisle City Council	Cumberland Council
Copeland Borough Council	Cumberland Council
Craven District Council	North Yorkshire Council
Hambleton District Council	North Yorkshire Council
Harrogate Borough Council	North Yorkshire Council
North Yorkshire County Council	North Yorkshire Council
Richmondshire District Council	North Yorkshire Council
Ryedale District Council	North Yorkshire Council
Scarborough Borough Council	North Yorkshire Council
Selby District Council	North Yorkshire Council
Mendip District Council	Somerset Council
Sedgemoor District Council	Somerset Council
Somerset County Council	Somerset Council
Somerset West and Taunton Council	Somerset Council
South Somerset District Council	Somerset Council
Barrow-in-Furness Borough Council	Westmorland and Furness Council
Cumbria County Council	Westmorland and Furness Council
Eden District Council	Westmorland and Furness Council
South Lakeland District Council	Westmorland and Furness Council