

Fact Sheet 2



National Audit Office

Whole of Government Accounts 2010-11: An Introduction

October 2012

The Whole of Government Accounts (WGA) is the consolidated financial statements for the whole of the UK public sector.

The 2010-11 WGA has been published. These accounts are prepared by HM Treasury, and audited by the Comptroller and Auditor General. The WGA gives a comprehensive picture of what the Government owns, owes, spends and receives.

The WGA account¹

The WGA presents the financial position and performance of the UK Government, applying international financial reporting standards used by other countries and businesses. This makes the WGA a unique tool for assessing the finances of the UK Government as a whole. This year's published account also includes comparatives for the 2009-10 year, allowing comparison between years.

The Treasury's objectives for the WGA are that it should improve transparency, increase accountability, provide more complete data on public finances than other sources, encourage public bodies to prepare their accounts in a more comparable way, and provide complementary data that can support long-term fiscal analysis and decision making.

The publication of the WGA accounts has been welcomed by Moody's and the Institute of Chartered Accountants for England and Wales as a way of improving transparency and providing better information for future decision making.

There are other methods of analysing public sector finances, such as the National Accounts which are provided by the Office of National Statistics. They are prepared on a statistical basis whereas WGA has the advantage of being independently audited and being prepared using internationally accepted accounting standards.

Key figures from the 2010-11 accounts

There are over 1,500 bodies included as part of the WGA, many of which are separate legal entities in their own right.

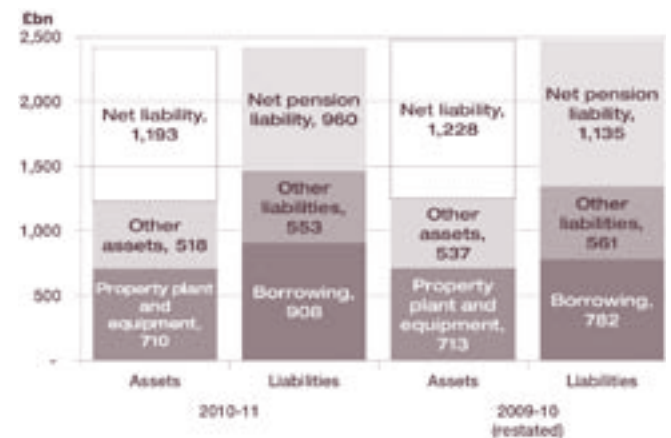
The WGA covers a wide range of bodies, including Departments, Local Authorities and publicly-owned companies. It also covers a wide range of activities, from Defence to Education to interventions in the banking sector to the NHS. We have analysed some of the key figures in the WGA in **Box 1**.

This shows our 'current deficit' to be £94 billion, whereas our net liability position (equivalent to 'the national debt') to be £1,193 billion.

The WGA accounts show that, as at a 31 March 2011, the Government owns £1,228 billion in assets. This is a 2 per cent (£22 billion) reduction from the previous year.

BOX 1

WGA assets and liabilities

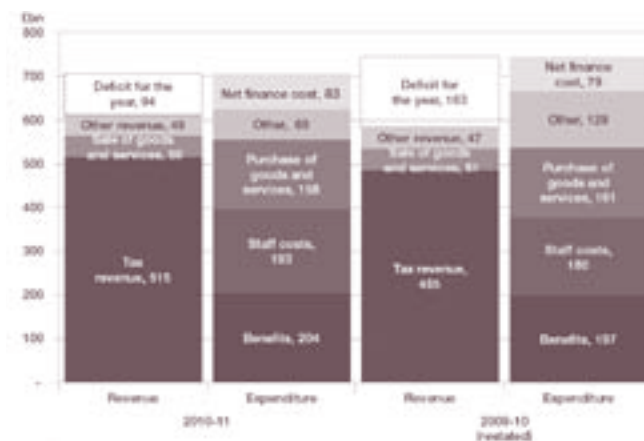


Source: NAO analysis of WGA statement of financial position

Most of the liabilities of £2,421 billion are made up of Government Borrowing and the net pension liabilities for public sector workers. While the figures show that liabilities are higher than assets (by £1,193 billion), this does not take into account the fact that some of this liability will be paid for by future employee contributions, and taxation income. There is no liability for the state pension, as this is not a fixed liability but ongoing expenditure that can be altered by Government.

The Government continues to spend more than it brings in, as shown in **Box 2** below.

BOX 2
WGA income and expenditure



Source: NAO analysis of 2010-11 WGA

The annual deficit fell by £68 billion. This was due to increased tax receipts, and a change in pension calculations which decreased non-cash expenditure by £126 billion.

Most of the £614 billion in income recorded for 2010-11 came from taxation, with £296 billion coming from direct taxation, such as income tax, £165 billion coming from indirect taxation such as VAT and £54 billion coming from local taxation such as council tax.

The Government spent £625 billion on delivering goods and service. Much of this (£204 billion) was made up of social security benefits. Of this, £74 billion (or 36 per cent) related to the state pension.

The other main component of expenditure was staff costs, which includes the wages and salaries of public sector workers such as teachers, members of the armed forces and civil servants. The WGA shows a total of £193 billion spent on staff costs. This is an increase of £13 billion on the previous year. This increase is largely due to changes in pension costs.

Findings from the audit of the 2010-11 accounts²

The Treasury is responsible for the preparation of the WGA accounts. The Comptroller and Auditor General (C&AG) is required by statute to form an opinion on the accounts.

We have concluded that the accounts are, with a few exceptions, a materially accurate representation of the underlying transactions and balances. The C&AG qualified his opinion because:

- The WGA accounts do not include the transactions and balances of bodies such as Network Rail and the publicly owned banks, which the C&AG believes are public sector bodies controlled by Government, and should therefore be included. The impact of this is to understate net assets by £220 billion;
- Central and Local Government value their highway infrastructure assets in an inconsistent way. The impact of this is unquantifiable, but thought to be an understatement of £200 billion or more in assets;
- Transactions between bodies in the group have not been fully eliminated. The impact of this is estimated as an overstatement of £23 billion to both income and expenditure, and £10 billion to assets and liabilities. The net impact is up to £3 billion;

- The C&AG disagrees with the accounting treatment for income generated from the sale of the 3G telecommunications spectrum. The impact of this is an understatement of £10 billion to net assets;
- The Ministry of Defence and Civil Service Pension scheme accounts were qualified, and these have a significant impact on the WGA; and
- There was insufficient evidence to support the values in the accounts for Local Authority Maintained Schools and Academies. The impact of this is estimated to be up to £40 billion in assets understated.
- Many of these issues were also disagreements for the 2009-10 accounts.

Lessons learned and looking ahead

The C&AG has concluded that the WGA has the potential to be a powerful tool, providing a wide-ranging view of Government activity, as well as a comprehensive picture of the UK's public finances.

However, much work remains to ensure that the data underlying the accounts is more robust. In particular, improvements to data collection from Local Authorities and improved recording of transactions between Government entities would allow the accounts to present a more accurate picture of the UK's public finances.