EXPLANATORY MEMORANDUM TO

THE WHOLE OF GOVERNMENT ACCOUNTS (DESIGNATION OF BODIES) ORDER

2009 No. 1973

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

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 This instrument identifies bodies to be included in the consolidated Whole of Government Accounts (WGA) for the year ending 31 March 2009. Designating these bodies enables the Treasury to require them to provide it with the necessary audited financial information, in a specified form and to a specified timescale, for the preparation of WGA.

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

3.1 As for the last two years the order is being made after the end of the financial year because it is not possible to determine the precise population of the Whole of Government Sector until the year-end. The information, which will be sought under the order, is already routinely collected and identified by the bodies that are being designated.

4. Legislative Context

4.1 The Government Resources and Accounts Act 2000 requires the Treasury to prepare a WGA which can include any body which the Treasury decides either exercises functions of a public nature or which is entirely or substantially funded from public money. WGA will therefore include bodies within the central government, local government, public broadcast authority, public corporation and health sectors during the period covered by the accounts.

4.2 The composition of central government and to a lesser extent local government and public corporations changes each year as bodies are created, merged or dissolved. Therefore, the Designation Order must be made annually in respect of each set of accounts towards the end of the financial year or thereafter to reflect the final scope of the WGA population.

4.3 Health sector bodies are not included in the designation order since the audited financial information they are required to provide under other legislation for summarised health accounts is also used for WGA purposes.

4.4 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 and Personnel.

4.5 Bodies whose activities are confined to Scotland are also not covered by this order. The Scottish Executive relies either on administrative powers or the Public Finance and Accountability Act (Scotland) 2001 to collect audited financial information from them.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- ***What is being done and why***

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 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 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 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, using a process of "dry runs" starting with a consolidation of central government bodies and funds. Following further research on the costs and practical considerations involved in extending the scope of the accounts to include health bodies, local authorities and public corporations, the Government stated in the 2005 Pre-Budget Report its intention to publish GAAP-based WGA once the significant methodological issues raised had been addressed through the dry-run process.

7.3 Budget 2008 announced that WGA will now be published for the first time for 2009-10 in line with the Government's move to accounting on an International Financial Reporting Standards (IFRS), rather than a GAAP, basis.

7.4 Sections 9 to 11 of the Government Resources and Accounts Act 2000 provide the statutory framework for preparing WGA, obtaining the necessary information, and for scrutiny by the Comptroller and Auditor General. This will be the third statutory instrument listing bodies to be included in WGA (except for those for whom special arrangements are made, as set out in paragraph 4) although previous statutory instruments have been brought forward covering central government bodies only.

7.5 The inclusion of bodies in WGA is primarily based on their classification as public sector bodies by the Office for National Statistics.

- ***Consolidation***

7.6 Consolidation is not relevant because the order relates to a single financial year.

8. Consultation outcome

8.1 The Treasury has made the decision to designate bodies for inclusion in the 2008-09 dry run WGA following consultation with the Department for Communities and Local Government (DCLG), Welsh Ministers, the Office for National Statistics, the National Audit Office and others departments.

9. Guidance

9.1 Guidance will be provided for public sector bodies on the websites of Her Majesty's Treasury and DCLG.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 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 which is already 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 whole of government account boundary, which must be cancelled out so that the results and year-end position of the whole of government are presented as if it were 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.

10.3 An Impact Assessment has not been prepared for this instrument because no impact on the private or voluntary sector is foreseen. The cost to the public sector is below £5million.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 Compliance with the requirements of this instrument will be monitored by Her Majesty's Treasury, DCLG and the National Audit Office. Review by those same bodies will inform the lists included in similar instruments for subsequent years.

13. Contact

Fenn Brown at the Her Majesty's Treasury Tel: 020 7270 5873 or email: wga.team@hm-treasury.x.gsi.gov.uk can answer any queries regarding the instrument.