EXPLANATORY MEMORANDUM TO

THE WHOLE OF GOVERNMENT ACCOUNTS (DESIGNATION OF BODIES) ORDER 2017

2017 No. 1259

1. Introduction

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

2. Purpose of the instrument

2.1 The Whole of Government Accounts (Designation of Bodies) Order 2017 ("the Order") identifies bodies to be included in the consolidated Whole of Government Accounts for the year ending 31 March 2017. 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.

Other matters of interest to the House of Commons

3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

4.1 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.

4.2 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.

4.3 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 total number of bodies for the period covered by the accounts. The designation order for a financial year effectively sets the boundary of the Whole of Government Accounts for that year.

4.4 Having established the boundary of the Whole of Government Accounts for a financial year, 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).

4.5 Health trusts are not included in the Order since the audited financial information they are required to provide to the Department of Health for the purposes of producing the Department of Health's annual resource accounts is also used for Whole of Government Accounts purposes.

4.6 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 and Personnel.

4.7 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.

5. Extent and Territorial Application

5.1 The extent of this instrument is the United Kingdom.

5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

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

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 2015-16 ("WGA 2015-16") 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 the Royal Bank of Scotland 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, and the intent is to hold them on a temporary basis.

7.6 The C&AG also qualified WGA 2015-16 on grounds of: the inconsistent application of accounting policies relating to local government infrastructure assets 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 full audited WGA 2015-16 were published on 13 July 2017. This can be found online at www.gov.uk/government/publications/whole-of-government-accounts-2015-to-2016. Information on the qualifications can be found in the Governance Statement and the Certificate and Report of the C&AG. In Chapter 6 the C&AG includes information on the scope of the audit and the qualifications. He also details the removal of qualifications as well as progress made on the remaining qualification areas. The NAO separately issued a press release and this also highlighted the qualifications on the accounts.

7.8 The Annex provides further information on the bodies which were added, removed and names changed for the 2016-17 designation order.

Consolidation

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

8. Consultation outcome

8.1 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.

9. Guidance

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

10. Impact

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

10.2 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.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

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

12. Monitoring & review

12.1 Her 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.

13. Contact

13.1 Tanya de Jager at Her Majesty's Treasury telephone: 020 7270 5245 or email: Tanya.deJager@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.

ANNEX

This Annex provides the list of bodies which were added, omitted and where names were changed in the Designation Order 2017 SI 2017/1259.

Bodies added:

Department for Exiting the European Union
Fleetbank Funding Limited
Health & Care Professions Council
LocatED
Midlands Engine Investments Limited
Northern Powerhouse Investments Limited
Oil and Gas Authority
South Tees Site Company Limited
UK Climate Investments LLP
Wiltshire Health and Care LLP

Bodies removed:

Audit Commission
BBC World Service
Big Society Capital
Big Society Foundation
Big Society Trust
British Hallmarking Council
Capital for Enterprise Ltd
Certification Office for Trade Union and Employers' Associations
Children's Commissioner
Children's Commissioner for Wales
Committee on Climate Change
Criminal Cases Review Commission
Department of Energy and Climate Change
Future Generations Commissioner for Wales
Groceries Code Adjudicator

Independent Living Fund (2006)
International Nuclear Services Ltd
Judicial Appointments Commission
Judicial Communications Office
Judicial Conduct Investigations Office
Legal Services Board
Local Government Boundary Commission for Wales
MRC Technology Ltd
Nuclear Liabilities Fund Ltd
Office for Fair Access
Office of Fair Trading
Office of the Judge Advocate General
Office of the Official Solicitor
Office of the Prisons and Probation Ombudsman for England and Wales
Public Trustee
Qualifications, Curriculum and Assessment Authority for Wales
The Housing Ombudsman Service
The Leasehold Advisory Service
Transport Focus
Welsh Language Commissioner
WG Transport Ltd

Bodies renamed:

15/16 Designation Order	16/17 Designation Order
Bedford Unitary Authority	Bedford Borough Council
Blackburn and Darwen Unitary Authority	Blackburn with Darwen Borough Council
Blackpool Unitary Authority	Blackpool Council
Central Bedfordshire Unitary Authority	Central Bedfordshire Council
Cheshire East Unitary Authority	Cheshire East Borough Council
Cheshire West and Chester Unitary Authority	Cheshire West and Chester Borough Council
Cornwall Unitary Authority	Cornwall Council
County Durham Unitary Authority	Durham County Council
Department for Business, Innovation and Skills	Department for Business, Energy and Industrial Strategy
Disabled People's Employment Corporation	Disabled People's Employment Corporation (GB) Ltd
Economic and Social Research Council	The Economic and Social Research Council
Engineering and Physical Sciences Research Council	The Engineering and Physical Sciences Research Council
English Sports Council	The English Sports Council
Financial Reporting Council	The Financial Reporting Council Limited
Health and Social Care Information Centre	NHS Digital
Medway Towns Unitary Authority	Medway Council
Natural Environment Research Council	The Natural Environment Research Council

North East Combined Authority	Durham, Gateshead, Newcastle Upon Tyne**,** North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority
Northumberland Unitary Authority	Northumberland County Council
Pensions Protection Fund	The Board of the Pension Protection Fund
PhonepayPlus	Phone-paid Services Authority Limited
Royal Museums Greenwich	National Maritime Museum
Shropshire Unitary Authority	Shropshire Council
South Bucks District Council	South Buckinghamshire District Council
Stoke-on-Trent Unitary Authority	Stoke-on-Trent City Council
Swindon Unitary Authority	Swindon Borough Council
Thurrock Unitary Authority	Thurrock Council
UK Sport	The United Kingdom Sports Council
UK Trade & Investment	Department for International Trade
United Kingdom Commission for Employment and Skills	UK Commission for Employment and Skills
West Midlands Integrated Transport Authority	West Midlands Combined Authority
Wiltshire Unitary Authority	Wiltshire Council