EXPLANATORY MEMORANDUM TO THE

WHOLE OF GOVERNMENT ACCOUNTS (DESIGNATION OF BODIES) ORDER 2005

2005 No. 486

1. This explanatory memorandum has been prepared by Her Majesty's Treasury and is laid before Parliament by Command of Her Majesty.

2. Description

The statutory instrument identifies the bodies to be included in the consolidated Central Government Accounts (CGA) for the year ending 31 March 2005. Designating these bodies enables the Treasury to require them to provide it with the audited financial information it requires to prepare the accounts in a specified form and to a specified timescale.

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

None.

4. Legislative Background

CGA must include all bodies within the sector during the period covered by the accounts. The composition of central government changes each year as bodies are created, merged or dissolved, so designation orders must be made annually in respect of each set of accounts in order to reflect this.

5. Extent

This instrument applies to England and Wales.

6. European Convention on Human Rights

Not applicable

7. Policy background

7.1 In July 1998, the Treasury published a scoping study report into the development of Whole of Government Accounts (WGA). The report concluded that the Government should aim to develop a fully audited set of WGA based on Generally Accepted Accounting Practice (GAAP) adapted as necessary for the public sector, and covering the whole of the public sector as far as practically possible. The reasons for preparing WGA include providing better transparency and accountability to Parliament, as well as improved information for fiscal policy.

7.2 The scoping study report also concluded that fully reliable GAAP-based WGA would take some time to produce and that a staged approach should therefore be adopted, starting with a consolidation of the 300 or so accounts for central government departments, non-departmental public bodies and central funds. Following further research on the costs and practical considerations involved in extending the scope of the accounts to include local authorities and public corporations, the Government announced in the 2003 Pre-Budget Report that it will publish GAAP-based WGA for the first time based on figures for 2006-07 once the significant methodological issues raised have been addressed through dry-run processes.

7.3 Sections 9 to 11 of the Government Resources and Accounts Act 2000 provided the statutory framework for preparing WGA, obtaining the necessary information, and for scrutiny by the Comptroller and Auditor General. This will be the fourth statutory instrument listing the bodies to be included in CGA. The first two statutory instruments related to the preparation of 'dry run' CGA for 2001-02 and 2002-03, with the third one covering the preparation of accounts for the first 'live' year: 2003-04.

7.4 Bodies have been included in the statutory instrument because they are deemed to be controlled by central government according to the relevant GAAP accounting standards, which have been adapted for the public sector context with the approval of the Financial Reporting Advisory Board. The Treasury has made the decision to designate bodies for inclusion in the 2004-05 CGA following consultation with departments, the National Assembly for Wales, the Office for National Statistics and the National Audit Office.

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 The impact on the public sector is limited, because the information required by the Treasury is largely the same as each body requires in order to prepare its own accounts, and is 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 central government, which must be cancelled out so that the results and year end position of central government are presented as if it was a single entity. Departments that sponsor non departmental public bodies must also collect the consolidation returns required by the Treasury from these bodies and produce a sub-consolidation for the departmental group.

9. Contact

Carmel Zammit at Her Majesty's Treasury Tel: 020 7270 4502 or e-mail: carmel.zammit@hm-treasury.x.gsi.gov.uk can answer any queries regarding the instrument.