EXPLANATORY MEMORANDUM TO

THE WHOLE OF GOVERNMENT ACCOUNTS (DESIGNATION OF BODIES) ORDER 2022

2022 No. 32

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 2022 ("the Order") identifies bodies to be included in the consolidated Whole of Government Accounts for the year ending 31 March 2021. 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 territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument 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 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 for the purposes of producing the Department of Health'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 and Personnel.

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 2018-19 ("WGA 2018-19") 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 2018-19 on grounds of: the inconsistent application of accounting policies relating to local government infrastructure assets; consolidation

of components with non-coterminous year ends; 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 Whole of Government Accounts for 2018-19 is complete and the full audited account was published on 21st July 2020.

7.8 The 2019-20 Whole of Government Accounts 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.

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 A full Impact Assessment has not been prepared for this instrument because of its low 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 the monitoring of this legislation is that 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.

14.2 The instrument does not include a statutory review clause.

15. Contact

15.1 Matthew Rowe, Head of WGA, Government Financial Reporting at the Her Majesty's Treasury, email: Matthew.Rowe@hmtreasury.gov.uk can be contacted with any queries regarding the instrument.

15.2 Michael Sunderland, Deputy Director, Public Spending Group at Her Majesty's Treasury can confirm that this Explanatory Memorandum meets the required standard.

15.3 The Chief Secretary at Her 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) Order 2021.

Bodies added:

Buckinghamshire Council
Foreign, Commonwealth and Development Office
Reclaim Fund Ltd

Bodies removed:

Aylesbury Vale District Council
Buckinghamshire County Council
Chiltern District Council
Department for International Development
Dorset County Council
Fire Service College
Foreign and Commonwealth Office
Magnox Limited
Money Advice Service
Northern Lighthouse Board
Science and Technology Facilities Council
South Buckinghamshire District Council
The Technology Strategy Board
Wycombe District Council

Bodies renamed:

Designation Order 2021	**Designation Order 2022**
Forest Enterprise England	Forestry England