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Whole of Government Accounts

May 2016

HM Treasury

Whole of Government Accounts

year ended 31 March 2015

HC 28

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1 Overview

Introduction

1.1 The Whole of Government Accounts (WGA) consolidates the audited accounts of over 6,000 organisations across the UK public sector. WGA is based on International Financial Reporting Standards (IFRS), the system of accounts used internationally by the private sector. WGA is independently audited by the National Audit Office (NAO). This is the sixth year of publication of WGA.

2014-15 WGA

1.2 For 2014-15 the main improvements in quality to WGA are:

- Removal of two audit qualifications relating to the valuation of school assets and the recognition of income for the use of the electromagnetic spectrum (3G and 4G). This reflects improved reporting of the government's asset ownership and annual income.
- Further improvements in the underlying data quality and the process of consolidating the underlying accounts in WGA, which requires adjustments to remove transactions between component entities. These improvements feed through to the accuracy of the presentation of the figures and the disclosures in the accounts.

1.3 The 2014-15 consolidated accounts for the Department for Education were delayed in their production. This has had a consequential impact on the publication date for the 2014-15 WGA. HM Treasury are working with the Department for Education to address this issue for future publications.

Boundary changes

1.4 Network Rail and the Pension Protection Fund have been consolidated for the first time into the 2014-15 WGA. The impact on 2014-15 was: an increase in total assets of £93.6 billion; an increase in total liabilities of £80.2 billion; and a decrease in net expenditure of £0.1 billion. The comparative 2013-14 figures in the Consolidated Statement of Revenue and Expenditure and the Consolidated Statement of Financial Position have been restated for this change in the boundary, but is not reflected in earlier years where tables show longer term trends.

What does government receive from taxes and other income?

The primary source of revenue is **taxation**, being 86% of total public sector income. The primary purpose of the tax system is to raise revenue to fund public services and other government activities.

		2014-15 £bn	2013-14 restated £bn
Income tax	Note 3	163.1	162.1
VAT	Note 3	113.9	108.2
National Insurance	Note 3	97.2	97.3
Local tax	Note 3	53.9	52.8
Corporation tax	Note 3	40.3	39.6
Other tax	Note 3	98.3	95.8
Sale of goods	Note 4	33.4	39.0
Other revenue	Note 5	59.2	58.1
Total		**659.3**	**652.9**

What does government spend on providing services and running costs?

The most significant elements of expenditure were **social security benefit payments**, **goods and services** purchased to meet operational requirements, and the **cost of employing staff** in the public sector.

		2014-15 £bn	2013-14 restated £bn
Social security benefits	Note 6	129.1	128.4
State retirement pension	Note 6	88.6	85.0
Staff costs	Note 7	193.8	187.8
Purchase of goods and services	Note 8	191.7	190.6
Grants	Note 9	57.4	56.0
Depreciation and impairment	Note 10	45.4	51.1
Provisions	Note 24	27.9	19.5
Total		**733.9**	**718.4**

What does government pay to finance its liabilities?

The most significant elements of financing costs were the **net interest on the pension scheme liabilities** and the **gilt interest**.

		2014-15 £bn	2013-14 restated £bn
Pension interest	Note 26	56.6	49.1
Gilt interest	Note 12	27.6	31.7
Investment revenue	Note 11	(7.2)	(7.5)
Other	Note 12	6.6	6.6
Total		**83.6**	**79.9**

What are the most significant assets owned and controlled by government?

The most significant assets owned and controlled by government are **property, plant and equipment** (which includes land and buildings, infrastructure and military equipment), **financial assets** (which includes the investment in the public sector banks) and **trade receivables.**

		2014-15 £bn	2013-14 restated £bn
Property, plant and equipment	Note 13	847.8	812.3
Financial assets	Note 21	365.5	359.1
Trade receivables	Note 16	145.9	149.6
Other		96.1	93.9
Total		**1,455.3**	**1,414.9**

What liabilities does government have?

To finance its activities and obligations, the government borrows from the market to ensure sufficient funding is available to meet its daily cash requirements and financial commitments. **Government borrowing** comprises long-term borrowing in the form of gilt-edged securities (gilts), National Savings and Investments (NS&I products) and short-term borrowing in the form of Treasury bills.

The other significant liability is the **public service pension liability** which reflects pensions that will be paid out over employees' lifetimes as current employees in the public service retire and start to draw their pension, funded by future taxes or pension scheme assets. It is separate from state pensions.

		2014-15 £bn	2013-14 restated £bn
Public sector pension schemes	Note 26	1,493.3	1,303.1
Government financing and borrowing	Note 23	1,174.5	1,096.1
Financial liabilities	Note 25	542.5	528.7
Trade payables	Note 22	172.9	173.0
Provisions	Note 24	175.3	154.6
Total		**3,558.5**	**3,255.5**

Government revenue and expenditure

Revenue

1.5 Total revenue continued to grow from taxes and other sources, increasing by 1.0% from £652.9 billion (2013-14) to £659.3 billion (2014-15). Tax revenue increased by £10.9 billion with VAT income increasing by £5.7 billion (5.3%) as the economic recovery continued.

1.6 The reduction in revenue from the sale of goods and services is the direct result of the sale of Royal Mail in October 2013 to the private sector, which therefore has no ongoing revenue in 2014-15.

1.7 The significant increase in other revenue from £53.6 billion in 2012-13 to £58.1 billion in 2013-14 is largely due to the inclusion of Network Rail and the Pension Protection Fund in 2014-15, with the 2013-14 figures being restated in this regard.

Expenditure

1.8 Expenditure (excluding financing costs) increased by 2.2% from £718.4 billion (2013-14) to £733.9 billion (2014-15). There are a number of accounting judgements and adjustments that have driven the increase in expenditure in 2014-15, primarily related to public sector pension liabilities and provisions.

1.9 The increase in public sector pension costs of £5.3 billion, primarily current service costs, is driven by the (net of consumer price index) discount rate determined in accordance with the relevant accounting standards at the start of the financial year. The discount rate reduced over the year from 31 March 2013 to 31 March 2014 mainly reflecting changes in the real yield of corporate bonds; thereby increasing public sector current service costs in 2014-15.

1.10 Provision expense increased by £8.4 billion between 2013-14 and 2014-15. The most significant driver behind this increase was the change in approach by HM Revenue and Customs (HMRC) to calculating the provision for the repayment of Petroleum Revenue Tax with respect to oil and gas field decommissioning.

1.11 Benefits expenditure grew by £4.3 billion, £3.6 billion of which relates to the state retirement pension; reflecting both demographic trends and the government's policy of increasing state pensions every year by the highest of price inflation, earnings growth, or 2.5%.

1.12 Staff costs (excluding public sector pension costs) are stable in comparison to 2013-14 and the average number of persons employed in the UK public sector have continued to decline (-0.5%). The number and cost of exit packages have also been reducing year-on-year.

1.13 Other expenditure, including purchases of goods and services, have remained constant compared with the prior year.

Net expenditure

1.14 Net expenditure reported in the WGA increased from £145.7 billion (2013-14 restated) to £152.0 billion (2014-15), an increase of 4.3%. This differs from the government's fiscal measure, as reported in the National Accounts, for the current deficit (surplus on current budget) which for the same period reduced from £71.0 billion to £57.0 billion.

1.15 However net expenditure is affected by some significant increases in estimated costs this year. The most prominent are the estimate of the provision for the oil and gas field decommissioning as well as the public sector pension costs. These estimated costs are treated differently in the WGA and the National Accounts.

1.16 In particular WGA includes provision expenditure that represents the net increase in probable obligations that will crystallise in the future. In contrast the National Accounts only include the in-year cost for provisions when actual payment occurs. As a result of this difference in approach WGA shows £20.7 billion more in provision expenditure in 2014-15 than the National Accounts.

1.17 The other significant difference is the treatment of the public sector pension costs. The WGA figures include both the in-year public sector pension costs and the cost of future pension liabilities and related interest charges. The National Accounts only include the in-year pension costs and receipts. This is a significant difference between the two sets of figures. WGA shows £56.0 billion more expenditure on public sector pensions than the National Accounts in 2014-15.

1.18 If we adjust the 2014-15 WGA figures for these differences in the treatment of estimated costs, the situation is broadly consistent with that shown in the corresponding National Accounts. A more detailed explanation of the differences between the WGA and the National Accounts is set out in Chapter 2, in particular in Table 2.B: Public Sector Current Budget Deficit.

1.19 Tables 1.A and 1.B below show the five year trends for revenue and expenditure.

Table 1.A: Revenue and expenditure summary

	2010-11 £bn	2011-12 £bn	2012-13 £bn	2013-14 restated[1] £bn	2014-15 £bn
Revenues from taxation	(515.4)	(523.7)	(524.4)	(555.8)	(566.7)
Sales of goods and services	(49.8)	(41.8)	(42.7)	(39.0)	(33.4)
Other revenue	(48.8)	(51.1)	(53.6)	(58.1)	(59.2)
Total revenue	(614.0)	(616.6)	(620.7)	(652.9)	(659.3)
Staff costs (excluding pension scheme costs)	153.0	148.9	148.4	148.8	149.5
Public sector pension scheme costs and actuarial revaluations	(85.9)	35.3	35.2	39.0	44.3
Benefits	203.9	209.7	215.0	213.4	217.7
Purchase of goods and services	186.7	177.8	182.3	190.6	191.7
Grants and subsidies	68.4	61.6	56.3	56.0	57.4
Depreciation and impairment	80.4	64.4	51.1	51.1	45.4
Other – including provisions	18.3	17.4	29.0	19.5	27.9
Operating expenditure	624.8	715.1	717.3	718.4	733.9
Finance costs	40.5	42.3	36.3	38.3	34.2
Investment revenue	(5.1)	(5.2)	(4.8)	(7.5)	(7.2)
Other costs	48.1	49.7	50.6	49.4	50.4
Total finance costs	83.5	86.8	82.1	80.2	77.4
Net expenditure	94.4	185.3	178.7	145.7	152.0

1 Restated due to the inclusion of Network Rail and Pension Protection Fund.

Table 1.B: Changes in taxation revenue

	2010-11 £bn	2011-12 £bn	2012-13 £bn	2013-14 £bn	2014-15 £bn	% of Total	% Change from 2013-14 to 2014-15
Income tax	158.1	151.8	150.9	162.1	163.1	28.8	0.6
National Insurance	85.5	90.8	90.7	97.3	97.2	17.1	-0.1
VAT	88.2	97.7	99.1	108.2	113.9	20.1	5.3
Local government taxes	52.8	54.8	55.9	52.8	53.9	9.5	2.1
Corporation tax	45.7	40.0	38.9	39.6	40.3	7.1	1.8
Hydrocarbon oil duty	27.2	26.9	26.5	26.9	27.2	4.8	1.1
Other indirect taxes	16.6	17.5	17.7	19.3	18.5	3.3	-4.1
Excise duties	25.2	26.7	26.6	26.8	26.9	4.7	0.4
Stamp duties	9.0	8.7	9.5	12.9	13.5	2.4	4.7
Bank levy	0.7	1.5	1.6	2.2	2.7	0.5	22.7
Other direct taxes	6.4	7.2	7.0	7.7	9.5	1.7	23.4
Total taxation revenue	**515.4**	**523.6**	**524.4**	**555.8**	**566.7**	**100%**	**2.0%**

Government assets and liabilities

Net Liability

1.20 Total net liabilities (assets minus liabilities) has increased by 14.3% from £1,840.6 billion (restated) in 2013-14 to £2,103.2 billion in 2014-15. The key movements in assets and liabilities are set out in the paragraphs below.

Assets

1.21 Property, plant and equipment increased by £35.5 billion largely due to government investment plans in infrastructure and other parts of the public sector including health. A number of entities also undertook quinquennial reviews of their buildings leading to upward revaluations of their property assets.

1.22 Improvements in the share price of government holdings in the banks was partially offset by the start of the sale of shares in the Lloyds Banking Group plc, as part of the government's plan to reduce its shareholding.

Liabilities

1.23 The most significant driver behind the increase in liabilities is the change in the value of the public sector pension liability. This has increased by £190.2 billion (+14.6%) during 2014-15 and the main cause for this increase is a reduction to the (net of consumer price index) discount rates used to measure the liability. The discount rate for the centrally administered unfunded schemes changed from 1.8% as at 31 March 2014 to 1.3% as at 31 March 2015, reflecting changes in the real yield on corporate bonds. The long term nature of the liability means that small changes to the discount rates can have a large impact on the liability.

1.24 The government uses the Office of Budget Responsibility's (OBR) long term projections of public sector pension costs to monitor the fiscal implications of the schemes. In recent years the government has implemented a package of pension reforms to reduce the cost of public sector pensions in order to rebalance taxpayer and member costs. These reforms included: the ending of final salary pension schemes: increasing member contributions; aligning normal pension age with the state retirement age; and changing the indexation arrangements from the retail price index (RPI) to the consumer price index (CPI). The pension reforms are expected to save £430 billion by the 2060s. The OBR forecast that annual spending on public service pensions (net of employee member contributions) will fall by around 1% of GDP to 0.7% of GDP over the period.

1.25 Alongside the reforms, the government also introduced a mechanism to cap the cost of each of the new pension schemes. If public pension costs increase in the future (setting aside accounting effects) then members will have to pay more, or future benefit accruals will be reduced thereby ensuring that the cost to taxpayers remains as envisaged when the schemes were established.

1.26 Government borrowing has increased by £78.4 billion (+7.2%) in order to fund the ongoing, though reducing, deficit. This is lower than the headline measure of government borrowing due to gilts held by the Bank of England being consolidated within WGA boundary.

1.27 The liability for provisions has increased by £20.7 billion due mainly to increases in the following:

- provisions mainly reported by the Nuclear Decommissioning Authority (NDA) in relation to the costs of decommissioning nuclear plant and equipment, primarily at the Sellafield site
- provisions reported by the Department of Health in relation to clinical negligence
- provisions reported by HMRC in relation to the repayment of Petroleum Revenue Tax with respect to oil and gas field decommissioning

1.28 Increases in the estimate of the provision for nuclear decommissioning costs, mainly by the NDA, reflect the work they are doing to understand the nature of the liabilities they manage. A review of the management structure of Sellafield was undertaken in 2014, and the government announced its decision to move to a new operating model in January 2015. The transition phase was completed at the end of March 2016, and the new operating model is now in place. This move is designed to facilitate a more appropriate transfer of risk between the public and private sectors and improve performance and value for money over time.

1.29 The number of new clinical negligence claims received in 2014-15 has reduced by 3.75% from 2013-14. This is the first time since 2006-07 that new claims reported to the NHS Litigation Authority (NHSLA) have not shown a year-on-year increase. The work of the NHSLA, which handles clinical negligence claims, is directed towards better risk management that helps the NHS learn lessons from previous claims to improve both patient and staff safety; creating a learning organisation that will reduce clinical negligence costs over time.

1.30 The increase in the provisions for oil and gas field decommissioning is due to HM Revenue and Customs revising their approach by taking a longer term view. Previously data was only considered reliable to a 5 year timescale, but this has been extended to include estimated repayments up to the final year of Petroleum Revenue Tax, which is anticipated to be 2041-42. Estimates are still subject to some uncertainty.

1.31 Table 1.C below details the changes in assets and liabilities since 2010-11. The 2014-15 figures show the continuing trend of a higher net liability resulting from: a lower accounting discount rate for valuing long-term pension sector pension liabilities; the increased stock of government borrowing to fund the current deficit; and a higher stock of provisions largely due to increases in the provision for nuclear decommissioning and clinical negligence claims.

Table 1.C: Assets and liabilities summary

	2010-11 £bn	2011-12 £bn	2012-13 £bn	2013-14 restated[1] £bn	2014-15 £bn
Property, plant and equipment	714.0	744.5	746.8	812.3	847.8
Gold, cash and other financial assets	254.6	282.1	311.2	350.7	356.1
Trade receivables	145.1	141.9	138.9	149.6	145.9
Equity in public sector banks	59.5	40.8	40.0	43.0	44.2
Intangible assets	34.8	35.2	34.5	31.9	32.4
Other physical assets	26.3	26.1	26.1	27.4	28.9
Total Assets	1,234.3	1,270.6	1,297.5	1,414.9	1,455.3
Public sector pensions	961.0	1,005.8	1,171.9	1,303.1	1,493.3
Government borrowing	908.2	965.5	996.2	1,096.1	1,174.5
Financial liabilities	295.4	374.3	472.8	528.7	542.5
Trade payables	148.4	158.9	153.5	173.0	172.9
Provisions	107.0	113.0	131.0	154.6	175.3
Total Liabilities	2,420.0	2,617.5	2,925.4	3,255.5	3,558.5
Net Liabilities	1,185.7	1,346.9	1,627.9	1,840.6	2,103.2

[1] Restated due to the inclusion of Network Rail and Pension Protection Fund.

Other key issues

Fraud and error

1.32 The Cabinet Office's Fraud, Error and Debt (FED) Team is the government's policy lead for cross-central government work in this area. Departments remain responsible for managing their own FED risks. The most significant areas of expenditure within central government relate to overpayments (when a claimant is paid more than they are entitled to) for welfare benefits and personal tax credits. Both the Department for Work and Pensions (DWP) and HMRC who administer the payments, have continued to reduce the levels of fraud and error and in 2014-15 DWP reported the lowest ever losses. The table below summarises the trend since 2010-11.

Table 1.D: Reported rates of fraud and error

		2010-11	2011-12	2012-13	2013-14	2014-15
DWP	Overpayments as a percentage of benefit payments	2.1%	2.1%	2.1%	2.1%	1.8%
HMRC	Fraud and error as a percentage of finalised personal tax credits entitlement	8.1%	7.3%	5.3%	4.4%	Data not yet available

1.33 Fraud and error losses in the benefits and tax credits systems as reported by DWP and HMRC were as follows:

- Overpayments on benefits paid by DWP was £3.0 billion in 2014-15, a reduction of £350 million compared with 2013-14. Overpayments recovered totalled £930 million resulting in a net loss to government of £2.1 billion (1.2% of the total benefits paid in 2014-15). Housing Benefit had the highest percentage loss, 5.3% (2013-14: 5.6%), and largest monetary value loss, £1.28 billion (2013-14: £1.45 billion).
- HMRC tax credit fraud and error overpayments for 2013-14 (the latest year for which data is available) was 4.4% of expenditure or £1.3 billion (2012-13: 5.3% and £1.5 billion). This can be broken down into error payments of £700 million (2012-13: £840 million) and fraud losses of £560 million (2012-13: £690 million).

1.34 In 2014-15 fraud and error reported to the Cabinet Office by central government departments (excluding benefits, tax credits and local government) was analysed and agreed with departments at £72.9 million. This figure is derived from two separate data collection sources, data reported centrally by departments and other exercises led by the Cabinet Office. This data was published in the NAO Fraud Landscape Review 2016[1].

Debt management

1.35 Debt owed to government is owed by individuals and business from a wide range of sources. HMRC, DWP and the Ministry of Justice (MoJ) held 99% of the total estimated £24 billion overdue debt balance as at 31 March 2015 (estimated £22.0 billion in March 2014). Debt owed to these departments includes overdue tax liabilities, benefit or tax credit overpayments, outstanding fines, and court confiscation orders. Overall, debt has steadily fallen from an estimated £25.0 billion in March 2011 and the government has taken steps in response to the recommendations made in the National Audit Office report, 'Managing debt owed to central government', published in February 2014.

1.36 The Cabinet Office works closely with HM Treasury and has a joint Steering Group to develop and identify debt management savings across government for each year of the spending review. A cross-government view of debt management is being developed and FED targets have been agreed with DWP and tax credits collections targets for 2014-15 with HMRC. Debt management key performance indicators (KPIs) have also been agreed with departments and these have improved debt data collection as well as helped departments to manage and target their debt collection activity more effectively.

[1] https://www.nao.org.uk/wp-content/uploads/2016/02/Fraud-landscape-review.pdf

1.37 In March 2015 the Cabinet Office launched the Debt Market Integrator (DMI), a joint venture company (Indesser Ltd.) offering government departments a single route to access private sector debt collection, analytics, enforcement and data services. It will enable more effective and efficient debt collection across government.

1.38 Each main department has devised a debt management strategy and the aim now is to develop a cross-government debt management strategy to set out the role of departments and the joint working with the Cabinet Office and HM Treasury and how the government will work together to monitor and improve debt management. A Debt Functional Plan is also being created to strengthen FED capability and help achieve the efficiency savings under the spending review.

Contingent liabilities

1.39 Contingent liabilities are associated with events that are considered possible but not sufficiently probable that they should be included in the Statement of Financial Position. WGA includes those contingent liabilities in accordance with accounting standards, and goes further by showing other commitments, where the likelihood of them occurring is considered to be remote.

1.40 Total quantifiable contingent liabilities were £76.4 billion (2013-14 £63.8 billion), an increase of £12.6 billion. The key drivers behind this increase are: taxes subject to challenge reported by HM Revenue and Customs, which have increased from £29.2 billion in 2013-14 to £35.6 billion in 2014-15; and potential clinical negligence claims reported by the Department of Health, which have increased from £11.9 billion in 2013-14 to £14.0 billion in 2014-15.

1.41 The quantifiable remote contingent liabilities have decreased to £65.5 billion from £69.4 billion in 2013-14 restated. They included:

- callable capital to provide funding to the European Investment Bank £25.8 billion
- callable capital in support of investments in international financial institutions of £12.2 billion

1.42 A remote indemnity in support of Network Rail of £33 billion, disclosed by the Department of Transport in 2013-14, has now been eliminated as part of the consolidation process in 2014-15, as Network Rail is now inside the WGA consolidation boundary.

1.43 A number of guarantees and indemnities exist between the Treasury and the Bank of England. These are not disclosed in the WGA, as both bodies are included in the consolidated financial statements and offset each other.

Segmental analysis

1.44 The tables below show the net amounts reported for each sector after the consolidation adjustments to eliminate transactions and balances between WGA entities have been taken into account. For example, taxation revenue only shows the tax due from households and the private and not-for profit sectors.

1.45 Further information on segmental reporting can be found in note 2 to these accounts.

Table 1.E: Net contribution by sector 2014-15

	Central Government £bn	Local Government £bn	Public Corporations £bn	Whole of Government £bn
Taxation revenue	(516.3)	(50.2)	(0.2)	(566.7)
Other revenue	(48.7)	(33.8)	(10.1)	(92.6)
Total operating revenues	(565.0)	(84.0)	(10.3)	(659.3)
Social security benefits	190.2	26.8	0.7	217.7
Staff costs	124.9	64.1	4.8	193.8
Other expenses	226.6	82.7	13.1	322.4
Net expenditure/(revenue) before financing costs	(23.3)	89.6	8.3	74.6
Net financing cost	72.4	11.1	0.1	83.6
Net loss on revaluations and disposals of assets and liabilities	(0.7)	(1.2)	(4.3)	(6.2)
Net expenditure/(revenue) for the year	48.4	99.5	4.1	152.0
Property, plant and equipment	468.4	319.3	60.1	847.8
Other non-current assets	234.1	21.1	21.4	276.6
Current assets	253.7	41.8	35.4	330.9
Total assets	956.2	382.2	116.9	1,455.3
Current government borrowing and financing	(235.2)	-	-	(235.2)
Other current liabilities	(143.4)	(26.3)	(398.2)	(567.9)
Non-current government borrowing and financing	(939.3)	-	-	(939.3)
Net pension liability	(1,225.9)	(266.0)	(1.4)	(1,493.3)
Other non-current liabilities	(245.4)	(41.4)	(36.0)	(322.8)
Total liabilities	(2,789.2)	(333.7)	(435.6)	(3,558.5)
Net assets/(liabilities)	(1,833.0)	48.5	(318.7)	(2,103.2)

Table 1.F: Net contribution by sector 2013-14

	Central Government £bn	Local Government £bn	Public Corporations £bn	Whole of Government £bn
Taxation revenue	(502.8)	(52.8)	(0.2)	(555.8)
Other revenue	(44.6)	(34.8)	(13.3)	(92.7)
Total operating revenues	(547.4)	(87.6)	(13.5)	(648.5)
Social security benefits	186.2	26.6	0.6	213.4
Staff costs	114.1	66.2	5.5	185.8
Other expenses	227.2	81.0	10.6	318.8
Net expenditure/(revenue) before financing costs	(19.9)	86.2	3.2	69.5
Net financing cost	66.7	11.9	0.2	78.8
Net loss on revaluations and disposals of assets and liabilities	(1.3)	(0.1)	1.7	0.3
Net expenditure/(revenue) for the year	45.5	98.0	5.1	148.6
Restatement				(2.9)
Net expenditure/(revenue) for the year (restated)				145.7
Property, plant and equipment	446.4	306.5	59.4	812.3
Other non-current assets	238.9	19.7	12.5	271.1
Current assets	251.0	39.5	41.0	331.5
Total assets	936.3	365.7	112.9	1,414.9
Current government borrowing and financing	(212.4)	-	-	(212.4)
Other current liabilities	(133.4)	(26.4)	(397.1)	(556.9)
Non-current government borrowing and financing	(883.7)	-	-	(883.7)
Net pension liability	(1,066.8)	(234.3)	(2.0)	(1,303.1)
Other non-current liabilities	(237.5)	(39.5)	(22.4)	(299.4)
Total liabilities	(2,533.8)	(300.2)	(421.5)	(3,255.5)
Net assets/(liabilities)	(1,597.5)	65.5	(308.6)	(1,840.6)

Events since 31 March 2015

1.46 Since the accounts of the individual entities that form WGA were prepared, there have been a number of events that could have a bearing on the Statement of Financial Position as at 31 March 2015. These events are shown in Note 37.

Julian Kelly
Accounting Officer

20 May 2016

2 Comparison to National Accounts

Broader fiscal framework

2.1 WGA sits within a broader set of financial data which together provides a comprehensive picture of the public finances and fiscal statistics. In summary:

- the Office for National Statistics (ONS) publishes economic and fiscal statistics, consistent with the internationally-agreed National Accounts framework. These figures are used for fiscal policy, international and historical comparisons
- each public sector entity publishes audited annual accounts consistent with its agreed accounting framework
- the National Audit Office, audit bodies in the devolved administrations and private sector audit bodies scrutinise and challenge these accounts, producing an audit report on each
- WGA consolidates these accounts to produce a snapshot of the public sector financial position in a given year

2.2 The Office for Budget Responsibility (OBR) independently assesses the future sustainability of the public finances through its annual Fiscal Sustainability Report, which draws on the aggregates published in WGA.

Comparison to National Accounts

2.3 WGA complements the financial information the government and other independent bodies already publish, such as the statistics published by the ONS, which follow the internationally-agreed National Accounts framework. WGA is prepared using International Financial Reporting Standards (IFRS) adapted and/or interpreted for the public sector.

2.4 The National Accounts must adhere to international standards, specifically the European System of Accounts, to ensure international comparability. These standards are updated periodically to reflect economic or technological developments and changes in user needs. From September 2014 the UK National Accounts aggregates moved from the European System of Accounts 1995 (ESA95) to the European System of Accounts 2010 (ESA10). This WGA publication includes a reconciliation on an ESA10 basis. The ONS article 'Transition to ESA10: Impact on Public Sector Finances (27 February 2014)' provides further information on the changes. The changes to National Accounts which impact on WGA as a result of ESA10 are set out below.

Network Rail

2.5 In 2013-14 Network Rail was included in the National Accounts, but not in the WGA. In 2014-15 Network Rail has been included in the WGA as well, bringing the National Accounts and WGA into alignment on this matter.

Capitalisation of Single Use Military Equipment

2.6 Single Use Military Equipment (SUME) was previously treated as current expenditure for public sector finances under ESA95. Under ESA10 from 2013-14 it is required to be treated as capital expenditure. The impact of this change is to increase capital consumption and decrease current spending. As these values are equal there is no impact on public sector net borrowing, but the change brings National Accounts and WGA into alignment.

Capitalisation of research and development (R&D)

2.7 Research and Development was previously treated as current expenditure, however using ESA10 from 2013-14 it is classified as capital as it is an investment in an asset used in production for more than a year. For public sector finances the impact is zero as current expenditure is reduced and capital expenditure increased by the same amount.

The treatment of mobile phones licences

2.8 Under ESA95 the government sale of mobile phone licences was treated as a one-off receipt. With the introduction of ESA10 in 2013-14, the cash proceeds from the licence sale have been treated as rental income, with annual payments accrued over the life of the lease. This decision applies to the sale of both 3G and 4G licences. In 2014-15 the WGA treatment of 3G and 4G licences was amended and the change brings the National Accounts and the WGA into alignment.

Comparison between IFRS and National Accounts

2.9 Both accounting frameworks (ESA and IFRS) have core similarities. They are both prepared on an accruals basis (recognition of economic events regardless of when cash transactions occur) and they each prepare a statement of financial position, income and expenditure analysis and details of other changes; although with presentational variances. However, there are some differences in how the accruals concept is applied at a detailed level. For example, with regards to some taxes and student loans. The ONS article 'Comparison between Public Sector Finance measures from the National Accounts and Whole of Government Accounts (June 2011)' explains the main conceptual differences between the National Accounts and WGA.

2.10 The Public Sector Finances, published by ONS and based on the National Accounts are produced in-year, and updated on a monthly basis to strict timescales, whereas WGA is an annual exercise produced after the year end of the financial period.

2.11 A number of other differences exist between WGA and the National Accounts framework. This is partly due to the independence of each framework and differing international standards, resulting in differing treatments, and partly because they have evolved for different purposes.

2.12 The National Accounts remain the measure used to assess the economic and fiscal position of the UK for policy purposes. In the National Accounts, any transaction must balance out across the economy's sectors or across different economies; for example, where there is an asset there is a corresponding liability within the framework. This makes it useful for economic analysis and in policy creation.

2.13 IFRS does not necessarily require an asset in one entity's account to be mirrored by an equal and opposite liability in another entity's account. WGA is prepared using a common global language for business as well as presenting the figures in a format familiar to the commercial sector. WGA provides an accounting standards-based presentation offering new insights into long-term sustainability, by including contingent liabilities, and is useful to a wide range of users in making economic decisions.

2.14 In regards to consolidation methodology, in general the National Accounts take a broad view and eliminate internal transactions within the public sector at an aggregate level; for example, using the total reported from central government sources for central to local government grants. WGA methodology differs in that consolidation occurs at a more detailed entity level, allowing for more closely aligned matching of transactions.

2.15 Neither the National Accounts nor WGA provide a complete assessment of the future fiscal position of the public sector. Both exclude future tax revenue, future assets, and liabilities that will be incurred in the future (such as future benefit and pension payments). WGA does, however, include future liabilities from past activities and contingent liabilities, and so offers greater coverage of future liabilities than in the National Accounts.

Reconciliations between WGA and National Accounts

2.16 Two of the key fiscal aggregates based on the National Accounts are the public sector net debt and the current deficit (previously the surplus on current budget). The nearest equivalents in WGA are net liabilities and net expenditure for the year. The measures of public sector net debt and the current deficit used in setting fiscal policy exclude the public sector owned banks. Therefore these entities are treated as being outside the public sector.

2.17 Public sector net debt is an aggregate that includes most financial liabilities (except for payables) and liquid financial assets. The public sector financial liabilities largely consist of government bonds (known as gilts), Treasury bills and National Savings liabilities. Liquid assets mainly comprise foreign exchange reserves and bank deposits.

2.18 Public sector net debt does not take account of other illiquid financial and other assets within working capital such as receivables. Under the Maastricht Treaty these are not considered to be debt instruments and therefore not included in public sector net debt. In contrast, the WGA net liability balance is a fully accrued statement of financial position, including all payables, receivables, fixed assets and all financial assets.

2.19 The areas that account for the largest divergence between public sector net debt and WGA net liabilities are explained below.

Table 2.A: Public Sector Net Debt

	2014-15 £bn	2013-14 restated £bn	2012-13 £bn
Net liabilities (WGA)	2,103	1,840	1,628
Net public sector pensions liability	(1,493)	(1,303)	(1,172)
Provisions	(175)	(155)	(131)
PFI contracts	(33)	(33)	(32)
Unamortised premium or discount on gilts	(35)	(29)	(31)
Property, plant and equipment	848	812	747
Investment property	15	14	12
Intangible assets	32	32	35
UK Asset Resolution (UKAR) net impact on net debt	74	74	83
Trade and other payables	(49)	(47)	(48)
Accruals and deferred income	(54)	(44)	(39)
Net taxation and duties due	6	6	3
Inventories	11	12	12
Trade and other receivables	35	37	35
Prepayments and accrued income	78	80	77
Investments	28	23	27
Network Rail	-	-	34
Asset Purchase Facility	45	46	44
Housing associations	60	56	-
Other	51	36	15
Public sector net debt (National Accounts)	1,547	1,458	1,299

Differences in relation to pensions

2.20 WGA takes into account all future pension liabilities from the service already provided by past and current public servants. Therefore, WGA net liabilities include the net public sector pension liability for public sector pension schemes. In contrast, the National Accounts recognise only the cash payments and receipts associated with these pensions. The public sector pension liability is not included in public sector net debt as it is a contingent liability under the ESA10 treatment.

2.21 This does not impact on the state pension, which is treated the same in WGA and the National Accounts.

Differences in relation to provisions

2.22 The WGA measures of net liabilities include provisions. These take account of liabilities that will be met in the future arising from events that have occurred in the past that create a legal or constructive obligation that can be measured reliably. Under ESA10 the National Accounts measure of public sector net debt does not record the creation of or movements in provisions. As such, the majority of provisions are treated as contingent liabilities (due to uncertainty around timing and amount), as they are not cash-based, and only register in National Accounts measures when actual payments occur.

Differences in relation to PFI

2.23 PFI contracts involve private sector bodies providing public sector infrastructure and/or services. Judgements must be made about which entity (public or private) accounts for the associated assets and finance lease liabilities. WGA takes into account PFI contracts that are not classified to the public sector in the National Accounts. The National Accounts recognition of PFI contracts is determined by judgements on the balance of risks and rewards arising from the contract, whereas the WGA recognition of a PFI contract is determined by judgments on the balance of control of the contract in accordance with IFRS. If the application of IFRIC 12 indicates that the private sector does not control the infrastructure, on certain tests, then the implication is the public sector does. As a result, the value of PFI contracts held on WGA's statement of financial position is larger than in the National Accounts.

2.24 Within WGA, PFI contracts are included within liabilities and their associated assets are counted in property, plant and equipment. Non-current and current PFI finance lease contracts are excluded from public sector net debt where the judgement is that the balance of risks and rewards is with the private sector. The judgements are approximately aligned with the principles under UK GAAP (Generally Accepted Accounting Principles) meaning that more PFI contracts are classified to the private sector in the National Accounts. If these PFI schemes were classified to the public sector in the National Accounts, the value of these contracts would increase public sector net debt.

2.25 The inclusion of the PFI contracts, classified to the public sector under IFRIC12, on WGA's statement of financial position gives a clear indication of future liabilities under these PFI contracts and the leveraging of private sector investment.

Differences in relation to assets

2.26 Another key difference is in relation to non-current assets, such as: property, plant and equipment; intangible fixed assets; payables and receivables; investments; and other illiquid financial assets. These are included in WGA's measures of net liabilities in accordance with IFRS, but are not included in the National Accounts based measures of public sector net debt, which measures only financial liabilities and liquid assets. Trade receivables and trade payables are also not included within public sector net debt, as this is principally a cash-based measure.

2.27 While fixed assets are not included in public sector net debt, they are recognised as non-financial assets in the National Accounts and additions of fixed assets are treated as capital spending. There are conceptual differences in the valuation of fixed assets and the measurement of impairment and depreciation. The National Accounts use a Perpetual Inventory Method (PIM) to calculate net capital stock and capital consumption (depreciation), whereas WGA recognises fixed assets and depreciation in accordance with international accounting standards.

Differences in relation to UK Asset Resolution (UKAR)

2.28 NRAM plc (formerly UK Asset Resolution Ltd) is the holding company for the wholly-owned banks, Northern Rock (Asset Management) plc (NRAM) and Bradford & Bingley plc. UKAR has been consolidated into HM Treasury Group accounts from 2013-14 so the remaining difference now reflects conceptual differences in the treatment of assets and liabilities not differences in the boundary of the public sector. Public sector net debt includes UKAR's own debts to the private sector and exclude their non-liquid financial and other assets, whereas WGA includes both the liabilities and the assets.

Other differences – net debt

2.29 There are a number of other differences between the National Accounts' measures and WGA. The most significant of these relate to the treatment of unamortised premium or discount on gilts. Public sector net debt includes gilts based on their redemption price, whereas WGA follows the accounting standard that requires discounts and premiums to be amortised. The unamortised premium or discount on gilts in WGA of £34.6 billion (2013-14: £28.6 billion) has increased.

2.30 The Asset Purchase Facility (APF) is a subsidiary company of the Bank of England. It carries out asset purchases financed by the creation of central bank reserves (known as quantitative easing), the issue of treasury bills and the DMO's cash management operations. The ONS record the gilt purchases at nominal value, £358 billion (2013-14: £330 billion), whereas WGA shows gilt purchases at fair value, £403 billion (2013-14: £375 billion), resulting to a reconciling difference of £45 billion (2013-14: £46 billion).

Table 2.B: Public Sector Current Budget Deficit

	2014-15 £bn	2013-14 restated £bn	2012-13 £bn
Net expenditure (WGA)	152	145	179
Public sector pensions	(56)	(49)	(48)
Depreciation and amortisation charges	9	10	5
Impairment and revaluations of assets	(11)	(26)	(21)
Capital grants	(8)	(11)	(12)
Provisions	(20)	(10)	(16)
Net gains/losses on sale of assets	2	4	(3)
UK Asset Resolution (UKAR) net impact on current deficit	-	-	(1)
Research and development	(3)	(3)	-
Other	(8)	11	1
Current deficit (National Accounts)[1]	57	71	84

2.31 The public sector current budget deficit (surplus on current budget) is the measure which formed the basis of the previous government's fiscal mandate. The current deficit is the difference in the financial year between accrued current revenue and expenditure as defined in the National Accounts.

2.32 The difference between the National Accounts' current budget deficit and WGA net expenditure is primarily due to the differing treatments of pensions, movements on provisions, impairment charges, and capital grants. The material conceptual differences are considered below.

Differences in relation to pensions and provisions

2.33 As discussed above, future liabilities for public sector pensions and provisions (except for decommissioning costs) are not accounted for in the National Accounts. The same rationale applies to the differences between WGA net expenditure and the current deficit in relation to: interest on pension liabilities of £66.6 billion (2013-14: £58.4 billion) which is included in WGA but not in the National Accounts; expected return on pension scheme assets of £10.0 billion (2013-14: £9.5 billion); and past service charges of £0.6 billion (2013-14: £1.0 billion).

[1] ONS Statistical Bulletin, Public Sector Finances, January 2016

2.34 For unfunded pensions, the surplus on current budget includes only the cash payments and receipts associated with pensions, but do not take account of movements in future pension liabilities. WGA is prepared on an accruals basis and recognises an estimate of the liability associated with accrued pension rights. In line with IAS19, interest on all liabilities and returns on assets for funded schemes are charged in the year they occurred, thus net interest is recognised in WGA but not in the National Accounts.

2.35 Similarly, the National Accounts do not recognise the in-year movement of provisions of £27.9 billion (2013-14: £19.5 billion) as current expenditure but related expenditure (i.e. provisions' expenditure crystallising in 2014-15) of £7.9 billion (2013-14: £9.7 billion) in the same period is included in the National Accounts.

Impairments and depreciation

2.36 Impairments are accounting transactions to expense the amount by which the carrying value of an asset exceeds its recoverable amount. There are conceptual differences between the National Accounts' treatment and WGA, as only impairments caused by normal obsolescence and normal accidental damage are included in the National Accounts' measures of depreciation. However, these are calculated from a statistical model rather than on an accounting basis. Following the capitalisation of research and development costs under ESA10 these also include estimates for the depreciation of the related assets. The WGA measure of expenditure includes depreciation and impairments resulting from an annual review of asset values and consequently includes all impairments, no matter what their cause.

Differences in relation to capital-related spend

2.37 WGA treats capital grants as current expenditure, as the investment does not create assets directly for public sector bodies. However, the National Accounts treat such grants as capital expenditure as they do finance the creation of an asset in the wider economy and therefore are not part of the current deficit.

2.38 The profit and loss on the sale of assets is not recognised as current expenditure in the National Accounts but the proceeds are netted off capital expenditure. WGA shows the difference between the proceeds and the net book value after taking account of revaluations as part of the net expenditure.

3 Statement of Accounting Officer's responsibilities

3.1 Under section 9 of the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury is required to prepare, for each financial year, a consolidated set of accounts for a group of entities, each of which appears to HM Treasury:

- to exercise functions of a public nature
- to be entirely or substantially funded from public money

3.2 The account is prepared on an accruals basis and in accordance with the GRAA and the 2014-15 Government Financial Reporting Manual (FReM) which applies EU adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. The accounts must give a true and fair view of the whole of government's finances.

3.3 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM, and in particular to:

- observe the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating accounting information provided by different sectors
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

3.4 In addition to these responsibilities, and specifically with regard to WGA, the Accounting Officer is responsible for:

- drawing up WGA in accordance with the GRAA
- ensuring that WGA complies with the FReM and generally accepted accounting practice
- agreeing the process of producing WGA and for ensuring that relevant data are collected and accurately and appropriately processed
- ensuring that there is an appropriate control environment for the production of WGA

3.5 The responsibilities of an Accounting Officer are set out in Managing Public Money[1] published by HM Treasury and include the need for efficiency, economy, effectiveness, and prudence in the administration of public resources to deliver value for money.

3.6 The WGA Accounting Officer is responsible for signing the WGA Governance Statement. When signing the Governance Statement, the WGA Accounting Officer places reliance on the assurances made for each individual entity by the Accounting Officer or their equivalent, as documented through the Governance Statement for those bodies.

[1] http://www.hm-treasury.gov.uk/psr_mpm_index.htm

4 Governance statement

Scope of Accounting Officer's responsibility

4.1 As Accounting Officer, I am responsible for maintaining a governance framework to support the efficient and effective production and audit of the WGA. The framework is designed to minimise the risks to the process of preparing and publishing the consolidated accounts. The accounts of individual entities consolidated within WGA are subject to their own governance frameworks.

4.2 The framework is intended to manage risk to a reasonable level rather than to eliminate all risk of failure to the consolidation and preparation process. It provides reasonable, but not absolute, assurance of effectiveness. The governance framework is based on an ongoing process, designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently.

4.3 Publication of WGA is managed within HM Treasury's overall risk management framework, which is set out in the department's annual report and accounts. The Deputy Director for Government Financial Reporting is responsible on a day-to-day basis for managing risk and for ensuring that the activities necessary for the production of these accounts are properly planned, resourced and performed.

4.4 In producing WGA, I must rely on the accounting officer (or equivalent) of each entity to manage their own risks. In some instances, the risks from underlying accounts may have a significant impact on the WGA consolidation and preparation process. The major risks identified from the underlying accounts are set out in paragraphs 4.12 to 4.14 below. The key risks in the preparation of the Whole of Government Accounts (WGA) include:

- inaccuracies in entities' WGA returns, resulting in materially misstated balances
- failure to provide data or delays in the submission of WGA returns
- non-elimination of intra-group transaction streams and balances, resulting in materially misstated figures in the accounts

4.5 To manage the key risks to the WGA consolidation and preparation process, HM Treasury maintains a risk register to assist in identifying and implementing mitigating actions. HM Treasury also maintains a control and validation framework to define the controls over the preparation of the accounts and to monitor the effectiveness and completeness of the controls in place.

4.6 The WGA governance framework has been in place for the year ended 31 March 2015 and up to the date of approval of the account, and accords with HM Treasury guidance, including the 'Corporate Governance in Central Government: Code of Good Practice', to the extent that it is deemed relevant and practical. The control and validation framework was provided to the HM Treasury audit committee who confirmed it provided a good basis of assurance.

The WGA governance framework

4.7 I receive support and assurance on the management of risks in a number of ways:

- The HM Treasury Group Audit Committee, chaired by a non-executive member, reviews the department's approach to internal control and provides independent advice, with oversight of financial reporting and risk management activities associated with WGA.

- I am further supported in my responsibilities by the HM Treasury's Internal Audit function and an Advisory Group that provides me with specific advice on developing WGA.

- As well as the internal framework of governance and risk management, the WGA is subject to external audit provided by the Comptroller & Auditor General, supported by staff from the National Audit Office. The Comptroller & Auditor General is independent, and reports his findings on the accounts to Parliament. More information about the respective responsibility of the auditor and preparer can be found in the Comptroller & Auditor General's audit certificate. The Comptroller & Auditor General and his staff have access to all HM Treasury papers and attend HM Treasury's Audit Committee and the WGA Advisory Group.

4.8 The advisory group for WGA provides exclusive focus on WGA, supporting the ongoing issues relating to the accounts, assisting the future development of WGA and providing advice on key issues as they affect the presentation, quality and use of the account. The WGA Advisory Group meets 3 times per year.

4.9 The advisory group has private and public sector members. For the 2014-15 Account, membership was as follows:

- Ann Beasley (Chair), Director General for Finance at the Ministry of Justice.
- Julian Kelly, Director General for Public Spending and Finance at HM Treasury and Head of the Government Finance Profession.
- Rob Whiteman, Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Mike Hathorn, a partner at Moore Stephens LLP.
- Roger Marshall, a member of the Financial Reporting Council and Chair of its Accounting Council.
- Richard Douglas, the Director General of Policy, Strategy and Finance at the Department of Health.
- Matthew Style, the Director of Local Government Finance at the Department for Communities and Local Government.
- Peter Lauener, Chief Executive of the Education Funding Agency.
- Mary Hardy, Independent Member of the Treasury Group Audit Committee.
- Chris Wobschall, Deputy Head of Government Internal Audit Agency.

4.10 The effectiveness of the audit committee is assessed in HM Treasury Annual Report and Accounts.

HM Treasury's role in managing financial risk

4.11 In addition to the WGA governance framework, HM Treasury also has a role in managing the government's financial risk more widely, although this is outside the responsibility of the WGA Accounting Officer. Financial risk is managed in a number of ways, including:

- The Managing Public Money framework – provides departments with guidance and sets out requirements on how to handle public funds properly.

- Spending Reviews – the process through which spending is allocated to areas of government activity including public services, social security, and administration costs, according to the government's priorities. Spending Reviews set firm and fixed spending budgets over several years for each department.

- The budget and estimates process for central government departments - the government uses the annual budgeting system to plan and control public expenditure. The Treasury presents estimates of budgetary plans to Parliament to obtain the statutory authority to consume resources and spend cash. The budgetary system has two main objectives:

  - to support the achievement of macro-economic stability by ensuring that public expenditure is controlled in support of the government's fiscal framework

  - to provide good incentives for departments to manage spending well so as to provide high quality public services that offer value for money for the taxpayer

- The Treasury sets the financial reporting framework for central government and works with the other relevant authorities such as CIPFA Local Authority (Scotland) Accounts Advisory Committee (LASAAC) for financial reporting across government and the Financial Reporting Advisory Board, to set best practice accounting standards.

- The Treasury spending teams provide strategic challenge to, and monitoring of, departments' spending on an ongoing basis.

- The Managing Taxpayers' Money framework - The 'Programme for Government' established the intent to strengthen financial discipline and place an obligation on public servants to manage taxpayers' money wisely. To reinforce these commitments, the Treasury has required departments to generate and report on their financial management improvement plans, to publish key data on government activity; and invited the National Audit Office to continue its programme of departmental financial management reviews.

- Public Services Transparency Framework – as part of this framework, the main government departments outline their information strategies and key indicators. They publish data to show the cost and impact of public services and departmental activities to allow the public to form its own view on whether they are getting value for money.

Review of effectiveness

(a) Addressing significant governance issues in underlying accounts and WGA data

4.12 The underlying accounts and WGA data submissions show significant governance issues in a small number of entities that have resulted in audit qualifications. These weaknesses are the responsibility of the relevant accounting officer (or equivalent) and cannot be managed by the WGA Accounting Officer. Internal control weaknesses that led to qualifications (other than regularity) are also considered for their impact on WGA.

4.13 Those that are material to WGA are summarised below:

- The Department for Education received an adverse opinion on their 2014-15 accounts. The principal reason behind the adverse opinion was the academy year end of August and the increasing divergence between this data and the estimations used by the department to convert to a March year end. In addition, a material and pervasive level of error was identified in the opening balances and prior period comparatives included in the group account. The Department and HM Treasury are working towards a sustainable solution for the academy consolidation that may be suitable for WGA from 2016-17 onwards.

- The Ministry of Defence 2014-15 accounts have been qualified in two respects:
  - Leased assets: The Comptroller & Auditor General concluded that leased assets and liabilities of a material value had been omitted from the ministry's Statement of Financial Position as at 31st March 2013, 2014 and 2015. This has led to a material misstatement of the Statement of Comprehensive Net expenditure for 2013-14 and 2014-15.
  - Prior year comparative figures: In 2013-14 the accounts were qualified in respect of the inventory impairments of £860 million charged to the Statement of Comprehensive Net Expenditure due to the lack of supporting evidence. This qualification has no impact on the opinion given in respect of the charges made to the 2014-15 Statement of Comprehensive Net Expenditure.
- Without qualifying his opinion on the 2014-15 Department of Health accounts, the Comptroller & Auditor General disclosed an emphasis of matter relating to the uncertainties inherent in the claims provision for the clinical negligence scheme for NHS Trusts. Given the long-term nature of the liabilities and the number and nature of the assumptions on which the estimate is based, a considerable degree of uncertainty remains over the value of the liability reported by the NHS Litigation Authority. Significant changes to the liability could occur as a result of the subsequent information and events which are different from the current assumptions.
- Without qualifying his opinion on the 2014-15 Department for Business, Innovation and Skills Accounts (BIS), the Comptroller & Auditor General included an emphasis of matter relating to the uncertainty inherent in the valuation of student loans. This was due to the long term nature of the recovery of the loans, the number and volatility in the assumptions underpinning their valuation in the accounts.
- Without qualifying his opinion on the 2014-15 Nuclear Decommissioning Authority (NDA) accounts, the Comptroller & Auditor General included an emphasis of matter statement in his audit report on the uncertainty inherent in the valuation of the provision for nuclear decommissioning.
- Both HM Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP) identified several significant internal control issues, notably related to levels of fraud and error (see Chapter 1 paragraph 1.33).

4.14 A small number of other WGA entities also received qualified audit opinions. They have not been disclosed here as the amounts involved were immaterial to WGA. Annex 1 includes a list of all WGA entities and indicates those which had qualified accounts.

(b) Addressing significant governance issues in the WGA consolidation process

4.15 In 2014-15, HM Treasury took a number of steps to strengthen its controls over the accounts production process:

- increased the number of validation in the data collection packs to address recurring data collection issues from previous years
- improved analytical review processes to ensure the quality and robustness of reported balances

- reviewed the eliminations methodology for grants to a top down approach, maintaining the same level of assurance, but delivering process efficiency savings
- improved the feedback given to entities regarding counter-party mismatches

4.16 Further improvements will be made as experience of producing and using WGA grows. These will focus on improving the accuracy of the data collected at the local level to minimise the corrective work in the centre. Plans are being developed to increase the speed of account production to within nine months of the year end.

4.17 I have assessed the WGA compliance with the Corporate Governance in Central Government Departments Code of Good Practice. I believe that we comply with the provisions of the Code that are relevant to my responsibilities to prepare WGA.

4.18 I am satisfied that effective remedial action is being taken to address the remaining control issues and that action taken so far is beginning to yield positive results. However, some improvements may take several years to implement fully. In part, this is because lessons are being learned after the accounts of the previous year have been completed. I have procedures in place to monitor the progress being made to tackle these weaknesses.

(c) Assurance in making this judgement

4.19 I took over as Accounting Officer for WGA from February 2015, having been a member of the WGA Advisory Group for the last four years. I gained assurances over the governance framework in this respect and whilst improvements can be made, the framework ensures that we can accurately process the data that we receive.

4.20 There are issues arising from the fact that we were unable to identify and eliminate all intra-group transactions and balances, although the steps already taken have resulted in a significant reduction in uneliminated balances in the production of the 2014-15 accounts.

4.21 I have considered the evidence that supports this governance statement and I am assured that the Treasury has a strong framework of controls to support the production of the WGA.

Information and data handling

4.22 In preparing WGA, HM Treasury does not collect any personal data from WGA entities. WGA data collected from WGA entities are held on HM Treasury’s Online System for Central Accounting and Reporting (OSCAR) database. Data is published on http://www.data.gov.uk as part of a scheduled release of OSCAR data.

Disclosure of information to auditors

4.23 As Accounting Officer, I confirm that there is no relevant audit information of which the National Audit Office is unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the National Audit Office is aware of that information.

Julian Kelly
Accounting Officer

20 May 2016

5 Remuneration report

5.1 Remuneration reports produced by Whole of Government Accounts (WGA) entities contain information about senior employee's salaries, bonuses, benefits in kind and pension entitlement, but a similar report for the WGA would require publishing details of senior employees for over 6,000 entities. This remuneration report therefore does not follow the same format as the remuneration reports of WGA entities. Instead it sets out the government's policy on public sector pay, summarises the remuneration arrangements of the main public sector workforces and includes some statistics on pay across public sector.

Government policy on public sector pay

5.2 The government set public sector pay awards at an average of one per cent in 2014-15. The one per cent pay award is an average that applies to a department rather than each individual. This means that departments are free to distribute the award among staff based on their own requirements. Employers may decide to allocate more to specific parts of its workforce provided the average increase in the annual award for the organisation's total pay remit is in line with the pay restraint policy. Pay restraint applies to the Pay Review Body workforces and the Civil Service. The government does not control pay in public corporations or local government. The Local Government Association announced a two year pay deal of 2% covering 2014-15 and 2015-16 i.e. an average increase of 1% a year.

Remuneration in main public sector workforces

Pay review bodies

5.3 For much of the public sector, pay awards are set by the government after receiving advice from the independent pay review bodies. Each year the review bodies take evidence from interested parties, including government departments and trade unions, carry out their own independent research, and then formulate recommendations on the remuneration of their particular workforce. The government then decides whether to accept, reject or stage the pay awards recommended by the review bodies.

5.4 The pay review bodies are:

- National Health Service (NHS) Pay Review Body – covering all NHS staff, excluding doctors, dentists and very senior managers
- Doctors' and Dentists' Review Body – covering hospital doctors and dentists, public and community health doctors, ophthalmic medical practitioners, general medical practitioners, general dental practitioners, and community dental and dental public health staff
- School Teachers' Review Body – covering school teachers in England and Wales
- Armed Forces' Pay Review Body – covering members of the Naval, Military and Air Forces of the Crown up to and including the rank of Brigadier (one star) or equivalent
- Prison Service Pay Review Body – covering prison staff in England, Wales and Northern Ireland and includes governors and other operational managers, principal and senior officer grades, and prison officer and support grades
- Senior Salaries Review Body – covering senior civil servants, members of the judiciary, senior officers in the armed forces, senior police, very senior managers in the NHS and police and crime commissioners

- the National Crime Agency (NCA) Remuneration Review Body – covering all NCA officers in the UK
- Police Remuneration Review Body – covering police officers in England and Wales

5.5 Pay, for those working in NHS Foundation Trusts and academies, is a matter for those organisations. However, in practice, the majority of these organisations choose to follow the relevant Pay Review Body recommendation.

Civil service pay policy

5.6 Pay policy for civil servants below the Senior Civil Service is delegated to departments, within overall parameters set by HM Treasury. Each year, the Treasury publishes pay guidance which sets out these parameters[1], and it is then for departments to agree their individual settlement with the trade unions, within those parameters. These arrangements also cover many non-departmental public bodies where staff are not civil servants.

The devolved administrations

5.7 Where civil servants work for the devolved administrations, pay is a matter for these administrations. Reports on pay related matters affecting the devolved bodies may be sent to the First Ministers of the Scottish Parliament and The National Assembly for Wales, and the Presiding Officer of the Northern Ireland Assembly. Where civil servants work in UK departments, but are based in the devolved countries, and in instances such as the armed forces, pay is a matter for the UK government.

Local government[2]

5.8 Pay for local government workers is a matter for local government to determine. In practice, the pay and conditions for the vast majority of the local government workforce is set by the National Joint Council (NJC) for local government services. The NJC is a negotiating body comprising trade unions and employers. It sets a national pay scale, but it is for individual authorities to decide where to place employees on that scale or whether to opt out completely.

Pay across the public sector

5.9 This section summarises the key statistics from Note 7 to these accounts. Note 7 sets out staff costs and employee numbers within central government, local government, health sector, non-departmental public bodies, and public corporations in England, Wales, Northern Ireland and Scotland. It also references information on average pay.

Total staff costs

5.10 Staff costs in 2014-15 were £193.8 billion compared with £187.8 billion in 2013-14 (restated). This increase was driven by pension scheme costs (current service costs), which increased to £44.4 billion in 2014-15 from £40.5 billion in 2013-14, reflecting changes to the (net of CPI) discount rate (see Note 26 for details). Salaries and wages increased by £0.1 billion to £148.3 billion in 2014-15, reflecting pay awards, a decrease in the number of average full-time equivalent persons employed and changes in the composition of the workforce.

[1] https://www.gov.uk/government/publications/civil-service-pay-guidance-2014-15/civil-service-pay-guidance-2014-15

[2] Details of local government pay in England and Wales are available from the Local Government Association (LGA), which publishes an annual local government earnings survey on its website: www.local.gov.uk. An overview of English local government pay and workforce figures is published annually by the Department for Communities and Local Government in their report 'Local Government Financial Statistics England' available on its website: https://www.gov.uk/government/organisations/department-for-communities-and-local-government. Details of remuneration by local authority are available in their individual accounts and online.

The 2014-15 WGA includes redundancy payments of £1.5 billion across the public sector workforce. Further details can be found in note 7.3 to these accounts.

Number of persons employed

5.11 The average number of full-time equivalent (FTE) persons employed during the year in the public sector decreased to 4.43 million in 2014-15 from 4.45 million in 2013-14.

5.12 Within this the average number of FTE persons employed in Central Government increased to 2.59 million in 2014-15 from 2.53 million in 2013-14. This increase was driven by the health and education sectors. In 2014-15, there were 26,490 more FTE staff working in the health sector and 39,505 more FTE staff working in academies than in 2013-14, some of whom were previously included in local government staff numbers while others were previously in schools not included in local authority accounts.

5.13 The average number of FTE persons employed in Local Government decreased to 1.73 million in 2014-15 from 1.82 million in 2013-14.

Median earnings

5.14 Median earnings across the public sector for the financial year 2014-15 for all employees are shown below.

	Median earnings 2014-15 £	**Median earnings 2013-14 £**	**Median earnings 2012-13 £**
Central government civil service[3]	24,980	24,730	24,380
Local government[4]	-	19,582	19,126
Public sector[5]	24,657	24,294	24,006
Private sector[6]	21,792	21,293	21,065

Julian Kelly
Accounting Officer

20 May 2016

[3] ONS Statistical Bulletin, Civil Service Statistics, 2015, 2014 and 2013 (www.ons.gov.uk)
[4] Local Government Earnings Survey, Summary 2013-14 (http://www.local.gov.uk); data for 2014-15 has not yet been released
[5] Table 13.7a, Annual Survey of Hours and Earnings, 2015 (Provisional), 2014 (Revised) and 2013 (Revised), ONS (www.ons.gov.uk)
[6] Table 13.7a, Annual Survey of Hours and Earnings, 2015 (Provisional), 2014 (Revised) and 2013 (Revised), ONS (www.ons.gov.uk)

6 Whole of Government Accounts

Consolidated Statement of Revenue and Expenditure

For the year ended 31 March 2015

	Note	2014-15 £bn	2013-14 restated £bn
Taxation revenue from direct taxes	3	(312.8)	(308.9)
Taxation revenue from indirect taxes	3	(200.0)	(194.1)
Taxation revenue from local taxes	3	(53.9)	(52.8)
Revenue from sales of goods and services	4	(33.4)	(39.0)
Other revenue	5	(59.2)	(58.1)
Total revenue		(659.3)	(652.9)
Social security benefits	6	217.7	213.4
Staff costs	7	193.8	187.8
Purchase of goods and services	8	191.7	190.6
Cost of grants and subsidies	9	57.4	56.0
Depreciation and impairment charges	10	45.4	51.1
Provision expense	24	27.9	19.5
Total expenditure		733.9	718.4
Net expenditure before financing costs		74.6	65.5
Investment revenue	11	(7.2)	(7.5)
Finance costs	12	34.2	38.3
Net interest on pension scheme liabilities	26	56.6	49.1
Net financing costs		83.6	79.9
Revaluation of financial assets and liabilities		(4.5)	4.6
Net (profit)/loss on disposal of assets		(1.7)	(4.3)
Net expenditure for the year		152.0	145.7

Consolidated Statement of Comprehensive Expenditure

For the year ended 31 March 2015

	Note	2014-15 £bn	2013-14 restated £bn
Net expenditure for the year	*SoRE*	152.0	145.7
Other comprehensive income and expenditure			
Net gain on revaluation of property, plant and equipment	*SoCTE*	(22.2)	(13.0)
Net gain on revaluation of intangible assets	*SoCTE*	(0.6)	2.2
Net loss/(gain) on revaluation of available for sale financial assets	*SoCTE*	(3.9)	(8.7)
Actuarial loss/(gain) on pension liabilities	*SoCTE*	134.7	83.5
Net other comprehensive income and expenditure		108.0	64.0
Total comprehensive expenditure		260.0	209.7

The Statement of Comprehensive Expenditure (SOCE) sets out the net expenditure as well as the effects of asset revaluation gains and actuarial gains associated with the pension liability. These gains and losses are currently recognised in reserves in the Statement of Changes in Taxpayers Equity (SOCTE). If realised in the future, they will impact on the net expenditure shown in the Statement of Revenue and Expenditure (SORE).

Consolidated Statement of Financial Position

As at 31 March 2015

	Note	2014-15 £bn	2013-14 restated £bn
Non-current assets			
Property, plant and equipment	*13*	847.8	812.3
Investment property	*14*	14.9	13.9
Intangible assets	*15*	32.4	31.9
Trade and other receivables	*16*	12.7	17.7
Equity investment in the public sector banks	*17,21*	44.2	43.0
Other financial assets	*21*	172.4	164.6
Total non-current assets		1,124.4	1,083.4
Current assets			
Inventories	*19*	11.3	11.8
Trade and other receivables	*16*	133.2	131.9
Cash and cash equivalents	*20*	26.8	26.9
Gold holdings		8.0	7.7
Assets held for sale	*18*	2.7	1.7
Other financial assets	*21*	148.9	151.5
Total current assets		330.9	331.5
Total assets		1,455.3	1,414.9
Current liabilities			
Trade and other payables	*22*	(108.8)	(107.0)
Government borrowing and financing	*23*	(235.2)	(212.4)
Provisions for liabilities and charges	*24*	(14.9)	(17.1)
Other financial liabilities	*25*	(444.2)	(432.8)
Total current liabilities		(803.1)	(769.3)
Net current liabilities		(472.2)	(437.8)
Total assets less current liabilities		652.2	645.6

Non-current liabilities			
Trade and other payables	*22*	(64.1)	(66.0)
Government borrowing and financing	*23*	(939.3)	.(883.7)
Provisions for liabilities and charges	*24*	(160.4)	(137.5)
Net public sector pension liability	*26*	(1,493.3)	(1,303.1)
Other financial liabilities	*25*	(98.3)	(95.9)
Total non-current liabilities		(2,755.4)	(2,486.2)
Net liabilities		(2,103.2)	(1,840.6)
Financed by Taxpayers' Equity:			
Liabilities to be funded by future revenues			
General reserve	*SoCTE*	2,381.5	2,099.7
Revaluation reserve	*SoCTE*	(274.8)	(255.9)
Other reserves	*SoCTE*	(3.5)	(3.2)
Total liabilities to be funded by future revenues		2,103.2	1,840.6

The financial statements and supporting notes on pages 35 to 150 and annexes 1 to 5 were approved by Julian Kelly as the Accounting Officer for the WGA on 20 May 2016.

Julian Kelly
Accounting Officer

20 May 2016

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

	Note	General reserve £bn	Revaluation reserve £bn	Other reserves £bn	Total £bn
Changes in taxpayers' equity					
At 1 April 2013		1,876.6	(245.0)	(3.7)	1,627.9
Net expenditure for the year ended 31 March 2014		148.6	-	-	148.6
Net gain on revaluation of property, plant and equipment and intangible assets		-	(10.8)	-	(10.8)
Net gain on revaluation of available for sale assets		-	(8.7)	-	(8.7)
Actuarial loss on pension liabilities	*26.6*	83.5	-	-	83.5
Receipt of donated and government granted assets		1.9	(0.1)	-	1.8
Other movements on reserves		9.3	0.2	-	9.5
Transfers between reserves		(8.2)	7.8	0.4	-
Balance at 31 March 2014		2,111.7	(256.6)	(3.3)	1,851.8
Restatements		(12.0)	0.7	0.1	(11.2)
Balance at 1 April 2014 (restated)		2,099.7	(255.9)	(3.2)	1,840.6
Net expenditure for the year ended 31 March 2015	*SoRE*	152.0	-	-	152.0
Net gain on revaluation of property, plant and equipment and intangible assets	*SoCE*	-	(22.8)	-	(22.8)
Net gain on revaluation of available for sale financial assets	*SoCE*	-	(3.9)	-	(3.9)
Actuarial loss on pension liabilities	*26.6*	134.7	-	-	134.7
Receipt of donated and government granted assets		(0.2)	0.2	-	-
Other movements on reserves		1.1	1.5	-	2.6
Transfers between reserves		(5.8)	6.1	(0.3)	-
Balance at 31 March 2015		2,381.5	(274.8)	(3.5)	2,103.2

General reserve includes the pension reserves. Revaluation reserve includes assets available-for-sale. Other reserves include the hedging reserve and reserves restricted for specific purposes.

Consolidated Cash Flow Statement

For the year ended 31 March 2015

	Note	2014-15 £bn	2013-14 restated £bn
Cash flows from operating activities			
Net expenditure before financing costs	*SoRE*	74.6	65.5
Adjusted for non-cash transactions		(63.1)	(61.7)
Adjusted for non-cash pension transactions		1.1	0.1
(Increase)/decrease in trade and other receivables		(10.1)	17.6
(Increase)/decrease in inventories		0.3	0.1
Increase/(decrease) in trade and other payables		(0.1)	(19.4)
Use of provisions	*24*	7.9	(3.0)
Net cash outflow from operating activities		10.6	(0.8)
Cash flows from capital expenditure and financial investment			
Purchase of non-financial assets		54.4	91.6
Proceeds from disposal of non-financial assets		(4.1)	(5.1)
Payments to acquire financial assets		65.3	72.8
Proceeds from disposal of financial assets		(72.3)	(38.4)
Net loans to students		9.5	9.1
Net cash outflow from capital expenditure and financial investment		52.8	130.0
Cash flows from financing activities			
Investment revenue	*11*	(7.2)	(7.5)
Finance costs (excluding finance leases and PFI contracts)	*12*	31.1	35.2
Finance charges in respect of finance leases and PFI contracts	*12*	3.1	3.1
Increase in gilt edged stock	*23*	(78.4)	(99.9)
Increase in other non-trade receivables		1.3	(2.7)
Other financial liabilities – net cash (inflows)/outflows		(13.4)	(59.9)
Net cash inflow from financing activities		(63.5)	(131.7)
Net increase/ (decrease) in cash and cash equivalents	*20*	(0.1)	2.4
Cash and cash equivalents at the beginning of the period	*20*	26.9	24.5
Cash and cash equivalents at the end of the period	*20*	26.8	26.9

Notes to the Accounts

Note 1. Statement of accounting policies

1.1 Statement of compliance

These financial statements have been prepared by HM Treasury in accordance with the 'Government Resources and Accounts Act 2000 (GRAA)' and the '2014-15 Government Financial Reporting Manual *(*FReM*)*'. The accounting policies contained in the FReM apply European Union (EU) adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. A number of public bodies consolidated into these financial statements do not adopt the FReM framework. These consist of:

- certain non-departmental public bodies (NDPBs) and public corporations (PCs), whose accounts are prepared under UK Generally Accepted Accounting Principles (UK GAAP)
- entities that were set up as charities, whose accounts are prepared under the Charity Statement of Recommended Practice, that follow UK GAAP
- local government organisations that follow the Code of Practice on Local Authority Accounting in the UK for 2014-15
- public bodies that apply pure EU adopted IFRS

Where the effect of such inconsistent accounting policies are material, adjustments are made on consolidation, to the accounts of these bodies, in order to comply with the FReM.

Further information on departures from the FReM is set out in Annex 4.

Chapter 10 of the 2014-15 FReM describes the specific adaptations and interpretations of the accounting standards for WGA. The main adaptations and interpretations of IFRS provided in the FReM are:

- IFRS 8 'Operating segments' - no information needs to be disclosed about products or services, geographical areas or major customers
- IFRS 10 'Consolidated Financial Statements' - WGA shall comprise a consolidation of those bodies that appear to HM Treasury to exercise functions of a public nature or are entirely or substantially funded from public money, in accordance with the GRAA. HM Treasury's decisions apply the GRAA and FReM, taking into account the National Accounts classification of entities to the public sector, as determined by the Office for National Statistics. This adaptation was agreed by the Financial Reporting Advisory Board (FRAB) to reflect that WGA has no parent entity and to maximise the benefits of WGA in allowing comparisons to the National Accounts
- IAS 10 'Events after the Reporting Period' is not required for WGA, except that, the requirement that the financial statements be adjusted for events that provide evidence of conditions that existed at the reporting period will not apply. These events will be disclosed in line with non-adjusting events
- IAS 16 'Property, plant and equipment' – highways infrastructure assets held by local authorities are recognised at historical cost and some detailed disclosure requirements do not apply

1.2 Prior period restatements

Material adjustments applicable to prior periods arising from either changes in accounting policy, changes in the WGA boundary or from restatements in the underlying accounts from correcting, restating or reclassifying are accounted for as prior year adjustments. A restated 2013-14 Statement of Revenue and Expenditure and Statement of Financial Position with details of material restatements is provided in Note 38.

1.3 Reporting entities

The consolidated financial statements, as defined in the GRAA, consolidate a group of entities that appears to HM Treasury to exercise functions of a public nature, or to be entirely or substantially funded from public money. This group includes central government departments, non-departmental public bodies, public corporations, local authorities, the National Health Service and the devolved administrations. The WGA boundary is compared to the Office for National Statistics (ONS) classification of the public sector to ensure the accounts are consistent and comparable to other measures of financial performance, such as the National Accounts.

A list of all the entities within the WGA boundary and consolidated in this account, referred to collectively as "WGA entities", is shown in Annex 1. Some entities have not been included in WGA at this time largely for pragmatic and materiality reasons. The Royal Bank of Scotland Group (RBS), as a public sector bank, has been included as an investment, and has not been fully consolidated. The relevant authority authorised HM Treasury to apply IAS 39 'Financial Instruments: Recognition and measurement', as adapted by the FReM, to its shareholdings in Lloyds Banking Group plc, allowing the Treasury to continue to use fair value as a measure of its shareholdings. This overrides the new requirement in the 2014-15 FReM to equity account for shareholdings in entities that are classified by ONS to the private sector and considered associates under IAS 28 'Investments in Associates and Joint Ventures', and will maintain alignment with the Treasury's measurement of its other temporary shareholdings in public sector banks that are at fair value in line with the FReM. A few entities that are not controlled by an executive arm of government are also not consolidated. Entities excluded from consolidation are listed in Annex 2. In addition, minor entities have not been included in WGA if they meet certain criteria. The minor entities that have been excluded and key financial numbers are listed in Annex 3. The critical judgements involved in establishing the WGA boundary are outlined in Note 1.22.1.

The financial statements are drawn up for the purposes of government and Parliament as a whole and not as a requirement of any individual entity. As a consequence, and for the purposes of WGA, no parent company is disclosed in the statements and notes, only the position of the consolidated entities. Accordingly, this account comprises a set of consolidated financial statements rather than being a group account.

1.4 Basis of preparation

This account has been prepared under the historical cost convention, modified where appropriate to account for the revaluation of certain assets and liabilities as set out in these accounting policies.

The WGA reporting period for the financial statements is the financial year from 1 April to 31 March. Where necessary, the financial information for entities that have a financial year end other than 31 March has been adjusted for any transactions or events that occurred after their financial year end and are significant for the government's financial statements, e.g. Academies (31 August).

Activities are 'acquired' only if they come from outside the WGA boundary. Activities are 'discontinued' only if they cease entirely or move outside the WGA boundary, for example, if an entity is reclassified from the public sector to the private sector. Otherwise, transfers of functions between government bodies have no effect on the presentation of the financial statements.

1.5 Basis of consolidation

The assets, liabilities, revenue and expenditure of WGA entities are added together line by line. Shared ownership assets that are not recognised in the individual accounts of WGA entities are included in the consolidated accounts to the extent that they are controlled by government and are material. All material balances and transactions between entities included in the consolidation are eliminated. Where material, adjustments are made to the financial statements of WGA entities to make the accounting policies consistent with accruals accounting.

1.6 Going concern

As well as decisions on public spending, the government has the power to set tax rates to meet its funding requirements. For this reason, the Accounting Officer adopts the going concern basis in preparing these financial statements and values assets and liabilities on the basis that the government will continue to exercise its functions.

1.7 Operational and presentational currency

The government's operational and presentational currency is pounds sterling. Amounts are presented in these statements to the nearest £0.1 billion.

1.8 Foreign currency

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly. In this case, an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the financial year end are translated at the rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Revenue and Expenditure, except when deferred in equity as qualifying cash flow hedges.

1.9 Use of estimations

The preparation of the financial statements of WGA entities requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenditure. The estimates and associated assumptions are based on historical experience and specific relevant factors. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Where accounting estimates and judgements significantly affect the amounts recognised in these consolidated financial statements, they are described in Note 1.22.

1.10 Disclosures

In line with the 2014-15 FReM requirement on segmental reporting, an additional analysis is set out by sectors (such as central government and local government) and not on the basis of products or services, geographical areas or major customers.

On certain matters, the detailed level of disclosure required by financial reporting standards is not appropriate for WGA. In such cases, detailed disclosures are omitted but are available in the individual accounts of the consolidated entities. These are detailed in Annex 4.

1.11 Revenue

Revenue is recognised when it can be measured reliably and it is probable that the economic benefits will flow to government. Revenue is accounted for under the accruals convention. It is recognised in the period in which services are provided. Revenue received for a specific activity to be delivered in future years is deferred.

1.11.1 Taxation revenue

Taxes and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognised when a taxable event has occurred, the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to government. No revenue is recognised if there are significant uncertainties regarding recovery of the taxes and duties due.

Revenues are deemed to accrue evenly over the period for which they are due. Taxes and duties are accounted for on an accruals basis, except for stamp duty and National Insurance Classes 1A, 1B and 3. These are accounted for on a cash basis and do not have a material impact on the accounts. In addition, some repayments are accounted for on a cash basis.

Taxable events for the material tax streams are as follows:

Revenue Type	Revenue Recognition Point
Income Tax	Earning of assessable income during the taxation period by the taxpayer.
Social security and National Health Service Contributions	Earning of income on which National Insurance is payable
Corporation Tax	Earning of assessable profit during the taxation period by the taxpayer.
Value Added Tax	Undertaking of taxable activity during the taxation period by the taxpayer.
Other excise duties	Date of production, date of import or movement of goods out of a duty suspended regime.
Stamp Duty	When property or shares are purchased.
Council Tax	Residency in, or ownership or tenancy of, a chargeable dwelling for any period in the financial year.
National Non-Domestic Rates	Occupation or ownership of a relevant non-domestic property for any period in the financial year.

Income Tax, National Insurance Contributions and Value Added Tax, other than input value added tax on goods and services, are shown after balances and transactions have been eliminated between consolidated entities and HM Revenue and Customs (HMRC).

Income Tax does not include tax credits. These are categorised as an expense and included within benefits as per Note 6.

The ‘tax gap’, defined as the difference between all the tax theoretically due in HMRC’s view and the tax actually collected, is not recognised in these financial statements. The tax liability, therefore, includes all tax that is due under either the letter or the spirit of the law. Under this definition the tax gap revenue loss equates to the shortfall resulting from non-payment, fraud, error, and artificial avoidance schemes.

1.11.2 Operating revenue

Operating revenue is measured at the fair value of the consideration received or receivable. It is recognised in the period in which the goods or services were provided. EU income is recognised by WGA entities for funding they expect to receive from the EU in respect of expenditure incurred on EU supported projects.

1.11.3 Investment revenue

Revenue from interest is accrued using the effective interest rate method. This uses an effective interest rate that discounts estimated future cash payments through the life of the asset to the net carrying amount of the financial liability. Revenue from dividends is recognised when the right to receive a dividend is established.

1.12 Expenditure

Expenditure is recognised in the period in which it is incurred.

1.12.1 Social security benefits

Included in social security benefits are statutory entitlements (most of which are included in the Social Security Contributions and Benefits Act 1992), payable to private individuals and households. Social security benefits are accounted for as expenditure in the period to which they relate.

Social security benefits include tax credits, which are recognised in the year in which they are assessed and authorised by HMRC. Authorisation is the point at which the obligation to pay the tax credit arises. Payments of tax credits are provisional until entitlement is finalised after the financial year end. Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure. Receivables and payables are recognised as appropriate. Correcting payments are made in respect of underpayments, however if a customer has an existing receivable balance the underpayment is offset against the receivable. Overpayments are treated as other receivables and HMRC seeks to recover these from future personal tax credits awards or through direct repayments.

The state pension is included within social security benefit expenditure.

1.12.2 Staff costs

Staff costs include salaries and wages, the costs of pensions and other employee benefits. Staff costs that can be attributed directly to the construction of an asset have been capitalised. They will be included in the cost base of the relevant asset and therefore do not appear in the Statement of Revenue and Expenditure. Average staff numbers include staff engaged on capital projects.

Public sector pension scheme costs include current service costs and past service costs. Current service costs are the increase in the present value of the scheme liabilities included in WGA arising from current members' service in the current period. Past service costs are increases or decreases in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction, change or improvement to retirement benefits.

1.12.3 Grants and subsidies

Grants and subsidies are recorded as expenditure during the period that the underlying event or activity giving entitlement to the grant occurs. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Statement of Revenue and Expenditure on the basis of estimates of claims not received and are included in accruals in the Statement of Financial Position.

1.12.4 Research and development

Expenditure on research and development is charged to the Statement of Revenue and Expenditure in the year in which it is incurred, unless it meets the criteria set out under IAS 38 'Intangible Assets', in which case it is capitalised.

1.12.5 Value Added Tax

Many of the activities of government are outside the scope of Value Added Tax (VAT) and, in general, output tax does not apply and input tax is not recoverable. Irrecoverable VAT is charged to the Statement of Revenue and Expenditure and included as part of the cost of the transaction under the heading relevant to the type of expenditure, or is included in the capitalised purchase cost of the asset in the Statement of Financial Position.

1.12.6 Finance costs

Premium Bond prices are recognised in the period to which they relate. Other interest income and costs of financing are determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. The calculation takes into account premiums or discounts on acquisition or issue of financial assets and liabilities and all the contractual terms of the financial instrument.

The majority of the National Loans Fund's (NLF) financial assets and liabilities have a fixed return. For those products that have a variable return, the current rate applicable to that product is used in the calculation of the finance income or cost. Liabilities linked to the Retail Prices Index (index-linked gilts and NS&I products) are treated as analogous to floating rate instruments. Gilts with the same maturity and coupon rate are sometimes issued in separate tranches. Because of market conditions each tranche may be issued with a different premium or discount and therefore a different effective interest rate. However, once issued, gilts with the same maturity and coupon rate are indistinguishable from each other and so are accounted for as one issue using a weighted average effective interest rate.

1.13 Non-current assets

1.13.1 Property, plant and equipment

Property, plant and equipment, unless otherwise stated, are carried at cost on initial recognition and then at fair value or depreciated historical cost where this is used as a proxy for fair value, as interpreted for the public sector context. Council dwellings are fair valued at the existing use value for social housing.

The threshold for capitalising non-current assets is set by each entity as appropriate to their circumstances and disclosed in the accounting policy note in their accounts. Central government departments typically have a capitalisation threshold of £5,000, other than the Ministry of Defence which has a capitalisation threshold of £25,000.

Land and buildings are professionally valued usually at 5 year intervals or when material changes are known to have arisen, and are subject to annual internal reviews.

Gains on revaluation are taken to the revaluation reserve. Losses on revaluation for a particular asset are debited to the revaluation reserve if gains for that asset have been previously recorded, otherwise the full amount is charged to the Statement of Revenue and Expenditure. On sale of the asset, any remaining balance in the revaluation reserve is released to the Statement of Revenue and Expenditure.

1.13.2 Infrastructure assets

Infrastructure assets comprise assets that form part of an integrated network servicing a significant geographical area. These assets usually display some or all of the following characteristics:

- they are part of a system or network

- they are specialised and do not have alternative uses
- they are immovable
- they may be subject to constraints on disposal

Infrastructure assets will include road networks, sewer systems, water and power supply systems and communications networks.

Strategic road network

The road network infrastructure asset consists of carriageways, structures, land and communication equipment that form a single integrated network. The network infrastructure is intended to be maintained at a specific level of service potential by continual replacement and refurbishment. The assets are specialised and therefore are valued at gross replacement cost in accordance with the FReM before applying depreciation. The gross replacement cost is calculated as if providing a replacement asset, on a 'green-field' site, constructed to modern build standards and then depreciated to take account of the condition of the network.

External professional surveyors undertake a full valuation of the network at intervals not exceeding five years on a rolling basis. The valuation is not based on the historic actual cost of construction for individual elements of the network. Rather, standard costs are determined for the network that reflect the actual cost of recent schemes to provide unit rates for all elements and components of the network. Between full valuations, the values are adjusted using indices. These are applied to the valuation of the network to ensure the final valuation is at current replacement cost. Certain non-standard structures, however, are valued at historical prices appropriately indexed, or insurance valuations have been used as the best approximation of replacement cost.

Network Rail infrastructure

Having considered the latest international guidance available, the Office for National Statistics has concluded that Network Rail should be reclassified, from 1 September 2014, as a central government body, applying this reclassification in all periods from April 2004 when Network Rail became a non-market body under the then new guidelines. Network Rail's group accounts have therefore been consolidated into the 2014-15 WGA.

The railway network is carried in the balance sheet at its fair value. As there is no active market in railway infrastructure assets, the company has derived the fair value of the railway network using an income approach. The income approach assesses the discounted future cash flows that are expected to be generated by the railway network. This valuation is carried out twice a year and revaluation gains and losses are reflected in other comprehensive income.

Local authority infrastructure

Local authority infrastructure assets are included in the Statement of Financial Position at historical cost less depreciation.

Infrastructure assets include highways infrastructure assets held by local authorities. Local authorities prepare their accounts on a historical cost basis for those assets, compared to the depreciated replacement cost basis used by all other government entities as set out above. Local authorities are working towards a valuation on a depreciated replacement cost basis for inclusion in the WGA, following a decision by the Chartered Institute of Public Finance and Accountancy (CIPFA) to implement depreciated replaced cost methodology in 2016-17.

Transport for London (TfL) infrastructure

Transport for London (TfL) infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands, properties attached to infrastructure that are not separable from infrastructure, and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. These are measured at cost less accumulated depreciation and accumulated impairment losses.

Scottish Water infrastructure

Scottish Water infrastructure assets comprise a network of water and waste water systems including mains, sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls. Expenditure on infrastructure assets, which relates to increases in capacity or enhancements of the network, is treated as additions. Expenditure incurred in maintaining and repairing the operating capability of the network is expensed in the year in which it is incurred. Depreciation is calculated for each component of the network with similar characteristics and asset lives.

1.13.3 Assets under construction

Assets under construction are measured at cost less any recognised impairment loss. Assets under construction are not depreciated.

1.13.4 Military equipment

Military equipment comprises non-current assets used by the military for which there is no civilian use. It includes items such as tanks, fighter aircraft and warships. It is initially recognised as a tangible non-current asset at its direct purchase or production cost, and is then depreciated over its useful economic life. In all other respects it is treated in the same way as other non-current asset categories. Development expenditure on military equipment, which meets the capitalisation criteria set out in accounting policy note 1.12.4, is capitalised as an intangible asset.

1.13.5 Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value. Heritage assets include historic buildings, archaeological sites, monuments, statues, the National Archives, military and scientific equipment of historic importance, museum and gallery collections and works of art. They are included in 'furniture, fittings and other' in the property, plant and equipment note (Note 13).

Operational heritage assets are heritage assets that are also used for other activities or to provide other services (the most common example being buildings). They are valued and depreciated in the same way as other assets of that type.

Non-operational heritage assets are those that are held primarily in pursuit of an entity's overall objective to maintain them, such as works of art. Non-operational heritage assets acquired before 1 April 2000 (2001 for NDPBs) are generally not capitalised. All non-operational heritage assets acquired since 1 April 2001 have been capitalised and recognised in the Statement of Financial Position, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated as they are considered to have no determinable useful life, nor are they revalued as a matter of routine. They are, however, subject to impairment reviews where damage or deterioration is reported.

1.13.6 Community assets

Community assets are non-current assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historic buildings, works of art etc. They are primarily held for their historic and cultural value. Local community assets are generally included at cost or a token value in the Statement of Financial Position under 'other assets'. They are also included in 'furniture, fittings and other' in the property, plant and equipment note (Note 13).

1.13.7 Donated assets

The category 'donated assets' covers two types of assets:

- those that have been donated
- those for which the WGA entities have continuing and exclusive use but do not own legal title (and for which they have not given consideration in return)

They are capitalised at their current valuation on receipt and are revalued, depreciated and subject to impairment review on the same basis as purchased assets. They are included in 'furniture, fittings and other' in the property, plant and equipment note (Note 13).

Income to the value of the donated assets is recognised in the year of donation except where the donation is subject to conditions. Where the donation is subject to condition, income is deferred to the year in which the conditions are met.

1.13.8 Capital grants and contributions

Grants and similar financing for capital items, to the extent that they have not been eliminated on consolidation, are recognised immediately in the Statement of Revenue and Expenditure unless it is likely that the grant will need to be repaid, in which case the grant is deferred in the Statement of Financial Position.

1.13.9 Investment properties

An asset is recognised as an investment property when the property (land or buildings) is held for rent revenue or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. A gain or loss arising from a change in fair value or arising from disposal of the investment property is recognised in the Statement of Revenue and Expenditure.

1.13.10 Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. They are only recognised if it is probable that future economic benefits will flow to the owning WGA entity and their costs can be measured reliably. Examples of intangible assets include purchased software licences (of more than one year duration) and in-house developed software. Software that is embedded in computer-controlled equipment that cannot operate without that specific software and is an integral part of the related hardware, is treated as property, plant and equipment.

Intangible assets are measured on initial recognition at cost. The capitalisation threshold for expenditure on intangible assets is determined by each WGA entity. Following initial recognition, where an active market exists, intangible assets are carried at fair value. Where no active market exists, published indices may be used to assess the depreciated replacement cost as a proxy for fair value. The useful lives of intangible assets are assessed to be either finite or indefinite and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method are reviewed at least at each financial year end.

Computer software licences with a useful life in excess of one year that are capitalised as intangible non-current assets are impaired when events or changes in circumstances indicate the carrying value may be more than the value of the economic benefit recoverable. Software licences are amortised over the shorter of the term of the licence and the useful economic life, which is usually between two and 15 years.

1.13.11 Assets held for sale

Assets 'held for sale' are measured at the lower of their previous carrying value and fair value, less the cost to sell in each case. They are not subject to depreciation.

1.13.12 Depreciation and amortisation charged

Charges are made to the Statement of Revenue and Expenditure for the consumption of tangible non-current assets (as depreciation) and intangible non-current assets (as amortisation). The depreciation or amortisation charged is calculated to write down the cost or valuation of the asset to its residual value over its estimated useful economic life.

Freehold land, assets under construction, investment properties, stockpiled goods, non-operational heritage assets and assets held for sale are not depreciated or amortised.

Otherwise, depreciation and amortisation are charged to write-off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, mainly on a straight-line basis over their estimated remaining useful lives. The estimated useful life of an asset is the period over which an entity expects to obtain economic benefits or service potential from the asset. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

The depreciation period varies for each WGA entity. Generally, assets are depreciated over the following timescales:

Asset group	Depreciation period
Buildings	up to 60 years or estimated useful economic life
Dwellings	estimated useful economic life
Military equipment	up to 35 years
Plant and machinery	up to 30 years
Transport equipment	up to 35 years
Office machinery and equipment	up to 30 years
IT equipment	up to 10 years
Furniture and fittings	up to 20 years
Intangible assets	up to 15 years

1.13.13 Infrastructure assets depreciation

Strategic road network

Network infrastructure assets and definable components with determinable finite lives are depreciated at rates calculated to write-off the assets on a straight-line basis over their expected useful lives (over 20 to 120 years). Freehold land, the sub-pavement layer of long-life pavements, and earthworks are considered to have an indefinite life and are not depreciated. Road surfaces are subject to condition surveys and any movement in the condition is taken to the Statement of Revenue and Expenditure as a depreciation charge or improvement credit.

Local authority infrastructure

Assets are depreciated on a straight line basis over their estimated useful lives, these being periods typically between 10 and 40 years.

Transport for London (TfL) infrastructure

Assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Asset Group	Depreciation period
Tunnels and embankments	up to 100 years
Bridges and viaducts	up to 100 years
Track	up to 50 years
Road pavement	up to 15 years
Road foundations	up to 50 years
Signalling	up to 40 years
Stations	up to 50 years
Rolling stock	up to 50 years

Scottish Water infrastructure

Assets are depreciated on a straight-line basis over their estimated useful lives, these being periods typically between 80 and 150 years. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date.

1.14 Current assets

1.14.1 Inventories

Work in progress is valued at the lower of cost and net realisable value. Inventories are valued at cost or, where materially different, current replacement cost. Inventories are held at net realisable value only when it either cannot or will not be used.

1.14.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions. They are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Bank overdraft amounts are included within trade and other payables in the Statement of Financial Position.

1.14.3 Gold holdings

Gold is treated as being similar to a financial asset and, as such, is reported at fair value in the Statement of Financial Position. Gold holdings on deposit are valued at the sterling equivalent of the London Bullion Market Association dollar denominated spot bid price as at 31 March 2015. Revaluation gains and losses on gold assets are recognised within fair value changes in gold in the Statement of Revenue and Expenditure as other revenue.

1.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the effective interest rate at the reporting date. The value of receivables is shown after an allowance for irrecoverable debts. The allowance is based on objective evidence that not all amounts will be able to be recovered, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance, for example as a result of increases in bad debts, are recognised in the Statement of Revenue and Expenditure.

1.16 Leases

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified by the lessee as operating leases in accordance with IAS 17 'Leases'.

Where a WGA entity is the lessor under an operating lease, assets subject to operating leases are included in the Statement of Financial Position according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. due to lease incentives). However, this basis may be modified if there is another systematic and rational basis which is more representative of the time pattern in which the benefits are derived from the leased asset. Amounts due under the operating lease at year end are treated as amounts receivable.

Where a WGA entity is the lessee under an operating lease, rentals payable, net of benefits received or receivable (e.g. cash incentives for a lessee to sign a lease), are charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more representative of the benefits received.

Finance leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessee are classified by the lessee as finance leases in accordance with IAS 17 'Leases'. Where the risks and rewards of ownership of a leased asset are substantially borne by a WGA entity, the asset is recognised on the Statement of Financial Position at the discounted present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. The capitalised values are amortised over the period in which the WGA entity expects to receive benefits from their use.

Where a WGA entity is the lessor under a finance lease, amounts due from the lessees are recorded in the Statement of Financial Position as a receivable at the amount of the net investment in the lease. The lease payments receivable are apportioned between repayment of the receivable and finance income. The finance income is credited to revenue and calculated so as to give a constant periodic rate of return from the net investment.

Leasehold improvements are capitalised and the cost amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

1.17 Private Finance Initiative (PFI) transactions

Under a Private Finance Initiative (PFI) transaction or service concession, a WGA entity contracts with a private sector entity to develop, finance, operate and maintain fixed assets. Under such arrangements, where the WGA entity controls or regulates those services and controls any significant residual interest in the infrastructure they are included in the Statement of Financial Position.

PFI transactions that meet the definition of a service concession arrangement are accounted for in accordance with the FReM. The service concession arrangement must contractually oblige the private sector operator to provide the services related to the infrastructure to the public on behalf of the grantor (IFRIC 12.3). Where the majority of risks and rewards of ownership of the PFI property is borne by the PFI operator, the payments are recorded as an operating cost. Where the balance of risk is borne by the government, transactions are recognised as an asset, with related liabilities. The asset is accounted for in a manner consistent with other assets of that type. Interest on the liability and expenditure on services provided under PFI transactions are recognised in the Statement of Revenue and Expenditure as they accrue. Unitary charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the initial liability.

Where, at the end of the PFI transaction, all or part of the property reverts to a government entity for a specified value, the difference between the expected fair value of the residual asset on reversion at the start of the contract and any agreed payment on reversion is built up over the life of the contract, and included in the Statement of Financial Position as a non-current asset. This is to ensure proper allocation of payments between the cost of services under the contract and acquisition of the residual interest. Capitalisation of the residual interest is included within assets under construction.

1.18 Provisions

A provision is recognised when the following three criteria are met: there is a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Obligations are reviewed on a regular basis and provisions are updated accordingly.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of a provision is discounted to the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party the recoverable amount is treated as a non-current or current asset. Provision charges in the Statement of Revenue and Expenditure are shown net of changes in the amount recoverable from third parties. Provision changes are accounted for in the year in which they arise.

1.19 Pension costs and public sector pension liability

The pension liability relates to public sector pension liabilities for employees and former employees of the public sector, with a small component for other approved organisations that qualify for membership of these government schemes. The government operates two types of pension schemes, unfunded which tend to be defined benefit pension schemes and funded which tend to be defined contribution schemes. In respect of defined contribution schemes, the government recognises the contributions payable for the year.

State retirement pensions are paid to the general public. As they are not employee benefits for public sector staff, they are not included in the public sector pension liability. State pensions are contributory benefits paid in accordance with government policy and are expensed as incurred (Note 6). Future state pension benefits are not recognised as a liability as the obligation for government arises in the year of payment.

Funded schemes are shown on the Statement of Financial Position on a net basis taking account of scheme assets and scheme liabilities. Scheme assets are carried at fair value as at the end of the reporting period. Where the scheme requires the employer to fund any deficit of assets compared to liabilities these are shown as contributions over and above the current service charge.

Liability for payment of future benefits is a charge on the schemes. Scheme liabilities are measured on an actuarial basis using the projected unit method, such as an assessment of the future payment that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on high quality corporate bonds, usually interpreted as corporate bonds with a credit rating of AA. Central government schemes use a real discount rate, while local government schemes use the rates determined by independent actuaries.

All movements in the liability, except actuarial gains and losses, are recognised in the Statement of Revenue and Expenditure in the period in which they occur. Actuarial gains and losses are accounted for through reserves as required by the FReM. Obligations for contributions to defined contribution pension schemes are recognised in the Statement of Revenue and Expenditure as they fall due. The accruing cost of pension rights in respect of current employees is recognised as an increase in the level of provision for pension liabilities. Pension expenditure in respect of former employees is recognised as a decrease in provision.

Certain minor schemes, such as pensions for some locally engaged staff overseas, are administered and accounted for on a pay-as-you-go basis as the cost of actuarial valuation would outweigh the benefits.

Further details regarding the principal schemes are disclosed in Note 26 to this Account.

1.20 Financial instruments

1.20.1 Financial assets

Depending on the purpose for which a financial asset is held or acquired it is classified into one of the following four categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables
- available-for-sale assets

a) Financial assets at fair value through profit or loss (or Statement of Revenue and Expenditure)

A financial asset is classified as 'fair value through profit and loss' if acquired principally for the purpose of trading in the short term. It may also be classified in this category to align it with a related liability if this results in more relevant information. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the Statement of Revenue and Expenditure. Transaction costs are expensed as they are incurred. Financial assets classified as 'fair value through profit or loss' are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Revenue and Expenditure.

b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, where there is a positive intention and ability to hold to maturity, for example fixed term deposits. After initial recognition, held-to-maturity financial assets are held at amortised cost using the effective interest method, less any impairment.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables comprise cash and cash equivalents, receivables and loans, including student loans. After initial recognition, they are carried at amortised cost less any impairment.

When an asset is deemed to be impaired or derecognised, the associated gains and losses are recognised in the Statement of Revenue and Expenditure.

d) Available-for-sale assets

These are non-derivative financial assets classified as 'available-for-sale' or not classified in any of the other three categories of financial assets. After initial recognition, these financial assets are carried at fair value. Gains and losses are recognised in reserves except for impairment losses. Impairment losses are recognised in the Statement of Revenue and Expenditure. On de-recognition, the cumulative gain or loss previously recognised in reserves is recognised in the Statement of Revenue and Expenditure.

Accounting treatment

The table below summarises the accounting treatment for different financial asset types.

Financial asset type	**Accounting treatment**
Trade and other receivables	Accounted for as loans and receivables with book value used as a proxy for amortised cost.
Student loans	Accounted for as loans and receivables at amortised cost, reflecting impairments.
Loans and deposits with banks	Accounted for as loans and receivables at amortised cost, or as held to maturity investments at amortised cost. Deposits with banks are held at amortised cost, designated at fair value or held for trading at fair value.
Equity investments	Typically accounted for at fair value through profit and loss.
Equity investments in non-public entities where there is no observable market	Accounted for as available for sale assets. Fair value is estimated as the net asset value per the published accounts of the investee entities.
Equity investments in the public sector banks	Accounted for as available for sale assets at fair value.
Debt securities	Accounted for at fair value through profit and loss as they are held for trading.
Holding of International Monetary Fund (IMF) Special Drawing Rights	Accounted for at fair value through profit and loss as they are held for trading.
IMF quota subscription	Accounted for as loans and receivables at amortised cost.

1.20.2 Financial liabilities

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss
- financial liabilities at amortised cost

The classification depends on the purpose for which the financial liability is held or acquired. Management determines the classification of financial liabilities at initial recognition.

Financial liability type	Accounting treatment
Government financing and borrowing, comprising gilts, Treasury bills and National Savings & Investment products	Accounted for at amortised cost.
Trade and other payables	Accounted for at amortised cost.
Deposits by banks, comprising sale and repurchase agreements	Accounted for at amortised cost, designated at fair value and held for trading at fair value.
IMF Special Drawing Rights allocation	Accounted for at fair value.
Financial guarantees	Accounted for at fair value on recognition and subsequently at the higher of amount initially recognised less cumulative amortisation or the best estimate of the probable expenditure required to settle financial obligations at the reporting period.

1.20.3 Fair value

Accounting standard IFRS 7, as applied by the FReM, (amended by IFRS 13) defines three classifications of fair value measurement, using a fair value hierarchy. The hierarchy reflects the significance of the inputs used in making fair value measurement of financial instruments:

- level 1 – valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes equity investments in UK financial institutions
- level 2 – determined using valuation techniques based on observable inputs other than quoted prices used for level 1. These include quoted prices in active markets for similar, but not identical, instruments. These assets include B shares in RBS
- level 3 – valued using techniques that are not based on observable market data inputs, such as adjusting values based on historical data on credit losses

1.20.4 Impairments

At the reporting date, financial assets, other than those held at fair value through the Statement of Revenue and Expenditure, are assessed for impairments. Financial assets are impaired and impairment losses are recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset, for example the impairment of a loan as a result of subsequent events.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Revenue and Expenditure, and the carrying amount of the asset is reduced directly or through an allowance for impairment of receivables. If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the initial impairment, the loss is reversed through the Statement of Revenue and Expenditure to the extent that the impaired carrying amount would not exceed the original amortised cost.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any impairment evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Revenue and Expenditure) is removed from reserves and recognised in the Statement of Revenue and Expenditure. Impairment losses recognised in the Statement of Revenue and Expenditure are not reversed until the financial asset is derecognised.

1.20.5 Student loans

Student loans are held at amortised cost and accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. They are recognised when loans are issued to students. The asset is amortised and impaired in the same way as if it were an addition to the student loan book, with a charge to expenditure to reflect the cost to the government of issuing the loans.

Student loan repayments are collected by the Student Loans Company (SLC) and HM Revenue and Customs (HMRC). Repayments made via the SLC are recognised when it has received the cash and updated the borrower record. Repayments collected via the tax system are recognised based on HMRC estimates of what will fall due to government for the financial year.

The valuation of the student loans requires management to make judgements, estimates and assumptions. These are disclosed in 1.22.8.

1.20.6 IMF Special Drawing Rights

The UK's quota subscription to the IMF is recognised as a financial asset carried at amortised cost. Part of the subscription is deposited by the IMF in the National Loans Fund in return for sterling non-interest bearing securities which are recognised as financial liabilities. In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', these financial assets and liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The IMF quota subscription is denominated in Special Drawing Rights (SDRs), the IMF's unit of account, and is recognised in the Statement of Financial Position in sterling, converted at the SDR exchange rate published by the IMF at the year end.

The UK's allocation of SDRs by the IMF in proportion to the UK's quota subscription is recognised as a financial liability to the IMF, and the resulting holding of SDRs is recognised as a financial asset. In accordance with IAS 39, the SDR allocation and holdings are classified as "held for trading" financial assets and liabilities, and are measured at fair value with gains and losses being taken through the Statement of Revenue and Expenditure.

Any interest receivable in SDR is recognised in interest revenue in the Statement of Revenue and Expenditure at the exchange rate prevailing on the date of receipt.

1.20.7 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified repayments to reimburse the holder for a loss as it incurs, because a specified receivable fails to make payments when due, in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value. After initial recognition, they are recognised at the higher of: the initial amount, less amortised fee income recognised in the Statement of Comprehensive Net Expenditure as the service is provided; and the best estimate of the probable expenditure required to settle any financial obligation arising at the reporting date, in line with the definitions of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Any increase in the liability relating to guarantees is taken to the Statement of Revenue and Expenditure.

Market participants typically value such contracts based on the reduction in risk to the lender provided by the guarantee, as reflected by improved credit terms, typically the reduction in interest payable by the borrower. Where the contract specifies the fee payable to an entity, and there is reasonable evidence that the fee was calculated on this basis, the guarantee is valued at the net present value of the fee.

The maximum liability under financial guarantees, which also represents the maximum credit risk, is disclosed along with other contingent liabilities for which the risk of crystallisation is remote.

1.20.8 Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position. The gain or loss on subsequent measurement is taken to the Statement of Comprehensive Net Expenditure except where the derivative is a designated hedging instrument.

1.20.9 Hedging

Entities apply hedge accounting after considering the costs and benefits of such an approach, including: whether an economic hedge exists and the effectiveness of that hedge; whether the hedge accounting qualifications can be met; and the extent to which it improves the relevance of reported results.

At the time a financial instrument is designated as a hedge, the relationship between the hedging instruments and the hedged items is formally documented, including a description of the risk management objectives, strategy in undertaking the hedge transaction, and methods that will be used to assess the effectiveness of the hedging relationship. Formal assessments are made at the inception of the hedge, and on an ongoing basis, as to whether the hedging derivatives are "highly effective" in offsetting changes in the fair value or cash flows of the hedged items.

The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is made. Hedges can be designated as a fair value hedge or cash flow hedge. For fair value hedges, changes in value are recognised in the current period to offset the recognition of changes in fair value of the instrument being hedged. For cash flow hedges and net investment hedges, the effective portion of changes in the fair value is recognised in reserves and any gain or loss relating to the ineffective portion is recognised immediately in the Statement of Revenue and Expenditure. Amounts accumulated in reserves are recycled in the Statement of Revenue and Expenditure in the periods when the hedged item affects the Statement of Revenue and Expenditure. The gain or loss relating to the effective portion of forward currency contracts is recorded in the Statement of Revenue and Expenditure.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in reserves at that time remains in equity. It is accounted for when the forecast transaction is ultimately recognised in the Statement of Revenue and Expenditure. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in reserves is immediately transferred to the Statement of Revenue and Expenditure.

1.21 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the Statement of Financial Position, but are disclosed in the notes to the accounts.

A contingent liability is a possible obligation arising either from past events whose existence will be confirmed only by uncertain future events, or a present obligation arising from past events which is not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured. A contingent asset is a possible asset whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity. Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

Central government departments are required to report to Parliament contingent liabilities (including financial guarantees) for which the risk of crystallisation is remote. These are disclosed in Note 32. The contingent liabilities reported to Parliament are not contingent liabilities within the meaning of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' since the likelihood of a transfer of economic benefit in settlement is too remote. As they do not fall within the scope of IAS 37, they are measured following the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' for financial instruments. Financial liabilities are measured initially at fair value. Subsequent measurement will depend on the characteristics of the financial liability. This is different from the measurement requirements of IAS 37, as it does not take account of the best estimate of the expenditure required to settle the obligation.

1.22 Critical accounting estimates and judgements

1.22.1 WGA boundary

The 'Government Resources and Accounts Act (GRAA)' requires HM Treasury to prepare WGA for "a group of bodies each of which appears to HM Treasury (a) to exercise functions of a public nature, or (b) to be entirely or substantially funded from public money". When complying with the GRAA, HM Treasury makes a judgement as to whether to consolidate an entity, taking into account the national accounts classification of entities to the public sector, determined by the ONS, and by reference to the accounting standards. The ONS independently assesses the classification of entities using ESA 10, which is the European standard of classification, derived from the worldwide definitions held in the System of National Accounts. ESA 10 considers the nature of the activity performed by the entity, its funding and its relationship to government. In September 2014 ESA 10 replaced the previous ESA 95 accounting standards and introduced some new control tests, resulting in the classification of Network Rail to the public sector. Aligning the boundary of WGA with the public sector, as defined for the national accounts, is an important principle in driving the usefulness of WGA. The scope of WGA is similar to that included to produce other fiscal measures. This enables WGA to complement existing data and be a tool to support macro-economic management of the UK's finances.

There are a small number of entities that could satisfy the GRAA definition but are not included in WGA because, while they are accountable to their respective parliaments or assemblies, they are not responsible to an executive arm of the government, and therefore do not form part of government. These are listed in Annex 2.

Minor entities that satisfy the GRAA definition but are not consolidated in underlying accounts are not included in WGA because they are considered too small to be consolidated within WGA. In order to be minor, they must satisfy certain criteria (for example gross expenditure of less than £10 million), which are reviewed annually. These bodies are listed in Annex 3.

The Royal Bank of Scotland (RBS) continues to be held as an available-for-sale financial asset as this is considered the more appropriate accounting treatment for a true and fair view of the WGA. The scale of RBS would dwarf other aspects of WGA, distorting the accounts and making it difficult to determine trends. There has been, and is, no intention of the government retaining the assets and liabilities of RBS in the long term. The government has already commenced selling off its shareholding during 2015.

1.22.2 Revenue recognition from the sale of 3G and 4G licences

In 2000, the government sold 5 licences by auction for the use of the electromagnetic spectrum for the third generation mobile phone services (3G). The auction raised £22.5 billion and all successful bidders paid for their licences up front in return for access to the spectrum for a period of 20 years. In 2012-13 the government sold 5 further licences for the fourth generation mobile phone services (4G), raising an additional £2.4 billion. Under IAS 18 'Revenue Recognition', the revenue for both licence sales was recognised in full at the time of cash receipt. An initial interpretation of IFRS 15 ('Revenue from Contracts with Customers') to be adopted in 2018-19, and the detailed specific guidance therein for recognition of revenue over time, has concluded that for 2014-15 (and onwards) the accounting treatment for recognition of revenue should change from recognising the revenue in full at the time of cash receipt, to that of spreading the cost evenly over the period of the licences.

1.22.3 Estimating taxation revenue

Estimates have been made to support the accrued revenue receivable and payable balances where tax returns reporting taxpayer liabilities or associated tax payments are not filed until after the accounts have been published. Tax receivables revenue is estimated by HM Revenue and Customs using statistical models based on a combination of projections derived from the most recent revenue flows and forecasts of economic variables on which future revenue flows depend. The forecasts are based on what is believed to be the relevant inputs. However, because of the areas of uncertainty involved, there will inevitably be differences between the forecasts and future outturns. These differences arise because of the need to make judgments on areas of uncertainty and are not indicative of deficiencies in the models. The maximum overall uncertainty is expected to be around £4 billion, which does not significantly affect the reported position. This figure is equivalent to less than 1% of the £566.7 billion tax revenue reported in the Statement of Revenue and Expenditure.

1.22.4 Key assumptions in determining the pension liability

The pension liability of £1,493.3 billion (2013-14 restated: £1,303.1 billion) is an assessment of the amount of money that would need to be set aside now to cover the future payments of all retirement benefits earned by employees up to the reporting date.

This assessment requires various assumptions to determine the expected future payments (including life expectancy, employee turnover rates, projections of price inflation (usually CPI) and projections of earnings for current employees). These expected future payments are then discounted back to the reporting date using a discount rate.

As benefits are generally linked to the Consumer Prices Index (CPI) and expected future payments are generally spread over many decades into the future the discount rate (net of CPI) has a significant impact on the reported liability with small changes to the (net of CPI) discount rate having a large impact on the liability. A decrease in the (net of CPI) discount rate leads to an increase in the reported liability.

In line with accounting standards the discount rate is based on high quality corporate bonds, usually interpreted as corporate bonds with a credit rating of AA. For the schemes listed in paragraph 9.1.1 of the FReM (generally unfunded schemes), HM Treasury sets the discount rate directly. HM Treasury advises other schemes in central government (some funded schemes) of the discount rate to be used in valuing public sector pension liabilities via guidance on interpreting IAS19. Locally administered schemes set the assumptions in line with guidance provided by CIPFA, on interpreting IAS19.

For the schemes listed in paragraph 9.1.1 of the FReM HM Treasury set the (net of CPI) discount rate for 2014-2015 at 1.3% pa (2013-14: 1.8% pa). Where schemes are not listed in paragraph 9.1.1 of the FReM, the discount rate is based on judgements as to how the accounting standards apply and may therefore vary.

Other assumptions (including salary inflation and life expectancy) are set by each schemes' accounting officer, usually having taken actuarial advice. The assumptions are generally determined with an aim that they reflect "best estimates" of future outcomes and this is commonly interpreted to mean that the assumptions include no explicit margin for prudence or optimism.

The table below sets out some of the key assumptions used by schemes covered by the WGA:

	Central Government[1]		Local Government[2]	
	2014-15	2013-14	2014-15	2013-14
	%	%	%	%
Rate of increase in salaries[3]	4.2	4.5	1.5 – 4.4	1.0 – 5.1
Rate of increase of pensions in payment[4]	-	-	1.8 – 3.2	2.3 – 4.6
Discount rate –real	1.8	1.8	-	-
Discount rate – nominal	-	-	3.0 – 4.4	3.6 – 4.6
Price inflation assumption	2.2	2.5	1.8 – 3.8	1.0 – 4.5

1. Central government includes the Principal Civil Service Pension Scheme (PCSPS), NHS pension schemes, armed forces pension schemes and teachers' pension schemes.
2. Local government includes the local government pension schemes, police pension schemes and firefighters' pension scheme, with the exception of the police and fire schemes in Northern Ireland as they are administered by central government and apply the central government assumption rates.
3. Rate of increase in salaries is shown inclusive of the inflation assumption.
4. Rate of increase of pensions in payment is not shown for central government as this was not collected for WGA and is not consistently disclosed in the assumptions table within the underlying accounts of the key schemes.

The assumptions underlying the liability are inherently uncertain since it is impossible to predict future changes in the rate of salary increases, price inflation, life expectancy, or the return on corporate bonds.

These key assumptions apply to the significant majority of the schemes that make up the WGA pension liability. A small proportion of entities, that have a pension liability that feeds into WGA, may use different assumptions to those above. The assumptions for those smaller schemes are not disclosed given their relative immateriality to the pension numbers as a whole.

1.22.5 Provision for nuclear decommissioning

The financial statements include a provision for the government's obligations in respect of nuclear liabilities of £82.9 billion (2013-14: £77.4 billion), to cover the costs associated with the nuclear decommissioning of sites of radioactive plant and facilities. The majority of this provision is recognised by the Nuclear Decommissioning Authority (NDA).

NDA's provision for nuclear decommissioning represents the best estimate of the costs of delivering its objective of decommissioning the plant and equipment on designated nuclear licensed sites and returning them to pre-agreed end states in accordance with the agency's published strategy. This programme of work will take until 2137. The estimates are necessarily based on assumptions of the processes and methods likely to be used to discharge the obligations, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years (although this is in part mitigated by the impact of discounting for the purposes of provision calculation). As part of the preparation of the financial statements, the principal assumptions and sensitivities around the cost estimates were updated and reviewed by the Nuclear Decommissioning Authority executive and estimates are updated to reflect changed circumstances and more recent knowledge. However, it is recognised that there remains a significant degree of inherent uncertainty in the future cost estimates. This uncertainty has led the Comptroller & Auditor General to include an Emphasis of Matter statement in his audit opinion on the NDS's 2014-15 accounts. Further details of the possible range of outcomes around a central best estimate of provision are available in NDA's 2014-15 accounts[1].

1.22.6 Impairment losses on loans to financial institutions and banking customers

The government has made loans and advances to financial institutions of £1.7 billion (2013-14: £3.8 billion) and UK Asset Resolution (UKAR) banking customers of £52.7 billion (2013-14: £61.2 billion), which may result in impairment losses. The accounting policy for losses arising on financial assets classified as loans and receivables is described in note 1.20.1. The allowance for impairment losses on loans and receivables from public sector banks is based on an estimate of losses incurred at the reporting date. All loans to UK Asset Resolution have been eliminated from WGA because of its public sector reclassification in 2013-14.

All loans are individually assessed for impairment. HM Treasury considers whether objective evidence indicates that one or more events, occurring after the loan or advance was made, have an effect on estimated future cash flows. This objective evidence includes estimates from administrators on the level and timings of repayments (for example, reports from the administrators of Heritable Bank, Icesave, Kaupthing Singer & Friedlander, London Scottish Bank and Dunfermline). Further details can be found in HM Treasury 2014-15 accounts.[2]

For those loans where recovery is being sought from an administrator, the impairment charge is dependent on the best estimate of the timing and amount of repayment. The estimated repayment levels for individual loans range from 50% to 100%.

Impairments are also recognised to reflect the cost of all interest free loans. The impairment loss equals the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's effective interest rate. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses. These assumptions are reviewed at each reporting date.

In respect of loans to banking customers, loan impairments are reviewed on a monthly basis and individual impairment losses are assessed by reference to an individual review of the underlying asset and utilises actual loss experience to provide both probabilities of defaults and property forced sale discounts across a portfolio of products. Collective impairment losses on loans are calculated using a statistical model. The key assumptions used in this model are: the probability of any balance entering into default as a result of an event that had occurred prior to the reporting date; the probability of this default resulting in possession or write-off; and the estimated subsequent loss incurred. These key assumptions are based on observed data trends and are updated on a regular basis within agreed methodology to ensure the impairment allowance is entirely representative of the current portfolio. The accuracy of the impairment calculation would therefore be affected by unanticipated changes to the economic situation and assumptions which differ from actual outcomes. To the extent that house prices were to change by +/- 10%, the residential impairment allowance would be an estimated £76.4 million lower (2013-14: £108.7 million) or £87.3 million higher (2013-14: £115.5 million) respectively.

1 http://www.nda.gov.uk

2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/446730/50601_HC_34_HMT_Annual_Report_WEB.pdf

1.22.7 Impairment losses on equity investments in public sector banks

As at 31 March 2015, equity investments in public sector banks totalled £44.2 billion (2013-14: £43.0 billion). The equity investment in UKAR was eliminated due to the full consolidation of this entity's assets and liabilities for the first time in 2013-14. No impairment losses were charged in relation to these investments during 2014-15. In determining whether an impairment loss has been incurred in respect of these investments, an assessment is made as to whether there has been a significant or sustained decline in its fair value below its original cost price. The result of performing the assessment on individual tranches of shares is that only those tranches where the current share price is significantly below the original acquisition cost are impaired. For other tranches, changes in the fair value are recognised through reserves.

1.22.8 Student loans

The government has made loans to students which are valued on the Statement of Financial Position at £48.5 billion (2013-14: £39.0 billion).

Student loans are held at amortised cost. This involves the gross value of the loans issued being discounted to net present value using the effective interest rate. For student loans, this is RPI plus the government's long term cost of borrowing, 2.2%. The value of student loans issued is also reduced by the estimated cost of further policy write offs. This reflects the fact that not all of the loans issued will be recoverable due to death, disability or the age of the student. The government considers that the carrying value is a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions.

The valuation requires management to make critical accounting judgements, estimates and assumptions. The key assumptions that impact on the value of the loan book are: the discount rate used; graduate earnings; inflation and the Bank of England interest rate (the bank rate affects the interest subsidy on pre-2012 loans).

During 2014-15, impairments totalling £1.9 billion (2013-14 restated: £6.2 billion) were deducted from the carrying value of student loans. These impairments were based on revised estimates of the likely future cash flows from repayments. As repayments for all loans issued are income contingent, the expected future cash flows are modelled by estimating future earnings and applying the loan terms, which include write off on death, disability or after at least 25 years, depending of the type of loan. The estimates of future earnings factor in demographic and behavioural characteristics of borrowers and forecasts of macroeconomic conditions. The key macroeconomic factors are earnings growth, RPI inflation and Bank of England base interest rates. The value of loans and estimated impairment are also affected by continuous refinement of the student loans modelling process as more historical repayment and earnings data is made available.

The assumptions and forecasts are formally reviewed each year and the amounts provided reflect the government's current estimate as at 31 March 2015. The key assumptions and modelling used to calculate the student loan balance are detailed in the 2014-15 accounts of the Department for Business, Innovation and Skills.

1.23 Accounting standards in issue but not yet effective

As per the FReM, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2014, that came into effect on 1 April 2014 or earlier. A number of new accounting standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2015. They have not been applied in preparing these financial statements.

The following are the significant standards and amendments not yet effective that may need to be adopted in future WGAs:

- IFRS 13 'Fair Value Measurement' (IASB effective from 1 January 2013) has been adopted by the EU and will also be adopted by the FReM from 1 April 2015. IFRS 13 defines fair value and provides guidance on fair value measurement techniques and disclosure requirements. Once adopted in the FReM, IFRS 13 will affect the valuation and disclosure of some non-current assets in the WGA. As IAS 16 and IAS 38 have been adapted and interpreted for the public sector context, this will limit the circumstances in which a valuation is prepared under IFRS 13.
- IFRS 9 'Financial Instruments' as issued in July 2014, effective from periods beginning on or after 1 January 2018, has not been endorsed by the EU or adopted in the FReM as yet. IFRS 9 is being introduced to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The objective of the new Standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date. IFRS 9 applies a single classification and measurement approach to all types of financial assets: at amortised cost or at fair value through either Consolidated Statement of Comprehensive Expenditure or residually through Consolidated Statement of Revenue and Expenditure. IFRS 9 carries forward unchanged almost all of the accounting requirements in IAS 39 for financial liabilities. IFRS 9 requires a forward-looking 'expected-loss' impairment model applicable to all financial instruments that are subject to impairment accounting. This will result in earlier and more timely recognition of expected credit losses. The new model also requires that an impairment allowance be raised even where no evidence of deterioration is present. IFRS 9 introduces a reformed model for hedge accounting which principally aligns the accounting treatment with risk management activities. The introduction of IFRS 9 is subject to analysis and review by HM Treasury and the other relevant authorities. Work has commenced to assess the impact on the public sector.
- IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014, effective for periods beginning on or after 1 January 2018. It is not yet endorsed by the EU or adopted by the FReM. IFRS 15 will replace IAS 18 'Revenue Recognition'. The disclosure objective of the new standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The disclosure requirements under the new standard are more extensive than the current requirements included within IAS 18. The introduction of IFRS 15 is subject to analysis and review by HM Treasury and the other relevant authorities. Work has commenced to assess the impact on the public sector.
- IFRS 16 'Leases' was issued in January 2016, effective for periods beginning on or after 1 January 2019. IFRS 16 will replace IAS 17 'Leases'. IFRS 16 largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This is a significant change in lessee accounting. HM Treasury and other relevant authorities will commence work to assess the impact of the new standard on the public sector in 2016.
- IAS 1 'Disclosure Initiative' (amendment), effective 1 January 2016 was endorsed by the EU in December 2015. . These amendments encourage professional judgement to be used in determining what information to disclose in financial statements and where

and in what order information is presented in the financial disclosures. The amendment is expected to be adopted in the 2016-17 FReM. The amendment may affect the presentation of disclosures within WGA in future years.

- IAS 16 ('Property, Plant and Equipment') and IAS 38 ('Intangible Assets') amendment to both standards, 'Clarification of acceptable methods of depreciation and amortisation', effective 1 January 2016, was endorsed by the EU in December 2015. This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. The amendment is expected to be adopted in the 2016-17 FReM. It is not expected to have a material impact on the WGA.
- IAS 27 'Equity Method in Separate Financial Statements' (amendment), effective 1 January 2016, was endorsed by the EU in December 2015. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is expected to be adopted in the 2016-17 FReM. It is not expected to have a material impact on the WGA
- IAS 36 'Impairment of assets on recoverable amount disclosures' (amendment), effective from 1 January 2014 has been endorsed by the EU and is to be adopted by the FReM from 1 April 2015. This amendment, which seeks to address the implications of references to IFRS 13 'Fair Value Measurement', modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It is not expected to have a material impact on the WGA.

Note 2. Segmental reporting

The segmental analysis breakdown used in WGA is defined as central government, local government, financial public corporations and non-financial public corporations, consistent with the sub-sector classification by the ONS. The tables below show the gross amounts reported for each sector and the consolidation adjustments to eliminate transactions and balances between WGA entities.

Central government

The central government sector comprises:

- central government departments
- the devolved administrations of Scotland, Wales and Northern Ireland
- non-departmental public bodies
- entities in the National Health Service
- certain local government functions in Northern Ireland and Scotland, such as police, education and social services, which are carried out by central departments, non-departmental public bodies and health and social care trusts

The net pension liability for central government also includes the liability for teachers who are employed by local authorities.

Local government

The local government sector comprises:

- all local authorities, police and crime commissioners, fire and rescue authorities, national park authorities and waste disposal authorities in England and Wales
- local authorities in Northern Ireland, but not police, fire, education and social services, which are provided by central government

Non-financial public corporations

Entities are included in this sector where:

- they are classified as a market entity, an entity that derives more than 50% of its production cost from the sale of goods or services at economically significant prices. Some charge for regulatory activities where these provide a significant benefit to the person paying the fee
- they are controlled by central government or local government entities or other public corporations
- they have substantial day to day operating independence so that they should be seen as an institutional unit separate from their parent entity

Financial public corporations

Entities in this sector are similar to non-financial public corporations as described above, but also engage in financial activities and financial transactions in the market. The financial public corporations sector comprises the Bank of England and the Bank of England Asset Purchase Facility Fund Limited.

Consolidation adjustments

In performing the consolidation, transactions and balances between WGA entities have been removed. This means, for example, Income Tax only shows the tax due from households and the private and not-for-profit sectors and does not include National Insurance contributions made by public sector employers. The largest consolidation adjustments relate to grants payable from central government to local government, and to the purchase and sales of goods and services between WGA entities. Removing these transactions result in consolidated adjustments to income and expenditure, and to assets and liabilities.

Segmental reporting analysis 2014-15

	Central government	Local government	Non-financial public corporation	Financial public corporations	Consolidation adjustments	WGA total
	£bn	£bn	£bn	£bn	£bn	£bn
Taxation revenue	(612.4)	(50.4)	(0.8)	-	96.9	(566.7)
Other revenue	(146.0)	(79.4)	(13.6)	(0.6)	147.0	(92.6)
Total operating revenues	(758.4)	(129.8)	(14.4)	(0.6)	243.9	(659.3)
Social security benefits	193.8	26.8	0.7	-	(3.6)	217.7
Staff costs	142.3	70.0	5.2	0.2	(23.9)	193.8
Other expenses	496.8	93.7	14.1	0.2	(282.4)	322.4
Net expenditure/(revenue) before financing costs	74.5	60.7	5.6	(0.2)	(66.0)	74.6
Net financing cost	72.1	11.1	0.4	0.1	(0.1)	83.6
Net loss on revaluations and disposals of assets and Liabilities	(0.6)	(1.2)	(4.3)	-	(0.1)	(6.2)
Net expenditure/(revenue) for the year	146.0	70.6	1.7	(0.1)	(66.2)	152.0
Property, plant and equipment	468.3	319.3	59.8	0.3	0.1	847.8
Other non-current assets	519.9	24.4	20.8	0.6	(289.1)	276.6
Current assets	328.3	52.6	27.9	455.5	(533.4)	330.9
Total assets	1,316.5	396.3	108.5	456.4	(822.4)	1,455.3
Current government borrowing and financing	(235.2)	-	-	-	-	(235.2)
Other current liabilities	(390.3)	(35.2)	(3.1)	(864.8)	725.5	(567.9)
Non-current government borrowing and financing	(951.6)	-	-	-	12.3	(939.3)
Net public sector pension liability	(1,225.9)	(265.9)	(1.7)	0.3	(0.1)	(1,493.3)
Other non-current liabilities	(318.8)	(44.5)	(38.5)	(2.6)	81.6	(322.8)
Total liabilities	(3,121.8)	(345.6)	(43.3)	(867.1)	819.3	(3,558.5)
Net assets/(liabilities)	(1,805.3)	50.7	65.2	(410.7)	(3.1)	(2,103.2)

Segmental reporting analysis 2013-14

	Central government	Local government	Non-financial public corporation	Financial public corporations	Consolidation adjustments	WGA total restated
	£bn	£bn	£bn	£bn	£bn	£bn
Taxation revenue	(600.8)	(52.8)	(0.8)	-	98.6	(555.8)
Other revenue	(123.3)	(107.4)	(16.3)	(0.6)	154.9	(92.7)
Total operating revenues	(724.1)	(160.2)	(17.1)	(0.6)	253.5	(648.5)
Social security benefits	189.3	26.6	0.6	-	(3.1)	213.4
Staff costs	131.9	72.2	6.1	0.2	(24.6)	185.8
Other expenses	510.9	87.7	11.7	0.3	(291.8)	318.8
Net expenditure/(revenue) before financing costs	108.0	26.3	1.3	(0.1)	(66.0)	69.5
Net financing cost	65.8	12.5	0.7	0.0	(0.2)	78.8
Net loss on revaluations and disposals of assets and liabilities	(1.4)	(0.1)	1.7	0.0	0.1	0.3
Net expenditure/(revenue) for the year	172.4	38.7	3.7	(0.1)	(66.1)	148.6
Restatement						(2.9)
Net expenditure/(revenue) for the year (restated)						145.7
Property, plant and equipment	446.4	306.5	59.1	0.3	-	812.3
Other non-current assets	476.2	21.8	11.7	1.0	(239.6)	271.1
Current assets	325.4	48.1	24.8	448.2	(515.0)	331.5
Total assets	1,248.0	376.4	95.6	449.5	(754.6)	1,414.9
Current government borrowing and financing	(212.4)	-	-	-	-	(212.4)
Other current liabilities	(365.0)	(33.1)	(6.6)	(828.2)	676.0	(556.9)
Non-current government borrowing and financing	(883.8)	-	-	-	0.1	(883.7)
Net public sector pension liability	(1,066.9)	(234.2)	(2.1)	0.1	-	(1,303.1)
Other non-current liabilities	(301.4)	(45.5)	(24.9)	(2.4)	74.8	(299.4)
Total liabilities	(2,829.5)	(312.8)	(33.6)	(830.5)	750.9	(3,255.5)
Net assets/(liabilities)	(1,581.5)	63.6	62.0	(381.0)	(3.7)	(1,840.6)

Note 3. Taxation revenue

	2014-15 £bn	2013-14 £bn
Income Tax	163.1	162.1
National Insurance Contributions	97.2	97.3
Corporation Tax	40.3	39.6
Capital Gains Tax	5.7	3.9
Inheritance Tax	3.8	3.8
Bank Levy	2.7	2.2
Taxation revenue from direct taxes	312.8	308.9
Value Added Tax	113.9	108.2
Hydrocarbon Oils Duty	27.2	26.9
Excise duties	26.9	26.8
Stamp duties	13.5	12.9
TV licence fee income	3.1	3.1
Insurance Premium Tax	3.0	3.0
Air Passenger Duty	3.2	3.0
Betting and Gaming Duties	2.3	2.3
Lottery Income	1.8	1.6
Landfill Tax	1.1	1.2
Climate Change Levy	1.7	1.2
Petroleum Revenue Tax	0.1	1.1
Other indirect taxes	2.2	2.8
Taxation revenue from indirect taxes	200.0	194.1
Council Tax	28.2	28.5
National Non-Domestic Rates	25.7	24.3
Taxation revenue from local taxes	53.9	52.8
Total taxation revenue	566.7	555.8

The above figures are shown net of transactions between WGA entities.

The majority of direct and indirect taxes were collected by HM Revenue and Customs (HMRC). Total revenue reported by HMRC rose by £10.9 billion as a result of growth in the economy and reforms to combat avoidance, evasion and non-payment. Further information is available in HMRC's 2014-15 accounts which can be found on its website.[3]

Income Tax did not include tax credits as these were categorised as an expense and included within benefits in Note 6.

[3] www.hmrc.gov.uk

Lottery income included monies generated by the National Lottery for good causes, such as arts, sports, community projects and the National Heritage.

Petroleum Revenue Tax reduced by £1.0 billion as significant falls in oil and gas prices combined with unplanned shutdowns and a continuing decline in production from older fields leading to a decrease in production and therefore tax income.

Other indirect taxes include the Aggregates Levy of £0.4 billion (2013-14: £0.3 billion), regulatory fees £0.2 billion (2013-14: £0.2 billion) and capital taxes (UK Swiss Agreement) of £0.1 billion (2013-14: £0.5 billion).

Local taxes were collected by local authorities and details are available in the individual accounts.

The majority of tax receivables were estimated by HMRC using a statistical based model as outlined in the accounting policy notes 1.11.1 and 1.22.3. As described in Note 1.22.3, HM Revenue and Customs consider that the overall uncertainty is expected to be some £4 billion in either direction, equivalent to less than one per cent of the total revenue reported in the Statement of Revenue and Expenditure. Further information is set out in the 2014-15 accounts of HM Revenue and Customs.

Note 4. Revenue from sales of goods and services

	2014-15 £bn	2013-14 £bn
Local government	22.6	23.8
Public corporations	6.6	10.5
Central government	4.2	4.7
Revenue from sales of goods and services	33.4	39.0

The £22.6 billion (2013-14: £23.8 billion) of revenue received by local authorities arose from fees in respect of services delivered to the public such as social care, planning and development, cultural and leisure provision and environmental services. The most significant single item of revenue was £4.6 billion (2013-14: £4.4 billion) collected by Transport for London, mainly relating to fare income (£4.0 billion), congestion charging and advertising income.

Significant revenue streams earned by public corporations from the sale of goods and services included revenues earned by the broadcasting public corporations, primarily from advertising and sales of goods and commercial rights of £1.7 billion (2013-14: £1.7 billion), and £1.2 billion (2013-14: £1.2 billion) received by Scottish Water for the supply of waste and water services. The significant overall decrease in revenue from the sales of goods and services was due to the sale of Royal Mail in October 2013, which is no longer a government entity.

Significant revenue earned by central government entities from the sale of goods and services included £1.0 billion (2013-14: £0.9 billion) received by the Nuclear Decommissioning Authority in relation to waste management and electricity generation contracts.

Central government revenue also includes £1.4 billion (2013-14: £1.2 billion) of revenue earned by entities within the National Health Service.

Note 5. Other revenue

	2014-15 £bn	2013-14 restated £bn
Fees, levies and charges	13.2	12.2
Rental revenue from local government housing	8.5	8.2
EU income	5.6	4.7
Pension scheme employee contribution income	8.3	7.7
Pension scheme employer contribution income	2.4	1.4
Private sector contributions to local services	2.6	2.4
Licence income	1.5	1.5
Charitable income	1.4	2.7
Deferred income	1.4	1.6
Miscellaneous operating revenue	14.3	15.7
Other revenue	59.2	58.1

Fees and charges reflect the full cost of services being provided. Levies relate to licences for operating and using public goods, and are charged by statutory regulators or to support industry specific research foundations. Levies were usually set to recover associated costs, such as costs of supervision by a regulator. For UK heavy goods vehicles, Vehicle Excise Duty, a tax, has been replaced by the HGV Road User Levy and this has led to an increase of £0.2 billion in fees, levies and charges but a corresponding reduction in the Excise Duty income listed in Note 3. Fine income collected by the Financial Conduct Authority and newly established Prudential Regulation Authority increased by £1.0 billion to £1.4 billion (2013-14: £0.4 billion) primarily from fines imposed on banks for foreign exchange misconduct.

EU income was funding received by WGA entities for projects supported wholly or partly by the EU. Much of this funding was passed onto third parties, including agricultural subsidies payments to farmers. These grant payments and the contributions paid to the EU, as part of the UK's obligations as a member state, are disclosed in Note 9.

Charitable income included revenue related to private sector academies of £0.6 billion (2013-14: £0.9 billion).

Pension scheme employer and employee contribution income is the contribution income recognised in the underlying accounts of pension schemes, predominantly the NHS Pension Scheme, Teachers' Pension Scheme and the Principal Civil Service Pension Scheme. The majority of employer contribution income was eliminated against the employer contribution expense, as most employer entities in these schemes are entities within WGA. The pre-eliminated balance was £15.3 billion (2013-14: £15.4 billion).

The remaining balance related to employers that participate in these schemes, but were outside the WGA boundary. Examples included GPs and charity hospices that contributed to the NHS pension scheme; higher and further education institutions and independent teaching establishments that contributed to the Teachers' Pension Scheme; and non-WGA entities such as the National Audit Office (NAO), Welsh Audit Office, Electoral Commission and some minor entities that contribute to the Principal Civil Service Pension Scheme.

Miscellaneous operating income include various types of income across a wide range of public sector entities. The largest components include £1.9 billion (2013-14: £1.6 billion) recognised by the Department for Transport from train operating companies in relation to franchise agreements, £0.6 billion (2013-14: £0.5 billion) income for issuing coinage and the surplus revenue from the Crown Estate and £0.3 billion (2013-14: £0.4 billon) relating to sales of the East Village Olympic Site. A further £0.2 billion (2013-14: £1.0 billion) was received in relation to Coal Pension receipts. The government provided certain guarantees in relation to the pension scheme as part of the privatisation of the British Coal Corporation in 1994, which means that the government is entitled to a portion of any periodic valuation surpluses. An exceptional valuation was undertaken in March 2013 and an additional payment of £0.5 billion (2013-14: £0.7 billion) was subsequently paid to the government in 2014-15.

Miscellaneous operating income also included income received by entities within the National Health Service for education, training, research and development. Further details can be found in the 2014-15 Department of Health accounts.[4]

Note 6. Social security benefits

	2014-15 £bn	2013-14 £bn
State retirement pension	88.6	85.0
Local government housing and other benefits	27.6	27.3
Tax credits	31.1	30.9
Disability Living Allowance	16.4	15.6
Child Benefit	11.6	11.5
Job Seeker's Allowance	3.2	4.5
Employment Support Allowance	13.4	10.9
State pension credit	6.7	7.3
Income Support	3.3	4.0
Attendance Allowance	5.6	5.5
Incapacity Benefit	0.3	1.3
Carer's Allowance	2.4	2.2
Other benefits	7.5	7.4
Total cost of benefits	**217.7**	**213.4**

Social security benefits are legal entitlements payable to private individuals and households, most of these are included in the Social Security Contributions and Benefits Act 1992.

The state retirement pension is the pension paid to the public. This has increased due to annual uprating and an increase in the volume of claimants, reflecting the ageing population. Pension payments to former public sector employees are shown in Note 26.

Jobseeker's Allowance expenditure has fallen due to fewer claimants and an increase in Universal Credit claims. The increase in Employment Support Allowance is largely offset by decreases in other benefits (such as Income Support and Incapacity Benefit), reflecting benefit reforms. In 2014-15, Personal Independence Payments (PIP) of £1.6 billion are included in the Disability Allowance line.

[4] https://www.gov.uk/government/organisations/department-of-health

In 2013-14, PIP of £0.1 billion was included in Other Benefits. PIP is increasing as it replaces the Disability Living Allowance.

The majority of social security benefits are paid by the Department for Work and Pensions (DWP). In Northern Ireland, these payments, together with the payment of Housing Benefit, are the responsibility of the Department for Social Development (DSD). The 2014-15 accounts of both these departments received qualified opinions on the regularity of benefit expenditure due to fraud and error in benefit payments (both of these qualifications excluded state pension payments). Further information is available in the 2014-15 accounts of each department, which are available on their respective websites.[5]

Tax credits and child benefits are administered by HM Revenue and Customs (HMRC). Tax credits include adjustments to Income Tax as well as direct benefit payments. The HMRC accounts received a qualified opinion on regularity of personal tax credits because no estimate of the total level of fraud and error in 2014-15 was available, and the most recent estimate available indicates a material level of fraud and error. This meant that the National Audit Office was unable to confirm that personal tax credit awards were in conformity with the Tax Credits Act 2002.

Note 7. Staff costs and numbers

Note 7.1 Staff costs

Staff costs comprise:

	Permanently employed staff £bn	**Others** £bn	**2014-15** £bn	**2013-14** restated £bn
Salaries and wages	137.9	10.4	148.3	148.2
Social security costs	10.4	0.1	10.5	10.5
Staff pension costs	14.9	0.1	15.0	14.7
Pension scheme costs: current service costs	44.4	-	44.4	40.5
Pension scheme costs: past service costs	0.6	-	0.6	(0.9)
Pension scheme costs: losses on settlements and curtailments	(0.7)	-	(0.7)	(0.6)
Total staff costs (pre-eliminations)	207.5	10.6	218.1	212.4
Less intra-government transactions	(24.0)	(0.3)	(24.3)	(24.6)
Total consolidated staff costs	183.5	10.3	193.8	187.8

This note has been prepared to show the full cost of the public sector workforce before items internal to the public sector are removed, which are disclosed as intra-government transactions. Intra-government transactions included National Insurance Contributions which would otherwise form part of tax revenue of £10.5 billion (2013-14: £10.5 billion) and employers' pension contributions of £12.9 billion (2013-14: £13.8 billion).

'Others' included the cost of ministers, special advisers, temporary and contract staff. The cost of the salaries of ministers was £5.7 million (2013-14: £5.4 million) and the cost of special advisers was £10.2 million (2013-14: £10.3 million). The ministerial salary only includes the additional element on top of the basic salary of an MP.

[5] https://www.gov.uk/government/organisations/department-for-work-pensions, www.gov.uk/dwp and www.dsdni.gov.uk

'Staff pension costs' consisted mainly of employer contributions to pension schemes. 'Pension scheme costs' included public sector pension scheme expenses such as current service costs, past service costs, enhancements, gains/losses on settlements and curtailments. These are detailed in Note 26.

'Past service costs' reflect increases in the present value of the scheme liabilities related to past employee service resulting from the introduction, change or improvement to retirement benefits in the current year.

Note 7.2 Average number of persons employed

The average number of full-time equivalent (FTE) persons employed during the year was as follows:

	Permanently employed staff	Others	2014-15 Total	2013-14 Total
Central government (including Health)	2,409,820	176,278	2,586,098[1]	2,531,657[2]
Local government	1,668,525	64,053	1,732,578	1,817,146
Non-financial public corporations	90,160	22,732	112,892	103,201
Financial public corporations	2,541	-	2,541	2,451
Total	4,171,046	263,063	4,434,109	4,454,455

1. 2,246,108 excluding staff working in academies
2. 2,231,172 excluding staff working in academies

Within the central government staff numbers the Health Sector staff increased from 1,324,969 (2013-14) to 1,351,459 (2014-15); academy staff increased from 300,485 (2013-14) to 339,990 (2014-15) of which some were previously included in local government staff numbers; the rest of central government reduced from 906,203 (2013-14) to 894,649 (2014-15).

'Others' included 117 ministers (2013-14: 115) and 151 (2013-14: 157) special advisers working in central government.

Note 7.3 Civil Service and other compensation schemes - exit packages

Exit package cost band 2014-15	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost £bn
<£10,000	2,068	3,754	5,822	0.1
£10,000-£50,000	13,349	37,812	51,161	0.9
£50,000-£100,000[1]	917	3,909	4,826	0.3
>£100,000	508	1,391	1,899	0.2
Total	16,842	46,866	63,708	1.5

Exit package cost band 2013-14	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost £bn
<£10,000	2,154	3,525	5,679	0.1
£10,000-£50,000	13,423	44,565	57,988	1.0
£50,000-£100,000[1]	1,419	5,521	6,940	0.5
>£100,000	533	1,305	1,838	0.2
Total	17,529	54,916	72,445	1.8

1. Local government packages of £40,000-60,000 are included in the band £50,000-100,000 as the local authority specific accounting requirements have different bands.

The majority of these payments are made within the terms and conditions of exit schemes under the relevant remuneration framework. Details of the remuneration frameworks for the main public sector workforces are set out in the Remuneration Report.

Note 8. Expenditure on purchases of goods and services

	2014-15 £bn	2013-14 restated £bn
Central government	115.5	116.5
Local government	68.9	65.2
Public corporations	7.3	8.9
Expenditure on purchase of goods and services	191.7	190.6

The Department for Health reported the largest expenditure on purchases of goods and services of £61 billion (2013-14: £54.1 billion). The sale of Royal Mail in October 2013 to the private sector means that there is no ongoing expenditure in 2014-15, although expenditure exists for this entity in the 2013-14 comparative figures. Other entities across government purchased a wide range of goods and services. These amounts do not include expenditure incurred with other WGA entities.

Auditors' remuneration and expenses of £0.1 billion (2013-14: £0.2 billion) included fees paid to private sector organisations and public sector entities not consolidated, for example the National Audit Office, Audit Scotland, Welsh Audit Office and Northern Ireland Audit Office. Audit fees payable to the Audit Commission have been eliminated on consolidation.

Note 9. Grants and subsidies

	2014-15 £bn	2013-14 restated £bn
Grants in relation to education including those paid by the Education Funding Agency, Skills Funding Agency and Higher Education Funding Councils	20.8	21.9
UK contribution to the Budget of the European Community	11.3	12.1
EU grants and subsidies to the private sector to spend on EU approved projects, mainly to support agriculture and reduce regional economic disparities	3.6	3.3
Department for International Development grants to developing countries to eliminate poverty	7.5	6.7
Department for Transport grants to the private sector	0.9	0.8
Department for Communities and Local Government arms-length Bodies funding to the private sector, mainly for capital Investment in social housing	1.2	1.4
Other grants and subsidies	12.1	9.8
Total cost of grants and subsidies	57.4	56.0

Grants were made to the voluntary sector, private sector companies, households, overseas governments and other entities to fund the acquisition, construction or development of assets, or to fund public services and public service commitments. Subsidies were paid to companies that fulfilled specific criteria. The vast majority of grants and subsidies were made by central government bodies.

There are 4 elements that make up the UK's contribution to the EU: GNI-based contributions (Gross National Income); VAT based contributions; Traditional Own Resources (TOR) based contributions (comprising custom duties and sugar levies); and the UK abatement. The £11.3 billion paid to the EU for 2014-15 includes GNI and VAT based contributions less the UK abatement, with minor adjustments for accruals and prepayments, but excludes TOR contributions because they are collected on behalf of the EU.

EU grants and subsidies were payments administered by public sector bodies to third parties to spend on EU approved projects. The income received from the EU to fund the payments is disclosed in Note 5. This income excludes any amounts paid directly to third parties by the European Commission.

Note 10. Depreciation and impairment charges

Depreciation and impairment charges were made up as follows:

	2014-15 £bn	2013-14 restated £bn
Depreciation of property, plant and equipment	26.5	26.0
Impairments and revaluations of non-financial assets	6.4	8.6
Impairments of financial assets	2.2	6.8
Impairments of receivables	6.4	5.9
Amortisation of intangible fixed assets	3.9	3.8
Total depreciation and impairment charges	45.4	51.1

Impairments and revaluations of non-financial assets were distributed across the public sector. It included impairments recognised by the Ministry of Defence of £1.0 billion (2013-14: £1.4 billion) and £1.0 billion (2013-14: £1.3 billion) in the Department of Health. Assets were impaired for a variety of reasons, for example, loss, damage, unforeseen obsolescence, abandonment of assets under construction and those associated with disposals.

Impairments of receivables related principally to HMRC and consisted of tax revenue losses of £4.2 billion (2013-14: £5.1 billion) and an increase in the impairment of receivables of £1.9 billion (2013-14: £0.4 billion). The tax revenue losses can be attributed to VAT for £1.4 billion (2013-14: £1.7 billion); Income Tax £1.0 billion (2013-14: £1.7 billion) and other taxes (including corporation tax and National Insurance Contributions) £1.8 billion (2013-14: £1.7 billion). These losses are made up of remissions and write-offs and make up less than 1% of HMRC's revenue of £517.7 billion for 2014-15. Remissions are debts capable of recovery but HMRC decided not to pursue the liability on the grounds of value for money. Write-offs are debts that are considered to be irrecoverable because there is no practical means for pursuing the liability, for example because of insolvencies which limited the ability to recover the tax due.

Impairments of financial assets included £1.9 billion (2013-14 restated: £6.2 billion) relating to the Department for Business, Innovation and Skills' student loan book. The large fall from the previous year can be attributed to impairment reversals as a result of modelling changes. Impairments include the expected subsidy on new loans issued in year and adjustments to the value of existing loans.

Further details relating to the management of student loans can be found in the Department for Business, Innovation and Skills' 2014-15 accounts[6].

Note 11. Investment revenue

	2014-15 £bn	2013-14 restated £bn
Interest revenue from student loans	1.8	1.4
Interest revenue from other sources	4.6	5.8
Dividend revenue	0.8	0.3
Total investment revenue	7.2	7.5

[6] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444896/BIS-15-421-BIS-Annual-Report-15-web.pdf

Interest revenue from student loans has increased by £0.4 billion from the previous year and is calculated using a student loans repayment model based on assumptions that are formally reviewed each year. For further information on the model and underlying assumptions refer to the Department for Business, Innovation and Skills accounts[6].

Other investment revenue includes £2.5 billion (2013-14: £2.8 billion) received by HM Treasury in relation to interest and fee income from loans.

The increase in dividend revenue is mainly due to HM Treasury receiving an initial dividend of £320 million in relation to the RBS Dividend Access Share.

Note 12. Finance costs

	2014-15 £bn	2013-14 restated £bn
Interest costs in respect of government borrowing and financing	27.6	31.7
Finance charges in respect of finance leases & PFI contracts	3.1	3.1
Other finance costs	3.5	3.5
Total finance costs	34.2	38.3

Interest costs on government borrowing and financing comprised interest on gilts, National Savings and Investment products, bank deposits and Treasury bills. The reduction in interest costs is due primarily to the impact of lower inflation rates on the uplifting of the nominal repayable for index-linked gilts.

Details of the obligations under finance leases are disclosed in Note 28.2. Details of the obligations under PFI contracts are disclosed in Note 29.

Other finance costs include interest costs across the public sector which, for the first time this year, includes Network Rail interest of £1.3 billion. It also includes interest on borrowings and on a variety of other financial liabilities such as currency swaps, derivatives and other loans.

[6] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444896/BIS-15-421-BIS-Annual-Report-15-web.pdf

Note 13. Property, plant and equipment

Note 13.1 Net book value of property, plant and equipment at 31 March 2015 comprise the following elements:

	Infrastructure assets £bn	Buildings £bn	Dwellings £bn	Land £bn	Assets under Construction £bn	Military equipment £bn	Other £bn	**2014-15 Total £bn**
Cost of valuation:								
At 1 April 2014 (restated)	385.7	257.4	96.7	48.9	42.5	72.5	101.7	1,005.4
Additions	11.2	7.3	3.9	0.3	21.0	1.2	5.2	50.1
Revaluations and Impairments	(4.0)	4.2	4.0	3.1	(0.9)	0.2	0.5	7.1
Reclassifications and transfers	3.0	3.8	-	(0.9)	(14.9)	1.4	1.9	(5.7)
Disposals	(0.4)	(1.7)	(1.2)	(0.2)	(0.2)	(3.9)	(5.7)	(13.3)
At 31 March 2015	395.5	271.0	103.4	51.2	47.5	71.4	103.6	1,043.6
Depreciation:								
At 1 April 2014 (restated)	(57.8)	(39.2)	(6.0)	-	-	(39.2)	(50.9)	(193.1)
Charged in year	(5.9)	(8.0)	(2.2)	-	-	(4.0)	(6.4)	(26.5)
Revaluations and Impairments	4.9	4.0	1.3	-	-	0.3	0.1	10.6
Reclassifications and transfers	-	1.3	0.2	-	-	0.2	1.2	2.9
Disposals	0.7	1.4	-	-	-	3.2	5.0	10.3
Depreciation at 31 March 2015	(58.1)	(40.5)	(6.7)	-	-	(39.5)	(51.0)	(195.8)
Net Book Value at 31 March 2015	337.4	230.5	96.7	51.2	47.5	31.9	52.6	847.8

‘Infrastructure assets’ include strategic road network assets held by the Highways Agency of £111.9 billion (2013-14: £111.0 billion) and the railway network held by Network Rail of £54.1 billion (2013-14 restated: £49.8 billion). Local authorities hold £62 billion of road network assets (2013-14: £59.1 billion). Local authorities prepare their accounts on a historical cost basis for these assets, compared to the depreciated replacement cost basis used by all other government entities. Local authorities are working towards calculating a valuation on a depreciated replacement cost basis for inclusion in the WGA. The best proxy measure currently available for depreciated replacement cost is the calculated asset value used by the ONS from their perpetual inventory model reflected in the National Accounts. The 2014 National Accounts estimated the value of the road network at £306.6 billion (2013: £291.8 billion) as at 31 December 2014[7]. On this basis, infrastructure assets are likely to be understated, because of this treatment, by at least £244 billion.

Infrastructure assets also include £11.2 billion of additions (2013-14: £3.7 billion). These mainly comprise additions to the railway network by Network Rail of £6.5 billion, which are being disclosed for the first time, and additions to the strategic road network by the Highways Agency of £0.6 billion.

‘Buildings’ includes a revaluations and impairments increase of £8.2 billion (2013-14: £2.0 billion). This figure is driven by a number of entities undertaking a quinquennial review of assets as required by the Financial Reporting Manual (FReM). Of the total, the largest revaluation and impairment increases were within the Ministry of Defence for £0.8 billion and the Department of Health for £0.9 billion.

Buildings also include additions of £7.3 billion (2013-14: £4.2 billion). Of this amount, £3.5 billion is attributable to buildings additions across the whole of English local government and a further £1.2 billion of additions is attributable to the Department of Health.

‘Dwellings’ include a net impairment reversal of £0.4 billion (2013-14: £0.2 billion) and revaluation increases of £4.8 billion (2013-14: £2.2 billion increases) resulting in a net movement of £5.3 billion.

‘Reclassifications’ include assets reclassified between assets under construction to other types of assets, transfers to and from intangible assets and transfers to and from operating expenditure or reserves. Of the £15 billion outflow from assets under construction, £3.5 billion relates to the Ministry of Defence. £1.4 billion of this amount was transferred into Military Equipment, £0.7 billion transferred into transport equipment and £0.4 billion into buildings. Other large reclassifications and transfers under assets under construction’ include £0.8 billion relating to the completion of buildings within the Department of Health.

‘Other’ includes property, plant and equipment broken down in the table below.

[7] UK National Accounts, The Blue Book, 2015, Table 9.9 ‘Other Structures’

'Other' property, plant and equipment consists of:

	Plant and machinery £bn	Transport equipment £bn	IT hardware, software and equipment £bn	Furniture, fittings and other £bn	2014-15 Total £bn
Cost of valuation:					
At 1 April 2014 (restated)	46.3	23.4	13.1	18.9	101.7
Additions	2.5	0.8	1.1	0.8	5.2
Revaluations and Impairments	0.1	0.1	-	0.3	0.5
Reclassifications and transfers	0.2	1.2	0.3	0.2	1.9
Disposals	(2.6)	(1.2)	(1.2)	(0.7)	(5.7)
At 31 March 2015	46.5	24.3	13.3	19.5	103.6
Depreciation:					
At 1 April 2014 (restated)	(29.0)	(10.9)	(7.8)	(3.2)	(50.9)
Charged in year	(3.3)	(1.3)	(1.4)	(0.4)	(6.4)
Revaluations and Impairments	0.1	-	-	-	0.1
Reclassifications and transfers	0.9	0.2	-	0.1	1.2
Disposals	2.5	1.1	1.2	0.2	5.0
Depreciation at 31 March 2015	(28.8)	(10.9)	(8.0)	(3.3)	(51.0)
Net Book Value at 31 March 2015	17.7	13.4	5.3	16.2	52.6

'Plant and machinery' includes vehicles held by local authorities, who are not required to separately disclose them.

'Furniture and fittings and other' assets include heritage assets, community assets, cultivated assets, biological assets, and donated assets.

Note 13.2 Net book value of property, plant and equipment at 31 March 2014 comprise the following elements:

	Infrastructure assets £bn	Buildings £bn	Dwellings £bn	Land £bn	Assets under Construction £bn	Military equipment £bn	Other £bn	2013-14 Total £bn
Cost of valuation:								
At 1 April 2013 (restated)	328.4	254.1	93.9	47.8	39.0	74.3	102.5	940.0
Additions	3.7	4.2	3.4	0.3	19.0	0.2	5.3	36.1
Revaluations and Impairments	2.5	(2.8)	0.4	1.2	(1.0)	(0.7)	(0.3)	(0.7)
Reclassifications and transfers	1.7	6.2	(0.2)	(0.3)	(14.5)	2.3	1.7	(3.1)
Disposals	(0.3)	(4.1)	(0.7)	(0.3)	-	(3.6)	(7.3)	(16.3)
At 31 March 2014	336.0	257.6	96.8	48.7	42.5	72.5	101.9	956.0
Restatements	49.7	(0.2)	(0.1)	0.2	-	-	(0.2)	49.4
At 31 March 2014 (Restated)	385.7	257.4	96.7	48.9	42.5	72.5	101.7	1,005.4
Depreciation:								
At 1 April 2013 (restated)	(55.0)	(41.1)	(6.7)	-	-	(38.6)	(51.8)	(193.2)
Charged in year	(4.0)	(8.0)	(2.1)	-	-	(3.9)	(6.4)	(24.4)
Revaluations and Impairments	0.5	4.8	2.0	-	-	(0.8)	0.1	6.6
Reclassifications and transfers	0.4	2.7	0.8	-	-	0.3	1.1	5.3
Disposals	0.3	2.2	-	-	-	3.8	6.0	12.3
At 31 March 2014	(57.8)	(39.4)	(6.0)	-	-	(39.2)	(51.0)	(193.4)
Restatements	-	0.2	-	-	-	-	0.1	0.3
At 31 March 2014 (Restated)	(57.8)	(39.2)	(6.0)	-	-	(39.2)	(50.9)	(193.1)
Net Book Value at 31 March 2014	327.9	218.2	90.7	48.9	42.5	33.3	50.8	812.3

'Other' property, plant and equipment consists of:

	Plant and machinery £bn	Transport equipment £bn	IT hardware, software and equipment £bn	Furniture, fittings and other £bn	2013-14 Total £bn
Cost of valuation:					
At 1 April 2013 (restated)	47.0	23.6	12.9	19.0	102.5
Additions	2.7	0.7	1.1	0.8	5.3
Revaluations and Impairments	(0.2)	-	-	(0.1)	(0.3)
Reclassifications and transfers	0.6	1.0	(0.1)	0.2	1.7
Disposals	(3.5)	(2.0)	(0.9)	(0.9)	(7.3)
At 31 March 2014	46.6	23.3	13.0	19.0	101.9
Restatements	(0.3)	0.1	0.1	(0.1)	(0.2)
At 31 March 2014 (Restated)	46.3	23.4	13.1	18.9	101.7
Depreciation:					
At 1 April 2013 (restated)	(29.3)	(11.5)	(7.7)	(3.3)	(51.8)
Charged in year	(3.4)	(1.3)	(1.4)	(0.3)	(6.4)
Revaluations and Impairments	0.2	-	(0.1)	-	0.1
Reclassifications and transfers	0.5	-	0.6	-	1.1
Disposals	2.7	1.9	0.9	0.5	6.0
At 31 March 2014	(29.3)	(10.9)	(7.7)	(3.1)	(51.0)
Restatements	0.3	-	(0.1)	(0.1)	0.1
At 31 March 2014	(29.0)	(10.9)	(7.8)	(3.2)	(50.9)
Net Book Value at 31 March 2014 (Restated)	17.3	12.5	5.3	15.7	50.8

Note 13.3 Asset financing 2014-15

	Infrastructure assets £bn	Buildings £bn	Dwellings £bn	Land £bn	Assets under Construction £bn	Military equipment £bn	Other £bn	2014-15 Total £bn
Owned	329.3	199.9	90.9	47.2	46.3	31.9	47.5	793.0
Finance leased	0.6	4.1	4.2	2.4	0.3	-	1.0	12.6
On balance sheet PFI	7.5	26.5	1.6	1.6	0.7	-	4.1	42.0
PFI reversionary interest	-	-	-	-	0.2	-	-	0.2
Net book value	337.4	230.5	96.7	51.2	47.5	31.9	52.6	847.8

'Other' consists of:

	Plant and machinery £bn	Transport equipment £bn	IT hardware, software and equipment £bn	Furniture, fittings and other assets £bn	2014-15 Total £bn
Owned	15.7	11.7	3.9	16.2	47.5
Finance leased	0.6	0.2	0.2	-	1.0
On balance sheet PFI	1.4	1.5	1.2	-	4.1
Net book value	17.7	13.4	5.3	16.2	52.6

Note 13.4 Asset financing 2013-14

	Infrastructure assets £bn	Buildings £bn	Dwellings £bn	Land £bn	Assets under Construction £bn	Military equipment £bn	Other £bn	2013-14 Total £bn
Owned	321.2	189.5	85.3	45.5	42.0	33.3	46.1	762.9
Finance leased	-	3.5	4.0	1.9	-	-	1.1	10.5
On balance sheet PFI	6.7	25.1	1.4	1.5	0.3	-	3.6	38.6
PFI reversionary interest	-	0.1	-	-	0.2	-	-	0.3
Net book value	327.9	218.2	90.7	48.9	42.5	33.3	50.8	812.3

'Other' consists of:

	Plant and machinery £bn	Transport equipment £bn	IT hardware, software and equipment £bn	Furniture, fittings and other assets £bn	2013-14 Total £bn
Owned	15.3	11.2	3.7	15.9	46.1
Finance leased	0.7	0.2	0.2	-	1.1
On balance sheet PFI	1.2	1.0	1.4	-	3.6
Net book value	17.2	12.4	5.3	15.9	50.8

Note 13.5 Impairments 2014-15

	Infrastructure assets £bn	Buildings £bn	Dwellings £bn	Land £bn	Assets under Construction £bn	Military equipment £bn	Other £bn	2014-15 Total £bn
Net impairment costs transferred to SoRE	(0.1)	(2.6)	0.6	(0.2)	(0.2)	-	(0.4)	(2.9)
Net impairment costs transferred to Revaluation reserve	-	(0.5)	(0.1)	(0.3)	-	-	-	(0.9)
Total	(0.1)	(3.1)	0.5	(0.5)	(0.2)	-	(0.4)	(3.8)

'Other' consists of:

	Plant and machinery £bn	Transport equipment £bn	IT hardware, software and equipment £bn	Furniture, fittings and other assets £bn	2014-15 Total £bn
Net impairment costs transferred to SoRE	(0.2)	-	-	(0.2)	(0.4)
Net impairment costs transferred to Revaluation reserve	-	-	-	-	-
Total	(0.2)	-	-	(0.2)	(0.4)

Note 13.6 Impairments 2013-14

	Infrastructure assets £bn	Buildings £bn	Dwellings £bn	Land £bn	Assets under Construction £bn	Military equipment £bn	Other £bn	2013-14 Total £bn
Net impairment costs transferred to SoRE	0.4	(2.4)	0.2	(0.1)	(0.4)	(0.9)	(0.6)	(3.8)
Net impairment costs transferred to Revaluation reserve	-	(0.4)	-	(0.1)	-	-	-	(0.5)
Total	0.4	(2.8)	0.2	(0.2)	(0.4)	(0.9)	(0.6)	(4.3)

'Other' consists of:

	Plant and machinery £bn	Transport equipment £bn	IT hardware, software and equipment £bn	Furniture, fittings and other assets £bn	2013-14 Total £bn
Net impairment costs transferred to SoRE	(0.2)	(0.1)	(0.1)	(0.2)	(0.6)
Net impairment costs transferred to Revaluation reserve	-	-	-	-	-
Total	(0.2)	(0.1)	(0.1)	(0.2)	(0.6)

Note 14. Investment properties

	2014-15	2013-14
	£bn	£bn
As at 1 April	13.9	12.4
Additions	0.5	0.7
Revaluations and impairments	1.0	0.4
Disposals	(0.5)	(0.5)
As at 31 March	14.9	13.0
Restatements		0.9
Total investment properties (restated)	14.9	13.9

Investment properties are comprised mainly of land and buildings held by local authorities. They provide rental income for the funding of services, as part of a financial strategy to minimise the use of general reserves to meet ongoing expenditure. All investment properties were owned rather than finance leased.

Restatements are due to the first time inclusion of Network Rail (£0.8 billion) and London & Continental Railways Ltd (£0.1billion) into the WGA boundary in 2014-15.

Note 15. Intangible assets

Note 15.1 Intangible assets 2014-15

	Military Equipment	Development expenditure	Software licences	Internally developed software	Licences, trademarks and patents	Goodwill	2014-15 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cost or valuation:							
At 1 April 2014	29.2	10.4	9.6	7.0	0.8	0.1	57.1
Additions	1.8	0.8	0.8	0.2	0.2	-	3.8
Revaluations and impairments	0.4	0.1	0.2	-	-	-	0.7
Reclassifications	(0.5)	0.2	0.1	0.6	-	-	0.4
Disposals	(0.6)	(0.5)	(0.8)	(0.1)	-	-	(2.0)
At 31 March 2015	30.3	11.0	9.9	7.7	1.0	0.1	60.0
Amortisation:							
At 1 April 2014	(9.8)	(4.1)	(6.3)	(4.4)	(0.6)	-	(25.2)
Charged in year	(1.1)	(0.6)	(1.3)	(0.8)	(0.1)	-	(3.9)
Revaluations and impairments	(0.2)	-	(0.1)	-	-	-	(0.3)
Reclassifications	-	-	-	(0.1)	-	-	(0.1)
Disposals	0.5	0.3	0.9	0.2	-	-	1.9
At 31 March 2015	(10.6)	(4.4)	(6.8)	(5.1)	(0.7)	-	(27.6)
Net book value at 31 March 2015	19.7	6.6	3.1	2.6	0.3	0.1	32.4

Military equipment primarily covers the development of new equipment and the improvement of the effectiveness and capability of existing military equipment by the Ministry of Defence. It included ongoing development costs for the Typhoon Airframe, net book value: £5.8 billion (2013-14: £6.7 billion) and the Type 45 Destroyer, £1.4 billion (2013-14: £1.8 billion).

Development expenditure is capitalised as an intangible asset in accordance with the accounting policy on research and development as described in Note 1.12.4. The Ministry of Defence made up a large majority of development expenditure, net book value: £5.4 billion (2013-14: £5.5 billion). This consisted of development costs on equipment not restricted to military use, such as expenditure on the Merlin helicopter, £1.9 billion (2013-14: £2.0 billion).

Note 15.2 Intangible assets 2013-14

	Military Equipment	Development expenditure	Software licences	Internally developed software	Licences, trademarks and patents	Goodwill	2013-14 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cost or valuation:							
At 1 April 2013	30.7	10.2	9.1	6.2	0.7	0.7	57.6
Additions	1.3	0.5	1.1	0.2	0.1	-	3.2
Revaluations and impairments	(2.0)	(0.4)	0.1	-	0.1	-	(2.2)
Reclassifications	(0.3)	0.1	-	0.8	-	-	0.6
Disposals	(0.4)	(0.1)	(0.6)	(0.2)	(0.1)	(0.6)	(2.0)
At 31 March 2014	**29.3**	**10.3**	**9.7**	**7.0**	**0.8**	**0.1**	**57.2**
Restatement	(0.1)	0.1	(0.1)	-	-	-	(0.1)
At 31 March 2014 (restated)	29.2	10.4	9.6	7.0	0.8	0.1	57.1
Amortisation:							
At 1 April 2013	(9.0)	(3.7)	(5.7)	(3.7)	(0.5)	(0.4)	(23.0)
Charged in year	(1.4)	(0.6)	(0.9)	(0.8)	(0.1)	-	(3.8)
Revaluations and impairments	0.1	0.2	(0.1)	-	-	-	0.2
Reclassifications	0.1	(0.1)	-	(0.1)	(0.1)	-	(0.2)
Disposals	0.3	0.1	0.4	0.2	0.1	0.4	1.5
At 31 March 2014	**(9.9)**	**(4.1)**	**(6.3)**	**(4.4)**	**(0.6)**	**-**	**(25.3)**
Restatement	0.1	-	-	-	-	-	0.1
At 31 March 2014 (restated)	(9.8)	(4.1)	(6.3)	(4.4)	(0.6)	-	(25.2)
Net book value at 31 March 2014	19.4	6.3	3.3	2.6	0.2	0.1	31.9

Note 16. Trade and other receivables

	2014-15 £bn	2013-14 £bn
Amounts falling due within one year:		
Accrued tax revenue	89.7	89.3
Taxation and duties due	27.9	25.8
Trade receivables	8.7	7.9
Other receivables	16.2	14.4
Prepayments and other accrued revenue	8.9	9.7
PFI prepayments	0.2	0.1
Sub-total	151.6	147.2
Provision for irrecoverable debts	(18.4)	(16.2)
Total current trade and other receivables	133.2	131.0
Restatements		0.9
Total current trade and other receivables (restated)	133.2	131.9
Amounts falling due after more than one year:		
Taxation and duties due	5.1	4.8
Trade receivables	1.2	1.0
Other receivables	9.2	15.4
Prepayments and accrued revenue	0.9	0.9
PFI prepayments	0.3	0.3
Sub-total	16.7	22.4
Provision for irrecoverable debts	(4.0)	(4.3)
Non-current trade and other receivables	12.7	18.1
Restatements		(0.4)
Non-current trade and other receivables (restated)	12.7	17.7
Total trade and other receivables at 31 March	145.9	149.6

Provision for irrecoverable debts

	Current	Non-current	Total
	£bn	£bn	£bn
Balance at 1 April 2013	(14.7)	(4.0)	(18.7)
Net increase in provision	(1.5)	(0.3)	(1.8)
Balance at 31 March 2014	(16.2)	(4.3)	(20.5)
Restatements	0.1	(0.0)	0.1
Balance at 1 April 2014	(16.1)	(4.3)	(20.4)
Net increase in provision	(2.3)	0.3	(2.0)
Balance at 31 March 2015	(18.4)	(4.0)	(22.4)

Accrued tax revenue comprised accrued Income Tax of £30.8 billion (2013-14: £31.4 billion), VAT of £28.7 billion (2013-14: £28.1 billon), Corporation Tax of £11.8 billion (2013-14: £11.4 billion), National Insurance Contributions of £11.3 billion (2013-14: £11.1 billion) and other taxes, duties and levies of £7.1 billion (2013-14: £7.3 billion). These have been estimated by HMRC using statistical modelling, as described in Note 1.11.1. Due to the cycle of tax calculations, these amounts were not due to be notified to the taxpayer until 2015-16 or later. Taxation and duties due comprise amounts due from taxpayers where the liability has been established but payment has not yet been received.

Prepayments and other accrued revenue largely comprised balances held by central government departments.

The largest components within provisions for irrecoverable debt were estimates made to reflect the risk of non-payment of tax of £12.6 billion (2013-14 restated: £10.7 billion); £1.4 billion (2013-14 restated: £1.6 billion) in relation to welfare payments; £1.7 billion for outstanding court fines (2013-14: £1.7 billion), with most of the remaining provisions reflected in local government accounts.

Note 17. Equity investments in the public sector banks

The equity investments in public sector banks are included in note 21.

As a consequence of these equity holdings and, where relevant, the related financial interventions, there were a number of related transactions with public sector banks. These included: loans to banks, guarantees and contingent liabilities (see Notes 21 and 31).

Note 18. Assets held for sale

	Property, plant & equipment £bn	Other non-financial assets £bn	2014-15 Total £bn	2013-14 Total £bn
Value at 1 April	1.7	-	1.7	1.6
Reclassifications	2.0	0.1	2.1	1.1
Disposals	(1.0)	-	(1.0)	(0.9)
Impairments	(0.1)	-	(0.1)	(0.1)
Revaluations	-	-	-	-
Balance at 31 March	2.6	0.1	2.7	1.7

The majority of assets held for sale comprised land and buildings. Of the £2.7 billion (2013-14: £1.7 billion) total balance, local authorities held £1.8 billion (2013-14: £1.1 billion) of assets and health bodies held about £0.3 billion (2013-14: £0.2 billion).

The significant movement in the 2014-15 total figure has been due to one local authority reclassifying for sale a concert venue and exhibition centre and an executive agency reclassifying a high value central London land asset. In addition, a number of overseas property assets have been reclassified in preparation to sell back to host nations by the Ministry of Defence.

Note 19. Inventories

Note 19.1 Inventories 2014-15

	Raw materials and consumables £bn	Land, buildings and other work in progress £bn	Goods for resale and finished goods £bn	Land and buildings for resale and finished land and buildings £bn	2014-15 Total £bn
As at 1 April 2014	9.0	0.7	0.9	1.2	11.8
Additions	9.3	1.4	2.0	0.4	13.1
Disposals	(8.9)	(2.7)	(1.0)	(0.2)	(12.8)
Write-offs	(0.6)	-	-	(0.1)	(0.7)
Revaluation	(0.1)	-	-	-	(0.1)
Reclassification	-	1.0	(1.0)	-	-
As at 31 March 2015	8.7	0.4	0.9	1.3	11.3

Note 19.2 Inventories 2013-14

	Raw materials and consumables	Land, buildings and other work in progress	Goods for resale and finished goods	Land and buildings for resale and finished land and buildings	2013-14 Total
	£bn	£bn	£bn	£bn	£bn
As at 1 April 2013	8.7	0.8	1.3	1.3	12.1
Additions	8.3	1.8	1.8	0.3	12.2
Disposals	(8.3)	(0.7)	(2.9)	(0.1)	(12.0)
Write-offs	(0.6)	(0.1)	-	-	(0.7)
Revaluation	0.2	-	-	0.1	0.3
Reclassification	0.5	(1.1)	0.7	-	0.1
As at 31 March 2014	8.8	0.7	0.9	1.6	12.0
Restatements	0.2	-	-	(0.4)	(0.2)
As at 31 March 2014 (restated)	9.0	0.7	0.9	1.2	11.8

Raw materials and consumables

Included in the raw materials and consumables balance was an amount of £6.8 billion (2013-14: £7.3 billion) held for defence purposes. This covered a wide range of material and equipment such as munitions with a limited life. The remaining balances were held by central government entities (£1.4 billion (2013-14: £1.1 billion)), entities within local government (£0.3 billion (2013-14: £0.3 billion)), and public corporations (£0.3 billion (2013-14 restated: £0.2 billion)).

Land, buildings and other work in progress

The balance of £0.4 billion (2013-14: £0.7 billion) was held across a number of central government entities, local government and public corporations.

Goods for resale and finished goods

Goods for resale and finished goods also included £0.4 billion (2013-14: £0.7 billion) held by the BBC, primarily for completed programmes and rights to broadcast acquired programmes and films. The remaining balances were held by a number of entities in central government, public corporations and local government £0.5 billion (2013-14: £0.2 billion).

Land and buildings for resale and finished land and buildings

This included £0.5 billion (2013-14 restated: £0.5 billion) of land and buildings held by the Department for Communities and Local Government. The Department for Transport held buildings for sale of £0.4 billion (2013-14: £0.2 billion) relating to property purchases in relation to the High Speed 2 (HS2) development.

Note 20. Cash and cash equivalents

	2014-15 £bn	2013-14 £bn
Balance at 1 April	26.9	24.5
Net change in cash and cash equivalent balances	(0.1)	2.4
Balance at 31 March	26.8	26.9
The following balances at 31 March were held at:		
Cash at bank	12.6	12.2
Short term deposits	14.2	13.3
Balance at 31 March	26.8	25.5
Restatements		1.4
Balance at 31 March (restated)	26.8	26.9

Short term deposits are readily convertible investments of known value which are subject to an insignificant risk of changes in value.

Note 21. Other financial assets

Note 21.1 Other financial assets 2014-15

Other financial assets include the following:

	2014-15 £bn	2013-14 restated £bn
Current		
Loans and deposits	17.7	17.8
Debt securities	66.1	64.8
Student loans	2.3	2.3
IMF Special Drawing rights	8.9	9.0
Equity investments	1.7	0.6
Repurchase agreements	40.3	51.0
Other	11.9	6.0
Total current other financial assets	148.9	151.5
Non-Current		
Loans and deposits	63.1	73.3
Student loans	46.2	36.7
IMF Quota Subscription	10.0	10.0
Equity investments (including public sector banks)	72.6	70.5
Other	24.7	17.1
Total non-current other financial assets	216.6	207.6
Total other financial assets	365.5	359.1

Other financial assets comprise the following types of financial instruments as at 31 March 2015:

	Loans and receivables at amortised cost	Held to maturity investments at amortised cost	Available for sale at fair value	Designated as FV through SoRE	Held for trading at fair value	2014-15 Total
	£bn	£bn	£bn	£bn	£bn	£bn
Current						
Loans and deposits	15.7	2.0	-	-	-	17.7
Debt securities	-	-	-	-	66.1	66.1
Student loans	2.3	-	-	-	-	2.3
IMF Special Drawing Rights	-	-	-	-	8.9	8.9
Equity investments	-	0.1	0.9	0.4	0.3	1.7
Repurchase agreements	28.5	-	-	-	11.8	40.3
Other	1.9	0.2	0.7	0.6	8.5	11.9
Total current	48.4	2.3	1.6	1.0	95.6	148.9
Non-current						
Loans and deposits	63.0	0.1	-	-	-	63.1
Student loans	46.2	-	-	-	-	46.2
IMF Quota subscription	10.0	-	-	-	-	10.0
Equity investments	2.2	0.3	58.9	8.2	3.0	72.6
Other	0.1	0.6	7.0	5.4	11.6	24.7
Total non-current	121.5	1.0	65.9	13.6	14.6	216.6
Total	169.9	3.3	67.5	14.6	110.2	365.5

Loans and deposits

Loans and deposits include £52.7 billion (2013-14: £61.2 billion) of mortgage loans made by UKAR, of which £51.1 billion (2013-14: £59.3 billion) are residential mortgages, £1.1 billion (2013-14: £1.3 billion) are unsecured loans and £0.5 billion (2013-14: £0.6 billion) are commercial loans. There are no advances to new customers as UKAR is closed to new business. Further details are available in the 2014-15 accounts of HM Treasury.

Loans and deposits with banks also included deposits made by local government to commercial institutions of £17.2 billion (2013-14 restated: £16.1 billion).

It also includes financial assistance provided by the government as part of its financial stability interventions. This comprised a £3.2 billion (2013-14: £3.2 billion) bilateral loan to Ireland and £1.2 billion (2013-14: £3.0 billion) of loans and advances from HM Treasury to financial institutions. Further details are available in the 2014-15 accounts of HM Treasury.

Debt securities

Debt securities of £53.8 billion (2013-14: £39.5 billion) issued by public bodies, primarily foreign governments, were held by the Exchange Equalisation Account (EEA). EEA investments need to be highly liquid in order to be available for use quickly, whilst minimising the costs of holding the reserves. Inevitably, these investments carry some element of credit risk. In order to reduce this risk and to ensure the necessary liquidity, the EEA predominantly holds securities issued or guaranteed by the national governments of the United States, Euro area countries and Japan. Further details are available in the 2014-15 accounts of the EEA.

Student loans

Student loans were valued at the gross value of the loans issued discounted to net present value and reduced by an estimate of the future cost of policy write offs. Further detail on the valuation of student loans is available in the 2014-15 accounts of the Department for Business, Innovation and Skills[8] and the devolved administrations.

IMF Special Drawing Rights

Current International Monetary Fund (IMF) Special Drawing Rights (SDRs) comprised the UK's holding of SDRs resulting from SDR allocations made by the IMF plus subsequent purchases and sales of SDRs with other IMF members. SDR holdings were classified as held for trading and measured at fair value.

Non-current financial assets include the UK's quota subscription to the IMF. On becoming a member of IMF in 1944, the UK was required to pay a subscription to the IMF in a mix of SDRs, the IMF's unit of account, and other widely accepted currencies. The UK's quota subscription to the IMF is recognised as a NLF asset and is measured at amortised cost.

Equity investments

The table below sets out the values included within equity investments in relation to Lloyds and RBS.

	2013-14	Additions/ disposals	Fair value adjustments	Impairments	2014-15
	£bn	£bn	£bn	£bn	£bn
Royal Bank of Scotland Group plc	29.7	-	2.3	-	32.0
Lloyds Banking Group plc	13.3	(1.7)	0.6	-	12.2
Total investment	43.0	(1.7)	2.9	-	44.2

During 2014-15, HM Treasury disposed of 2.2 billion (2013-14: 9.8 billion) of its Lloyds Banking Group (LBG) ordinary shares between December 2014 and March 2015, yielding £1.7 billion in cash proceeds. The total purchase cost of these shares was £1.3 billion and therefore it realised an overall £0.4 billion cash gain. In accordance with accounting standards, Treasury realised an accounting gain of just under £1.0 billion in 2014-15. For more information please see HM Treasury's accounts.

Shares in Royal Bank of Scotland Group plc and Lloyds Banking Group plc have been revalued based on the closing share price at 31 March 2015. Fair value and impairment calculations were completed separately for each tranche of shares purchased to reflect the different acquisition costs over time.

Other equity investments included investments in the European Investment Bank of £7.1 billion (2013-14: £7.7 billion), and investments in international financial institutions held by the Department for International Development of £3.4 billion (2013-14: £3.0 billion).

Repurchase agreements

An amount of £40.3 billion (2013-14 restated: £51.0 billion) of funds were advanced to banks (or bank subsidiaries) and central clearing counterparties under reverse repurchase agreements where

[8] https://www.gov.uk/government/organisations/department-for-business-innovation-skills

securities were held as collateral and returned when the funds are repaid. Reverse sale and repurchase agreements were valued daily, and, depending on whether the value of the collateral rose or fell, collateral were returned to the provider of collateral, or additional securities requested from the provider of collateral. Further details are available in the 2014-15 accounts of the Exchange Equalisation Account, Debt Management Account, and Bank of England.

Other

Other investments included the Bank of England's holdings of foreign government securities, foreign currency securities and equity investments of £3.0 billion (2013-14: £3.9 billion). Further details regarding these securities are available in the 2014-15 accounts of the Bank[9].

Other investments included securities held for trading by the Debt Management Account of £1.0 billion (2013-14: £4.0 billion) as part of the DMO's lending and borrowing cash management operations. Further details are available in the 2014-15 accounts of the Debt Management Office and Debt Management Account[10].

Note 21.2 Other financial assets 2013-14

Other financial assets comprised the following types of financial instruments as at 31 March 2014:

	Loans and receivables at amortised cost	Held to maturity investments at amortised cost	Available for sale at fair value	Designated as FV through SoRE	Held for trading at fair value	2013-14	2013-14 restated
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Current							
Loans and deposits	73.3	1.5	-	-	-	74.8	17.8
Debt securities	-	-	-	-	39.7	39.7	64.8
Student loans	2.3	-	-	-	-	2.3	2.3
IMF Special Drawing Rights	-	-	-	-	9.0	9.0	9.0
Equity investments	-	-	0.1	0.2	0.3	0.6	0.6
Repurchase agreements	-	-	-	-	-	-	51.0
Other	0.3	0.1	0.5	0.4	8.5	9.8	6.0
Total current	75.9	1.6	0.6	0.6	57.5	136.2	151.5
Non-current							
Loans and deposits	72.9	0.1	-	-	-	73.0	73.3
Student loans	36.7	-	-	-	-	36.7	36.7
IMF Quota subscription	10.0	-	-	-	-	10.0	10.0
Equity investments		-	61.3	4.6	0.1	66.0	70.5
Other	0.1	2.4	9.1	0.2	0.1	11.9	17.1
Total non-current	119.7	2.5	70.4	4.8	0.2	197.6	207.6
Total	195.6	4.1	71.0	5.4	57.7	333.8	359.1

[9] http://www.bankofengland.co.uk/Pages/home.aspx
[10] http://www.dmo.gov.uk/

Note 22. Trade and other payables

	2014-15	2013-14
	£bn	£bn
Amounts falling due within one year:		
Accruals and deferred income	42.0	38.9
Refunds of taxation and duties payable	26.7	24.8
Trade payables	13.9	14.0
Other payables	24.5	22.6
Imputed finance lease element of on-balance sheet PFI contracts	1.4	1.4
Obligations under finance leases and hire purchase contracts	0.3	0.3
Current trade and other payables	108.8	102.0
Restatements		5.0
Current trade and other payables (restated)	108.8	107.0
Amounts falling due after more than one year:		
Imputed finance lease element of on-balance sheet PFI contracts	37.1	36.4
Trade payables	0.5	0.9
Other payables	9.4	9.3
Obligations under finance leases and hire purchase contracts	4.5	4.7
Accruals and deferred income	12.6	5.4
Non-current trade and other payables	64.1	56.7
Restatements		9.3
Non-current trade and other payables (restated)	64.1	66.0
Total trade and other payables at 31 March (restated)	172.9	173.0

Trade and other liabilities were held across a wide range of public sector entities and relate to both day-to-day business delivery costs and other financial obligations.

Refunds of taxation and other duties relate to HM Revenue and Customs and is the single largest departmental obligation included within the above.

The next significant liability, encompassing both the short and long term, belongs to the Department of Health £25.3 billion (2013-14: £24.7 billion), of which approximately 45% relates to the ongoing provision of healthcare services. Another significant liability belongs to the Ministry of Defence £16 billion (2013-14: £15.2 billion) of which approximately 60% relates to the ongoing support and maintenance of military personnel and equipment. The remaining obligations of both departments are long term and relate to PFI commitments.

Further details are available in the 2014-15 accounts of the respective departments.

Note 23. Government financing and borrowing

	2014-15	2013-14
	£bn	£bn
Amounts falling due within 1 year:		
Gilt-edged securities	45.9	49.7
National Savings and Investment products	123.9	105.7
Treasury bills	65.4	57.0
	235.2	212.4
Amounts falling due after more than 1 year:		
Gilt-edged securities	939.3	883.7
	939.3	883.7
Total at 31 March 2015	1,174.5	1,096.1

Government financing and borrowing, disclosed above, comprises government issued debt instruments that are offered to the public. These include gilt-edged securities or gilts, National Savings and Investment (NS&I) products and Treasury bills.

Gilts are UK government sterling denominated listed bonds that are fixed rate or index-linked with the return linked to movements in the Retail Price Index. As the government's debt manager, the Debt Management Office (DMO) sells gilts to the market to ensure sufficient funding is available to meet the government's financial commitments. Gilts held by public sector entities are eliminated on consolidation and removed from the balance above, with the exception of gilts held by funded public sector pension schemes. Further details regarding gilts are available in the 2014-15 Debt and Reserves Management Report and the 2014-15 accounts of the National Loans Fund.

NS&I products are a range of secure savings and investments offered to the public, that are backed by the Exchequer. They provide the government with a source for financing public spending. Further details of these products, and NS&I's 2014-15 accounts, can be found on the NS&I website[11].

Treasury bills are issued by the Debt Management Account and, along with other money market operations, are used by the Debt Management Office to meet the government's daily cash requirements. Further details on these operations can be found in the 2014-15 Debt and Reserves Management Report.

[11] http://www.nsandi.com

Note 24. Provisions for liabilities and charges

	Nuclear decommissioning	Clinical Negligence	Other types of provision	Total
	£bn	£bn	£bn	£bn
At 1 April 2013	69.9	23.6	37.5	131.0
Provisions arising during the year	9.8	5.5	10.2	25.5
Provisions utilised during the year	(2.7)	(1.3)	(5.7)	(9.7)
Borrowing costs	1.0	(0.2)	0.4	1.2
Provisions not required written back	(0.6)	(1.0)	(4.4)	(6.0)
Transfers in-year	-	-	(0.2)	(0.2)
At 31 March 2014	77.4	26.6	37.8	141.8
Restatements	-	-	12.8	12.8
At 1 April 2014 (restated)	77.4	26.6	50.6	154.6
Provisions arising during the year	7.1	7.4	21.0	35.5
Provisions utilised during the year	(2.5)	(1.3)	(4.1)	(7.9)
Borrowing costs	1.3	0.1	0.4	1.8
Provisions not required written back	(0.4)	(3.5)	(4.5)	(8.4)
Transfers in-year	-	-	(0.3)	(0.3)
At 31 March 2015	82.9	29.3	63.1	175.3

	Nuclear decommissioning	Clinical Negligence	Other types of provision	Total restated
	£bn	£bn	£bn	£bn
Within 1 year	3.3	1.9	9.7	14.9
Between 1 and 5 years	14.2	8.8	26.2	49.2
Thereafter	65.4	18.6	27.2	111.2
Total future payments	82.9	29.3	63.1	175.3
Current provisions	3.3	1.9	9.7	14.9
Non-current provisions	79.6	27.4	53.4	160.4

Provision for nuclear decommissioning

The majority of this provision is recognised by the Nuclear Decommissioning Authority (NDA). The provision represents the best estimate of the cost of decommissioning the plant and equipment on each designated nuclear licensed site and returning the sites to pre-agreed end states in accordance with its published strategy and objectives. This programme of work will take until 2137 to complete. The estimates are based on assumptions of the processes and methods needed to discharge its obligations, and reflects the latest technical knowledge available. The government's obligations are reviewed on a continual basis and provisions are updated accordingly. The provision and recoverable balances were expressed at current price levels and discounted to take account of the time value of money for the very long timescales over which work will be carried out. Certain expenditure required to discharge nuclear provisions was recoverable from third parties under commercial agreements. Provision charges in the Statement of Revenue and Expenditure are shown net of changes in the amount recoverable from third parties. The amount recoverable at 31 March 2015 was £5.7 billion (2014-15: £5.9 billion).

The Nuclear Decommissioning Authority decommissioning provision has increased by £5.0 billion primarily driven by the conclusion of the new life time plan for Sellafield. This has resulted in a substantial increase in costs, due to changes to cost and scheduling of key programmes. The plan will continue to develop in future years and will be subject to further, but comparatively smaller, changes.

The provision for nuclear decommissioning was subject to an emphasis of matter on uncertainties inherent in the provisions relating to the costs of dealing with nuclear decommissioning in the Audit Opinion of the Comptroller & Auditor General. Further details are available in the 2014-15 accounts of the Nuclear Decommissioning Authority.

Provision for clinical negligence

These financial statements included provisions made for future costs where health service entities were the defendant in legal proceedings brought by claimants seeking damages for the effects of alleged clinical negligence. Clinical negligence claims which may succeed, but which are less likely or cannot be reliably estimated, were accounted for as contingent liabilities and disclosed in Note 31.

Known reported claims were individually valued on the basis of likely costs to resolve the claim along with probability factors to take account of the potential for a successful defence. The clinical negligence provision included in this account reflects an actuarially determined assessment of incidents that have occurred, including those yet to be reported, where the amount of the claim could reliably be estimated. The amount provided was calculated on a percentage expected probability basis, applied to the gross value to give the probable cost of each claim, discounted to take into account the likely time of the settlement.

In 2014-15, the Department of Health reported that the value of known provisions increased by £2.6 billion since 2013-14. New clinical negligence claims of 11,497 were received in 2014-15, a reduction of 3.75% from 2013-14. This is the first time since 2006-07 that new clinical claims reported to the NHS Litigation Authority (NHSLA) have not shown a year-on-year increase.

Other provisions

The Pension Protection Fund has a provision of £19.1 billion in 2014-15 (2013-14: £14.0), of which £17.8 billion relates to liabilities to pay compensation to members and £1.3 billion relates to claims from pension schemes.

HM Revenue and Customs reported a £7.5 billion (2013-14: £3.1billion) provision in respect of the repayment of tax receipts resulting from oil and gas field decommissioning. The approach to estimating this provision has been revised, taking a longer term view and removing the corporation tax element.

HM Revenue and Customs is involved in a number of legal and other disputes, which can result in claims by taxpayers against HMRC, so they have also reported a £7.2 billion provision (2013-14: £5.4 billion).

The Department for Work and Pensions has a provision of £4.7 billion (2013-14: £4.2 billion) related to the Financial Assistance Scheme (FAS). FAS was announced in 2004 to provide assistance to members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. Since 2004, the scope of the scheme and the levels of assistance have been expanded through additional legislation.

Following a challenge from a retired firefighter against the Government Actuary's Department (GAD) in May 2015, which was upheld by the Pensions Ombudsman, several departments have included a provision in their accounts. The Pensions Ombudsman found GAD guilty of maladministration. The full determination is available at http://www.pensions-ombudsman.org.uk. Across government, the total provision is £1.14 billion. The Home Office has included a provision of £0.5 billion in 2014-15, made up of £375.0 million lump sum pay out and £85.0 million interest. Other government departments affected are Department for Local Communities and Government (£94.0 million), the Scottish Government (£115.0 million), Northern Ireland Fire and Police and the Welsh Government.

A provision of £0.5 billion (2013-14: £0.5 billion), relates to fee paid judicial office holders who have claimed retrospective pension rights. The current ruling by the Employment Appeal Tribunal (4 March 2014) is that pension rights are due from 7 April 2000. This ruling will now be heard in the Supreme Court and judgement is not expected until at least 2018 or 2019.

Other provisions included a wide range of provisions across all parts of the public sector. These included provisions in relation to: injury benefits, medical costs, criminal injuries compensation, legal costs, compulsory purchases, claims in respect of structural damage and diminution of value of properties affected by transport schemes, and compensation payments for termination of employment.

Note 25. Other financial liabilities

Note 25.1 Other financial liabilities 2014-15

Other financial liabilities include the following:

	2014-15	2013-14 restated
	£bn	£bn
Current		
Deposits by banks	354.9	353.9
Banknotes issued in circulation	63.8	60.2
IMF Special Drawing Rights allocation	9.4	9.4
Bank and other borrowings	10.6	6.7
Debt securities	2.7	1.6
Other	2.8	1.0
Total current	444.2	432.8
Non-current		
Bank and other borrowings	58.4	58.5
Debt securities	22.4	27.9
Financial guarantees	0.4	0.3
Other	17.1	9.2
Total non-current	98.3	95.9
Total	542.5	528.7

Other financial liabilities comprise the following types of financial instruments as at 31 March 2015:

	Carried at amortised cost	Designated at fair value	Held for trading at fair value	2014-15 Total
	£bn	£bn	£bn	£bn
Current				
Deposits by banks	334.4	-	20.5	354.9
Banknotes issued in circulation	63.8	-	-	63.8
IMF SDR allocation	-	-	9.4	9.4
Bank and other borrowings	10.6	-	-	10.6
Debt securities	2.7	-	-	2.7
Other	-	0.1	2.7	2.8
Total current	411.5	0.1	32.6	444.2
Non-current				
Bank and other borrowings	58.4	-	-	58.4
Debt securities	22.4	-	-	22.4
Financial guarantees	0.4	-	-	0.4
Other	0.7	6.8	9.6	17.1
Total non-current	81.9	6.8	9.6	98.3
Total	493.4	6.9	42.2	542.5

Deposits by banks

Deposits by banks and other financial institutions included £318.6 billion (2013-14: £318.7 billion) held by the Bank of England and other deposits repayable on demand of £2.6 billion (2013-14: £3.0 billion).

Deposits by banks included sales and repurchase agreements, where an entity sells securities and receives a deposit, with the understanding that it will buy the securities back at a specified time and price. The largest balance was made up of deposits by banks under sales and repurchase agreements of £12.9 billion (2013-14: £12.8 billion) entered into by the Debt Management Account to be used by the Debt Management Office (DMO) as part of its cash management operations, reflecting the government's daily cash flows. During 2014-15, the DMO continued to hold large asset and liability balances, as it sought to manage historically large aggregate Exchequer borrowing requirements.

Deposits by banks also included sale and repurchase agreements of £5.2 billion (2013-14: £3.7 billion) entered into by the Exchange Equalisation Account (EEA) to preserve the liquidity and security of the foreign currency reserves and to ensure that the government maintains its capability to intervene in the foreign exchange market if required, while also minimising the overall cost of holding the foreign currency reserves and ensuring exposure to financial risk is limited. Further details are available in the 2014-15 accounts of the DMO and the EEA.

Banknotes issued in circulation

Banknotes are issued by the Bank of England Issue Department. The Bank of England is responsible for maintaining confidence in the currency, by meeting demand with good-quality banknotes that the public can readily exchange. The close of business balance of notes in circulation over the year ended 28 February 2015 was £63.8 billion (2013-14: £60.2 billion). Further details are in the 2014-15 accounts of the Bank of England.

Bank and other borrowings

Bank and other borrowings included balances held by entities across central and local government. It included £1.1 billion (2013-14: £1.1 billion) of bank overdrafts held by local authorities as well as borrowings of £32.3 billion (2013-14 restated: £31.8 billion) by Network Rail. Local authorities have wide powers to borrow which are enshrined in statute. Their ability to borrow is controlled under a regulatory framework and through the application of the Prudential Code for Capital Finance in Local Authorities and the Code of Practice for Treasury Management in the Public Services. Both have been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

IMF Special Drawing Rights allocation

International Monetary Fund (IMF) Special Drawing Rights (SDRs) allocation comprised a liability to the IMF of £9.4 billion (2013-14: £9.4 billion) for those SDRs that have been allocated to the UK when the country became a participant in the Special Drawing Rights Agreement and that have been allocated subsequently. The UK's SDR allocation was recognised as a liability and the resultant holding of SDRs by the UK was recognised as an asset. Further details are available in the 2014-15 accounts of the EEA.

The SDR allocation is part of the EEA portfolio of financial instruments, which is actively managed against the benchmark to meet the return set by HM Treasury. As a result, the financial assets and liabilities of the EEA, including the SDR allocation, are all "held for trading", in accordance with the definition of IAS 39 'Financial Instruments: Recognition and Measurement'.

Financial guarantees

Guarantees have been issued by HM Treasury in relation to the National Loans Guarantee Scheme totalling £0.1 billion (2013-14: £0.2 billion) and Department for Business, Innovation and Skills in support of Small Firms Loan Guarantee Scheme, Enterprise Finance Guarantee and Automotive Assistance Programme totalling £0.1 billion (2013-14: £0.2 billion). Further details are available in the 2014-15 accounts of HM Treasury and Department for Business, Innovation and Skills.

Debt securities

Debt securities relate to UKAR and include securitised notes and covered bonds issued by Bradford & Bingley, and Northern Rock Asset Management. The issuance of debt securities are used to securitise loans to customers and to raise unsecured medium term funding. These have been reducing as UKAR buys back securities. Further details are in the 2014-15 accounts of HM Treasury.

Other

Other financial liabilities consist mainly of derivatives which totalled £17.1 billion, (2013-14 restated: £9.2 billion). The increase is largely due to increases in other financial liabilities of the Pension Protection Fund of £6.9 billion and the Department of Energy and Climate Change (DECC) of £2.5 billion.

Note 25.2 Other financial liabilities 2013-14

Other financial liabilities comprise the following types of financial instruments as at 31 March 2014:

	Carried at amortised cost	Designated at fair value	Held for trading at fair value	2013-14 Total	2013-14 Total restated
	£bn	£bn	£bn	£bn	£bn
Current					
Deposits by banks	335.4	13.0	6.7	355.1	353.9
Banknotes issued in circulation	60.2	-	-	60.2	60.2
IMF SDR allocation	-	-	9.4	9.4	9.4
Bank and other borrowings	3.5	-	-	3.5	6.7
Debt securities	0.4	-	-	0.4	1.6
Financial guarantees	-	-	-	-	-
Other	-	-	1.0	1.0	1.0
Total current	399.5	13.0	17.1	429.6	432.8
Non-current					
Bank and other borrowings	27.2	-	-	27.2	58.5
Debt securities	25.5	-	-	25.5	27.9
Financial guarantees	4.0	-	-	4.0	0.3
Other	1.5	2.4	0.4	4.3	9.2
Total non-current	58.2	2.4	0.4	61.0	95.9
Total	457.7	15.4	17.5	490.6	528.7

Note 26. Net public sector pension liability

The government operates a range of defined benefit pension schemes for public servants. The arrangements for individual schemes varied according to the specific circumstances of the scheme. Schemes may be funded or unfunded and may be administered by government departments, devolved administrations or other public entities (such as local authorities) or independent trustees. Information that applies generally to the principal schemes is provided in this note. Information on the specific schemes can be found in the annual report of the responsible entities.

Other than as described below, the cash required to meet the payment of unfunded pensions was met from employer and employee contributions with any shortfall financed by the Exchequer.

26.1 Pension scheme liability

Total net pension scheme liability at 31 March 2015

	Unfunded schemes	Funded schemes	2014-15 Total	2013-14 Total restated
	£bn	£bn	£bn	£bn
Gross liability	1,373.1	376.9	1,750.0	1,532.1
Gross assets	-	(256.7)	(256.7)	(229.0)
Net liability	1,373.1	120.2	1,493.3	1,303.1

Analysis of movement in the total net pension scheme liability

				2014-15			2013-14
	Note	Unfunded (gross)	Funded (net)	Total	Unfunded (gross)	Funded (net)	Total restated
		£bn	£bn	£bn	£bn	£bn	£bn
Liability at 1 April		1,207.9	95.2	1,303.1	1,070.0	101.9	1,171.9
Current service costs	*26.5*	36.2	8.2	44.4	31.9	8.6	40.5
Past service costs	*26.5*	0.4	0.2	0.6	0.2	(1.1)	(0.9)
Settlements/curtailments	*26.5*	-	(0.7)	(0.7)	-	(0.6)	(0.6)
Net financing costs	*26.5*	52.6	4.0	56.6	44.2	4.9	49.1
Contribution by scheme participants		0.6	(9.1)	(8.5)	(0.1)	(7.9)	(8.0)
Actuarial loss/(gain)	*26.6*	113.1	21.6	134.7	95.2	(11.7)	83.5
Benefits paid		(38.2)	0.4	(37.8)	(35.9)	(0.1)	(36.0)
Transfers in/(out)		0.5	0.4	0.9	0.3	2.1	2.4
Liability at 31 March					1,205.8	96.1	1,301.9
Restatement					2.1	(0.9)	1.2
Liability at 31 March (restated)		1,373.1	120.2	1,493.3	1,207.9	95.2	1,303.1

The pension liability only relates to public sector pension liabilities for employees and former employees of the public sector, with a small component for other approved organisations that qualify for membership of these government schemes, such as teachers in private schools and GPs. State retirement pensions are outside the scope of the pension liability as per IAS 19 'Employee Benefits' as they are paid to the general public, and are not employee benefits for public sector staff.

Current service costs are the increase in the present value of the scheme liabilities arising from current members' service in the current period. They are determined by the individual scheme actuaries and were calculated using the discount rate at the start of the year, i.e. as at 31 March 2014. For the largest, which are listed in paragraph 9.1.1 of the Financial Reporting Manual (FReM), the rate decreased from 2.35% as at 31 March 2013 to 1.8% as at 31 March 2014, resulting in an increase in costs in line with the previous year.

Past service costs are changes in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction, change, or improvement to retirement benefits.

Pension financing costs are the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Revenue and Expenditure. The financing cost is based on the discount rate (including inflation) at the start of the year and is calculated on the gross liability of unfunded schemes (which is shown gross) and the net liability of funded schemes (which is shown net of assets).

Actuarial gains and losses reflect three elements. The first of these elements is the changes in the underlying assumptions used by the actuaries to determine the valuation of pension scheme liabilities. This includes changes in the assumptions used to calculate the pension liability such as financial assumptions, mortality rates and projected salary increases. Further detail is set out in Note 26.6 below.

The second element of actuarial gains and losses relates to where in-year experience differs from assumptions previously used to determine the liabilities. The third element relates to funded schemes and reflects differences between the asset returns experienced in-year and the asset returns assumed using the start of the year discount rate.

There was an actuarial loss of £134.7 billion in 2014-15 (2013-14 restated loss of £83.6 billion). Note 1.22.4 sets out the key assumptions in determining the pension liability.

26.2 Unfunded schemes

The significant unfunded schemes are the Principal Civil Service Pension Scheme, NHS Pension Schemes, Armed Forces Pension Scheme, Teachers Pensions Scheme, Police Pension Scheme and the Firefighters Pension Scheme. These are unfunded, defined benefit, occupational pension schemes, the majority of which are contributory.

Public sector pension schemes carry out full actuarial valuations periodically. Between full valuations, annual updates are made to the liabilities for accounting purposes to reflect current conditions. Previous actuarial valuations set the contribution rates payable to meet the cost of the benefits accruing during 2014-15 and not the benefits paid during this period to existing pensioners. The latest actuarial valuations were generally carried out as at 31 March 2012 to determine employer contribution rates payable from 2015-16.

Scheme liabilities reflected the expected future benefit payments arising in respect of both current and deferred pensioners and currently active members of the scheme. Benefits were paid as they fall due and are guaranteed by the employer.

The administration of the Police Pensions Scheme and the Firefighters Pension Scheme was the responsibility of the separate police and fire authorities and regional local authorities that provided a police or fire service. Each individual employer authority that contributed to these schemes recognised their proportion of the liabilities in their statement of accounts. The scheme liability in WGA was the aggregate of amounts reported in the statement of accounts of the individual authority employers, and the amounts reported by the Northern Ireland Police Pension Scheme and Northern Ireland Fire and Rescue Service.

26.3 Funded schemes

Funded pension schemes are shown on a net liability basis (or net asset where the total scheme asset balance exceeds the gross liability). This means that scheme assets are deducted from the gross pension liability balance. Where changes in scheme assets in-year differ from those expected in line with the start of year discount rate, these differences are included within actuarial gains and losses.

The Local Government Pensions Scheme (LGPS) is the largest funded scheme. The LGPS (England and Wales) consists of 89 separately administered funds, with the LGPS (Scotland) having a further 11 funds. Under the LGPS regulations each fund is subject to an independent actuarial valuation every three years. The individual local authority employers that contributed to these funds recognised their proportion of the scheme liabilities in their statement of accounts. The local government funded schemes balance disclosed in Note 26.4 below included the portion of the pension liability of the LGPS that was reported in the financial accounts of the individual local authority employers.

An analysis of the in-year movement in funded pension schemes' gross obligations and gross assets is provided below.

Analysis of movement in the funded pension schemes' gross obligations

	Note	**2014-15**
		£bn
Gross liability at 1 April		328.3
Current service costs	*26.1*	8.2
Past service costs	*26.1*	0.2
Interest on scheme liabilities	*26.1*	14.1
Contribution by scheme participants		2.0
Actuarial (gains)/losses		34.8
Benefits paid		(10.4)
Settlements/curtailments		(0.9)
Transfers in/out		0.6
Gross liability at 31 March		376.9

Analysis of movement in the funded pension schemes' gross assets

	Note	**2014-15**
		£bn
Gross assets at 1 April		(233.2)
Expected rate of return on scheme assets		(10.0)
Actuarial gains and losses	*26.6*	(13.1)
Contributions by employers and scheme participants		(11.1)
Benefits paid		10.8
Assets distributed on settlements	*26.5*	0.2
Transfers in/out		(0.3)
Gross assets at 31 March		(256.7)

Of the 620 (2013-14: 618) bodies that participated in funded schemes, 10 (2013-14: 14) have reported a net pension asset, which collectively amounted to £1.3 billion (2013-14: £0.9 billion). The funded pension schemes held a range of assets including gilts as part of their investment portfolio. Gilts held by these pension schemes have not been eliminated during the consolidation process outlined in Note 1.5.

Benefits paid on funded schemes impacted on both the gross liability and the scheme assets and so have a mainly neutral impact on the net liability.

Analysis of funded pension scheme assets

In accordance with IAS 19, bodies are no longer required to disclose their expected long-term rates of return. Where actuaries have calculated a rate of return or where a rate has been disclosed, it is included in the analysis below.

The assets in core local authority funded schemes and the associated expected long-term rates of return were:

	2014-15 Value	2013-14 Value	2014-15 Expected rate of return	2013-14 Expected rate of return
	£bn	£bn	%	%
Equities	126.5	119.6	3.1 – 11.6	2.6 – 8.0
Bonds	31.5	27.1	2.0 – 11.6	2.2 – 8.4
Other	46.3	34.2	0.5 – 11.6	0.5 – 8.9
Total market value	204.3	180.9		

The assets in central government and public corporation funded schemes and the associated expected long-term rates of return were:

	2014-15 Value	2013-14 Value	2014-15 Expected rate of return	2013-14 Expected rate of return
	£bn	£bn	%	%
Equities	21.9	20.2	3.2 – 7.6	4.0 – 7.8
Bonds	13.8	15.3	3.2 – 4.7	3.2 – 6.3
Other	16.7	11.5	3.2 – 5.1	0.5 – 7.6
Total market value	52.4	47.0		

The 'other' balance consisted of property, cash and other alternative assets, such as hedge funds and private equity, diversified growth funds, or infrastructure investments, which have varying levels of performance. This mix of assets leads to a broad range for the rate of return on assets at the WGA level. The lowest return reflected is the expected return on cash, while alternative assets can achieve much higher returns.

26.4 Analysis of the pension liability by type of scheme

	2014-15 £bn	% Change between years	2013-14 restated £bn	2014-15 Percentage of liability	2013-14 Percentage of liability
Unfunded schemes (gross)					
Teachers (UK)	316.9	+10.0	288.1	21	22
NHS (UK)	452.2	+15.5	391.6	30	30
Civil Service	214.8	+11.2	193.2	15	15
Armed Forces	154.6	+19.3	129.6	10	10
Police	145.2	+18.0	123.0	10	9
Fire	28.9	+13.3	25.5	2	2
Other unfunded	60.5	+10.2	54.8	4	4
	1,373.1	+13.8	1,205.8	92	92
Funded schemes (net)					
Local government	106.5	+24.4	85.6	7	7
Other funded	13.7	+30.5	10.5	1	1
	120.2	+25.0	96.1	8	8
Restatements			1.2		
Total	1,493.3	+14.6	1,303.1	100%	100%

The police and fire balances include the amounts reported by designated police and fire authorities, the Northern Ireland Police Pension Scheme, and the Northern Ireland Fire and Rescue Service. A number of local authorities that are not specifically police or fire authorities had staff in the Police and Fire Pension Schemes, and recognised their proportion of the scheme liabilities in their Statement of Financial Position. This is included in the other unfunded balance above and makes up £8.7 billion (2013-14 £7.7 billion) of this balance.

Other significant amounts included in other unfunded schemes also include amounts accounted for by the Royal Mail Statutory Pension Scheme at £40.3 billion (2013-14: £36.8 billion), the Department for Business, Innovation & Skills: UKAEA Pension Scheme at £6.8 billion (2013-14: £6.2 billion), and the Research Councils Pension Scheme at £4.4 billion (2013-14: £3.9 billion).

The other funded balance includes net pension liabilities for the Department for Education of £4.0 billion (2013-14 restated: £2.4 billion), Department for Transport of £2.1 billion (2013-14: £2.3 billion), BBC of £0.9 billion (2013-14: £1.5 billion), the Ministry of Justice of £1.6 billion (2013-14: £1.2 billion), the Department for Environment, Food and Rural Affairs of £1.2 billion (2013-14: £1.2 billion), and Network Rail £1.5 billion (2013-14 restated: £1.2 billion).

The local government funded schemes' balance includes the portion of the pension liability of the Local Government Pension Scheme (LGPS) that was reported in the financial accounts of the individual local authority and academy employers. This represents the majority of the pension liability of LGPS and excludes the portion that relates to employers that are outside the WGA boundary, as that portion of the liability is the responsibility of the non-government employers.

26.5 Amounts recognised in the Statement of Revenue and Expenditure

	2014-15 £bn	2013-14 £bn
Current service cost	44.4	40.5
Past service cost	0.6	(0.9)
Losses on settlements and curtailments	(0.7)	(0.6)
Net financing cost	56.6	49.1
Total recognised in the Statement of Revenue and Expenditure	100.9	88.1

26.6 Amounts recognised in the Statement of Changes in Taxpayers' Equity

	2014-15 £bn	2013-14 £bn
Actual return less expected return on scheme assets	(13.2)	(1.7)
Experience gains and losses arising on liabilities	(2.6)	62.7
Changes in assumptions underlying the value of liabilities	150.5	22.5
Actuarial loss/(gain) on pension liabilities	134.7	83.5

Actual return less expected return on scheme assets' is the difference in actual returns as they have occurred and the assumptions that were made at the time of the previous valuation.

Experience gains and losses arising on liabilities reflect the extent to which events over the reporting period have not coincided with the actuarial assumptions made for the last assessment, for example increases in salaries or changes in mortality rates.

Changes in underlying assumptions are driven by a range of factors such as mortality rates, salary increases and the (net of CPI) discount rate. As set out in the Financial Reporting Manual (FReM), and required by IAS 19, the discount rate for central government schemes is determined by those responsible for the management of the individual pension funds; based on yields of high quality corporate bonds (AA corporate bond rate). For the schemes listed in paragraph 9.1.1 of the FReM (generally unfunded schemes), the (net of CPI) discount rate decreased from 1.8% in 2013-14 to 1.3% in 2014-15. HM Treasury advises schemes in central government of the discount rate to be used in valuing public sector pension liabilities.

Note 27. Capital commitments

Capital commitments comprise future commitments to capital expenditure that are contracted for but not provided for in the financial statements. Capital commitments for the acquisition of property, plant and equipment and intangible assets for which no provision has been made in these financial statements amounted to £42.5 billion (2013-14: £34.6 billion).

Capital commitments were made by a range of public sector entities as they became a party to contracts for capital expenditure for property, plant and equipment or intangible fixed assets. Details of significant capital commitments are provided below; the remainder are individually not material to WGA. Details of commitments are available in the individual accounts of WGA entities.

Entity	Description of contracted capital commitment	2014-15 Commitment £bn	2013-14 Commitment restated £bn
Ministry of Defence	Commitments in relation to property, plant and equipment were £16.6 billion (2013-14: £11.7 billion) and for intangible fixed assets £3.3 billion (2013-14: £2.8 billion).	19.9	14.5
Department for Education	Commitments in relation to school projects.	4.0	1.2
Transport for London	Contracts placed for transport and infrastructure projects.	3.7	2.4
Department for Transport	Commitments in relation to the purchase of property, plant and equipment and intangible assets.	1.6	0.6
Entities within the National Health Service and the Department of Health Group	Capital commitments totalling £1.3 billion relate to Public Health England, NHS Trusts and NHS Foundation Trusts and arm's length bodies. The department has tightened up the application of the Capital Commitment definition in 2014-15. This has resulted in commitments with a value of £518.6 million (2013-14: £596.7 million) being classified as Other Financial Commitments	1.4	2.3
Birmingham City Council	Various contracts for the construction or enhancements of property, plant, furniture, and equipment.	1.1	1.1
Scottish Government	Commitments in relation to the purchase of property, plant and equipment and intangible assets.	0.7	1.0
Welsh Government	Commitments in relation to network assets, buildings and local health boards.	0.5	0.9

Note 28. Commitments under leases

28.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below analysed according to the period in which the lease expires.

	Land £bn	Buildings £bn	Other leases £bn	2014-15 Total £bn
Obligations under operating leases comprised:				
Total payments within 1 year	0.1	1.8	0.8	2.7
Total payments between 1 and 5 years	0.2	4.6	1.5	6.3
Total payments thereafter	1.2	8.1	0.9	10.2
Total future minimum lease payments under operating leases	1.5	14.5	3.2	19.2

	Land	Buildings	Other leases	2013-14 Total
	£bn	£bn	£bn	£bn
Obligations under operating leases comprised:				
Total payments within 1 year	-	1.7	0.7	2.4
Total payments between 1 and 5 years	0.1	4.5	1.5	6.1
Total payments thereafter	0.7	7.7	0.9	9.3
Total future minimum lease payments under operating leases	0.8	13.9	3.1	17.8

28.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below, analysed according to the period in which the lease expires.

In respect of finance leases as at 31 March 2015

	Land	Buildings	Other leases	2014-15 Total
	£bn	£bn	£bn	£bn
Obligations under finance leases comprised:				
Total payments within 1 year	0.1	0.3	0.2	0.6
Total payments between 1 and 5 years	0.2	1.1	0.7	2.0
Total payments thereafter	8.7	12.1	0.6	21.4
Total	9.0	13.5	1.5	24.0
Less interest element	(8.1)	(10.5)	(0.3)	(18.9)
Total future minimum lease payments under finance leases	0.9	3.0	1.2	5.1

In respect of finance leases as at 31 March 2014

	Land	Buildings	Other leases	2013-14 Total
	£bn	£bn	£bn	£bn
Obligations under finance leases comprised:				
Total payments within 1 year	0.1	0.3	0.2	0.6
Total payments between 1 and 5 years	0.2	1.0	0.7	1.9
Total payments thereafter	8.8	12.2	0.5	21.5
Total	9.1	13.5	1.4	24.0
Less interest element	(8.2)	(10.5)	(0.3)	(19.0)
Total future minimum lease payments under finance leases	0.9	3.0	1.1	5.0

Current year finance charges in respect of finance lease are disclosed in Note 12 alongside PFI interest. Finance leases are predominately in defence and broadcasting.

Note 29. Commitments under PFI contracts

PFI assets were recognised on the Statement of Financial Position where the government controls or regulates the services, to whom they are provided, the price, and any significant residual interest in the asset at the end of the contract. Where WGA entities had entered PFI contracts but did not meet the control criteria, the assets provided as part of the contract are not recognised in these accounts and the costs are recognised when they are incurred. Further detail of PFI projects with central government support is available on the Treasury website[12]. The website currently includes data provided by central government departments as at March 2015.

Note 29.1 PFI contracts recognised on the Statement of Financial Position

The net book value of PFI assets included in the Statement of Financial Position was £ 42.0 billion (2013-14: £38.6 billion) as at 31 March 2015. The assets were accounted for in a manner consistent with other assets of that type. The PFI liability for the present value of capital amounts payable included in the Statement of Financial Position was £38.5 billion (2013-14: £37.8 billion).

The substance of these contracts is that the government has a number of finance leases which comprise two elements: imputed finance lease charges and service charges. Details of these charges, at current prices, are in the table below.

Obligations for future periods arise in the following periods:	**2014-15 £bn**	**2013-14 restated £bn**
No later than one year	4.7	4.5
Later than one year and not later than 5 years	17.3	16.8
Later than 5 years	59.5	61.1
Gross present value of future obligations	81.5	82.4
Less interest charges allocated to future periods	(40.4)	(42.4)
Net present value of future obligations	41.1	40.0
Plus: service charges due in future periods	108.8	120.4
Total future obligations	149.9	160.4

Future obligations arising ‘later than five years’ may arise for another 30 to 40 years, depending on the individual contract. The net present value of future obligation of £41.1 billion (2013-14: £40.0 billion), excluding service charges, was different from the liability recognised on the Statement of Financial Position of £38.5 billion (2013-14: £37.8 billion) for a number of reasons. Some WGA entities included costs such as contingent rents and lifecycle replacement costs in future obligations but not in the liability figure. Some WGA entities also reported future obligations but had not recognised a liability in their accounts as the related PFI asset had not yet been commissioned.

The gross present value obligations by segment were:

	2014-15 £bn	**2013-14 £bn**
Central government departments and entities within the NHS	44.4	44.6
Local authorities	35.6	36.3
Public corporations	1.5	1.5
Gross present value of future finance lease obligations	81.5	82.4

[12] https://www.gov.uk/government/publications/private-finance-initiative-and-private-finance-2-projects-2015-summary-data

Details on PFI contracts are available in the individual accounts of WGA entities.

A summary of the PFI contracts recognised on the Statement of Financial Position with a capital value (excluding interest) greater than £0.5 billion is provided below.

Entity	Description of PFI contract	Contract start date	Contract end date
Greater Manchester Waste Authority	PFI contract for the construction maintenance and operation of 43 new waste disposal facilities in the Greater Manchester area.	Apr-2009	Mar-2034
Department for Transport	Maintain and operate the M25 Orbital route, including the widening of two sections (around 40 miles) and provide congestion solution for a further two sections (around 25 miles).	May-2009	Apr-2039
Department for Work and Pensions	Maintenance and management of the departmental estate.	Apr-1998	Mar-2018
Department of Health	Redevelopment, maintenance and operation of the cardiac and cancer facilities at Barts and the London NHS Trust	Mar-2010	Apr-2048
Department of Health	Provision of acute hospital facilities and maintenance and operation of University Hospitals Birmingham NHS Foundation Trust.	Jun-2006	Aug-2046
Department of Health	Construction, maintenance and operation of the new Saint Mary's Hospital in Greater Manchester.	May-2009	Apr-2047
Ministry of Defence	PFI to provide and maintain air=to-air refuelling and passenger air transport capabilities.	Mar-2008	Mar-2035
Ministry of Defence	Skynet 5: Range of satellite services, including management of existing Skynet 4 satellites.	Oct-2003	Aug-2022
Ministry of Defence	Rebuild, refurbishment, management and operation of facilities for Service accommodation at Aldershot, Tidworth, Bulford, Warminster, Larkhill and Perham Down.	Mar-2006	Apr-2041
Ministry of Defence	Redevelopment and maintenance of Colchester Garrison to provide accommodation and associated services.	Feb-2004	Feb-2039
Nottingham City Council	PFI for the construction, maintenance and running of 3 new tram lines.	Dec-2011	Mar-2034
Halton Borough Council	PFI for the design, build, operation and maintenance of the Mersey Gateway bridge linking Runcorn and Widnes by a six-lane toll bridge.	Mar-2014	Mar-2044

Note 29.2 PFI contracts not recognised on the Statement of Financial Position

During the 2014-15 financial year, a number of WGA entities had PFI contracts which were not recognised on the Statement of Financial Position because the private sector contractor was, on balance, considered to have greater control over the use of the asset. WGA entities reported these contracts in their accounts in different ways, as the FReM allows flexibility as to how to present the information. Therefore, it is not possible to provide a summary of all these PFI contracts.

HM Treasury has considered whether assets not recognised on the Statement of Financial Position of any one entity should be consolidated as a shared ownership asset. It concluded that there are none with a significant value that should be included in 2014-15 WGA that are not already consolidated.

The most significant PFI contract not recognised in this account, in line with the policy above, was a contract of £1.6 billion (2013-14 £0.9 billion) at the Department for Education. The majority of this increase is due to the department launching a further tranche of school improvements through the government wide Public Finance 2 (PF2) mechanism.

Another significant PFI contract not recognised in this account, was an arrangement to design, build and operate a secure national digital radio network for the use of the UK's emergency and public safety services, to run for 19 years from 2000. The core service charge payable by the Home Office over the entire life of the initiative is estimated to be £1.2 billion (2013-14: £1.2 billion). It is not recognised on the Statement of Financial Position under IFRIC 12 Service Concession Arrangements, as the department does not control access to the Service or use all but an insignificant amount of the output. Further details are available in the 2014-15 accounts of the Home Office, which can be found on their website[13].

Note 30. Other financial commitments

Some WGA entities entered into other non-cancellable contracts that were not leases or PFI contracts. These financial commitments were made by a range of public sector entities. Future payments in relation to these commitments totalled £37.1 billion (2013-14 restated: £35.3 billion) and consisted of £26.2 billion (2013-14 restated: £23.4 billion) for central government, £5.8 billion (2013-14 restated: £6.6 billion) for local government and £5.1 billion (2013-14 restated: £5.3 billion) for public corporations.

Details of significant commitments are provided below; all other financial commitments were individually not material to WGA. Details of commitments are available in the individual accounts of WGA entities.

Entity	**Description of commitment**	**2014-15** Commitment £bn	**2013-14** Commitment restated £bn
Department of Health Group	Service contracts for Informatics programmes, formally known as the NHS National Programme of Information Technology, as well as commitments relating to the purchase of childhood and adult vaccines and research and development for improved health care.	4.6	5.3
Ministry of Justice	Commitments in respect to a number of non-cancellable contracts for contracted out services including the management of prisons.	4.3	1.3
British Broadcasting Corporation	Long term outsourcing arrangements for information technology, finance support and facilities management; as well as programme acquisitions and sports rights.	3.4	3.4
Scottish Government	Amounts payable to train operating companies.	1.7	0.3

[13] https://www.gov.uk/government/.../ARA_web_enabled_18_June.pdf

Entity	Description of commitment	2014-15 Commitment £bn	2013-14 Commitment restated £bn
CDC Group (formerly Commonwealth Development Corporation)	Commitments resulting from various investment activities in private sector businesses in developing countries.	1.1	1.3
Department for Work and Pensions	Commitments in respect of contracts for the provision of goods and services.	0.9	0.8
Welsh Government	Commitments for the operation of a rail franchise and provision of information technology services	0.8	0.9
Home Office	Non-cancellable contracts for: the management and maintenance of immigration centres; the procurement of new accommodation and transport services for asylum applicants; transactional processing services; the management of visa applications; and information technology systems for the UK borders.	0.8	0.7
Department for Environment, Food and Rural Affairs	Facilities management costs associated with the occupation of buildings, contracts related to information technology and shared services and also agreements with local authorities for Waste Infrastructure Grant projects.	0.7	0.9
Department for Transport	Amounts payable to train operating companies.	0.6	0.8

Note 31. Contingent assets and liabilities disclosed under IAS 37

31.1 Quantifiable contingent assets

A number of WGA entities disclosed quantifiable contingent assets under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', which totalled £0.1 billion (2013-14: £0.2 billion). The contingent assets were individually not material to WGA. Details of those contingent assets are available in the individual accounts of WGA entities.

31.2 Quantifiable contingent liabilities

The government has a number of quantifiable contingent liabilities disclosed under IAS 37. Total quantifiable contingent liabilities reported by category are as follows:

	2014-15 £bn	2013-14 restated £bn
Financial stability interventions	0.4	0.3
Export guarantees and insurance policies	13.4	12.1
Clinical negligence	14.0	11.9
Taxes subject to challenge	35.6	29.2
Supporting international organisation	0.5	0.5
Transport infrastructure projects	6.4	5.4

	2014-15 £bn	2013-14 restated £bn
Military contracts	1.7	1.3
Pension Protection Fund	1.2	0.8
Other	3.2	2.3
Total quantifiable contingent liabilities	76.4	63.8

Details of significant quantifiable contingent liabilities are provided below, all other liabilities are individually not material to WGA. Details of these liabilities are available in the individual accounts of WGA entities.

	Quantifiable contingent liabilities	**2014-15** Potential Liabilities £bn	**2013-14** Potential Liabilities £bn
HM Treasury	Under the terms of the sale of Northern Rock plc, HM Treasury has provided a time-limited tax indemnity to Virgin Money. The maximum potential liabilities under this indemnity are estimated at £357 million as at 31 March 2015 (2013-14: £310 million).	0.4	0.3
Export Credits Guarantee Department	The Export Credit Guarantee Department supported exports and investments through issuing and renewing guarantees and insurance policies. It issues guarantees and insurance against loss for, or on behalf of, exporters of goods and services and overseas investors from the UK, and supports the provision of fixed-rate export finance.	13.4	12.1
Department of Health	The Department of Health is the actual or potential defendant in a number of actions regarding alleged clinical negligence. In some cases, costs have been provided for or otherwise charged to the Department's accounts. In other cases, there is a large degree of uncertainty as to the department's liability and amounts involved.	14.0	11.9
HM Revenue and Customs (HMRC)	HMRC is engaged in a number of legal and other disputes which can result in claims by taxpayers against HMRC. This covers a range of cases, including Corporation Tax, Income Tax, and VAT.	35.6	29.2
Department for Transport	To support the delivery of the Crossrail project, the Department for Transport has provided indemnities to parties carrying risks that they would otherwise be unable to bear.	3.8	3.4
Department for International Development	The Department for International Development has reported contingent liabilities in respect of contributions it expects to pay international organisations that have been subject to formal approval by Parliament, but which are not yet supported either by promissory notes or cash payments.	0.5	0.5

31.3 Non-quantifiable contingent liabilities

The government had entered into a number of contingent liabilities where the size of the liability could either not be determined with reasonable certainty or to quantify it would jeopardise the outcome of any legal proceedings. The details of the most significant non-quantifiable contingent liabilities are outlined below. The remaining non-quantifiable contingent liabilities are made up of liabilities that individually are not significant to WGA. Details of these liabilities are available in the accounts of individual WGA entities.

Legal claims

Non-quantifiable contingent liabilities have arisen as a result of a number of legal claims, compensation claims and tribunal cases made against a range of WGA entities, for which no reliable estimate of liability could be made.

Commitments in relation to pension scheme deficits

Non-quantifiable contingent liabilities have arisen as a result of commitments made by several WGA entities to provide funding for pension liabilities of individual pension schemes, should those schemes require deficits to be funded.

Contingent liabilities for reinsurance arising from acts of terrorism

Pool Re and Pool Re (Nuclear) are mutual reinsurance companies owned by insurers. They provide insurance cover to industrial and commercial property and nuclear facilities for damage and consequent business interruption arising from terrorist attacks in Great Britain. HM Treasury carries the contingent liability for the risk that the losses incurred by Pool Re or Pool Re (Nuclear) exceed their available resources. These arrangements are set out in the Reinsurance (Acts of Terrorism) Act 1993. Maximum potential liabilities under this arrangement are considered unquantifiable.

Civil nuclear liabilities

The Department for Business, Innovation and Skills has a range of civil nuclear liabilities arising from both the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited and obligations under international nuclear agreements and treaties.

Financial Assistance Scheme

Regulations came into force in April 2010 enabling the transfer to government of pension scheme assets that qualify for the Financial Assistance Scheme (FAS), along with their associated pension liabilities. It is estimated that the total value of assets transferred to government will reach £1.8 billion. However, it will not be possible for the Department for Work and Pensions to estimate the impact on the FAS pension liability until all the assets transfer.

Contingent liability in relation to the Channel Tunnel

The Department for Transport has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the tunnel will not be resumed in the near future, necessary steps shall be taken to ensure that the land is left in a suitable condition in accordance with the scheme.

Service Life Insurance

The government provides access to life insurance for Ministry of Defence service personnel through Service Life Insurance. Details of the scheme and key features can be found at: www.sli365.com.

Note 32. Remote contingent liabilities reported to Parliament

Under the Financial Reporting Manual (FReM), government departments are required to disclose contingent liabilities that are more stringent than those applicable to commercial entities under IAS 37. Government departments disclose contingent liabilities where the risk of crystallisation is remote, and are required to be reported to Parliament in accordance with HM Treasury guidance set out in Managing Public Money. This is on the basis that guarantees, indemnities and letters of comfort expose the taxpayer to financial risk. The contingent liabilities reported to Parliament are not contingent liabilities as defined by IAS 37, since the likelihood of a transfer of economic benefit in settlement is too remote.

Remote contingent liabilities are measured initially at fair value. Subsequent measurement will depend on the characteristics of the financial liability.

32.1 Remote quantifiable contingent liabilities reported to Parliament

The potential costs of the government's quantifiable remote contingent liabilities are as follows:

	1 April 2014 Restated	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2015
	£bn	£bn	£bn	£bn	£bn
Guarantees[1]	57.8	3.4	-	(4.3)	56.9
Indemnities	7.6	21.3	-	(20.6)	8.3
Letters of comfort	4.0	0.3	-	(4.0)	0.3
Total	69.4	25.0	-	(28.9)	65.5

	1 April 2013 Restated	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2014	31 March 2014 restated
	£bn	£bn	£bn	£bn	£bn	£bn
Guarantees[1]	28.7	30.1	(0.6)	(0.3)	57.9	57.8
Indemnities	40.9	18.6	0.3	(16.8)	43.0	7.6
Letters of comfort	4.0	-	-	-	4.0	4.0
Total	73.6	48.7	(0.3)	(17.1)	104.9	69.4

1. The government's guarantee in relation to notes in circulation is included as a financial liability on the Statement of Financial Position and disclosed in Note 25 other financial liabilities – banknotes issued in circulation

Details of the most significant quantifiable guarantees, indemnities and letters of comfort for which the risk of crystallisation is remote, and which have been reported to Parliament, are outlined below. Other remote quantifiable contingent liabilities are not individually material to WGA. Details of those liabilities are available in the individual accounts of WGA entities.

	Remote quantifiable contingent liabilities: Guarantees	2014-15 Potential liabilities £bn	2013-14 Potential liabilities £bn
HM Treasury (Consolidated Fund Account)	The European Investment Bank (EIB) financial statements at 31 December 2014 show the UK is liable for the £25.8 billion of callable capital to the EIB. Under Article 5 of the EIB Statute, the Board of Directors may call upon each member state to pay its share of the balance of the subscribed capital should the bank have to meet its obligations.	25.8	29.5
Department for International Development	Contingent liabilities in respect of callable capital on investments in international financial institutions.	12.2	10.7
HM Treasury (Consolidated Fund Account)	Contingent liabilities representing government's potential obligations in respect of the value of coins in circulation	4.5	4.3
HM Treasury (Consolidated Fund Account)	This represents the UK's maximum liability from current outstanding loans to EU Member States and Third Countries for which the risk is ultimately borne by the EU Budget. Loans are issued under the following initiatives: the European Financial Stabilisation Mechanism (EFSM); the Balance of Payments Facility; and the Guarantee Fund to Third Countries.	9.1	9.8
Department for Transport	Indemnity: The Department for Transport provided in the past a financial indemnity in support of Network Rail's Debt Issuance Programme. This is now zero in 2014-15 as Network Rail is now inside the WGA boundary and therefore this balance eliminates on consolidation.	-	33.0
	Letter of comfort: The Department for Transport previously issued a standby credit facility for Network Rail, with a term of 50 years, to act as a long-term contingency buffer. From 2014-15 Network Rail have a loan agreement to meet its funding requirements and this credit facility has been terminated. This balance would, in any case, have been eliminated on consolidation.	-	4.0
Department for Culture, Media and Sport and the Scottish and Welsh Governments	The Government Indemnity Scheme indemnifies lenders to museums, galleries and other institutions when mounting exhibitions or taking long-term loans for study or display. This figure also includes non-statutory indemnities granted in respect of art on loan from the Royal Collection.	7.1	6.6

32.2 Remote non-quantifiable contingent liabilities reported to Parliament

Government departments also disclose non-quantifiable contingent liabilities where the risk of crystallisation is remote and which have been reported to Parliament. Details of the most significant liabilities are provided below.

Regional development banks and funds

The Department for International Development has entered into non-quantifiable contingent liabilities relating to the maintenance of the value of subscriptions paid to the capital stock of regional development banks and funds.

National Health Service

The Department of Health has entered into a number of unquantifiable or unlimited contingent liabilities with various health bodies and private companies. There were 20 unquantifiable indemnities. None of these are a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Nuclear matter

Indemnities have been given to UK Atomic Energy Authority (UKAEA) by the Department for Business, Innovation and Skills to cover indemnities given to carriers against certain claims for damage caused by nuclear matter in the course of carriage.

Guarantee to protect British Telecom's pension liabilities

When BT was privatised in 1984, the government gave a guarantee (contained in the Telecommunications Act 1984) in respect of certain liabilities of the privatised company. This guarantee only applies if BT were ever to be wound up. This guarantee is currently reported as an unquantifiable contingent liability by the Department for Culture, Media and Sport but is thought to approximate in size to the BT pension liability; which was reported on 30 June 2014 as £7 billion.

Housing sector guarantees

The Department for Communities and Local Government has provided a guarantee for the affordable housing sector; guaranteeing debt of no more than £3.5 billion. At the accounting date, the department has approved borrowing of £1.3 billion of which £668 million has been drawn down and is covered by the guarantee.

Note 33. Third party assets

	2014-15 £bn	2013-14 £bn
Monetary assets	3.5	3.3
Investments	0.5	0.5
Total third party assets	4.0	3.8

The government holds, as custodian or trustee, certain assets belonging to third parties. These included funds held in court or money held on behalf of others. These third party assets are not public assets and are not recognised in the Statement of Financial Position since the government does not have a direct beneficial interest in them.

Significant third party assets include those held by the Office of the Accountant General (OAG), part of the Ministry of Justice, which manages money held in court on behalf of clients who are involved in civil legal action, patients who are under the Court of Protection because they are not able to manage their property and affairs, and children under the age of 18. The market values of these assets as at 28 February 2015 (the financial reporting period end date for the OAG) were: £2.8 billion (2013-14: £2.9 billion) of cash; and £0.1 billion (2013-14: £0.1 billion) of securities. Further information regarding funds in court is available in the 2014-15 Ministry of Justice accounts.

Other significant third party assets are held by the Northern Ireland Court of Justice and the Department for Business, Innovation and Skills.

Note 34. Financial instruments

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Details of the accounting policies adopted are set out in Note 1.20 to the financial statements.

The following section provides information on the financial instruments balances included in the government's accounts, analyses the risks and sets out how these have been managed.

34.1 Carrying value of financial instruments

Financial assets, as at 31 March 2015, are categorised at their carrying values as follows:

	Note	Cash & cash equivalents	Loans and receivables at amortised cost	Held to maturity investments at amortised cost	Available for sale at fair value	Designated as FV through SoRE	Held for trading at fair value	2014-15 Total
		£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and cash equivalents	*20*	26.8	-	-	-	-	-	26.8
Trade and other receivables	*16*	-	145.9	-	-	-	-	145.9
Loans and deposits with banks	*21*	-	78.8	2.0	-	-	-	80.8
Other equity investments	*21*	-	2.2	0.4	59.8	8.6	3.3	74.3
Repurchase agreements	*21*	-	28.5	-	-	-	11.8	40.3
Debt securities	*21*	-	-	-	-	-	66.1	66.1
Student loans	*21*	-	48.5	-	-	-	-	48.5
IMF quota subscription	*21*	-	10.0	-	-	-	-	10.0
IMF Special Drawing Rights	*21*	-	-	-	-	-	8.9	8.9
Other	*21*	-	2.0	0.8	7.7	6.0	20.1	36.6
Total financial assets		26.8	315.9	3.2	67.5	14.6	110.2	538.2

Financial assets, as at 31 March 2014, are categorised at their carrying values as follows:

	Note	Cash & cash equivalents	Loans and receivables at amortised cost	Held to maturity investments at amortised cost	Available for sale at fair value	Designated as FV through SoRE	Held for trading at fair value	2013-14 Total	2013-14 Total restated
		£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and cash equivalents	*20*	25.5	-	-	-	-	-	25.5	26.9
Trade and other receivables	*16*	-	149.1	-	-	-	-	149.1	149.6
Loans and deposits with banks	*21*	-	146.2	1.6	-	-	-	147.8	91.1
Other equity investments	*21*	-	-	-	61.4	4.8	0.4	66.6	71.1
Debt securities	*21*	-	-	-	-	-	39.7	39.7	64.8
Repurchase agreements	*21*	-	-	-	-	-	-	-	51.0
Student loans	*21*	-	39.0	-	-	-	-	39.0	39.0
IMF quota subscription	*21*	-	10.0	-	-	-	-	10.0	10.0
IMF Special Drawing Rights	*21*	-	-	-	-	-	9.0	9.0	9.0
Other	*21*	-	0.4	2.5	9.6	0.6	8.6	21.7	23.1
Total financial assets		25.5	344.7	4.1	71.0	5.4	57.7	508.4	535.6

Financial liabilities, as at 31 March 2015, are categorised at their carrying values as follows:

	Note	Carried at amortised cost £bn	Carried at fair value £bn	Held for trading at fair value £bn	2014-15 Total £bn
Government financing and borrowing	*23*	1,174.5	-	-	1,174.5
Trade and other payables	*22*	172.9	-	-	172.9
Deposits by banks	*25*	334.4	-	20.5	354.9
Bank and other borrowings	*25*	69.0	-	-	69.0
Banknotes in circulation	*25*	63.8	-	-	63.8
Debt securities	*25*	25.1	-	-	25.1
IMF SDR allocation	*25*	-	-	9.4	9.4
Financial guarantees	*25*	0.4	-	-	0.4
Other	*25*	0.7	6.9	12.3	19.9
Total financial liabilities		1,840.8	6.9	42.2	1,889.9

Financial liabilities, as at 31 March 2014, are categorised at their carrying values as follows:

	Note	Carried at amortised cost £bn	Carried at fair value £bn	Held for trading at fair value £bn	2013-14 Total £bn	2013-14 Total restated £bn
Government financing and borrowing	*23*	1,096.1	-	-	1,096.1	1,096.1
Trade and other payables	*22*	158.7	-	-	158.7	173.0
Deposits by banks	*25*	335.4	13.0	6.7	355.1	353.9
Bank and other borrowings	*25*	30.7	-	-	30.7	65.2
Banknotes in circulation	*25*	60.2	-	-	60.2	60.2
Debt securities	*25*	25.9	-	-	25.9	29.5
IMF SDR allocation	*25*	-	-	9.4	9.4	9.4
Financial guarantees	*25*	4.0	-	-	4.0	0.3
Other	*25*	1.5	2.4	1.4	5.3	10.2
Total financial liabilities		1,712.5	15.4	17.5	1,745.4	1,797.8

34.2 Fair value of financial instruments

Financial assets are categorised at their carrying and fair values as follows:

	Note	Carrying value 2014-15 £bn	Carrying value 2013-14 £bn	Fair value 2014-15 £bn	Fair value 2013-14 £bn
Cash and cash equivalents	*20*	26.8	25.5	26.8	25.5
Loans and receivables at amortised cost	*34.1*	315.9	344.7	315.9	344.7
Held to maturity investments at amortised cost		8.6	4.1	8.6	4.1
Available for sale financial assets		67.5	71.0	67.4	71.0
Designated as fair value through SoRE		14.6	5.4	9.3	5.4
Financial assets held for trading	*34.1*	110.2	57.7	110.2	57.7
Total			508.4		508.4
Total financial assets (restated)		543.6	535.5	538.2	535.5

Financial liabilities are categorised at their carrying and fair values as follows:

	Carrying value 2014-15 £bn	Carrying value 2013-14 £bn	Fair value 2014-15 £bn	Fair value 2013-14 £bn
Financial liabilities at amortised cost	1,840.8	1,712.5	2,126.5	1,828.1
Financial liabilities at fair value	6.9	15.4	6.9	15.4
Financial liabilities held for trading	42.2	17.5	42.2	17.5
Total		1,745.4		1,861.0
Total financial liabilities (restated)	1,889.9	1,797.8	2,175.6	1,861.0

Financial instruments measured at fair value use the valuation techniques described in Note 1.20.3. The remaining financial instruments were carried at cost or amortised cost which approximated to fair value, with one exception. Gilt-edged securities were carried at amortised cost at £997.4 billion (2013-14: £933.4 billion) and had a fair value of £1,220.8 billion (2013-14: £1,024.4 billion).

The valuation hierarchy of financial instruments that were carried at fair value for 2014-15 was:

	Level 1[1]	Level 2	Level 3	Total
	£bn	£bn	£bn	£bn
Financial assets at fair value				
Equity investments	40.1	27.7	6.5	74.3
Debt Securities	58.7	7.3	0.1	66.1
IMF special drawing rights	8.9	-	-	8.9
Other	6.7	29.5	4.0	40.2
Financial liabilities at fair value				
Deposits by banks	(0.3)	(20.2)	-	(20.5)
IMF SDR allocation	(9.4)	-	-	(9.4)
Financial guarantees	-	-	-	-
Other	(0.3)	(16.3)	(2.6)	(19.2)

1. Further details on levels are provided in paragraph 1.20.3

The valuation hierarchy of financial instruments that were carried at fair value for 2013-14 was:

	Level 1[1]	Level 2	Level 3	Total	Restated
	£bn	£bn	£bn	£bn	£bn
Financial assets at fair value					
Equity Investments	37.9	28.2	0.5	66.6	71.1
Debt securities	39.7	-	-	39.7	64.8
IMF special drawing rights	9.0	-	-	9.0	9.0
Other	6.0	12.8	-	18.8	20.2
Financial liabilities at fair value					
Deposits by banks	(3.0)	(16.7)	-	(19.7)	(19.7)
IMF SDR allocation	(9.4)	-	-	(9.4)	(9.4)
Financial guarantees	-	-	-	-	-
Other	(2.4)	(1.4)	-	(3.8)	(3.8)

The movement in level 1 debt securities between 2013-14 and 2014-15 was driven by a rise in debt securities held by the Exchange Equalisation Account.

34.3 Financial guarantees

Details of the government's significant financial guarantees are disclosed in Note 25. The accounting treatment of financial guarantees is provided in Note 1.20.7.

34.4 Hedging

The UK had Official Reserves of gold and currencies (including IMF Special Drawing Rights) of £82.4 billion (2013-14: £66.4 billion), of which £57.4 billion (2013-14: £40.2 billion) was hedged for currency and interest rate risk. The rise in the hedged reserves is due primarily to the investment of additional financing provided by the National Loans Fund (NLF). The hedged reserves comprised portfolios of eligible US dollar, euro, Canadian dollar and yen-denominated assets and holdings of Special Drawing Rights (SDR). Assets in the hedged reserves are hedged for currency risk either by being denominated in the same currency as the liabilities that finance them or by using currency swaps. The hedged reserves were also hedged against interest rate risk, through the use of swaps. The increase in Official Reserves was primarily caused by the investment of additional financing provided by the government.

Where foreign currency reserves are financed by foreign currency borrowing, the debt is issued by, and is an obligation of, the NLF under the National Loans Act 1968. Financing of the hedged reserves in 2014-15 included sterling swapped into foreign currencies of £44.0 billion (2013-14: £29.7 billion) and the SDR allocation of £9.4 billion (2013-14: £9.4 billion). The foreign currency raised by issuing foreign currency debt is transferred to the Exchange Equalisation Account (EEA). At 31 March 2015 there was £329 million foreign currency debt outstanding in the NLF relating to the renminbi issuance in October 2014 (2013-14: nil). The Bank of England held £3.0 billion of listed foreign government and other foreign currency securities (2013-14: £3.9 billion), funded by the Bank's issuance of medium-term securities.

The EEA provided foreign currency services to government departments and agencies. Foreign currency was sold to departments with foreign currency obligations and foreign currency was purchased from departments with foreign currency receipts, in aggregate totalling £9.3 billion (2013-14: £12.1 billion). These purchases and sales, both spot and forward, were hedged through offsetting trades with the market.

The other notable participants in hedging activity were HM Treasury and Network Rail. HM Treasury's UKAR uses derivatives in relation to the mortgage business to support strategic and operational business activities as well as to reducing the risk of loss arising from changes to interest rates and exchange rates. UKAR had total derivative financial assets of £2.9 billion (2013-14: £4.6 billion), and total derivative financial liabilities of £0.6 billion (2013-14: £0.4 billion).

Network Rail is exposed to changes in interest rates as funds are borrowed at both fixed and floating interest. Network Rail group have entered into interest rate swaps with a notional value of £13.3 billion which hedge interest rate on forecast borrowings in CP5. The group also has certain debt issuances which are index-linked and are exposed to movements in inflation rates. The group does not enter into any derivative arrangements to hedge its exposure to inflation in relation to its index-linked debt, but rather to mitigate the effects of inflation on the group's retail price index-linked revenue streams.

34.5 Financial risk management

The government's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign exchange risk, and price risk). Individual entities are responsible for ensuring that appropriate risk management policies are in place.

34.5.1 Risk management policies and financial risk factors

Traditional risk management in the private sector aims to maximise investor return while maintaining risk at an acceptable level. Government risks are normally related to financing arrangements to provide funds for public services and infrastructure. Each year, the government will assess the costs and risks associated with different possible patterns of debt issuance taking into account the most up-to-date evidence and information about market conditions and demand for debt instruments.

The government has accepted financial risks through its financial services interventions on the basis that the costs of inaction would have been far greater for the economy as a whole. In return for taking on the financial risk, fees are charged to the institutions participating in the interventions. Through its risk management, the government seeks to minimise overall fiscal risk to the public sector while maximising taxpayer value.

The government's risk appetite in relation to its financial assets and liabilities are categorised into four types (credit risk, liquidity risk, interest rate risk, and foreign exchange risk). Within the government's risk boundary, public bodies have some discretion to take the actions judged to best achieve the cost minimisation objective.

Much of the government's risks arising from financial risk are managed through HM Treasury and the central funds, including the National Loans Fund (NLF), the Debt Management Account (DMA) administered by the Debt Management Office (DMO), the Exchange Equalisation Account (EEA), and National Savings and Investments (NS&I). The NLF is central government's principal borrowing and lending account. The DMA's principal role is to meet the financing needs of the NLF through its debt and cash management operations. The NS&I finances a part of the government's borrowing by selling investment products to retail savers and investors. The EEA and the NLF hold the UK's official reserves of gold and currencies. Overall management of the EEA is the responsibility of HM Treasury which delegates day-to-day to the Bank of England, which acts as its Agent and Advisor. The structural relationship between HM Treasury, DMA, NLF, EEA and NS&I is designed to manage transactions between government departments and minimise the government's financial risk.

Cash requirements of central government departments are met through the Estimates process, with Parliament annually approving the supply financing requirements of central government departments. Therefore financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The government's cash management objective is to ensure that sufficient funds are always available to meet any net daily cash shortfall and, on any day when there is a net cash surplus, to ensure this is used to the best advantage. HM Treasury and the DMO work together to achieve this, with HM Treasury's role being to make arrangements for a forecast of the daily net flows into or out of the Exchequer; its objective in so doing is to provide the DMO with timely and accurate forecasts of the expected net cash position over time. The DMO's role is to make arrangements for funding and for placing the net cash positions, primarily by carrying out market transactions in the light of the forecast; its objective being to minimise the costs of cash management while operating within the risk appetite approved by ministers.

Local authorities adopt independent liquidity and interest rate risk management, and this is done within a statutory framework. Local authorities are required by the Local government Finance Act 1992 to provide a balanced budget, which ensures sufficient funds are raised to cover annual expenditure. Medium term plans generally set targets for liquidity ratios, which are approved as part of the annual budget setting process. To manage liquidity risk, local authorities can access borrowings from the money markets to cover any day to day cash flow need and can access longer term funds from financial institutions and the Public Works Loan Board (PWLB).

The government's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the government's financial performance and play an enhanced role in wider financial stability. Specialist teams and committees support senior management in ensuring that agreed standards and policies are followed; identifying and evaluating financial risks.

34.5.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the government by failing to discharge the obligation. The government was exposed to credit risk through a number of its financial assets.

The government's material credit risk was centred in the central funds (particularly the DMA and EEA), HM Treasury, the Bank of England and the Department for Business, Innovation and Skills. The main credit risks arose from the loans and guarantees provided by the Treasury to the financial institutions, the purchases of assets from the financial institutions, including reverse sale and repurchase agreements ('reverse repos') entered into by the DMA and by the Bank of England, and student loans provided by Department for Business, Innovation and Skills.

Granting financial guarantees results in a credit risk exposure, which is the maximum amount an entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability. The tables below do not include contingent liabilities that give rise to credit risk, for example guarantees to the European Investment Bank of £25.8 billion in 2014-15. Further information is available in Notes 31 and 32.

The government's material exposures to credit risk are analysed below:

	AAA or equivalent	AA or equivalent	A or equivalent	Not strong	Not rated	2014-15 Total
	£bn	£bn	£bn	£bn	£bn	£bn
Cash and cash equivalents	2.8	0.4	-	-	-	3.2
Loans and receivables	-	-	28.7	0.2	115.4	144.3
Available for sale financial assets	-	-	-	-	1.7	1.7
Financial assets held for trading	48.3	12.4	6.9	0.4	9.0	77.0
Total material exposure	51.1	12.8	35.6	0.6	126.1	226.2

	AAA or equivalent	AA or equivalent	A or equivalent	Not strong	Not rated	2013-14 Total
	£bn	£bn	£bn	£bn	£bn	£bn
Cash and cash equivalents	2.2	0.1	0.4	-	0.6	3.3
Loans and receivables	-	7.5	32.2	3.2	117.5	160.4
Available for sale financial assets	-	-	-	-	2.1	2.1
Financial assets held for trading	38.3	8.6	6.8	0.1	9.2	63.0
Total material exposure	40.5	16.2	39.4	3.3	129.4	228.8

The credit ratings in the tables above include those from the Exchange Equalisation Account (EEA) which uses an internal source for rating their financial instruments.

The tables above do not include a credit analysis of financial assets held by the Bank of England of £18.3 billion (2013-14: £16.9 billion). Where the Bank considers certain disclosures inappropriate to its central banking functions, it discloses less detail (such as information on credit risk) than would be required under adopted IFRS or the Companies Act.

Financial assets that are 'not rated' included UKAR's loans and advances to banking customers of £52.6 billion (2013-14 restated: £61.2 billion), student loans of £48.5 billion (2013-14: £39.0 billion) and the government's holdings and quota subscription of IMF Special Drawing Rights of £18.9 billion (2013-14: £19.0 billion).

UKAR loans to banking customers

	Residential Loans £bn	Commercial Loans £bn	Unsecured Loans £bn	2014-15 Total £bn
Neither past due nor impaired	48.3	0.4	1.1	49.8
Past due, but not impaired				
- Less than 3 months	1.9	-	-	1.9
- 3 to 6 months	0.7	-	-	0.7
- Over 6 months	0.5	-	0.1	0.6
Impaired	0.6	0.2	-	0.8
Total loans to customers	52.0	0.6	1.2	53.8
Impairment allowances	(0.9)	(0.1)	(0.2)	(1.2)
Total loans to customers net of impairment allowances	51.1	0.5	1.0	52.6

Source: HM Treasury 2014-15 Annual Report and Accounts

The government's material exposures to credit risk are analysed below, by geographic area:

	UK £bn	Europe £bn	North America £bn	Asia £bn	Other £bn	2014-15 Total £bn
Cash and cash equivalents	2.8	0.1	0.1	0.2	-	3.2
Loans and receivables	129.9	2.5	0.1	0.1	11.7	144.3
Available for sale financial assets	1.7	-	-	-	-	1.7
Financial assets held for trading	4.2	30.4	30.7	2.7	9.0	77.0
Total material exposure	138.6	33.0	30.9	3.0	20.7	226.2

	UK £bn	Europe £bn	North America £bn	Asia £bn	Other £bn	2013-14 Total £bn
Cash and cash equivalents	2.5	0.1	0.1	0.5	0.1	3.3
Loans and receivables	142.5	3.7	2.0	-	12.2	160.4
Available for sale financial assets	2.1	-	-	-	-	2.1
Financial assets held for trading	6.0	26.8	19.3	1.9	9.0	63.0
Total material exposure	153.1	30.6	21.4	2.4	21.3	228.8

Management of credit risk

The government has adopted a policy of dealing only with highly creditworthy counterparties and issuers, with two exceptions for student loans and the financial interventions. The government's approach to student loans is described separately below. The government's financial interventions involved transactions with financial institutions that were rated 'not strong', on the basis that the costs of inaction would have been far greater for the economy as a whole. Otherwise, the following comments describe the government's general approach to credit risk management.
The creditworthiness of potential counterparties and security issuers is monitored on an ongoing basis. The government generally transacts only with counterparties who meet a minimum long-term credit rating requirement, and purchases securities issued only by issuers who meet such a requirement, both of which are considered on a transaction-by-transaction basis. The government regularly monitors its exposure to credit risk. Credit risk measurement takes into account both current fair value and a risk weighting based on an estimate of potential future changes in value. In measuring credit exposure, different risk weightings are applied to different transaction types. Limits are applied to total unsecured lending and on holdings of debt securities issued by financial institutions and corporate entities, and on the maximum maturity of loans made and securities held.

Exposure to credit risk is managed through collateral arrangements in some areas of government, in particular the DMA, EEA and the Bank of England. These entities take collateral in the form of high quality securities against funds advanced under reverse repo arrangements. They also take US dollar denominated cash or securities as collateral for derivative transactions (including cross currency swaps and forward foreign exchange transactions).

Student loans

The Department for Business, Innovation and Skills has a statutory obligation to issue student loans and seek repayments in line with legislation. Eligible students can get loans regardless of their credit rating, in order to support the policy aim of encouraging students to enter higher and further education. There is no obligation to repay the loan until the borrower's income reaches a certain income threshold. However, depending on the level of borrower earnings, the risk that some loans will not be repaid may increase.

Department for Business, Innovation and Skills estimates the percentage of loans which will not be repaid and impairs the loan asset when the loans are paid out. The department is therefore exposed to the risk that some student loans will not be repaid, although this is partly mitigated by the fact that most repayments are collected by HMRC as part of the tax collection process. Write-offs are made in accordance with student loan policy as set out in the legislation and regulations governing the issue and repayment of loans.

Department for Business, Innovation and Skills works together with the Student Loans Company (SLC) and HMRC, to manage the collection of student loan repayments and the associated credit risks. There is a memorandum of understanding in place between the department and the devolved administrations (who jointly own the loan book), the SLC (who administers the loan book) and HMRC. This sets out the responsibilities of all parties and contains performance targets and indicators, which are revised annually. The accounting officers of HMRC and the SLC report quarterly to the department's accounting officer on progress towards the agreed targets and performance indicators.

34.5.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its payment obligations associated with financial liabilities as they fall due.

Key financial liabilities where the government was exposed to liquidity risk include gilt-edged securities, Treasury Bills and National Savings and Investment products, totalling £1,174.5billion (2013-14: £1,096.1 billion), and other financial liabilities such as deposits by banks and other financial institutions, held by the Bank of England of £318.6 billion (2013-14: £318.7 billion).

Central government departments' net revenue resource requirements and capital expenditure are financed by resources voted annually by Parliament. Accordingly, future financing of liabilities held by departments are met by future grants of supply, voted annually by Parliament and funded primarily by tax receipts or borrowing by the NLF and the DMA. Departments are not, therefore, exposed to significant liquidity risks in the same way that a private sector organisation is. Therefore there is minimal liquidity risk associated with the government's trade and other payables.

The following table shows the maturity of the government's contractual undiscounted cash flows from those financial liabilities with liquidity risk.

	0-12 months	1-2 years	2-5 years	5-10 years	>10 years	Undated	2014-15 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Non-derivative liabilities	667.4	93.8	231.3	253.3	551.8	9.4	1,807.0
Derivative liabilities	5.0	0.8	0.8	1.1	-	-	7.7
Total in 2014-15	672.4	94.6	232.1	254.4	551.8	9.4	1,814.7

	0-12 months	1-2 years	2-5 years	5-10 years	>10 years	Undated	2013-14 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Non-derivative liabilities	638.7	86.4	203.4	241.2	538.6	12.1	1,720.4
Derivative liabilities	4.6	0.5	-	0.9	-	-	6.0
Total in 2013-14	643.3	86.9	203.4	242.1	538.6	12.1	1,726.4

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the government can be required to pay. The majority of non-derivative financial liabilities with a maturity of less than 12 months are gilts, Treasury Bills, National Savings and Investment products, and deposits from banks and other financial institutions held at the Bank of England. The majority of non-derivative financial liabilities with a maturity of more than 10 years are gilts. The increase in risk during 2014-15 is the result of issuing more gilts to non-government bodies.

Management of liquidity risk

The government manages its exposure to liquidity risk in various ways, primarily by:

- monitoring cash flows to ensure that daily cash requirements are met
- holding a sufficient stock of financial assets, including UK government securities for which there is an active market and which can readily be sold or used as collateral against cash borrowings
- arranging the issue of government securities such as Treasury Bills, National Savings and Investment products, and gilts to raise funds

At individual entity level, liquidity risk is managed by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and reassessing the net cash requirement on a regular basis.

34.5.4 Market risk

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises: interest rate risk, foreign exchange risk, and price risk.

34.5.5 Interest rate risk

There are two types of interest rate risk: cash flow and fair value. They both arise from risk that the future cash flows from a financial instrument or its value will fluctuate because of changes in market interest rates. Cash flow interest rate risk arises on variable rate loans. Fair value interest rate risk arises on fixed interest rate loans.

The government's interest rate risk is concentrated mainly in the NLF, the DMA, EEA, NS&I, the Bank of England, Network Rail and the Department for Business, Innovation and Skills.

Other central government departments do not invest or access funds from commercial sources, so have negligible exposure to interest rate risk. The assets and liabilities which are exposed to significant cash flow interest rate risk are those assets and liabilities applying a variable interest rate. The main examples are index-linked gilts, and student loans which are linked to RPI, bank and other borrowings and deposits by banks that are affected by changes in LIBOR and the Bank of England base rate. The assets and liabilities that are exposed to significant fair value interest rate risk are those assets and liabilities applying a fixed interest rate, such as debt securities. Cash and cash equivalent balances earn negligible interest and so are not exposed to significant interest rate risk.

Where the government is exposed to material interest rate risk, the interest rate profile is as follows:

	Non-interest bearing	Fixed rate	Floating rate	2014-15 Total
	£bn	£bn	£bn	£bn
Financial assets – in sterling	5.3	29.9	49.6	84.8
Financial assets – in other currencies	12.2	65.5	13.1	90.8
Financial liabilities – in sterling	(68.5)	(883.7)	(355.2)	(1,307.4)
Financial liabilities – in other currencies	(9.6)	(12.1)	(12.1)	(33.8)
Net financial assets/(liabilities)	(60.6)	(800.4)	(304.6)	(1,165.6)

	Non-interest bearing	Fixed rate	Floating rate	2013-14 Total
	£bn	£bn	£bn	£bn
Financial assets – in sterling	2.9	47.3	39.8	90.0
Financial assets – in other currencies	13.5	46.5	11.3	71.3
Financial liabilities – in sterling	(61.9)	(794.5)	(319.0)	(1,175.4)
Financial liabilities – in other currencies	(8.7)	(4.4)	(9.8)	(22.9)
Net financial assets/(liabilities)	(54.2)	(705.1)	(277.7)	(1,037.0)

The increase in liabilities in the 'fixed rate' category has been driven primarily by increased gilt issuance during the reporting period.

Management of interest rate risk

The entities exposed to interest rate risk measure and monitor their risk exposure using different sensitivity analysis techniques, including the value at risk method (VaR). The interest rate risk across these entities is sensitive to a number of factors including RPI, LIBOR and the Bank of England base rate. Therefore it is not possible to summarise this meaningfully in one sensitivity analysis. Instead the significant sensitivities are described below. Further details are available in the underlying accounts.

In relation to index-linked gilts and NS&I products, the NLF has calculated that an increase in RPI by 100 basis points would result in an increase in expenditure of £3.7 billion (2013-14: £3.4 billion) on its total balance, including those held by other WGA entities. The DMO enters into cash and securities contracts at fixed interest or discount rates and uses the present value of a basis point to measure the sensitivity to a 0.01% shift in interest rates when all other risk factors are held constant. The EEA hedges interest rate risk through interest rate swaps. Typically, it pays fixed rate interest on currency it acquires and generates fixed interest income in the same currency through purchasing an asset such as a bond. By swapping the fixed interest receipts for floating interest receipts through an interest rate swap, the EEA acquires an income stream that matches its interest payment liability and thus minimises its interest rate risk exposure.

In relation to student loans, the Department for Business, Innovation and Skills relies on the Office for Budget Responsibility (OBR) forecast assumptions to determine the impact of interest rate changes both on the borrowers' ability to pay, and the department's forecasts of future payment streams. The impact of the risk on student loans is quantified in the impairment provision which models the impact of interest rate rises on expected future cash flows. For students entering higher education before the 2011-12 academic year income contingent loans are repayable at the same interest rate as the RPI as at March each year, with the proviso that the interest rate can never be more than 1% above the Bank of England base rate nor can it be less than 0%. The amount of student loan interest repayable is therefore subject to the fluctuations in the market interest rate. If the UK continues to experience interest rates that are lower than RPI the student loan book may be over-valued, as the modelling assumes that in the long term interest is added in line with RPI.

For students entering higher education from the 2012-13 academic year onwards a new loan scheme, known as post HE reform loans is in operation. Under this scheme loan repayments are 9% of income above the repayment threshold (£21,000 from April 2016). Interest is charged based on the borrower's income level, with RPI charged for income below £21,000, rising to RPI plus 3% for income over £41,000.

34.5.6 Foreign exchange rate risk

The government undertakes transactions denominated in foreign currencies and it holds international monetary reserves including foreign currency assets and IMF Special Drawing Rights (SDRs). Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising derivatives, such as forward foreign exchange contracts.

Foreign exchange rate risks are concentrated in the central funds such as the Exchange Equalisation Account (EEA), the National Loans Fund (NLF) and the Consolidated Fund. A lower level of exposure exists with entities such as the Ministry of Defence, HM Treasury and the Department for International Development. Exposure to foreign currency risk during the year was insignificant from a WGA perspective for other central government departments, local authorities, entities within the National Health Service, and public corporations. Foreign currency income was negligible and foreign currency expenditure was a very small percentage of total expenditure (less than 1%).

Presented below is the sterling equivalent of the government's foreign currency assets and liabilities, analysed by their underlying foreign currencies, which give rise to a material level of foreign exchange rate risk.

The government's material exposures to foreign exchange risk are analysed below:

Foreign currency denominated financial assets/liabilities	Euro	USD	YEN	Other	2014-15 Total
	£bn	£bn	£bn	£bn	£bn
Financial assets					
Cash and cash equivalents	0.3	0.6	0.1	-	1.0
Loans and receivables	1.2	0.3	-	11.8	13.3
Available for sale financial assets	8.0	2.4	-	0.3	10.7
Financial assets held for trading	16.9	13.8	2.9	0.7	34.3
Total	26.4	17.1	3.0	12.8	59.3
Financial liabilities					
Financial liabilities at amortised cost	0.1	1.0	-	9.2	10.3
Financial liabilities at fair value	12.1	5.5	-	0.5	18.1
Financial liabilities held for trading	(0.3)	0.1	-	0.5	0.3
Total	11.9	6.6	-	10.2	28.7

Foreign currency denominated financial assets/liabilities	Euro	USD	YEN	Other	2013-14 Total
	£bn	£bn	£bn	£bn	£bn
Financial assets					
Cash and cash equivalents	2.3	0.7	0.1	-	3.1
Loans and receivables	1.2	0.2	-	12.2	13.6
Available for sale financial assets	8.8	2.1	-	0.5	11.4
Financial assets held for trading	19.8	13.5	2.9	0.9	37.1
Total	32.1	16.5	3.0	13.6	65.2
Financial liabilities					
Financial liabilities at amortised cost	16.7	6.6	-	8.3	31.6
Financial liabilities at fair value	0.7	-	-	-	0.7
Financial liabilities held for trading	-	-	-	0.4	0.4
Total	17.4	6.6	-	8.7	32.7

Where the government is exposed to material foreign exchange rate risk, its sensitivity to movements in GBP exchange rates is as follows:

Change in GBP exchange rates	2014-15 Impact on revenue and expenditure	2013-14 Impact on revenue and expenditure	2014-15 Impact on net liabilities	2013-14 Impact on net liabilities
	£bn	£bn	£bn	£bn
Strengthen by 10%	(0.8)	(0.6)	(0.6)	0.8
Weaken by 10%	3.1	(1.2)	0.1	3.4

The UK's official reserves of foreign currency and gold are held by the EEA and NLF and can be split into reserves that are hedged for currency and interest rate risk and the remaining reserves that are unhedged.

The hedged reserves comprise portfolios of eligible US dollar, euro, Canadian dollar and yen denominated assets and holdings of SDRs. The unhedged reserves that are exposed to foreign exchange rate risk comprise dollar and euro denominated bonds, IMF lending and yen exposure normally obtained through forward yen purchases. The unhedged reserves are, in the main, financed out of sterling through accumulated retained earnings and sterling financing provided by the NLF.

Assets in the hedged reserves are managed on a day-to-day basis by the Bank of England, and are hedged for currency risk to reduce exposure either by being denominated in the same currency as the liabilities which finance them or by using currency swaps. The hedged reserves are also hedged against interest rate risk, through the use of swaps. Financing of the hedged reserves in 2014-15 included sterling swapped into foreign currencies of £44.0 billion (2013-14: £29.7 billion) and the SDR allocation of £9.4 billion (2013-14: £9.4 billion).

The NLF is directly exposed to foreign exchange movements through the UK's transactions with the International Monetary Fund (IMF). The UK's quota subscription and lending to the IMF are both denominated in SDR and are subject to valuation adjustments by the IMF. The UK's liabilities to the IMF, although denominated in sterling, are also subject to valuation adjustments by the IMF.

The UK's capital investment in the European Investment Bank (EIB) of £7.1 billion (2013-14: £7.7 billion) was reported on the basis of a certain share of the EIB's net assets in euros. Therefore there was an exposure to foreign exchange rate risk affecting the fair value of the equity investment.

Management of foreign exchange rate risk

Foreign exchange rate risks are concentrated mainly in the Exchange Equalisation Account (EEA). For the hedged part of the reserves, the EEA uses currency swaps to mitigate foreign exchange rate risk, through an initial exchange of sterling principal for foreign currency at the spot rate, receiving back the same amount of sterling principal at maturity, and regular exchanges of interest payments on the principal amounts.

34.5.7 Price risk

The government is exposed to equity securities price risk through investments held by HM Treasury and classified on the consolidated Statement of Financial Position as available-for-sale. Of HM Treasury's available-for-sale assets, ordinary shares in Lloyds Banking Group and The Royal Bank of Scotland are listed on the London Stock Exchange. In addition, RBS's B-shares are considered to be equivalent in market value to RBS's ordinary shares. No market exists for the remaining investments, which are primarily other government entities, some of which are never intended for sale. Such investments are primarily accounted for at historical cost and thus not exposed to price risk.

The analysis below shows the Statement of Revenue and Expenditure impact of a 10% and 25% increase/(decrease) in the market price of investments in Lloyds Banking Group and the Royal Bank of Scotland. These variances were considered reasonably possible.

Variance in market price	**Impact on revenue and expenditure**	
	2014-15	2013-14
	£bn	£bn
Increase by 10%	-	-
Increase of 25%	-	-
(Decrease) of 10%	-	-
(Decrease) of 25%	(1.0)	(3.4)

Source: HM Treasury 2014-15 Annual Report and Accounts

Note 35. Related party transactions

WGA consolidates entities that are judged by HM Treasury to exercise functions of a public nature or are entirely or substantially funded from public money. No one entity appears to have the ability to control all the entities that are consolidated, and as a consequence, for the purposes of WGA, there is no parent company disclosed in this account. Instead, related parties, as defined in the Financial Reporting Manual for WGA purposes, are those public sector entities in Annex 2 that have not been consolidated into the 2014-15 WGA. Entities within the WGA boundary have varying levels of activities with these related parties; material transactions are described below.

The most significant WGA related party is the Royal Bank of Scotland Group plc. In the course of normal business, WGA entities entered into arms-length banking transactions with this institution, including loans, deposits, reimbursement of related expenses, payment of management fees, interest receipts and dividends. The volume and diversity of these transactions made comprehensive disclosure impractical.

Network Rail and Pension Protection Fund have been consolidated into WGA for the first time in 2014-15 and any intra-group transactions relating to these entities have been removed from the accounts.

Due to the nature of HM Revenue and Customs' business, it had a large number of transactions relating to taxation income with other public sector entities not within the WGA boundary.

Local government entities had transactions with municipal ports, airports and parish councils, primarily through the provision of funding. They also had transactions with local government pension schemes and record their share of the schemes assets and liabilities in their accounts. Further details are available in the 2014-15 accounts of the individual entities.

The Department for Business, Innovation and Skills, through the Skills Funding Agency, and local authorities, provided funding to further education colleges in England and Wales for research and provision of further education courses. Through the Higher Education Funding Council, it provided funding for research and higher education courses. In Scotland and Northern Ireland, the Scottish Funding Council and the Department for Employment and Learning provided funding to further education colleges.

Note 36. Significant financial assets and liabilities that are not consolidated in the account

Royal Bank of Scotland Group plc

As at 31 March 2015, the government had investments in the Royal Bank of Scotland Group Plc (RBS).

As reported in published accounts	31 December 2014			31 December 2013		
	Total assets	Total liabilities	Net asset/ (liability)	Total assets	Total liabilities	Net asset/ (liability)
	£bn	£bn	£bn	£bn	£bn	£bn
RBS[1]	1,050.8	(990.6)	60.2	1,027.9	(968.7)	59.2
	31 March 2015			31 March 2014 restated		
	Total assets	Total liabilities	Net asset/ (liability)	Total assets	Total liabilities	Net asset/ (liability)
	£bn	£bn	£bn	£bn	£bn	£bn
WGA total	1,455.3	(3,558.5)	(2,103.2)	1,414.9	(3,255.5)	(1,840.6)

1 Source: accounts of RBS for year ended 31 December 2014

RBS will continue to be held as an equity investment. This entity is not consolidated in WGA in 2014-15, because its scale dwarfs other aspects of WGA, distorting the accounts, and making it difficult to determine trends. There is no intention for the government to retain the assets and liabilities of RBS in the long term and, in due course, it will return to the private sector. It would be costly to carry out the consolidation (mainly because of differing year ends), which would not represent good value for the taxpayer, given the expected temporary nature of their ownership.

In April 2014, RBS announced that it has reached agreement with HM Treasury and the European Commission for the future retirement of the Dividend Access Share (DAS) for some £1.5 billion. On 4 August 2015, the government begun the process of selling its shares in RBS; selling 5.4 %.

The government's shareholdings give it 79% economic ownership of RBS as at 31 March 2015.

RBS published its 2014 results showing a loss on continuing operations of £2.6 billion before tax (2013-14: £8.2 billion). An extract showing the key figures is provided below. For further details, refer to the accounts of Royal Bank of Scotland Group plc, which are available on its website[14].

Extracts from Royal Bank of Scotland Group plc's accounts for the year ended 31 December 2014

	2014 £bn	**2013** £bn
Total Income	15.1	19.7
Profit before taxation	2.6	(8.2)
Tax credit/(charge) on profit/(loss) of ordinary activities	(1.9)	(0.4)
Loss from discontinued operations	(3.4)	0.1
Loss for the year after tax	(2.7)	(8.5)
Total assets	1,050.8	1,027.9
Total liabilities	(990.6)	(968.7)
Net assets and shareholder funds	60.2	59.2

Note 37. Events after the reporting period

In accordance with IAS 10 'Events after the reporting period', reporting entities are required to disclose any event between the date at the end of the reporting period and the date when the financial statements are authorised for issue that may affect the financial statements. The standard classifies these events as either 'adjusting' or 'non-adjusting'. Adjusting events refer to conditions that existed during the reporting period, and if the conditions change the statements should be adjusted accordingly. Non-adjusting events are significant conditions that arise after the reporting period, but do not require the statements to be adjusted. The FReM modifies financial reporting requirements for the purposes of WGA in that the requirement that the financial statements be adjusted for significant transactions or events that occur between the date of the consolidated entity's reporting date and the WGA reporting date do not apply, and therefore all such events are non-adjusting.

The following events that have occurred after the reporting period have been identified as significant to WGA.

UK Subscription to the International Monetary Fund (IMF)

On 23 February 2016 the UK increased its quota subscription to the IMF by 9,416.6 million special drawing rights (SDRs), equivalent to £9.3 billion using exchange rates on 22 February 2016. This raises the UK's total quota subscription from 10,738.5 million SDRs to 20,155.1 million SDRs.

On the same day as the UK increases its quota subscription, two temporary loan facilities with the IMF will change. These facilities act as a second line of defence behind quotas. The UK's commitment to the New Arrangements to Borrow will roll back by 9,178.2 million SDRs (equivalent to £9.0 billion), and a bilateral loan commitment of the same value will become effective.

[14] www.rbs.com

An SDR is the unit of account used by the IMF. Its value is calculated daily as a weighted average of the US dollar, euro, yen and pound sterling.

Worldwide quota increases form part of a wider reform package which makes the IMF stronger and more legitimate.

Lloyds Banking Group

On 29 October 2015 the government announced Lloyds share sale proceeds to date totalled £16 billion, of which approximately £7.4 billion was realised after 31 March 2015. During 2015-16, HM Treasury disposed of 9.0 billion (2014-15: 2.2 billion) of its Lloyds Banking Group ordinary shares, yielding £7.4 billion in cash proceeds and realising an accounting gain of £4.1 billion. Treasury calculated this accounting gain on a "first in, first out" basis with an acquisition value of £3.3 billion and no impairments recognised in previous years. The share price of 68.02 pence as at 31 March 2016 implied a market value of £4.4 billion of Treasury's holding of 6.5 billion ordinary shares in Lloyds. In January 2016, a sale of £2 billion of Lloyd's shares to the public at a 5% discount which was due to take place in spring 2016 was postponed due to turbulent markets.

RBS

In addition to the Lloyds bank sales, HM Treasury disposed of 0.6 billion (2014-15: nil) of its RBS ordinary shares, yielding £2.1 billion in cash proceeds. HM Treasury realised an accounting gain of £0.5 billion in 2015-16, reflecting a higher sale price compared to the impaired lower value of shares in previous years. In October 2015 RBS B Shares originally purchased for 50p per share were converted at a rate of ten to one to RBS ordinary shares. The share price of 222.7 pence as at 31 March 2016 implied a market value of £18.8 billion on Treasury's holding of 8.4 billion ordinary shares in RBS.

Asian Infrastructure Investment Bank (AIB)

On 29 June 2015 the UK became a founding member of the Asian Infrastructure Investment Bank. This will support access to finance for infrastructure projects across Asia, using a variety of support measures, including loans, equity investments and guarantees, and become fully operational in December 2015. The UK will make a capital contribution of approximately £2 billion in total to the AIIB. This comprises of 20% of "paid-in" capital contribution, payable in five annual payments. The Treasury, on behalf of the UK Government, made the initial instalment of £84,811,884 in January 2016 of paid-in capital.

The remaining 80% of the contribution will be "callable capital." In line with the Articles of Agreement, a contingent liability rises in line with the amount of callable capital paid. As such, the UK will incur a proportionate contingent liability of approximately £342 million. Although the AIIB has the right to call for payment of this callable capital only if there is a crisis affecting the bank's assets or loans, no such instance has occurred in any major multilateral development bank in the past. Therefore the contingent liability is considered to be remote.

UK Asset Resolution (UKAR)

On 13 November 2015 Cerberus were announced as the purchaser of the £13 billion portfolio of mortgages which were previously owned by Northern Rock. Further to this, UKAR announced Computershare as preferred bidder for its mortgage servicing on 1 February 2016 and entered into a contract on 4 May 2016.

Northern Rock (Asset Management) plc (NRAM) sale of covered bonds

On 20 July 2015 NRAM successfully redeemed its two remaining outstanding Covered Bonds: the Euro 1.75 billion 4.125% Covered Bonds and the USD 1.5 billion 5.625% Covered Bonds both due 2017. The value of the covered bonds on the NRAM balance sheet as at the 31 March 2015 was £5.15 billion. They were successfully redeemed at prices ranging from 106.926% to 107.426% of the nominal amount for the Euro bond and 108.563% to 109.563% of the nominal amount for the USD bond.

NRAM Consumer Credit Act Litigation

In their 2014-15 accounts NRAM plc created a provision of £268 million, which accrued at approximately £3 million a month. This action was taken after the High Court ruled customers who took out unsecured loans above the Consumer Credit Act 1974 (CCA) regulated cap of £25,000 and that were written on CCA documentation were entitled to similar rights and remedies as those who took out loans that were regulated by the CCA. Following a successful appeal in July 2015 NRAM reversed the provision that had previously been taken.

Bradford & Bingley plc

On 28 January 2016 Bradford & Bingley plc launched a tender for two of its remaining covered bonds, Series 7 (CHF 230) and Series 14 (EUR 1,100). This tender completed in early March 2016, redeeming both bond series in full.

Eurostar International limited

On 13 May 2015 the European Commission provided merger clearance for HM Treasury to sell its shareholdings in Eurostar International Limited which were recognised on the Statement of Financial Position at 31 March at £757 million. The sale completed on 28 May 2015 and the shares were derecognised in HM Treasury's accounts.

Royal Mail Disposal

On 11 June 2015 the Department for Business, Innovation and Skills sold half of its remaining 30% shareholding in the Royal Mail plc, at a price of 500 pence per share. The disposal proceeds were £750 million. On 13 October 2015 the remaining shareholding was sold at a price of 455 pence per share, raising £591 million after a gift of 1% shares to employees.

Northern Ireland Civil Service Voluntary Exit Scheme

The Northern Ireland Civil Service (NCIS) wide Voluntary Exit Scheme launched on 2 March 2015 to reduce salary expenditure. It has funding of £700 million over 4 years of which, £183.5 million was used in 2015-16. By 2 May 2016, 990 people will have left the NICS under the scheme, saving around £87 million per year in pay bill costs. The scheme delivered savings of around £24 million in the 2015-16 financial year.

Academy Trusts

The Department for Education launched the penultimate batch of its private finance programme on 12 August 2015 in which they committed to servicing the maintenance of eight schools for the 25 year rental period. The commitment has been initially valued at £338 million across the 25 years.

Admiralty Arch

On 17 June 2015 the Cabinet Office sold Admiralty Arch on a long lease of 250 years to Admiralty Arch Holdings Limited in return for consideration of £65.5 million. Title to the freehold is retained by government and has not transferred. The developer, Prime Investors Capital Limited, has secured planning permission to transform the building into a 5 star hotel.

Housing Authorities

On 30 October 2015 the Office for National Statistics (ONS) reclassified some Private Registered Providers of social housing from the private sector to the public sector as non-financial public corporations. The Department for Communities and Local Government became the sponsor department for these bodies.

Audit Commission

Following the abolition of the Audit Commission on 1 April 2015, the Commission's residual assets and liabilities, including the pension liability arising from the Audit Commission Pension Scheme transferred to the Department for Communities and Local Government. As a result, the department will recognise a £157 million loss on absorption transfer in its 2015-16 Statement of Comprehensive Net Expenditure. Further details on the transfer can be found in the Audit Commission's 2014-15 Annual Report and Accounts.

NHS Charities

Five NHS Charities linked to NHS Foundation Trusts changed their status on 1 April 2015 and as a consequence their charitable funds will no longer be subject to consolidation in the 2015-16 accounts. The net assets of these charities included in the 2014-15 accounts totals £986.0 million. On 31 December 2015 a sixth NHS charity moved outside the public sector.

Thames Tideway Project

The Thames Tideway Tunnel project went 'live' in August 2015. It will show in the Department for Environment, Food and Rural Affairs' 2015-16 accounts as a remote contingent liability that is unquantifiable.

Hague Embassy

On 22 April 2015 a fire at the British embassy in The Hague in the Netherlands cause significant damage. After an assessment of the options for the building, a business case for refurbishment has been prepared.

Note 38. Prior period adjustments

Prior period adjustments in WGA arose from WGA bodies restating, reclassifying or correcting figures in their 2013-14 accounts. The impact of the restatements on the Statement of Revenue and Expenditure and Statement of Financial Position is shown below.

Network Rail was reclassified as a public sector body (central government) from September 2014 and has been consolidated in WGA for the first time with effect from 1 April 2014. The accounts therefore include the transactions and opening and closing balances from Network Rail for 2014-15, along with restated transactions and balances for 2013-14. A total of £13.7 billion net assets have been included for the restatements in 2013-14. £49.8 billion of the total value has been included as property, plant and equipment assets, with a further £1.1 billion of cash. This has been offset by a £34.9 billion restatement of financial liabilities (predominantly bank and other borrowings), a £3.9 billion restatement to trade and other payables, a £1.2 billion restatement to the net pension liability and minor movements in a number of other categories. Further details are available in the Network Rail 2014-15 accounts.

In 2014-15 a number of public corporations including the Pension Protection Fund and the Navy, Army and Air Force Institute (NAAFI) have been included within the WGA for the first time. The balances for 2013-14 have been restated accordingly. There has been a £7.8 billion restatement to non-current financial assets, a £15.4 billion restatement to current financial assets, a £6.9 billion restatement to long term financial liabilities and a £13.8 billion restatement to provisions.

Maintained schools assets have been included in the WGA for the first time in 2014-15. Prior to this, local authorities were not required under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom to include the asset balances related to maintained school in their financial statements. However, following a change to these standards, local authorities are now required to include those balances where control is deemed to exist. The balances for 2013-14 have been restated accordingly. A total of £3.0 billion non-current fixed assets have been included for the restatements in 2013-14.

There has been a £8.8 billion restatement in respect of 3G and 4G Fee Income. Previously, the government sale of mobile phone licences was treated as a one-off receipt. The 2014-15 change in accounting policy for revenue recognition means the cash proceeds from the licence sale have been treated as rental income, with annual payments accrued over the life of the lease. This decision applies to the sale of both 3G and 4G licences. There has been a £1.2 billion restatement to current receipts in advance, and a £7.6 billion restatement to non-current receipts in advance (balances reported under the trade and other payables category).

Changes of accounting policy also included a number of small adjustments which were not significant for these accounts but were material to underlying accounts and reflected in the balances making up these accounts.

Restatement of the Consolidated Statement of Revenue and Expenditure
For the year ended 31 March 2014

	Note	2013-14 reported £bn	Restatement adjustment £bn	2013-14 restated £bn
Taxation revenue from direct taxes	3	(308.9)	-	(308.9)
Taxation revenue from indirect taxes	3	(194.1)	-	(194.1)
Taxation revenue from local taxes	3	(52.8)	-	(52.8)
Revenue from sales of goods and services	4	(39.0)	-	(39.0)
Other revenue	5	(53.7)	(4.4)	(58.1)
Total revenue		(648.5)	(4.4)	(652.9)
Social security benefits	6	213.4	-	213.4
Staff costs	7	185.8	2.0	187.8
Purchase of goods and services	8	189.8	0.8	190.6
Cost of grants and subsidies	9	59.8	(3.8)	56.0
Depreciation and impairment charges	10	49.5	1.6	51.1
Provision expense	24	19.7	(0.2)	19.5
Total expenditure		718.0	0.4	718.4
Net expenditure before financing costs		69.5	(4.0)	65.5
Investment revenue	11	(7.0)	(0.5)	(7.5)
Finance costs	12	36.7	1.6	38.3
Net interest on pension scheme liabilities	26	49.1	-	49.1
Net financing costs		78.8	1.1	79.9
Revaluation of financial assets and liabilities		4.6	-	4.6
Net (profit)/loss on disposal of assets		(4.3)	-	(4.3)
Net expenditure for the year		148.6	(2.9)	145.7

Restatement of the Consolidated Statement of Financial Position
As at 31 March 2014

	Note	2013-14 reported £bn	Restatement adjustment £bn	2013-14 restated £bn
Non-current assets				
Property, plant and equipment	*13*	762.6	49.7	812.3
Investment property	*14*	13.0	0.9	13.9
Intangible assets	*15*	31.9		31.9
Trade and other receivables	*16*	18.1	(0.4)	17.7
Equity investment in the public sector banks	*17, 21*	43.0		43.0
Other financial assets	*21*	154.6	10.0	164.6
Total non-current assets		1,023.2	60.2	1,083.4
Current assets				
Inventories	*19*	12.0	(0.2)	11.8
Trade and other receivables	*16*	131.0	0.9	131.9
Cash and cash equivalents	*20*	25.5	1.4	26.9
Gold holdings		7.7		7.7
Assets held for sale	*18*	1.7		1.7
Other financial assets	*21*	136.2	15.3	151.5
Total current assets		314.1	17.4	331.5
Total assets		1,337.3	77.6	1,414.9
Current liabilities				
Trade and other payables	*22*	(102.0)	(5.0)	(107.0)
Government borrowing and financing	*23*	(212.4)		(212.4)
Provisions for liabilities and charges	*24*	(13.0)	(4.1)	(17.1)
Other financial liabilities	*25*	(429.6)	(3.2)	(432.8)
Total current liabilities		(757.0)	(12.3)	(769.3)
Net current liabilities		(442.9)	5.1	(437.8)
Total assets less current liabilities		580.3	65.3	645.6

	Note	2013-14 reported £bn	Restatement adjustment £bn	2013-14 restated £bn
Non-current liabilities				
Trade and other payables	*22*	(56.7)	(9.3)	(66.0)
Government borrowing and financing	*23*	(883.7)	-	(883.7)
Provisions for liabilities and charges	*24*	(128.8)	(8.7)	(137.5)
Net public sector pension liability	*26*	(1,301.9)	(1.2)	(1,303.1)
Other financial liabilities	*25*	(61.0)	(34.9)	(95.9)
Total non-current liabilities		(2,432.1)	(54.1)	(2,486.2)
Net liabilities		(1,851.8)	11.2	(1,840.6)
Financed by Taxpayer's Equity Liabilities to be funded by future reserves:				
General reserve	*SoCTE*	2,111.7	(12.0)	2,099.7
Revaluation reserve	*SoCTE*	(256.6)	0.7	(255.9)
Other reserves	*SoCTE*	(3.3)	0.1	(3.2)
Total liabilities to be funded by future revenues		(1,851.8)	11.2	(1,840.6)

Note 39. Date authorised for issue

The financial statements were authorised for issue on 20 May 2016.

7 Certificate and Report of the Comptroller and Auditor General

Certificate of the Comptroller and Auditor General

I certify that I have audited the financial statements of the Whole of Government Accounts (the Account) for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. These comprise the consolidated statements of: revenue and expenditure, comprehensive expenditure, financial position and changes in taxpayers' equity; cash flow statement; the related notes; and Annexes 1 to 5. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of consolidated accounts for a group of entities each of which appears to HM Treasury (the Treasury) to exercise functions of a public nature, or to be entirely or substantially funded from public money, which presents a true and fair view of the state of affairs of the whole of government. My responsibility is to audit, certify and report on the accounts with a view to satisfying myself that they present a true and fair view. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasury; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the overview; comparison to national accounts; governance statement; and remuneration report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

Basis for qualified opinion on financial statements

Qualification arising from disagreements on the definition and application of the accounting boundary

The Government Resources and Accounts Act 2000 (the Act) requires the Treasury to produce a set of accounts for a group of bodies which appears to the Treasury to exercise functions of a public nature or to be entirely or substantially funded from public money. The Act also states that the accounts should present a true and fair view and conform to generally accepted accounting practice subject to such adaptations as are necessary in the context. The Treasury has adopted a framework for the accounts which is based on International Financial Reporting Standards adapted for the public sector context.

However, in Note 1.3 to this Account, the Treasury defines the accounting boundary for the accounts by reference to those bodies classified as being in the public sector by the Office for National Statistics. I consider that it would be more appropriate to assess the accounting boundary with reference to the accounting standards.

I also consider that the Treasury's accounting policy has not been applied consistently in 2014-15 as a number of significant bodies, including Royal Bank of Scotland, have not been included in the accounts, even though they are classified by the Office for National Statistics as being in the public sector and which I also consider should be included in the accounts in line with applicable accounting standards.

Although I cannot quantify the effect of these omissions on the accounts with certainty as I do not have information needed to identify the transactions that would have to be eliminated to provide a consolidated view, the most significant impact could be on the statement of financial position. The exclusion of the following categories of bodies could affect this statement, illustrating the potential impact:

- Royal Bank of Scotland which has gross assets £1,050.8 billion and gross liabilities of £990.6 billion
- other bodies which have estimated gross assets of £16.6 billion and gross liabilities of £5.9 billion.

Qualification arising from disagreement relating to inconsistent application of accounting policies

The Treasury's accounting policies state that the WGA is prepared on an International Financial Reporting Standards (IFRS) basis, as adapted or interpreted for the public sector context. A number of bodies consolidated in the WGA do not adopt the same framework under which the accounts are prepared. These bodies fall under the following categories:

- bodies in the local government sector follow the Code of Practice on Local Authority Accounting in the UK for 2014-15
- bodies that follow either pure IFRS or UK GAAP
- bodies that follow the Charities Statement of Recommended Practice

Accounting standards require that, where the effect of such inconsistent accounting policies is material, adjustments should be made on consolidation. The Treasury has not provided a full analysis of these differences, although Annex 4 to the accounts does list some of these, and it has not been able to quantify fully the impact of the different accounting frameworks or accounting policies on the WGA but it is material in some areas. The most significant example of the use of different accounting policies is where assets included in the WGA are not valued on a consistent basis, for example assets held by local authorities and infrastructure assets held by Network Rail.

Assets held by local authorities are valued at historic cost and the infrastructure assets held by Network Rail are valued on a discounted cash flow basis, whereas those held by central government bodies are valued at depreciated replacement cost. The Treasury's estimate of the understatement of assets due to the difference in valuation between historic cost and depreciated replacement cost for local authority assets could be at least £244 billion (Note 13 to the accounts). There is currently no reliable estimate for the Network Rail infrastructure figure as this is still to be completed as part of Network Rail's consolidation into the Department for Transport's 2015-16 accounts.

Qualification arising from disagreement and limitation in audit scope from underlying statutory audits of bodies falling within the accounts

The external auditors of the financial statements of a number of bodies that are consolidated into these accounts qualified their audit opinion. Of these, two are of material significance to these accounts, qualifications of the accounts of the Ministry of Defence and the Department for Education.

- Ministry of Defence accounts: The Ministry of Defence does not hold records to enable compliance with the financial reporting framework and account for the expenditure, assets and liabilities arising from certain contracts in accordance with International Accounting Standard 17, Leases. Consequently, I have concluded that the Ministry of Defence has omitted a material value of leased assets and lease liabilities from its statement of financial position as at 31 March 2013, 31 March 2014 and 31 March 2015. This has also led to a material misstatement of the statement of comprehensive net expenditure for 2013-14 and 2014-15 and statement of parliamentary supply for 2013-14 and 2014-15. I am unable to quantify the impact on the financial statements because the Ministry of Defence has not maintained the records or obtained the information required to comply with International Financial Reporting Standards in this respect.

- Department for Education accounts: The Department has recognised academy trust land and buildings of £33 billion in its statement of financial position. The audit evidence available to me was limited in respect of this balance because the departmental group was unable to demonstrate that these all met the recognition criteria for non-current assets under International Accounting Standard 16 Property, Plant and Equipment. Finally, I qualified my audit opinion in 2013-14 because I identified a material level of misstatement and uncertainty in the group financial statements. In addition, I have identified a material level of misstatements in the 2014-15 group financial statements that also relate to 2013-14. Therefore, I have qualified my opinion on the comparative figures in the group financial statements.

Qualification arising from limitation of audit scope due to a lack of evidence supporting the completeness of the elimination of intra-government transactions and balances

Accounting standards require that balances and transactions held and made between bodies consolidated into these accounts shall be eliminated in full. The Treasury has a process in place to identify intra-government balances and transactions between bodies consolidated into the accounts, and most balances and transactions have been eliminated. However, there remains material values of intra-government transactions and balances which have not been eliminated and the effect of not adjusting for these could lead to a potential overstatement of up to £6.5 billion (£7.3 billion in 2013-14) in gross income and expenditure within the consolidated statement of revenue and expenditure.

Qualified opinion on financial statements

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above:

- the financial statements give a true and fair view of the state of the affairs of the Whole of Government Accounts as at 31 March 2015 and of its net deficit for the year then ended

- the financial statements have been properly prepared in accordance with the

Government Resources and Accounts Act 2000

Emphasis of matter – nuclear decommissioning provisions

In forming my opinion on the truth and fairness of these financial statements, I have considered the adequacy of the disclosures made in areas where there is significant uncertainty in the values reported in Note 1.22.5 to the financial statements, which concerns the uncertainties inherent in estimating the likely costs of the liabilities of the Nuclear Decommissioning Authority. As explained in the Note, the lengthy timescales, final disposition plans for waste and spent fuel, timing of final site clearance and the confirmation of site end states mean that the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustment over time to the value of the provision, which currently stands at £82.9 billion (£77.4 billion in 2013-14).

Opinion on other matters

In my opinion, the information given in the overview; comparison to national accounts; remuneration report; and governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect solely of the limitations on audit scope referred to in the basis for qualified opinion paragraphs above:

- the financial statements are not in agreement with the accounting records or returns; and
- I have not received all of the information and explanations I require for my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- returns adequate for my audit have not been received from component bodies not visited by my staff; or
- the governance statement does not reflect compliance with the Treasury's guidance.

My report includes more details of the matters leading to my qualified opinion.

Sir Amyas C E Morse
Comptroller and Auditor General
23 May 2016

National Audit Office
157-197 Buckingham Palace Road
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Report of the Comptroller and Auditor General

Summary

7.1 The Whole of Government Accounts (WGA), published by HM Treasury (the Treasury), is a single set of accounts consolidating the financial activities of over 6,000 organisations with the aim of providing an overview of the financial performance and position of the UK public sector.

7.2 It is the largest consolidation of public sector accounts by any country, and includes both central and local government bodies as well as public corporations such as the Bank of England, but does not include independent public sector organisations such as Parliament, the Crown Estate or the National Audit Office. (Annexes 2 and 3 sets out entities that have not been consolidated into the WGA).

7.3 The WGA for 2014-15 is the sixth such set of audited accounts. Since the 2009-10 WGA was first published in October 2011, the Treasury has made significant improvements to not only data quality and the account consolidation processes, but also to the disclosures and commentary published alongside the accounts.

Scope of my financial audit

7.4 The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of my opinion which reports whether the financial statements are accurate, prepared fairly and accord with an applicable financial reporting framework. Under the Government Resources and Accounts Act 2000, I am required to audit, certify and report on the WGA.

7.5 I apply the concept of materiality both in planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements.

7.6 My audit approach is risk based, informed by my understanding of the government's activities and my assessment of the risks associated with the WGA. This focusses my audit on the areas of highest risk, such as those affected by significant accounting estimates or management judgement. In this context, risk solely relates to the risk of material misstatement in the presentation of the financial statements, so a business or operational risk, on its own, is not sufficient to be considered a significant risk, although there may be overlap between the two.

7.7 The main risks for my audit of the WGA relate to the areas of past qualification, which are set out below. These relate to three broad areas: the boundary of the WGA and its application; areas of inconsistency and disagreement over accounting treatments; and the quality of the data that forms the accounts. I am also required to consider the following by International Standards on Auditing:

- The risk of material fraud arising from the approach to recognising revenue - which I addressed via my understanding and assessment of the approach that government has to recognising the main revenue streams via my audit of HM Revenue and Customs; and

- The risk of management using its influence to override the embedded controls that support the production of the accounts and manipulate the financial results within the WGA. This risk is a particular challenge for the WGA, due to the range of figures that constitute the accounts and level of adjustments that the Treasury processes to produce the consolidated figures. I addressed this via my audit of these adjustments and through my assessment of how the transactions streams and balances within the underlying accounts that form the WGA are reflected within the consolidated financial statements.

7.8 My audit opinion on the financial statements considers the truth and fairness of the presentation of the WGA but does not consider whether the activities presented in the WGA represent value for money. I have statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy and exercise these functions through my programme of value for money reports.

Key findings

7.9 **The WGA shows the UK public sector's overall financial position as defined by accounting standards.** In 2014-15, the WGA net expenditure (the shortfall between income and expenditure) increased by £6.3 billion, to £152.0 billion. This is due to an £8.4 billion increase in the estimated costs of provisions, which mainly relates to an increase in the liabilities for nuclear and oil and gas field decommissioning; a £7.5 billion increase in net interest on pension scheme liabilities; and the impact of the triple lock policy on state pensions of £3.6 billion. These costs are offset by an increase in overall revenues from £652.9 billion to £659.3 billion, which is largely due to an increase in Value Added Tax. Within net expenditure wages and salaries are broadly stable at £148.3 billion compared to £148.2 billion, in the light of staff numbers falling by 20,346.

7.10 The government's net liabilities (the shortfall between assets and liabilities) increased to £2,103.2 billion from £1,840.6 billion, which is mainly due to increases in pension liabilities of £190.2 billion and government borrowing of £78.4 billion.

7.11 **The 2014-15 WGA is an accurate reflection of the use of public resources, but my opinion remains qualified.** I have been able to remove two of my long-standing qualifications of the WGA relating to the recognition of local authority school assets and 3G and 4G spectrum income; and have reduced the extent of my qualification relating to the accuracy and completeness of intra government eliminations. This represents significant progress in the 2014-15 accounts. The Treasury has put in place measures that may enable me to remove my qualification relating to the inconsistent accounting treatments across the WGA over the next four years. However, my qualifications relating to the boundary of the WGA; and the underlying qualifications in the Ministry of Defence and Department for Education; are likely to remain for the foreseeable future.

7.12 **The Treasury has continued to improve the accounts production process for 2014-15, but significant challenges remain in meeting its target of publishing the accounts within nine months of the year-end.** The Department for Education, a significant component for WGA, extended its deadline for laying its 2014-15 accounts before Parliament, and I did not certify the accounts until the 7 April 2016. It is an achievement on the part of the Treasury that despite this delay I was able to certify the WGA 2014-15 on 23 May 2016. This is in part due to improvements to the accounts production process including the Treasury increasing the number of validation checks in the data collection process to address recurring data collection issues, and introducing a more efficient grant elimination methodology.

7.13 **Due to the nature of the WGA, the Treasury is dependent on good quality, timely data from component bodies in order to publish the accounts in an appropriate timeframe.** Delayed consolidation returns from significant components, such as government departments, impact on the Treasury's ability to achieve target publication dates and improve upon the timeliness of WGA. The submission of poor quality or incomplete data requires additional Treasury resources to cleanse the data and to manually identify eliminations of material intra-government transactions and balances. As the Treasury works to further reduce the value of unsupported eliminations and the removal of my related qualification; and seeks to accelerate the timetable, it will require significant component bodies to submit high quality consolidation returns in a timely manner.

7.14 **The WGA is a comprehensive record of the use of public resources, but the Treasury should look to develop the comparative financial disclosures to improve the ability to evaluate the trends in the figures and assess performance in the achievement of its financial strategy for government.** The WGA consolidates the financial activities of over 6,000 organisations across the public sector and shows the overall public sector financial position. However it remains difficult for the reader of the accounts to assess the progress, or otherwise, in consolidating the public finances.

7.15 **The Treasury is taking steps to make disclosures more detailed and transparent, but more needs to be done in this regard.** I reported in 2013-14 that the lack of detail in parts of the WGA continues to inhibit its usefulness and this remains the case. For example, there remains limited information on the purchase of goods and services by government or the distribution of public spending across the regions or the main areas of government activities. As devolution continues and the process of managing the government's deficit progresses, these disclosures will be increasingly relevant and useful to the ability to analyse the management of the public finances.

7.16 **The WGA provides a unique perspective of the government's portfolio of assets and liabilities.** The WGA provides comprehensive information on the full inventory of the government's assets, liabilities and financial risks that is not available from any other source and, together with the ongoing impact of the government's financial performance, forms the country's overall net worth. The disclosures that support this portfolio view of assets and liabilities need to be improved however, to enable comparative performance to be judged more fully and to provide clarity as to the underlying risks that exist across the portfolio.

7.17 **The WGA is being used to help manage the public finances, and the Treasury has increased the impact and profile of the accounts.** The Office for Budget Responsibility and the Institute for Fiscal Studies use the WGA in their reports on the management of the public finances, and the data collected for Public Corporations is shared with the Office of National Statistics every year to feed into the annual National Statistics publication. The comprehensive nature of the accounts and their reach across the public sector, provides the opportunity for the Treasury to link financial policy and performance and explain its approach to managing the government's overall finances.

Recommendations

7.18 Although responsibility for the underlying transactions lies with the various bodies included in the WGA, my recommendations are aimed at the Treasury, because of its overarching responsibilities for the management of the public finances and the preparation of the WGA. The Treasury should:

- **Continue its work in improving the quality and timeliness of data within the WGA.** In cases of late or erroneous data, the Treasury should set out an action plan for ensuring improvements are made with the relevant component bodies. I recommend that the Treasury agrees with such component bodies an action plan for improving the data; and an appropriately senior responsible officer tasked with improving the timeliness and quality of problematic WGA submissions.

- **Build on developments in financial management and reporting across government to remove the inconsistencies in accounting approach and policies.** Eliminating the major inconsistencies in asset valuation and ownership; liability recognition; and the application of the boundary of the WGA, would improve the usefulness of the WGA by providing a stable base within the numbers upon which to analyse the government's financial position and performance. Where other organisations or component bodies are instrumental in making progress with the removal of the residual inconsistencies, such as CIPFA or government departments, the Treasury should agree the necessary steps with those bodies that will ensure that progress is made.
- **Enhance the disclosures that support the financial information in the WGA, to enable the reader to better assess the profile of spend across government.** The Treasury should improve the disclosures in the WGA on the purchases of goods and services; and the regional and functional allocation of spending, assets and liabilities.
- **Develop the disclosures regarding its portfolio of assets and liabilities more fully, to enable a more accurate understanding of the underlying drivers of the movements in the government's net financial position**. This would enable users of the accounts to understand the extent to which the government's overall financial position has changed due to policy or financial performance; and the impact of external factors such as discount rates and accounting adjustments on the government's overall net liabilities.
- **Continue to raise the profile of the WGA within government and embed it into the routine monitoring of the risks to public finances.** As fiscal consolidation continues, the Treasury should seek to provide greater insight into progress and the risks and potential impact of the programme through use of the trend data available through the WGA.

Part 1: The context for my audit of the Whole of Government Accounts

The Whole of Government Accounts

7.19 The Whole of Government Accounts (WGA) plays a key role in the Treasury's overarching framework to improve public financial management and Parliamentary accountability. The WGA is being used by those within and outside of the Treasury to inform decisions which affect public finances. As such, improvements to the quality and timeliness of the WGA help to increase its value to the Treasury in its management of public finances and improves accountability to Parliament and the public.

The wider picture

7.20 The WGA, which is underpinned by accruals based financial statements under a common framework, is increasingly being seen as best practice around the world. The International Monetary Fund is promoting the adoption of accruals based accounting methodologies, and the development of comprehensive statements of accounts for developed countries as a mechanism for ensuring transparency and greater accuracy in the presentation and management of the public finances.[1] The UK is among the most advanced countries in this regard and the WGA is a uniquely comprehensive product; as it is the only set of consolidated country accounts that includes both central and local government activities.

Understanding public financial performance

7.21 The WGA forms a key part of the mechanisms for understanding the government's financial performance. Together with the statistical framework that is published in the National Accounts by the Office of National Statistics, and the Office for Budget Responsibility's forecasts of economic performance and the public finances; the WGA provides a mechanism for holding government to account for its long term financial performance.

7.22 The Treasury uses two major measures for fiscal management: *Current Deficit* and *Public Sector Net Debt*. These statistics and a number of others on the government's financial position are routinely published in the *National Accounts,* in the monthly *Public Sector Finances Report*, and in the *Public Expenditure Statistical Analyses* and other sources. Therefore, they provide an up-to-date, current and independent view of the government's financial performance.

7.23 The WGA provides a broader view of public finances based on International Financial Reporting Standards (IFRS), the system of accounts used internationally by the private sector, as adapted and interpreted for the public sector context. The Treasury sets out the key differences between the Current Deficit and Public Sector Net Debt and the WGA financial position in Chapter 2 to the WGA. The WGA provides a comprehensive and independently audited view of the assets and liabilities owned and managed by the government; and a detailed record of financial performance, enabling analysis of the Treasury's management of the public finances and the financial implications of the application of government policy.

7.24 The Office for Budget Responsibility publishes regular independent forecasts of economic and financial performance. In particular it publishes an annual assessment of financial risk to the public finances in its Fiscal Sustainability Report.[2] This combines an analysis of the balance sheet financial information presented in the National Accounts and the WGA; and projections of long term government spending to assess the overall sustainability of the public finances in the long term.

[1] http://www.imf.org/external/pubs/ft/wp/2016/wp1695.pdf

[2] http://budgetresponsibility.org.uk/fsr/fiscal-sustainability-report-june-2015/

The WGA's role in the management of the public finances

7.25 The WGA is one part of a wider set of processes that the Treasury uses to manage the public finances. In the main, financial management in government centres on the fiscal frameworks; budgeting and spending; and on the annual process of estimating departmental spending and reporting outturn against that budget. While these frameworks were initially designed for different purposes than the WGA, they are nevertheless connected and in many cases draw on the same data, such as departments' monthly reports submitted into the Treasury's public spending database, OSCAR.

7.26 The WGA helps to manage the longer-term risks to the government's assets and liabilities that do not feature as prominently in the other management frameworks that instead focus on government spending, cash requirements or an individual, rather than holistic view of financial assets and liabilities.

7.27 The WGA provides a unique standpoint that cannot be matched by any of the other financial management frameworks in government, which is the ability to assess the full portfolios of assets and liabilities that the government holds. While the information in the WGA is incomplete in this regard, as demonstrated by the qualifications on the accounting boundary and the inconsistent accounting frameworks that are set out in Part 2 of this report; there is no more comprehensive record of what the government owns, owes and is committed to than the WGA. This portfolio perspective is becoming increasingly valuable as it facilitates an understanding of the various mechanisms the government deploys to assess the risks to and manage its portfolio positions and their relative performance.

7.28 I will shortly publish a series of reports which build on this portfolio level view and explore some of the major risks to public finances highlighted in the WGA. These reports will examine how the significant risks to the balance sheet have changed in recent years and considers how government currently manages them. Specifically, these reports focus on government's pension liabilities; its financial assets; and provisions, contingent liabilities and guarantees. I will also be carrying out work evaluating government's infrastructure assets and government debt in 2016-17.

7.29 There are still elements of government's activities that lack detail in the WGA. For example, Note 8 to the WGA, which shows expenditure on the purchases of goods and services by government, does not provide further analysis as to how funds have been spent, such as on consultancy and accommodation. The WGA also does not include additional disclosures showing how public spending is distributed between individual regions or nations across the UK or across the main areas of government, such as defence, health and education. This lack of granularity within the WGA does not help the reader assess the full impact of the government's current and future deficit reduction measures.

7.30 Following the introduction of OSCAR to support the WGA in 2012-13, the Treasury has captured transactions in a greater level of detail. However, due to inconsistencies in the reporting of underlying data from component bodies, it is yet to be confident enough in the data to disclose more information on spend within the WGA and the Treasury needs to work with these bodies to improve its quality. This process will become increasingly important and relevant as consolidation of the public finances continues and more spending is devolved to local administrations.

How the WGA is being used

7.31 I have previously recommended that the profile of the WGA should be raised within government and for it to be used more effectively to help decision making. In its report on the

2012-13 WGA, the Committee of Public Accounts also recommended that the Treasury sets out how it will ensure that the government makes better use of the WGA to inform decisions.

7.32 The WGA is being used across government in the following ways:

- The data collected for Public Corporations is shared with the Office of National Statistics every year to feed into the annual national statistics publication.
- WGA is being used to assess the public sector fixed asset base with a view to identifying areas for scrutiny and rationalisation.
- WGA is the only place that reconciles accounting information to the National Accounts adding to the transparency of public finances.

7.33 The Treasury has started to take steps to embed the role of the WGA, and its underlying data, in helping to inform further areas of focus and financial risk management. Now the WGA is in its sixth year of publication, the Treasury has useful trend data which it is able to share with others within and outside of the Treasury. Specifically, the Treasury highlighted the main changes and improvements to WGA as being:

- the consolidation of the assets and liabilities of Network Rail and the Pension Protection Fund
- the reporting of Cabinet Office cross government fraud, error and debt data for the first time
- significant progress in removing the current qualifications of my audit opinion
- progress towards the implementation of a consistent accounting policy for highways infrastructure assets by 2016-17
- improvements in academy schools data, particularly in respect of the valuation of fixed assets
- the development a simplified and streamlined WGA as part of the government agenda to make public sector accounts more accessible

7.34 Outside of government, the WGA has been utilised by a number of professional bodies.

- Institute for Chartered Accountants of England and Wales (ICAEW) - The ICAEW published analysis of the 2013-14 WGA and its outputs during the year, to support its briefing for the 2015 budget in the lead up to the 2015 general election [3]
- the Institute for Fiscal Studies (IFS) – The IFS published an analysis of the WGA in the Green Budget for 2016, which supported its analysis of the budget and its deliverability[4]
- the International Monetary Fund (IMF) – The IMF published an analysis of the use of consolidated financial accounts in developed countries and the role that they can play in supporting transparency, accountability and effective management[5]

[3] https://www.icaew.com/~/media/corporate/files/about%20icaew/what%20we%20do/policy/public%20policy/icaew%20wga%202013-14%20presentation%202015-03-26.ashx

[4] http://www.ifs.org.uk/publications/8129

[5] http://www.imf.org/external/pubs/ft/wp/2016/wp1695.pdf

The Whole of Government Accounts view of 2014-15

7.35 The key messages within the 2014-15 WGA relate to the major trends in income and expenditure across government; the net liability position; the presentation of the risks to the public finances; and the disclosure of the extent of fraud and error across the whole of government. These are set out below.

Trends in income and expenditure

7.36 The 2014-15 WGA shows the financial impact of the government's major fiscal consolidation and growth programmes. This demonstrates the contribution a comprehensive picture of the government's finances can make to the transparency agenda and in demonstrating the overall impact of the ongoing fiscal consolidation.

7.37 There are a number of areas where economic growth and fiscal consolidation measures can be seen within the WGA: net and total expenditure; increases in taxation revenue; revisions to the social security benefits regime under the control of the Department for Work and Pensions; and changes in the employment profile in the public sector, as described below.

Net and total expenditure

7.38 The WGA shows that net expenditure, the shortfall between income and expenditure as defined by accounting standards, was £152.0 billion in 2014-15. This represents an increase of £6.3 billion or 4% compared to the 2013-14 figure of £145.7 billion.

7.39 Total expenditure has increased during 2014-15 by 2.1% from £718.4 billion to £733.9 billion. This £15.5 billion rise is due to an increase in benefits expenditure, as noted below; a £7.5 billion increase in net interest on pension scheme liabilities; a £5.5 billion increase in the liability for nuclear decommissioning; a £4.4 billion increase in pre-existing HM Revenue and Customs (HMRC) provisions for losses in tax revenue relating to North Sea oil and gas decommissioning; a £2.7 billion increase in clinical negligence provisions; and £1.8 billion increase in outstanding legal claims in relation to disputed taxes. This is offset by an increase in total revenue of £6.4 billion.

Taxation revenue

7.40 The WGA shows an increase in the government's revenue arising from taxation of 2% from £555.8 billion to £566.7 billion. This is in contrast to a 6% increase in taxation revenue shown in the 2013-14 WGA, and in comparison to economic growth during 2014-15 of 4.3% in nominal terms[6].

7.41 The increase in 2014-15 mainly arises from a 5% increase in VAT receipts, from £108.2 billion to £113.9 billion, reflecting growth in the automotive and manufacturing sectors and business services. Following on from a rise of 6% in 2013-14, income tax receipts increased by 0.6%, or £1 billion, to £163.1 billion in 2014-15. Capital Gains Tax also rose by £1.8 billion to £5.7 billion.

7.42 Whilst the majority of other taxation lines saw only small fluctuations in both absolute and proportional terms, two major streams saw decreases: council tax receipts fell from £28.5 billion to £28.2 billion, whilst National Insurance Contributions dropped by £0.1 billion to £97.2 billion.

Social security benefits

7.43 Expenditure on social security benefits increased during the year by 2%, or £4.3 billion, from £213.4 billion to £217.7 billion. This follows a reduction reported in the previous year, where the total social security benefits fell in the WGA, from £215 billion to £213.4 billion.

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[6] http://www.bankofengland.co.uk/publications/Documents/inflationreport/2015/aug.pdf

7.44 The largest change in social security benefits is a 4% increase in state pension payments, which increased by £3.6 billion to £88.6 billion due to the government's triple lock policy where the state pension rises every year by the highest of price inflation, earnings growth or 2.5%.

7.45 Employment support allowance increased by 18.7%, rising from £10.9 billion to £13.4 billion, as take up of the allowance increases as it replaces income support and incapacity benefit, both of which fell by £0.7 billion and £1 billion respectively.

Public sector wages and salaries

7.46 Public sector wages and salaries have increased by £0.1 billion, from £148.2 billion to £148.3 billion. This is broadly in line with the government’s policy on pay restraint across the public sector.

7.47 Overall staff numbers within the public sector have fallen by 20,346 to 4.43 million, representing a 0.5% reduction.

7.48 During 2014-15 there were 63,708 compensation packages arising from staff leaving the public sector, at a total cost of £1.5 billion and an average cost of £23,544. These figures represent a reduction on those disclosed in the 2013-14 WGA, where 72,445 compensation packages were paid at a total cost of some £1.8 billion and an average cost of £24,846.

Trends in the WGA net liability position

7.49 In 2014-15 the government’s net liability position increased by £262.6 billion, to £2,103.2 billion. This is largely due to increases in public sector pension liabilities of £190.2 billion and government borrowing of £78.4 billion.

7.50 Public sector pensions have increased due to actuarial assumptions, current service costs and financing costs, offset by payments made in year.

7.51 Government borrowing financed mainly by the issuance of government gilts has increased to £1,174.5 billion from £1,096.1 billion during 2014-15, but the costs of financing this debt fell by £4.1 billion to £27.6 billion. The reduction in interest costs is due primarily to the impact of lower inflation rates on the uplifting of the nominal repayable for index-linked gilts. Therefore, the cost of financing this debt overall has fallen to 2.4% from 2.9% in 2013-14. The level of government debt will rise again in 2015-16, reflecting the continuing deficit in the public sector finances which is likely to be in place until the end of the current parliamentary session.

Risks to the government's finances

7.52 The WGA shows the most complete picture of the potential risks to the government's finances, through the disclosure of contingent liabilities, guarantees and letters of comfort. The overall potential exposure to additional liabilities rose during the year to £76.4 billion from £63.8 billion. The most significant increases in potential liabilities arose in HM Revenue and Customs where taxes subject to challenge increased from £29.2 billion in 2013-14 to £35.6 billion in 2014-15; and the Department of Health, where potential clinical negligence claims have increased from £11.9 billion in 2013-14 to £14.0 billion in 2014-15.

7.53 The WGA also discloses a range of unquantifiable contingent liabilities in note 31.3. These relate to: regional development funds; health trusts and private sector companies engaged in health care; risks arising from the transport of nuclear matter; and government guarantees to British Telecom’s pension liabilities.

Highlighting the extent of fraud and error across the whole of government

7.54 The Committee of Public Accounts recommended in its reports on the 2011-12 and 2012-13 WGAs that government should report cross-government figures within the WGA which would show the impact of its counter-loss activities.[7] Although the WGA included the financial impact of fraud, error and loss through the consolidation of central government accounts, it did not state explicitly the aggregate figure across government.

7.55 The Treasury has implemented this recommendation, and in the 2014-15 WGA discloses that during 2014-15 fraud and error reported to the Cabinet Office by central government departments (excluding benefits, tax credits and local government) was analysed and agreed with departments at £72.9 million.

Production of the 2014-15 Whole of Government Accounts

7.56 Since the inception of WGA, the Treasury has focused on improving the quality of the data feeding into the accounts, removing the qualifications to the audit opinion, and improving the timeliness of publication.

7.57 In March 2015, the Treasury made the significant step of publishing the 2013-14 WGA within a calendar year of the reporting date. Given the scale and complexity of the consolidation, this represented an achievement. However in the production and publication of the 2014-15 accounts, the Treasury has faced delays in the delivery of underlying data within the Department for Education, as outlined below, which has resulted in publication once more falling back to over a year after the reporting year-end.

Department for Education

7.58 The Department for Education (DfE) group reported total expenditure of £59 billion in 2014-15, which represents a significant component of the WGA and data that is essential to the production of complete accounts. Some £41 billion of DfE expenditure relates to capital and resource grants, the majority of which are to educational bodies and local authorities. Information relating to these payments is required by the Treasury to identify transactions to be eliminated in the WGA in order to provide an accurate consolidated view of the government's finances.

7.59 During 2014-15 the DfE faced increasing challenges in consolidating the growing number of academies and used a statutory instrument laid under Section 22 of the Government Resources and Accounts Act 2000 to extend the deadline for laying its accounts before Parliament. The 2014-15 DfE accounts were then certified on the 7 April 2016, and I again qualified my opinion on a number of issues including material levels of misstatement and uncertainty, limitations in the evidence available to me to evaluate academy trust land and buildings, and a number of breaches of parliamentary spending totals. This delay impacted on the Treasury's ability to produce a complete WGA.

7.60 The 2014-15 WGA was certified some 7 weeks after the certification of the DfE annual report and accounts. The Treasury was able to achieve this because of the improvements it has made to its consolidation and accounts production processes, including increasing the number of validation checks in the data collection packs to address recurring data collection issues, and using its analytical review process to ensure the quality and integrity of reported balances.

Progress in the removal of qualifications to the Whole of Government Accounts

7.61 The WGA has been qualified since its inception on multiple grounds. The qualifications have fallen into six categories: inconsistent application of the judgements on the boundary of the WGA;

[7] Committee of Public Accounts, *Whole of Government Accounts 2011-12*, HC 667, Thirty-second Report of Session 2013–14, 12 December 2013

inconsistent accounting treatments; material qualification of the underlying accounts that feed into the WGA; incomplete inventory and valuation of local authority school assets; disagreements on accounting judgements; and incomplete information on the elimination of transactions within the WGA to produce an accurate reflection of the transactions that are external to government.

7.62 For 2014-15, I have been able to remove two of these qualifications, local authority schools assets and the disagreement on the accounting treatment for 3G and 4G spectrum licence income; and reduce the extent of a third, the completeness of intragroup transactions, as set out below. This represents a significant move forward for the WGA this year. Progress in addressing the remaining qualifications is set out in part 2 of this report.

Schools assets

7.63 For each WGA up to and including 2013-14, I qualified my audit opinion in respect to a limitation of scope on the completeness and valuation of local authority maintained school assets.

7.64 All local authority maintained schools are classified by the ONS as public sector and fall within Treasury's definition for inclusion within WGA. Such schools were only included in the WGA if they had been consolidated into the financial statements of individual local authorities. A number of schools, namely voluntary aided, voluntary controlled and foundation schools, were correctly excluded from local authority accounts, but remained under the control of government and therefore should be included within the WGA. My previous qualification arose from the Treasury being unable to value the assets of the schools that were not consolidated into local authority accounts, but were nevertheless under the government's control. In 2013-14, I estimated the omission as high as £21.8 billion of assets from voluntary aided and foundation schools, and £7.7 billion from voluntary controlled schools.

7.65 To address this issue in the 2014-15 WGA, the Treasury engaged with the CIPFA Local Authority Accounting Code Board (CIPFA/LASAAC) to amend the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is the basis for local authorities to produce their financial statements.

7.66 The amended Code sets out that local authorities control schools as entities under the Code's definition of control. Following the application of this amendment, school or local authority controlled assets are either recognised directly or consolidated into the local authority financial statements as the local authority consolidates the schools' transactions.

7.67 As these assets have been brought onto the government balance sheet in the 2014-15 WGA, I am able to remove the qualification in my audit report relating to the completeness and valuation of school assets.

3G and 4G spectrum licence income

7.68 In April 2000, the government raised £22.5 billion from the sale of licences for the electromagnetic spectrum for third generation mobile phone services. The Treasury accounted for the proceeds on a cash basis in its 2000-01 accounts. In February 2013, the government raised a further £2.4 billion from the sale of fourth generation services and similarly accounted for it a cash basis in 2012-13.

7.69 In my previous reports, I qualified the WGA on the basis that I concluded that a more appropriate accounting treatment would be to recognise this income over the licence period rather than treat it all as income in the first year.

7.70 During 2014-15, the Treasury reviewed its accounting treatment in the light of the principles of the new accounting standard 'IFRS15 – revenue recognition', expected to be adopted in 2018. In applying this set of criteria to the licence income, the Treasury judged that the standard indicates that the income should be spread over the lifetime of the contract.

7.71 The Treasury's approach and my judgement now align, and this qualification to my audit opinion has now been removed.

Continued reduction of unsupported eliminations adjustments

7.72 The Treasury has continued to make good progress in the identification and resolution of intra-government transactions and balances. During the year, the Treasury also revised its eliminations methodology for grants to a top down approach, maintaining the same level of assurance, but delivering process efficiency savings.

7.73 The balance of unsupported eliminations has now fallen to an estimated £6.5 billion (£7.3 billion in 2013-14) in the statement of revenue and expenditure and £2.6 billion (£2.2 billion in 2013-14) in the statement of financial position; and the Treasury has improved the feedback given to entities regarding counter-party mismatches. The level of unsupported eliminations is discussed further in Part 2, where I discuss qualifications to my audit opinion on the 2014-15 WGA. Following the stabilisation of the unsupported eliminations in the statement of financial position over the last two years, I have concluded that I am able to remove this element of the qualification.

Part Two: Qualifications of the Comptroller and Auditor General's audit opinion

Summary

7.75 This part of my report explains why I have qualified my Audit Opinion on the 2014-15 WGA. It also provides details of the progress the Treasury has made in respect of each qualification since my last report.

7.76 This is the sixth year that I have audited the WGA and I have been able to report to Parliament that these accounts are an accurate presentation of the whole of government's financial position, although I have always qualified my opinion.

7.77 The Treasury continues to make good progress in moving towards resolving the qualification issues I have raised. As set out in Part 1 of this report, I have removed two qualifications this year, the completeness and valuation of local authority schools; and the accounting disagreement over the recognition of 3G and 4G spectrum licence income. I have also reduced the extent of my limitation of scope regarding the completeness of intra government adjustments, which now focuses on the impact on the revenue and expenditure account only.

My obligations as auditor

7.78 Under the Government Resources and Accounts Act 2000, I am required to examine and certify the WGA. International Standards on Auditing (UK and Ireland) require me to obtain sufficient evidence to allow me to give reasonable assurance that the WGA is free from material misstatement. In forming my opinion I examine, on a test basis, evidence supporting the disclosures in the financial statements and assess the significant estimates and judgements made in preparing them. I also consider whether the accounting policies are appropriate, consistently applied and adequately disclosed.

7.79 Due to the number of component bodies making up the WGA, my audit is dependent upon the work of component auditors to provide me with assurance over the accuracy of data submitted as part of the consolidation process. I send detailed instructions over the type and scope of procedures that I require to be performed to all component auditors, supplemented by training on my audit requirements where requested. I also carry out assurance work on all of the significant component audits, together with a sample of non-significant components.

Materiality

7.80 As noted above, the concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. I consider a matter to be material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. I consider the primary users of this account to be Parliament but I recognise that the financial statements will be of general interest to others.

7.81 I calculate a materiality level before the financial statements are produced to assess the risks of material misstatement and to plan the nature, timing and extent of our audit procedures. The appropriateness of the materially is considered throughout the audit and adjusted as required.

7.82 The choice of materiality requires professional judgement and, for the financial statements as a whole, I set this at £8 billion for 2014-15 which is approximately 1% of gross expenditure, although I give consideration to other benchmarks in the financial statements when setting materiality. Materiality is not only a pure quantitative measure, but also includes a qualitative aspect and my opinion is not solely based on total error being under the materiality level.

7.83 There are specific figures within the WGA which need to be disclosed in a clear and understandable way. Should there be any error in these figures, I consider the impact that these would have on the users of the financial statements even if the error is below the materiality level.

7.84 I agreed with the Treasury Audit Committee that I would report to it all corrected and uncorrected misstatements identified through my audit in excess of £100 million as well as any differences below that threshold which in my view warranted reporting on qualitative grounds.

7.85 The expenditure base for WGA may reduce in future years as public sector spending constraints continue and this could mean that my materiality level will also reduce in line with this reduced expenditure.

Qualified opinion owing to disagreements and limitations of scope in my audit

7.86 I have qualified my opinion on the 2014-15 WGA because, in a number of significant areas, the WGA does not comply with International Financial Reporting Standards as adapted for the public sector context, and this has a material effect on the figures presented.

7.87 My qualifications relate to:

- the definition of public bodies that the Treasury has used to determine the boundary of the WGA;
- the inconsistent application of accounting standards.

7.88 I have also limited the scope of my opinion on the 2014-15 WGA because of the following issues which meant I was unable to obtain sufficient and appropriate audit evidence on which to base my opinion in certain areas:

- material issues arising within the audit opinions of accounts included in the WGA where component auditors have limited the scope of their audit;
- the lack of evidence to support the completeness of the intra government adjustments to remove transactions between the bodies included in the revenue and expenditure account of the WGA.

Qualified audit opinion relating to the WGA boundary

7.89 I have qualified my opinion because, in my view, the Treasury has not complied with applicable accounting standards in determining which bodies to include in the WGA. Significant assets and liabilities have therefore been left out of the financial statements.

7.90 I cannot quantify the impact of this on the WGA with certainty, as I do not have information needed to identify the transactions that would have to be eliminated to provide a consolidated view. However, for illustrative purposes, I have examined the impact of adding the gross assets, liabilities, income and expenditure published in the individual accounts of public sector bodies that the Treasury did not include in the WGA. Although these figures are only illustrative, they demonstrate that the exclusions represent material omissions from the WGA (**Figure 1**).

Financial reporting requirements

7.91 In my previous Reports[8], I have noted that in determining the boundary for the whole of government, the Treasury has adopted the classifications of public bodies used by the Office for National Statistics (ONS), rather than apply accounting standards which require including bodies that are subject to government control and that define control as 'the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities'.[9]

7.92 As a consequence of the Treasury adopting statistical, rather than accounting, standards when it comes to defining 'control', the WGA excludes a number of significant bodies. The Treasury has also not applied its own criteria consistently as there are a number of bodies that fall within both statistical and accounting definitions of government 'control' but have not been included in the WGA[10]. These include:

- bodies that are not controlled by government, such as Parliament
- a number of small bodies that have not been consolidated on the basis of size[11]
- other bodies that are partly or wholly owned by the government, such as the Royal Bank of Scotland

7.93 I consider it appropriate to exclude those bodies that are not controlled by the government, as this treatment meets with accounting standards; and that it is acceptable to exclude the small bodies as they do not represent a significant exclusion from the WGA. However, by adopting generally accepted accounting standards, I consider that where the government has the ability to control their activities; the Royal Bank of Scotland, further education institutions and trust ports, as listed in Figure 1, should be included in the WGA.

[8] Comptroller and Auditor General, Report on the Whole of Government Accounts 2012-13, June 2014
Comptroller and Auditor General, Report on the Whole of Government Accounts 2011-12, July 2013
Comptroller and Auditor General, Report on the Whole of Government Accounts 2010-11, October 2012
Comptroller and Auditor General, Report on the Whole of Government Accounts 2009-10, November 2011

[9] *International Financial Reporting Standard 10 – Consolidated Financial Statements.*

[10] Annex 2 to the WGA

[11] Annex 3 to the WGA

Figure 1

Gross accounts figures from bodies that have been excluded from WGA as compared to the total figures in the WGA (for illustrative purposes)

	Revenue	Expenditure	Impact on net expenditure	Assets	Liabilities	Impact on net liability
2014-15 WGA	659.3	811.3	(152.0)	1,455.3	(3,558.5)	(2,103.2)
Total values of entities excluded from 2014-15 WGA	18.7	(16.2)	2.5	1,067.4	(996.5)	70.9
2014-15 figures consist of:						
State-owned banks (Royal Bank of Scotland)	18.2	(15.8)	2.4	1,050.8	(990.6)	60.2
Further education institutions	-	-		14.9	(5.4)	9.5
Trust Ports	0.4	(0.3)	0.1	1.4	(0.4)	1.0
Other4	0.1	(0.1)	-	0.3	(0.1)	0.2

NOTES

1. Royal Bank of Scotland only. Note that the holding in Lloyds Banking Group fell from 24.9% to 21.8% during 2014-15, and has been accounted for in the HM Treasury accounts and the WGA as an equity investment.
2. No amounts have been included for income and spending of Further Education Institutions because the majority of their operations are funded through government grants, which are included in Note 9 to the WGA. Their assets and liabilities have been estimated from data provided by Skills Funding Agency (covering England only) for 2010-11.
3. Trust Ports - figures have been estimated from available accounts for year-ended 31 December 2014.
4. London Councils and other minor bodies.
5. The bodies have been treated as if they had always been entirely owned by the public sector. In particular, for Royal Bank of Scotland, no account has been taken of the residual private sector shareholdings.
6. Not all bodies have a March year-end, e.g. figures for the banks relate to the year ending 31 December 2014.
   All figures are in £ billions.

Source: NAO analysis of Note 36 to the WGA and published accounts.

Progress since 2013-14

7.94 There has been progress in including the appropriate bodies in the 2014-15 WGA as Network Rail has been brought into the figures for the first time. The ONS reclassified Network Rail as a public sector body from September 2014 and it has been consolidated in WGA for the first time with effect from 1 April 2014. The 2014-15 WGA accounts therefore include the transactions and opening and closing balances from Network Rail for the current year and have restated the balances for 2013-14 accordingly.

7.95 The position of the remaining elements of the qualification is as follows

- Royal Bank of Scotland: As at the date of this report the government's ownership of the Royal Bank of Scotland continued to exceed the generally accepted threshold of control. The Treasury continue to account for its holding of 62 percent of voting share capital (equivalent to 79 percent of total share capital) as an equity investment.
- Further education institutions: In my Reports on the WGAs for 2011-12 [12] and 2010-11[13], I recommended that the Treasury should review its criteria for including bodies

[12] C&AG's Report within Whole of Government Accounts 2011-12, HC531, July 2013, Paragraph 2.29.

[13] C&AG's Report within Whole of Government Accounts 2010-11, HC687, October 2012, Box 6, paragraph 7.69.

within the WGA, taking into account changes in the control government exerts over English further education institutions following the passage of the Education Act 2011. The Treasury continue to exclude English institutions from the WGA as the ONS determined that these bodies fall outside of the public sector following the 2011 Act[14]. However, under accounting standards, there remains in my view sufficient government control to warrant their inclusion.

- In addition, there are national differences across the United Kingdom. The further education institutions in Northern Ireland, Scotland and Wales remain excluded from the WGA, despite these being designated by the ONS as falling within the public sector. However, the Treasury is reviewing the position of these bodies and is considering the possibility, subject to any future legislative changes, of including these bodies in future years.
- Trust Ports: The Treasury is considering the status of Trust Ports with a view to bringing them within the 2015-16 WGA.

Recommendations for further action

7.96 I reiterate my previous recommendations that the Treasury should change its criteria for including bodies within the WGA. However, despite the government's controlling shareholding in RBS, which means I need to include it within the qualification on technical ground, I support the Treasury's exclusion of RBS from the WGA as its scale and the nature of its activities would distort the reflection of government's core activities within the financial statements.

7.97 Although the Treasury continues to make progress in consolidating more bodies into the WGA, my qualification on this matter is likely to remain until all significant government controlled entities are included in line with accounting standards. As a result, I am unlikely to exclude the technical qualification on the WGA boundary until the government sells a significant proportion of its shareholding in the Royal Bank of Scotland.

Qualification arising from disagreement relating to the inconsistent application of accounting policies

7.98 I have qualified my opinion due to the impact of the inconsistent application of accounting policies.

7.99 The financial reporting framework that WGA must follow is set out in the government Financial Reporting Manual which applies International Financial Reporting Standards (IFRS), as adapted for the public sector context. However, for 2014-15, some of the bodies included in the WGA prepared their accounts based on accounting frameworks that are inconsistent with the requirements of the Financial Reporting Manual.[15]

7.100 Under accounting standards, the Treasury should identify the impact of the different frameworks and make appropriate adjustments to the WGA, where material, so that the WGA is prepared on the same basis.[16] I do not have the information to fully quantify the effect of all inconsistencies that exist as a result of inconsistent financial reporting frameworks, however the issues outlined below all constitute material inconsistencies currently found within the 2014-15 WGA.

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[14] http://www.ons.gov.uk/ons/rel/na-classification/national-accounts-sector-classification/classification-update---may-2012/reclassification-of-further-education-corporations-and-sixth-form-colleges-in-england---article.html#tab-Executive-Summary

[15] Annex 4 to the WGA

[16] *International Accounting Standard 27 – Consolidated and Separate Financial Statements*

Local government infrastructure valuation

7.101 Material misstatement in the WGA arises from differences between the financial reporting frameworks used by local government, which requires local authorities to value their infrastructure assets using historic cost, and central government which values assets at their depreciated replacement cost, in line with the requirements of the government Financial Reporting Manual.

7.102 Local authority infrastructure assets consist primarily of local highways infrastructure but also of other assets such as coastal defences, airports and light rail, including the London underground network.

7.103 The Treasury notes that the 2014 National Accounts estimates the value of the road network at £306.6 billion (2013: £291.8 billion) as at 31 December 2014. On this basis, road infrastructure assets alone are likely to be understated by in excess of £244 billion.

Progress since 2013-14

7.104 In my Report on the 2013-14 WGA, I recommended that the Treasury should continue to support the Chartered Institute of Public Finance and Accountancy (CIPFA) in considering the basis of valuing assets and take steps to ensure that data collected is considered reliable.

7.105 CIPFA plans that the Code of Practice on Local Authority Accounting will be amended to require local authorities to account for their highways infrastructure assets using depreciated replacement cost accounting in their own financial statements from 2016-17. This timeframe is set so that local authorities can prepare and collect accurate information in 2015-16 as opening balances for 2016-17. This is currently on track to be completed for inclusion in the 2016-17 WGA.

Network Rail asset valuation

7.106 The ONS reclassified Network Rail as a public sector body from September 2014 and it has been consolidated in WGA for the first time with effect from 1 April 2014. The 2014-15 WGA, therefore, includes a valuation of the railway network carried in the balance sheet at its fair value. As there is no active market in railway infrastructure assets, Network Rail has derived the fair value of the network using income from the regulated asset base (RAB) as a proxy for discounted cash flows.

7.107 However, upon consolidation into government and the Department for Transport's (DfT) accounts, an income-based valuation model for the rail infrastructure is not appropriate in light of the substance of DfT's wide-ranging role in the rail economy and the requirements of the government's Financial Reporting Manual.

7.108 All parties have agreed to prepare the rail network valuation on a depreciation replacement cost basis in the DfT's 2015-16 accounts. However, an audited depreciated replacement cost of the rail network was not available for the publication of the 2014-15 WGA. Therefore, I have not been able to quantify the misstatement arising from this accounting policy inconsistency.

Recommendations for further action

7.109 The Treasury should continue its work with CIPFA to ensure that the planned changes to the Code of Practice on Local Authority Accounting remain on track and that it is able to take prompt action should there be early indications that the data collected by local authorities is not complete, robust, reliable or auditable. Treasury should also put in place plans to obtain depreciated replacement cost values for the remaining non-highways infrastructure assets.

7.110 Treasury should support and advise Network Rail and the Department for Transport where appropriate in delivering a robust and reasonable valuation of the Rail Network.

Qualification arising from disagreement and limitation of audit scope from underlying statutory audits of bodies falling within the Account

7.111 Where the external auditors of bodies in the WGA qualify their opinions on the statutory financial statements, I am required to consider the impact of these 'true and fair' qualifications on my opinion on the WGA. In 2014-15, external auditors qualified their opinions of 6 accounts (4 accounts in 2013-14).

7.112 The most significant of these qualifications relate to the departmental accounts of the Ministry of Defence and Department for Education for 2014-15. Given the significance of these qualifications, I have also qualified my opinion on the WGA.

7.113 Further details can be found in my audit opinions and within the annual accounts of the Department for Education[17] and the Ministry of Defence[18].

Progress since 2013-14

Ministry of Defence

7.114 In the 2014-15 Ministry of Defence annual report and accounts, the Ministry states that it has conducted a review of its most significant contract arrangements and has identified a number of lease type arrangements which are not currently recognised and cannot be accurately quantified.

7.115 The Ministry has, in agreement with the Treasury, decided not to obtain more detailed information on its leases on the grounds that doing so would not represent value for money. In 2014-15, the Ministry confirmed that it is possible to account for existing contracts in compliance with IAS 17, but this would create significant challenges for the Ministry.

7.116 Consequently, no conclusion can be drawn as to whether the existing contracts represent leases and the financial impact of the omission of potential assets and liabilities cannot be determined with sufficient accuracy. This decision will have an ongoing impact on the audit opinion I am able to provide on the financial statements for the foreseeable future.

Department for Education

7.117 The 2014-15 Department for Education (DfE) accounts were qualified on the basis of incomplete and inaccurate valuation of academies' land and buildings assets.

7.118 In 2014-15, the number of academies continued to increase from 3,905 to 4,580, but the DfE has not addressed the difficulty in maintaining oversight over them. As a result the scope of this issue has grown to £33 billion during the year and is likely to continue to be a source of continued qualification within the WGA until there are changes in the oversight and accountability regime for academies.

Recommendations for further action

7.119 I recommend that the Treasury should work with the Ministry of Defence as it considers further work in respect of the application of lease accounting to its new contracts, and monitor progress in this area with the aim of removing this qualification as current contracts expire and are replaced.

[17] Department for Education Annual Report and Accounts 2014-15, HC 46 April 2016.
[18] Ministry of Defence Annual Report and Accounts 2014-15, HC 32, July 2015

7.120 I recommend that particular attention is given to the Department for Education over the issues it faces in respect to the accuracy and timeliness of academies data, as these weaknesses illustrate the lack of accountability within the oversight arrangements and is likely to result in further qualification in the upcoming years until a resolution is found. In seeking to resolve this issue, the Treasury should seek to ensure the primacy of Parliamentary accountability over the academies is addressed, as well as its ability to assess and manage spend.

7.121 In addition, the Treasury should work with the Department for Education to seek to improve the timeliness of information that is submitted to support the WGA, as this was a source of delay in the production of the 2014-15 accounts, and is likely to be so in future years.

Qualification arising from the limitation of audit scope due to a lack of evidence supporting the completeness of the elimination of intra-government transactions and balances

7.122 I have limited the scope of my opinion because of the lack of evidence supporting the completeness and accuracy of the elimination of intra-government transactions and balances, between bodies included in the WGA.

Financial reporting requirements

7.123 The WGA is a consolidated account which is prepared by including the financial activities of over 6,000 government controlled entities. Transactions and balances between these are removed so that income, expenditure, assets and liabilities are not overstated between bodies within the group, as required by accounting standards. To present a true and fair picture of the financial position and financial results of government, it is important that the removal of these intra-government transactions and balances is complete and accurate.

7.124 The Treasury collects information from each of the bodies in the WGA on all intra-government transactions and with details of the relevant counter-party. The Treasury uses this data to match balances and transaction streams and removes them from the WGA. Despite the work by the Treasury, there remains a material residual uncertainty over the figures in the financial statements because the removal of these transactions and balances is incomplete and inaccurate. This uncertainty arises where:

- either of the entities declare different intra-government transactions or balances (requiring an assumption to be made as to the correct amount to remove)
- only one entity declares an intra-government transaction or balance (a particular issue between central and local government bodies)
- neither body declares an intra-government transaction or balance

7.125 Using the available evidence, I have estimated the level of uncertainty as being up to £6.5 billion (£7.3 billion in 2013-14) in gross income and expenditure and up to £2.6 billion (£2.2 billion in 2013-14) in gross assets and liabilities (Figure 2). The estimated errors reside mainly within the individual primary statements.

Figure 2

Sources of uncertainty about transactions removed and the impact on the financial statements

	Statement of revenue & expenditure	Statement of financial position
Entities declaring different intra-government transactions or balances	3.2	1.4
Only one entity declares an intra-government transaction or balance	1.9	0.9
Subtotal of errors that can be linked to specific entities	5.1	2.3
Neither entity within an expected relationship declares an intra-government transaction or balance	1.4	0.3
Impact on the financial statements (potential overstatement)	6.5	2.6

NOTES

All figures in £ billions

Source: NAO analysis of WGA 2014-15

7.126 It is the significance of the estimated level of uncertainty within the statement of revenue and expenditure, and the potential gross overstatement of income and expenditure which has led me to qualify my opinion, rather than the potential impact on the annual deficit in the statement of financial position.

Progress since 2013-14

7.127 This level of error, although material in context due to the impact on the disclosure of key income and expenditure lines, is showing a positive downward trend (Figure 3). As a result of the stabilisation of the error, I have been able to focus my qualification on the gross numbers in the statement of revenue and expenditure and conclude that there is no material uncertainty regarding the statement of financial position.

Figure 3

Level of potential overstatement in the WGA

	2014-15	2013-14	2012-13	2011-12	2010-11
Statement of revenue and expenditure	6.5	7.3	9.1	16.0	22.6
Statement of financial position	2.6	2.2	3.7	5.1	10.4

All figures in £ billions

Source: NAO analysis of WGA 2014-15

7.128 In my report on the 2013-14 WGA, I recommended that the Treasury should undertake further work to reduce the uncertainties in the elimination of intra-government transactions and balances and I also recommended that further work be concentrated on the area of local government.

7.129 The Treasury has taken a number of actions which have contributed to the reduction of the error in 2013-14. The Treasury has sought to maximise the benefits of the introduction of a change in IT systems by amending its data collection tools with the aim of improving the accuracy of the initial data received in the preparation of the WGA. It also seconded staff with sector expertise to help identify errors within the data returns and reduced the threshold at which it would investigate potential imbalances. The Treasury also used other available data from central government sources to review the data it had received.

Recommendations for further action

7.130 The Treasury has made significant progress in reducing the elimination error over the last three years and I have been able to reduce the scope of my qualification as a result.

7.131 However, with such an extensive body of components preparing information, some error in the initial data preparation is almost inevitable and it is possible that the level of error cannot be reduced much further under the current method of collation and preparation. I recommend that Treasury carries out a review of the structure and process of data collection in order to determine areas of potential weakness and also to consider alternative methods of proving counter party balances in those areas which are either onerous to prove or are prone to error. If the Treasury can reduce the level of error to the point that it does not have the potential to distort the key figures in the revenue and expenditure account, then I may be able to remove the remaining element of this qualification.

Other issues on which I have not qualified my opinion

7.132 There are two other issues that I wish to draw attention to, although I have not qualified my opinion for these issues:

- I have included an emphasis of matter paragraph in my audit opinion for one account that is significant to the WGA. This relates to the uncertainties in estimating costs of the liabilities of the Nuclear Decommissioning Authority. This value has been calculated based on reasonable assumptions, but could change with future events.
- The external auditor of some 18 accounts[19] (17 in 2013-14) included in the WGA qualified their audit opinions owing to the existence of material irregular transactions; that is not using resources in accordance with Parliamentary intentions.

[19] Included in this number are four accounts qualified on a 'true and fair' basis.

Of these, two are of significance to the WGA and cover error and fraud in benefit payments and tax credit payments. These irregularities have led me to qualify my regularity opinion on the financial statements of the Department for Work and Pensions[20] and HM Revenue and Customs[21]. Because the scope of my audit of the WGA, which is set out in the Government Resources and Accounts Act 2000, does not require me to provide an opinion on regularity, irregular transactions do not lead to a qualification of my audit opinion on the WGA.

Amyas C E Morse
Comptroller and Auditor General
23 May 2016

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

[20] Department for Work and Pensions Annual Report and Accounts 2014-15, Session 2015-16, HC31, 16 July 2015
[21] HM Revenue and Customs Annual Report and Accounts 2014-15, Session 2015-16, HC18, 16 July 2015

1 List of entities consolidated in the Whole of Government Accounts

The list below comprises entities consolidated in WGA based on their audited accounts. Accounts that were qualified are indicated by a number 1 or 2 by their name. Entities with a number 1 have had qualifications on their financial statements and those with a number 2 have had their accounts qualified on regularity[1] and may be considered in the WGA Governance Statement. In addition, five entities with a number 3 by their name had their WGA returns qualified. WGA returns translate the underlying statutory accounts into the WGA format and report transactions and balances with other WGA entities.

[1] A regularity opinion is on whether the transactions recorded in the financial statements are in accordance with Parliamentary or other authority.

Central Government

Central government entities are listed by UK government departments and by devolved administrations.

UK central government entities

Cabinet Office

Advisory Committee on Business Appointments
The Civil Service Commission
Committee on Standards in Public Life
House of Lords Appointments Commission
Main Honours Advisory Committee (Honours and Appointments Secretariat)
Office of the Commissioner for Public Appointments
Parliamentary Boundary Commission for England
Parliamentary Boundary Commission for Wales
Security Vetting Appeals Panel
Senior Salaries Review Body
The Registrar of Consultant Lobbyists

Charity Commission

The Crown Prosecution Service

Competition and Markets Authority

Department for Business, Innovation and Skills (BIS)

Advisory, Conciliation and Arbitration Service
  Certification Office for Trade Union Employers' Associations
  Central, Arbitration Committee
The Office of the Adjudicator Limited
Arts and Humanities Research Council
Biotechnology and Biological Sciences Research Council
BIS (Postal Services Act 2011) Company Limited
BIS (Postal Services Act 2011) B Company Limited
British Business Bank plc
  British Business Bank Investments Limited
  British Business Finance Limited
  British Business Financial Services Limited
  British Business Aspire Holdings Limited
  Capital for Enterprise Limited (CfEL)
  Capital for Enterprise Fund Managers Limited
  Capital for Enterprise (GP) Limited
British Business Hold Co Ltd
Competition Appeal Tribunal
Competition Service
Construction Industry Training Board (CITB)
Copyright Tribunal
Council for Science and Technology
Diamond Light Source Limited
Economic and Social Research Council
Engineering and Physical Sciences Research Council
Engineering Construction Industry Training Board
Enrichment Holdings Limited
Financial Reporting Council Limited
Harwell Science and Innovation Campus Public
  Sector Limited Partnership
Higher Education Funding Council for England
Industrial Development Advisory Board
Innovate UK
Insolvency Practitioners Tribunal
Insolvency Service
Low Pay Commission
Office of Manpower Economics
Medical Research Council
The NESTA Trust
Natural Environment Research Council
National Measurement Office
Office for Fair Access
Office for Manpower Economics
Postal Services Holding Company plc
Regulatory Policy Committee
The Science and Technology Facilities Council
  STFC Innovation Limited
[2]Skills Funding Agency
Student Loans Company Limited
UK Green Investment Bank plc
Aviva Investors Realm Energy Centres L.P.
UK Energy Efficiency Investments L.P
Energy Savings Investments L.P
UK GIB 1 Limited
UK Green Investment Community Lending Limited
UK GIB 3 Limited
UK GIB Financial Services Limited
UK GIB Rhyl Flats Investment Limited
UK Green Sustainable Waste and Energy Investments L.P
UK Waste Resources and Energy Investments L.P
UK green Community Lending Ltd
UK Shared Business Services Limited
RCUK Shared Services Centre Limited
United Kingdom Atomic Energy Authority
AEA Insurance Limited
United Kingdom Commission for Employment and Skills
United Kingdom Space Agency

Department for Communities and Local Government
Building Regulations Advisory Committee
Commission for Local Administration In England
Homes and Communities Agency
Housing Ombudsman Service
The Leasehold Advisory Service
Planning Inspectorate
Valuation Tribunal for England
Valuation Tribunal Service
West Northamptonshire Development Corporation

Department for Culture, Media and Sport
Arts Council of England
Arts Council of England Lottery
Artco Trading Limited
BIG Lottery Fund
British Broadcasting Corporation
British Film Institute
British Film Institute Lottery
British Library
British Museum
British Museum Great Court Limited
British Tourist Authority
Churches Conservation Trust
Commission for Equality and Human Rights
East Village Management Limited
The English Sports Council
English Sports Development Trust Limited
Gambling Commission
Geffrye Museum Trust Limited
The Historic Buildings and Monuments Commission for England (English Heritage)
Heritage Lottery Fund
Horniman Museum and Public Park Foundation
Horniman Public Museum and Public Park Trust
Horniman Museum Enterprises Limited
Horserace Betting Levy Appeals Tribunal for England and Wales
Horserace Betting Levy Board
Imperial War Museum
National Film Development Fund
National Gallery
National Heritage Memorial Fund
National Maritime Museum
National Museums Liverpool
National Portrait Gallery
Natural History Museum
Office of Communications (Ofcom)
Olympic Delivery Authority
Olympic Lottery Distribution Fund
PhonepayPlus
Reviewing Committee on the Export of Works of Art
Royal Armouries Development Trust
Royal Armouries Museum
The Royal Parks (TRP)
S4C (Sianel Pedwar Cymru)
Science Museum Group
Sir John Soane's Museum
Sport England Lottery
Sports Grounds Safety Authority
Stratford Village Development (GP) Limited
Tate Gallery
Tate Gallery Projects Limited
TDFHUB2014 Ltd
The Sports Council Trust Company
Treasure Valuation Committee
UK Anti-Doping Limited
UK Sport Council (UK Sport)
UK Sports Council Lottery
Victoria and Albert Museum
Wallace Collection

[1,2,3]**Department for Education**
[1,2,3] Academies [2]
Aggregator Vehicle Plc
National College for Teaching and Leadership
Social Mobility and Child Poverty Commission
School Teachers' Review Body
Standards and Testing Agency
The Office of the Children's Commissioner
[1]Education Funding Agency

Department of Energy and Climate Change
Carbon Reduction Commitment Trust Statement
Civil Nuclear Police Authority
Coal Authority
Committee on Climate Change
Committee on Radioactive Waste Management
Direct Rail Services Limited
Dounreay Site Restoration Limited
Electricity Settlements Company Limited
EU Emissions Allowance Trust Statement
Fuel Poverty Advisory Group
International Nuclear Services Limited
Low Carbon Contracts Company Limited
Low Level Waste Repository Limited
Magnox Limited

[2] Academies as established under section 1 of the Academies Act 2010.

Nuclear Decommissioning Authority
NDA Archives Limited
NDA Properties Limited
Nuclear Liabilities Financing Assurance Board
Petroleum Licences Statement
Radioactive Waste Management Limited
Research Site Restoration Limited
Sellafield Limited

[2]Department for Environment, Food and Rural Affairs
Advisory Committee on Pesticides
Advisory Committee on Releases to the Environment
Agriculture and Horticulture Development Board
Air Quality Expert Group
Animal Health and Veterinary Laboratories Agency
Centre for Environment, Fisheries and Aquaculture Science
Consumer Council for Water
Environment Agency
Food and Environment Research Agency
Forestry Commission
Independent Agricultural Appeals Panel
Joint Nature Conservation Committee
Marine Management Organisation
National Forest Company
Natural England
Plant Varieties and Seeds Tribunal
Royal Botanic Gardens, Kew
RBG Kew Enterprises Limited
Rural Payments Agency
Science Advisory Council
Sea Fish Industry Authority
Veterinary Medicines Directorate
Veterinary Products Committee

Department of Health
NHS Trusts [3]
NHS Foundation Trusts [4]
NHS Charities
Advisory Committee on Antimicrobial Resistance and Healthcare Associated Infection
Advisory Committee on Clinical Excellence Awards
Advisory Committee on Dangerous Pathogens
Advisory Group on Hepatitis
Administration of Radioactive Substances Advisory Committee
Care Quality Commission
Clinical Commissioning Groups [5]
Committee on Carcinogenicity of Chemicals in Food, Consumer Products and the Environment
Committee on the Medical Aspects of Radiation in the Environment
Committee on the Medical Effects of Air Pollutants
Committee on the Mutagenicity of Chemicals in Food, Consumer Products and the Environment
Community Health Partnerships Limited
Emerging Science and Bioethics Commission
Expert Advisory Group on AIDS
The Health and Social Care Information Centre
Health Education England
Health Research Authority
Healthwatch England
Human Fertilisation and Embryology Authority
Human Tissue Authority
Genomics England Limited
Independent Reconfigurations Panel
Joint Committee on Vaccination and Immunisation
Independent Regulator of NHS Foundation trusts (Monitor)
National Health Service Trust Development Authority
National Institute for Health and Care Excellence
NHS Business Services Authority
NHS England
NHS Litigation Authority
The NHS Pay Review Body
NHS Property Services Limited
Professional Standards Authority for Health and Social Care
Public Health England
Review Body on Doctors' and Dentists' Remuneration
Scientific Advisory Committee on Nutrition
Skipton Fund Limited

Department for International Development
Commonwealth Scholarship Commission
Independent Commission for Aid Impact

[3] as established under section 25 of the NHS Act 2006
[4] as established under section 30 of the NHS Act 2006
[5] as established under section 25 of the Health and Social Care Act 2012

[3]Department for Transport
Air Safety Support International Limited
Air Travel Trust Fund
British Transport Police Authority
The Commissioners of Irish Lights
CTRL Section 1 Finance Plc
Directly Operated Railways Limited
Disabled Persons Transport Advisory Committee
Driver and Vehicle Licensing Agency
High Speed Two (HS2) Limited
Highways Agency
London and Continental Railways Limited
Maritime and Coastguard Agency
Network Rail
Northern Lighthouse Board
Transport Focus
Trinity House Lighthouse Service
Vehicle Certification Agency

[2]Department for Work and Pensions
Health and Safety Executive
Independent Living Fund (2006)
Industrial Injuries Advisory Council
Ombudsman for the Board of the Pension Protection Fund
The Pensions Advisory Service Limited
Pensions Ombudsman
The Pensions Regulator
Social Security Advisory Committee

Food Standards Agency

Foreign and Commonwealth Office
The Great Britain-China Centre
Marshall Aid Commemoration Commission
The UK China Forum
The Westminster Foundation for Democracy Limited
Wilton Park Executive Agency
UK India Round Table

Government Actuary's Department

HM Procurator General and Treasury Solicitor
Attorney General's Office
HM Crown Prosecution Service Inspectorate
Treasury Solicitor's Department Agency

[2]HM Revenue and Customs (HMRC)
HM Revenue and Customs Trust Statement
Valuation Office Agency

HM Treasury
Money Advice Service
Financial Services Compensation Scheme
Help to Buy (HMT) Limited
HM Treasury Sovereign Sukuk Ltd
Infrastructure Finance Unit Limited
Infrastructure UK
Office for Budget Responsibility
Office of Tax Simplification
Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations
Sovereign Grant
UK Asset Resolution Limited
UK Asset Resolution Corporate Services Limited
UK Debt Management Office
UK Financial Investments Limited

Home Office
Advisory Council on the Misuse of Drugs
Animals in Science Committee
Anti-Slavery Commissioner
Biometrics Commissioner
College of Policing
Forensic Science Regulator
Gangmasters Licensing Authority
Her Majesty's Inspectorate of Constabulary
Her Majesty's Passport Office
Independent Chief Inspector of Borders and Immigration
Independent Family Returns Panel
Independent Monitor for the Disclosure and Barring Service
Independent Police Complaints Commission
Independent Reviewer of Terrorism Legislation
Intelligence Services Commissioner
Interception of Communications Commissioner
Investigatory Powers Tribunal
Migration Advisory Committee
National Crime Agency Remuneration Review Body
National DNA Database Ethics Group
Office of Surveillance Commissioners
Office of the Immigration Services Commissioner
Police Advisory Board for England and Wales

Police Arbitration Tribunal
Police Discipline Appeals Tribunal
Police ICT Company
Police Negotiating Board
Police Remuneration Review Body
Security Industry Authority
Surveillance Camera Commissioner
Technical Advisory Board
Wimbledon and Putney Conservator

National Crime Agency

[1]Ministry of Defence
Advisory Committee on Conscientious Objectors
Advisory Group on Military Medicine
Armed Forces Pay Review Body
Central Advisory Committee on Pensions and Compensation
Commonwealth War Graves Commission
[1]Defence Equipment and Support
Defence Nuclear Safety Committee
Defence Scientific Advisory Council
Independent Monitoring Board for the Military Corrective Training Centre, Colchester
National Army Museum
National Employer Advisory Board
National Museum of the Royal Navy
Navy, Army and Air Force Institute
Nuclear Research Advisory Council
Review Board for Government Contracts
Royal Air Force Museum
Royal Hospital Chelsea
Territorial, auxiliary and volunteer reserve associations
Science Advisory Committee on the Medical Implications of Less-Lethal Weapons
Single Source Regulation Office
Veterans Advisory and Pensions Committees

Ministry of Justice
Advisory Committees on Justices of the Peace in England and Wales
Advisory Council on National Records and Archives
Advisory Panel on Public Sector Information
Assessor for Compensation of Miscarriages of Justice
Communities Rehabilitation Companies (May 2014- Jan 2015)
Chief Coroner's Office
Children and Family Court Advisory and Support Service
Civil Justice Council
Civil Procedure Rule Committee
Criminal Cases Review Commission
Criminal Injuries Compensation Authority
Criminal Procedure Rule Committee
Family Justice Council
Family Procedure Rule Committee
Her Majesty's Courts and Tribunal Service
Independent Advisory Panel on Deaths in Custody
Independent Monitoring Boards of Prisons, Immigration Removal Centres and Immigration Holding Facilities
Independent Restraint Advisory Panel
Insolvency Rules Committee
Judicial Appointments Commission
Judicial Appointments and Conduct Ombudsman
Judicial College
Judicial Communications Office
Judicial Conduct and Investigations Office
Judicial Office
Land Registration Rules Committee
Law Commission
Legal Aid Agency
Legal Services Board
National Offender Management Service
[2]Office for Legal Complaints
Office of Accountant General
Office of HM Inspectorate of Prisons
Office of HM Inspectorate of Probation
Office of the Judge Advocate General
Office of the Information Commissioner
Office of the Public Guardian
Official Solicitor and Public Trustee
Parole Board for England and Wales
Prisons and Probation Ombudsman
Prison Service Pay Review Body
Probation Trusts (Dissolved on 31 October 2014)
Sentencing Council for England and Wales
Tribunal Procedure Committee
Victims' Commissioner
Youth Justice Board for England and Wales

The National Archives

Office of Gas and Electricity Markets

Office of the Qualifications and Examinations Regulator

Office of Rail Regulation

Office for Standards in Education, Children's Services and Skills (OFSTED)

Scotland Office
Office of the Advocate General for Scotland
The Boundary Commission for Scotland

[2] Wales Office

Security and Intelligence Agencies

Serious Fraud Office

UK Statistics Authority

UK Supreme Court

UK Trade & Investment

Water Services Regulation Authority (Ofwat)

Vehicle and Operator Services Agency

Central Funds
Consolidated Fund
Contingencies Fund
Debt Management Account
Exchange Equalisation Account
National Insurance Fund
National Loans Fund
National Savings and Investments
Public Works Loans Board

Superannuation Schemes (England and Wales)
Armed Forces Retired Pay, Pensions
[2,3]Cabinet Office: Civil Superannuation
Department for Business, Innovation and Skills: UKAEA pension schemes
Department for International Development: Overseas Superannuation
Ministry of Justice: Judicial Pensions Scheme
[3]NHS Pension Scheme
Royal Mail Pension Scheme
Research Councils Pension Scheme
[2,3]Teachers' Pension Scheme (England & Wales)

[2]Northern Ireland Office
Boundary Commission for Northern Ireland
Northern Ireland Human Rights Commission
Parades Commission for Northern Ireland

Northern Ireland central government entities
Agrifood and Biosciences Institute of Northern Ireland
Arts Council of Northern Ireland
Arts Council of Northern Ireland Lottery Distribution Account
Belfast Education & Library Board
Business Services Organisation
[2] Department for Employment and Learning
Department for Regional Development
[2] Department for Social Development
[2]Northern Ireland Social Security Agency
[2] Department of Agriculture and Rural Development
Forest Service Agency
[1,2] Department of Culture Arts and Leisure
[2] Department of Education
Exceptional Circumstances Body
Department of Enterprise Trade and Investment
Department of Finance and Personnel
Northern Ireland Statistics and Research Agency
[2] Department of Health Social Services & Public Safety
Department of Justice
Forensic Science Northern Ireland
Northern Ireland Courts and Tribunals Service
Northern Ireland Prison Service
[2] Youth Justice Agency
Department of the Environment
DFP - Superannuation & Other Allowances
Equality Commission for Northern Ireland
Health and Social Care Pension Scheme
Ilex Urban Regeneration Co Limited
Invest Northern Ireland
Magistrates' Courts Rules Committee
Maze/Long Kesh Development Corporation
National Museums and Galleries of Northern Ireland
North Eastern Education and Library Board
Northern Ireland Blood Transfusion Service
Northern Ireland Community Relations Council
Northern Ireland Consolidated Fund
Northern Ireland Council for the Curriculum, Examinations and Assessment
Northern Ireland Council for Integrated Education
Northern Ireland Fire and Rescue Service
Northern Ireland Fishery Harbour Authority
Northern Ireland Legal Services Commission
[1]Northern Ireland Library Authority

Northern Ireland Local Government Officers Superannuation Committee
Northern Ireland Medical and Dental Training Agency
Northern Ireland National Insurance Fund
Northern Ireland Policing Board
Northern Ireland Screen Commission
Northern Ireland Tourist Board
Northern Ireland Utility Regulator
Northern Ireland Water Limited
[2] Office of the First Minister and Deputy First Minister
Police Ombudsman for Northern Ireland
Police Pension Scheme
[2]Police Service of Northern Ireland
Probation Board for Northern Ireland
[2] Public Prosecution Service
Regulation and Quality Improvement Authority
South Eastern Education and Library Board
Southern Education and Library Board
Sports Council for Northern Ireland
Sports Council for Northern Ireland Lottery Distribution Account
Strategic Investment Board Limited
Teachers Superannuation Scheme Statements
Ulster Supported Employment Limited
Victims and Survivors Service
Western Education and Library Board
Youth Council for Northern Ireland

Northern Irish Health and Social Care Trusts
Belfast Health and Social Care Trust
NI Ambulance Service HSC Trust
Northern Health and Social Care Trust
South Eastern Health and Social Care Trust
Southern Health and Social Care Trust
Western Health and Social Care Trust

Scotland Central Government Entities
Care Inspectorate
Creative Scotland
David MacBrayne Limited
Forestry Commission Scotland
Forth Estuary Transport Authority
Highlands and Islands Airports
Highlands and Islands Enterprise
National Galleries of Scotland
National Library of Scotland
National Museums of Scotland
National Records of Scotland
Royal Botanic Garden, Edinburgh
Scottish Canals
Scottish Children's Reporter Administration
Scottish Consolidated Fund
Scottish Court Service
Scottish Enterprise
Scottish Environment Protection Agency
Scottish Fire and Rescue Service
Scottish Funding Council
[3]Scottish Government
Accountant in Bankruptcy
The Crown Office and Procurator Fiscal Service
Disclosure Scotland
Education Scotland
Historic Scotland
Mental Welfare Commission
Scottish Prison Service
Scottish Public Pensions Agency
Student Awards Agency for Scotland
Transport Scotland
Scottish Legal Aid Board
Scottish Natural Heritage
Scottish NHS Pension Scheme
Scottish Police Authority
Scottish Qualifications Authority
Scottish Social Services Council
Scottish Teachers Pension Scheme
Skills Development Scotland
Sport Scotland
Strathclyde Partnership for Transport
Tay Road Bridge Joint Board
Visit Scotland

Wales Central Government Entities
Arts Council of Wales
Arts Council of Wales National Lottery
Care Council for Wales
Careers Wales Dewis Gyrfa Ltd
Finance Wales
Her Majesty's Inspectorate for Education and Training in Wales (Estyn)
Higher Education Funding Council for Wales
National Library of Wales
National Museums and Galleries of Wales
Natural Resources Wales
Sports Council for Wales
Sports Council for Wales National Lottery
Visit Wales
[3]Welsh Assembly Government
Welsh Consolidated Fund

Welsh National Health Service Trusts and Local Health Boards

Public Health Wales NHS Trust
Velindre
Welsh Ambulance Services
Welsh Health Boards
Abertawe Bro Morgannwg Unversity Local Health
Board (LHB)
Aneurin Bevan LHB
Betsi Cadwaladr University LHB
Cardiff and Vale University LHB
Cym Taf LHB
Hywel DDA LHB
Powys Teach LHB

Public Corporations and Public Financial Corporations
Audit Commission
Bank of England
Bank of England Asset Purchase Facility
Bank of England Issue Department
British Council
British Nuclear Fuels Ltd
Broadcasters' Audience Research Board Limited
Caledonian Maritime Assets Limited
Channel Four Television Corporation
Civil Aviation Authority
Commonwealth Development Corporation
Companies House
Crown Commercial Service
Defence Science and Technology Laboratory
Defence Support Group
Disabled People's Employment Corporation (Formerly Remploy Limited)
Disclosure and Barring Service
Driver and Vehicle Agency - Northern Ireland
Driving Standards Agency
Export Credits Guarantee Department
Export Guarantees Advisory Council
FCO Services (FCOS)
Financial Conduct Authority
Financial Ombudsman Services Ltd
Forest Enterprise England
Forest Enterprise Agency Scotland
General Lighthouse Fund
Guaranteed Export Finance Corporation
Intellectual Property Office
Land Registry
Medicines and Healthcare Products Regulatory Agency
MRC Technology Limited
Meteorological Office
National Employment Savings Trust Corporation
National Nuclear Laboratory Limited
Nexus (Tyne & Wear Passenger Transport Executive)
NHS Blood and Transplant
NHS Professionals
[2]Northern Ireland Housing Executive
Northern Ireland Transport Holding Company
Nuclear Liabilities Fund
Office for Nuclear Regulation
Ordnance Survey
Pacific Nuclear Transport Limited
Pension Protection Fund
Post Office Limited
Prudential Regulation Authority
Queen Elizabeth II Conference Centre
Registers of Scotland
Royal Mint
Scottish Water
UK Hydrographic Office

Local Government – England
Adur District Council
Allerdale Borough Council
Amber Valley Borough Council
Arun District Council
Ashfield District Council
Ashford Borough Council
Avon and Somerset Police and Crime Commissioner
Avon Fire and Rescue Authority
Aylesbury Vale District Council
Babergh District Council
[3]Barking & Dagenham London Borough Council
Barnet London Borough Council
Barnsley Metropolitan Borough Council
Barrow-in-Furness Borough Council
Basildon District Council
Basingstoke and Deane Borough Council
Bassetlaw District Council
Bath & North East Somerset Council
[3]Bedford Unitary Authority
Bedfordshire Combined Fire and Rescue Authority
Bedfordshire Police and Crime Commissioner
Berkshire Combined Fire and Rescue Authority

Bexley London Borough Council
Birmingham City Council
Blaby District Council
Blackburn with Darwen Unitary Authority
Blackpool Unitary Authority
Bolsover District Council
Bolton Metropolitan Borough Council
Boston Borough Council
Bournemouth Council
Bracknell Forest Borough Council
Bradford City Council
Braintree District Council
Breckland District Council
Brent London Borough Council
Brentwood Borough Council
[3]Brighton & Hove City Council
[3]Bristol City Council
Broadland District Council
Broads Authority (The)
Bromley London Borough Council
Bromsgrove District Council
Broxbourne Borough Council
Broxtowe Borough Council
Buckinghamshire Combined Fire and Rescue Authority
Buckinghamshire County Council
Burnley Borough Council
Bury Metropolitan Borough Council
Calderdale Metropolitan Borough Council
Cambridge City Council
Cambridgeshire Combined Fire and Rescue Authority
Cambridgeshire County Council
Cambridgeshire Police and Crime Commissioner
Camden London Borough Council
Cannock Chase District Council
Canterbury City Council
Carlisle City Council
Castle Point Borough Council
Central Bedfordshire Unitary Authority
Charnwood Borough Council
Chelmsford Borough Council
Cheltenham Borough Council
Cherwell District Council
Cheshire Combined Fire and Rescue Authority
Cheshire East Unitary Authority
Cheshire Police and Crime Commissioner
Cheshire West and Chester Unitary Authority
Chesterfield Borough Council
Chichester District Council
Chiltern District Council
Chorley Borough Council
Christchurch Borough Council
City of York Council
Cleveland Combined Fire and Rescue Authority
Cleveland Police and Crime Commissioner
Colchester Borough Council
Common Council of the City of London
Copeland Borough Council
Corby Borough Council
Cornwall Unitary Authority
Cotswold District Council
County Durham Unitary Authority
Coventry City Council
Craven District Council
Crawley Borough Council
Croydon London Borough Council
Cumbria County Council
Cumbria Police and Crime Commissioner
Dacorum Borough Council
Darlington Borough Council
Dartford Borough Council
Dartmoor National Park Authority
Daventry District Council
Derby City Council
Derbyshire Combined Fire and Rescue Authority
Derbyshire County Council
Derbyshire Dales District Council
Derbyshire Police and Crime Commissioner
Devon and Cornwall Police and Crime Commissioner
Devon & Somerset Combined Fire and Rescue Authority
Devon County Council
Doncaster Metropolitan Borough Council
Dorset Combined Fire and Rescue Authority
Dorset County Council
Dorset Police and Crime Commissioner
Dover District Council
Dudley Metropolitan Borough Council
Durham Combined Fire and Rescue Authority
Durham Police and Crime Commissioner

Ealing London Borough Council
East Cambridgeshire District Council
East Devon District Council
East Dorset District Council
East Hampshire District Council
East Hertfordshire District Council
East Lindsey District Council
East London Waste Authority
East Northamptonshire District Council
East Riding of Yorkshire Council
East Staffordshire Borough Council
East Sussex Combined Fire and
Rescue Authority
East Sussex County Council
Eastbourne Borough Council
Eastleigh Borough Council
Eden District Council
Elmbridge Borough Council
Enfield London Borough Council
Epping Forest District Council
Epsom and Ewell Borough Council
Erewash Borough Council
Essex Combined Fire and
Rescue Authority
Essex County Council
Essex Police and Crime
Commissioner
Exeter City Council
Exmoor National Park Authority
Fareham Borough Council
Fenland District Council
Forest Heath District Council
Forest of Dean District Council
Fylde Borough Council
Gateshead Council
Gedling Borough Council
Gloucester City Council
Gloucestershire County Council
Gloucestershire Police and Crime
Commissioner
Gosport Borough Council
Gravesham Borough Council
Great Yarmouth Borough Council
Greater London Authority
Greater Manchester Combined Authority
Greater Manchester Fire and Rescue Authority
Greater Manchester Police and Crime
Commissioner
Greater Manchester Waste Disposal Authority
Greenwich London Borough Council
Guildford Borough Council
Hackney London Borough Council
Halton Borough Council
Hambleton District Council
Hammersmith and Fulham London Borough
Council
Hampshire Combined Fire and Rescue
Authority
Hampshire County Council
Hampshire Police and Crime
Commissioner
Harborough District Council
Haringey London Borough Council
Harlow District Council
Harrogate Borough Council
Harrow London Borough Council
Hart District Council
Hartlepool Borough Council
Hastings Borough Council
Havant Borough Council
Havering London Borough Council
Hereford and Worcester Combined Fire and
Rescue
Authority
Herefordshire Council
Hertfordshire County Council
Hertfordshire Police and Crime
Commissioner
Hertsmere Borough Council
High Peak Borough Council
Hillingdon London Borough Council
Hinckley and Bosworth Borough Council
Horsham District Council
Hounslow London Borough Council
Humberside Combined Fire and
Rescue Authority
Humberside Police and Crime
Commissioner
Huntingdonshire District Council
Hyndburn Borough Council
Ipswich Borough Council
Isle of Wight Council
Isles of Scilly (Council of the)
Islington London Borough Council
Kensington and Chelsea Council
(Royal Borough of)
Kent Combined Fire and Rescue Authority
Kent County Council
Kent Police and Crime
Commissioner
Kettering Borough Council
Kings Lynn and West Norfolk
Borough Council

Kingston upon Hull City Council
Kingston upon Thames Council (Royal Borough of)
Kirklees Metropolitan Council
Knowsley Metropolitan Borough Council
Lake District National Park Authority
Lambeth London Borough Council
Lancashire Combined Fire and Rescue Authority
Lancashire County Council
Lancashire Police and Crime Commissioner
Lancaster City Council
Lee Valley Regional Park Authority
Leeds City Council
Leicester City Council
Leicester Combined Fire and Rescue Authority
Leicestershire County Council
Leicestershire Police and Crime Commissioner
Lewes District Council
Lewisham London Borough Council
Lichfield District Council
Lincoln City Council
Lincolnshire County Council
Lincolnshire Police and Crime Commissioner
Liverpool City Council
Liverpool City Region Combined Authority
London Fire and Emergency Planning Authority
London Legacy Development Corporation
Luton Borough Council
Maidstone Borough Council
Maldon District Council
Malvern Hills District Council
Manchester City Council
Mansfield District Council
Mayor's Office for Policing and Crime
Medway Towns Unitary Authority (The)
Melton Borough Council
Mendip District Council
Merseyside Fire and Rescue Authority
Merseyside Police and Crime Commissioner
Merseyside Waste Disposal Authority
Merton Borough Council
Mid Devon District Council
Mid Suffolk District Council
Mid Sussex District Council
Middlesbrough Council
Milton Keynes Council
Mole Valley District Council
Museum of London
New Forest District Council
New Forest National Park Authority
Newark and Sherwood District Council
Newcastle upon Tyne City Council
Newcastle-under-Lyme Borough Council
Newham London Borough Council
Norfolk County Council
Norfolk Police and Crime Commissioner
North Devon District Council
North Dorset District Council
North East Combined Authority
North East Derbyshire District Council
North East Lincolnshire Council
North Hertfordshire District Council
North Kesteven District Council
North Lincolnshire Council
North London Waste Authority
North Norfolk District Council
North Somerset Council
North Tyneside Metropolitan Borough Council
North Warwickshire Borough Council
North West Leicestershire District Council
North York Moors National Park Authority
North Yorkshire Combined Fire and Rescue Authority
North Yorkshire County Council
North Yorkshire Police and Crime Commissioner
Northampton Borough Council
Northamptonshire County Council
Northamptonshire Police and Crime Commissioner
Northumberland National Park Authority
Northumberland Unitary Authority
Northumbria Police and Crime Commissioner
Norwich City Council
Nottingham City Council
Nottinghamshire Combined Fire and Rescue Authority
Nottinghamshire County Council
Nottinghamshire Police and Crime Commissioner
Nuneaton and Bedworth Borough Council
Oadby and Wigston Borough Council
Oldham Metropolitan Borough Council

Oxford City Council
Oxfordshire County Council
Peak District National Park Authority
Pendle Borough Council
Peterborough City Council
Plymouth City Council
Poole (Borough of)
[3]Portsmouth City Council
Preston City Council
Purbeck District Council
Reading Borough Council
Redbridge London Borough Council
Redcar and Cleveland Borough Council
Redditch Borough Council
Reigate and Banstead Borough Council
Ribble Valley Borough Council
Richmond upon Thames Borough Council
Richmondshire District Council
Rochdale Borough Council
Rochford District Council
Rossendale Borough Council
Rother District Council
Rotherham Borough Council
Rugby Borough Council
Runnymede Borough Council
Rushcliffe Borough Council
Rushmoor Borough Council
Rutland County Council
Ryedale District Council
Salford City Council
Sandwell Metropolitan Borough Council
Scarborough Borough Council
Sedgemoor District Council
Sefton Metropolitan Borough Council
Selby District Council
Sevenoaks District Council
Sheffield City Council
Sheffied City Region Combined Authority
Shepway District Council
Shropshire Combined Fire and Rescue Authority
Shropshire Unitary Authority
[3]Slough Borough Council
Solihull Metropolitan Borough Council
[3]Somerset County Council
South Bucks District Council
South Cambridgeshire District Council
South Derbyshire District Council
South Downs National Park
South Gloucestershire Council
South Hams District Council
South Holland District Council
South Kesteven District Council
South Lakeland District Council
South Norfolk District Council
South Northamptonshire Council
South Oxfordshire District Council
South Ribble Borough Council
South Somerset District Council
South Staffordshire District Council
South Tyneside Council
South Yorkshire Fire and Rescue Authority
South Yorkshire Police and Crime Commissioner
Southampton City Council
Southend-on-Sea Borough Council
Southwark London Borough Council
Spelthorne Borough Council
St Albans City and District Council
St Edmundsbury Borough Council
St Helens Metropolitan Borough Council
Staffordshire County Council
Staffordshire Moorlands District Council
Staffordshire Police and Crime Commissioner
Stevenage Borough Council
Stockport Metropolitan Borough Council
Stockton-on-Tees Borough Council
Stoke-on-Trent Unitary Authority
Stratford-on-Avon District Council
Stroud District Council
Suffolk Coastal District Council
Suffolk County Council
Suffolk Police and Crime Commissioner
Sunderland City Metropolitan Borough Council
Surrey County Council
Surrey Heath Borough Council
Surrey Police and Crime Commissioner
Sussex Police and Crime Commissioner
Sutton London Borough Council
Swale Borough Council
[3]Swindon Unitary Authority

Tameside Metropolitan Borough Council
Tamworth Borough Council
Tandridge District Council
Taunton Deane Borough Council
Teignbridge District Council
Telford and Wrekin (Borough of)
Tendring District Council
Test Valley Borough Council
Tewkesbury Borough Council
Thames Valley Police and Crime Commissioner
Thanet District Council
Three Rivers District Council
Thurrock Unitary Authority
Tonbridge and Malling Borough Council
Torbay Council
Torridge District Council
Tower Hamlets London Borough Council
Trafford Metropolitan Borough Council
Transport for London
Tunbridge Wells Borough Council
Tyne and Wear Fire and Rescue Authority
Uttlesford District Council
Vale of White Horse District Council
Wakefield City Council
Walsall Metropolitan Borough Council
Waltham Forest London Borough Council
Wandsworth London Borough Council
Warrington Borough Council
Warwick District Council
Warwickshire County Council
Warwickshire Police and Crime Commissioner
Watford Borough Council
Waveney District Council
Waverley Borough Council
Wealden District Council
Wellingborough Borough Council
Welwyn Hatfield District Council
West Berkshire Council
West Devon Borough Council
West Dorset District Council
West Lancashire District Council
West Lindsey District Council
West London Waste Authority
West Mercia Police and Crime Commissioner
West Midlands Fire and Rescue Authority
West Midlands Integrated Transport Authority
West Midlands Police and Crime Commissioner
West Oxfordshire District Council
West Somerset District Council
[3]West Sussex County Council
West Yorkshire Combined Authority
West Yorkshire Fire and Rescue Authority
West Yorkshire Police and Crime Commissioner
Western Riverside Waste Authority
Westminster City Council
Weymouth and Portland Borough Council
Wigan Metropolitan Borough Council
Wiltshire Combined Fire and Rescue Authority
Wiltshire Police and Crime Commissioner
Wiltshire Unitary Authority
Winchester City Council
Windsor and Maidenhead (Royal Borough of)
Wirral Metropolitan Borough Council
Woking Borough Council
Wokingham Council
Wolverhampton City Council
Worcester City Council
Worcestershire County Council
Worthing Borough Council
Wychavon District Council
Wycombe District Council
Wyre Borough Council
Wyre Forest District Council
Yorkshire Dales National Park Authority

Local Government – Northern Ireland
Antrim Borough Council
ARC21 Joint Committee
Ards Borough Council
Armagh City & District Council
Ballymena Borough Council
Ballymoney Borough Council
Banbridge District Council
Belfast City Council
Carrickfergus Borough Council
Castlereagh Borough Council
Coleraine Borough Council
Cookstown District Council

Craigavon Borough Council
Derry City Council
Down District Council
Dungannon and South Tyrone Borough Council
Fermanagh District Council
Larne Borough Council
Limavady Borough Council
Lisburn City Council
Magherafelt District Council
Moyle District Council
Newry and Mourne District Council
Newtownabbey Borough Council
North Down Borough Council
Omagh District Council
Strabane District Council

Local Government – Scotland

Aberdeen City Council
Aberdeenshire Council
Angus Council
Argyll and Bute Council
Clackmannanshire Council
Dumfries and Galloway Council
Dundee City Council
East Ayrshire Council
East Dunbartonshire Council
East Lothian Council
East Renfrewshire Council
Edinburgh City Council
Falkirk Council
[3]Fife Council
Glasgow City Council
Highland Council
Inverclyde Council
Midlothian Council
Moray Council
North Ayrshire Council
North Lanarkshire Council
Orkney Islands Council
Perth and Kinross Council
Renfrewshire Council
Scottish Borders Council
Shetland Islands Council
South Ayrshire Council
South Lanarkshire Council
Stirling Council
West Dunbartonshire Council
West Lothian Council
Western Isles Council (Comhaile Eilean Siar)

Local Government – Wales

Blaenau Gwent County Borough Council
Bridgend County Borough Council
Caerphilly County Borough Council
Cardiff City and County Council
Carmarthenshire County Council
Ceredigion County Council
Conwy County Borough Council
Denbighshire County Council
Dyfed Powys Police and Crime Commissioner
Flintshire County Council
Gwent Police and Crime Commissioner
Gwynedd County Council
Isle of Anglesey County Council
Merthyr Tydfil County Borough Council
Mid and West Wales Fire Authority
[3]Monmouthshire County Council
Neath Port Talbot County Borough Council
Newport City Council
North Wales Fire Authority
North Wales Police and Crime Commissioner
Pembrokeshire Coast National Park Authority
Pembrokeshire County Council
Powys County Council
Rhondda Cynon Taff County Borough Council
Snowdonia National Park Authority
South Wales Fire Authority
South Wales Police and Crime Commissioner
Swansea City and County Council
Torfaen County Borough Council
Vale of Glamorgan County Council
Wrexham County Borough Council

2 Entities that are not consolidated in the Whole of Government Accounts

Entities that are not consolidated in WGA

The accounting policy for the WGA boundary set out in Note 1.3 is based on section 9(1) of the Government Resources and Accounts Act 2000 (GRAA) and the Government Financial Reporting Manual (FReM) which adapts IAS 27 to reflect the requirements of the GRAA. The GRAA requires HM Treasury to consolidate entities that appear to HM Treasury to "exercise functions of a public nature" or to be "substantially funded from public money". HM Treasury's decisions apply the GRAA and the FReM, taking into account the national accounts classification of entities to the public sector determined by the Office for National Statistics (ONS). This is because the ONS consider the factors listed in the GRAA when making their classification decisions as well as taking account of the degree of control that government has over each entity. As a result the scope of WGA is similar to other fiscal measures, which enables WGA to complement existing data and be a tool to support macro-economic management of the UK's finances.

Entities that are minor

A number of small entities are not consolidated within the accounts on the basis of materiality. These minor entities are listed in Annex 3.

Entities that are not responsible to an executive arm of government

There are a few entities that would satisfy the criteria set out in the GRAA and are classified as public sector entities by the ONS, but which HM Treasury, consistent with its legislative remit, has decided to exclude from WGA. This is because, whilst they are accountable to their respective parliaments or assemblies, they are not responsible to an executive arm of the government, and therefore do not form part of government. These entities, which are all relatively small in size, are listed below:

- Audit Scotland
- The Crown Estate
- Electoral Commission
- Greenwich Hospital
- Historic Royal Palaces
- Independent Parliamentary Standards Authority
- National Assembly for Wales
- National Audit Office
- Northern Ireland Assembly

- Northern Ireland Audit Office
- Parliamentary Ombudsman
- Scottish Parliament
- Wales Audit Office
- Westminster Parliament

Public sector financial institutions

There is one financial institution that would satisfy the criteria set out in the GRAA and is classified as a public sector entities by ONS: the Royal Bank of Scotland. This has not been fully consolidated in these accounts but is instead shown as a financial investment, for reasons outlined in Note 36.

In September 2013 the government sold 6% of its shareholding in Lloyds Banking Group, followed by a further sale in March 2014, bringing the government shareholding down to 24.9%. The ONS subsequently reclassified LBG to the private sector and it is no longer within the scope of WGA. The remaining shares are shown as a financial investment.

Other entities

In addition, some entities have been excluded for reasons specific to their circumstances. In these instances, their exclusion is under review and they may be consolidated within WGA in future.

A list of these entities is provided below:

- British Wool Marketing Board – proposed to be included in future, date to be agreed
- Broadcasters' Audience Research Board Limited – proposed to be included in future, date to be agreed
- Covent Garden Market Authority – proposed to be included in future, date to be agreed
- English Institute of Sport Limited – proposed to be included in future, date to be agreed
- Further education institutions – classified to the private sector by ONS
- Higher education institutions – classified to the private sector by ONS
- Local government pension schemes – not separately designated as the net public sector pension liability is included within the accounts of local authorities
- Maintained schools – not separately designated as net assets, income and expenditure are usually included by local authorities
- Municipal ports – pragmatic exclusion as net assets are immaterial to WGA and the expenditure is reflected in WGA
- Oil and Pipelines Agency – proposed to be included in future, date to be agreed
- Parish councils and Community Councils – pragmatic exclusion as net assets are immaterial to WGA and the expenditure reflected in WGA

- Scottish Futures Trust – proposed to be included in future, date to be agreed
- Theatres Trust – pragmatic exclusion as net assets and expenditure are immaterial to WGA
- Trust ports –pragmatic exclusion as net assets are immaterial to WGA
- UK Airports - pragmatic exclusion as the airports are included in WGA as an investment within the respective central or local authority accounts.
- Welsh Government Minor Subsidiaries and Interests – pragmatic exclusion as net assets are immaterial to WGA

3 Minor entities excluded from the consolidation

There are a number of entities within the public sector that are relatively small in size. These small entities that are not consolidated in underlying accounts are deemed minor entities and are considered too small to have any material impact on WGA and are therefore not consolidated in WGA. In order to be minor, they must satisfy certain tests which are reviewed annually, as described in Note 1.22.1. The entities listed below have not been consolidated into WGA for 2014-15 as they meet the minor entity criteria.

Entity	Gross expenditure (£000s)	Property, plant & equipment net book value (£000s)	Net assets (£000s)
Antrim and Newtownabbey District Council	1,323	134	128
Architecture and Design Scotland	1979	26	(20)
Architects Registration Board	3,292	233	2,925
Armagh Observatory	1,598	2,888	2,386
Armagh Planetarium	818	4,382	3,709
Armagh, Banbridge and Craigavon District Council	1,500	500	500
Belfast District Council	983	0	0
Bòrd na Gàidhlig	5,547	0	(482)
Brecon Beacons National Park Authority	6,197	4,400	(620)
British Hallmarking Council	73	0	0
Cairngorms National Park Authority	5,190	232	395
Causeway Coast and Glens District Council	1,100	0	0
Charity Commission for Northern Ireland	1,726	558	499
Children's Commissioner for Wales	1,693	26	408
Children’s Hearings Scotland	3,757	21	687
CITB Construction Skills Northern Ireland	3,309	2,031	1,838
Comhairle na Gaelscolaiochta	804	10	56
Commission for Victims and Survivors for Northern Ireland	954	15	7
Commissioner for Children and Young People for Northern Ireland	36	31	45
Commissioner for Older People for Northern Ireland	848	22	67
Council for Catholic Maintained Schools	3,774	16	(4,099)
Criminal Justice Inspection Northern Ireland	1,159	59	(161)
Crofting Commission	2,864	67	320

Entity	Gross expenditure (£000s)	Property, plant & equipment net book value (£000s)	Net assets (£000s)
Culture Company 2013 Limited	12	0	0
Derry and Strabane District Council	1,900	0	0
Fermanagh and Omagh District Council	1,750	100	100
General Consumer Council for Northern Ireland	2,718	72	26
General Teaching Council for Northern Ireland	1,066	0	1,481
General Teaching Council for Wales	8,602	29	247
Groceries Code Adjudicator	683	0	0
Health and Safety Executive for Northern Ireland	855	71	310
Hybu Cig Cymru/ Welsh Meat Promotion	5,544	508	2,096
Labour Relations Agency	3,636	274	500
Lisburn and Castlereagh District Council	1,329	269	269
Livestock and Meat Commission for Northern Ireland	2,210	893	3,466
Local Democracy and Boundary Commission for Wales	443	48	42
Local Government Boundary Commission for England	2,348	12	28
Local Government Staff Commission for Northern Ireland	723	424	49
Loch Lomond and the Trossachs National Park Authority	8,492	9,616	9,221
Mid and East Antrim District Council	738	0	0
Mid Ulster District Council	1,822	0	0
Newry, Mourne and Down District Council	738	0	0
North Down and Ards District Council	1,600	30	0
North West Regional Waste Management Group	200	0	0
Northern Ireland Events Company Limited	189	0	(1,483)
Northern Ireland Guardian ad Litem Agency	4,280	112	(119)
Northern Ireland Judicial Appointments Commission	1,208	4	-90
Northern Ireland Memorial Fund	120	0	2
Northern Ireland Museums Council	469	1	47
Northern Ireland Police Fund	1,631	0	(5)
Northern Ireland Practice and Education Council for Nursing and Midwifery	1,376	42	(731)
Northern Ireland Social Care Council	3,871	62	(50)
Older People's Commission for Wales	1,767	35	281
Patient and Client Council	1,770	18	-68
Police Investigations and Review Commissioner	2,604	356	331
Police Rehabilitation and Retraining Trust	2,279	1,026	915

Entity	Gross expenditure (£000s)	Property, plant & equipment net book value (£000s)	Net assets (£000s)
Risk Management Authority	1,041	53	332
Royal Ulster Constabulary George Cross Foundation	136	313	127
Scottish Criminal Cases Review Commission	6,117	285	(6,235)
Scottish Housing Regulator	3,923	149	958
Scottish Legal Complaints Commission	2780	26	710
SESTRANS (South East of Scotland Transport Partner)	2,387	3,990	3,611
Southern Waste Management Partnership	309	36	37
Staff Commission for Education and Library Boards	271	0	(321)
Water Industry Commission for Scotland	3075	120	152
Wave Hub Limited	1,758	5	2
Welsh Language Commissioner	3,740	127	563
Amounts excluded from WGA in 2014-15	145,034	34,757	25,389
Amounts excluded from WGA in 2013-14	86,614	18,787	14,695

4 List of departures from the 2014-15 Government Financial Reporting Manual

These financial statements are prepared in accordance with the Government Resources and Accounts Act 2000 (GRAA) and the 2014-15 Government Financial Reporting Manual (FReM). However, in some circumstances departures from the FReM have been made, and these are described below.

Departures in the underlying accounts

General government entities (including devolved administrations and the National Health Service)

HM Treasury's Accounts Direction given in accordance with section 5(2) of the GRAA allows for departures from the FReM in exceptional circumstances, where to comply with the FReM would not give a true and fair view. In these instances, any departure is agreed with HM Treasury's Accounting and Financial Policy Reporting team.

The Ministry of Defence has not applied IFRIC 4 'Determining whether an Arrangement Contains a Lease' to all of its contracts. It is believed that a limited number of significant, largely single source contracts, particularly strategic procurement arrangements with key contractors, would meet the IFRIC 4 definition of containing a lease if they were reviewed against IFRIC 4; and that some of these leases would meet the definition of a finance lease per IAS 17 'Leases'. The impact on the financial statements of not applying IFRIC 4 is that contractors' assets held under finance leases and the associated liabilities have been excluded from the Statement of Financial Position. Consequently, the Comptroller & Auditor-General qualified his opinion on the accounts of the Ministry of Defence, for the sixth year, on the basis that a material value of leased assets and liabilities were omitted from its Statement of Financial Position. Following a review on the application of the standard it was agreed with HM Treasury not to implement IFRIC 4 for legacy contracts on value for money grounds. Further information is available in the Ministry of Defence's 2014-15 Annual Report and Accounts.

The Department of Health's 2014-15 Annual Report and Accounts include a number of departures from the FReM as agreed with HM Treasury, but these have no material impact on consolidation in these accounts. Some NHS organisations whose accounts are consolidated into the department's annual report and accounts receive donations that are held on trust.

Inconsistencies in accounting frameworks that led to departures from the FReM

Local government entities

Local authority accounting complies with the Code of Practice on Local Authority Accounting in the UK (The Code) developed by the CIPFA / LASAAC Board. The Code is based on international accounting standards.

The most significant difference between the FReM and the Code arises from the accounting treatment of highways infrastructure assets held by local authorities. Local authorities prepare their accounts on a historical cost basis compared to the depreciated replacement cost basis used by all other government entities. Local authorities are working towards calculating a valuation of these assets on a depreciated replacement cost basis for inclusion in the Whole of Government Accounts. The 2014-15 process collected data from local authorities, but it was not considered sufficiently reliable for inclusion in the financial statements. However, this does enable further analysis to be undertaken in future years to potentially deliver an interim solution until the introduction of the new accounting policy in 2016-17.

In the meantime, the best proxy available for depreciated replacement cost is the calculated asset value used by the ONS from their perpetual inventory model reflected in the National Accounts. The 2014 National Accounts estimated the value of the road network at £307 billion (2013-14: £292 billion) as at 31 December 2014[1]. Infrastructure assets are likely to be understated by at least £244 billion.

Local authorities value the bulk of housing stock within the Housing Revenue Account under the valuation method 'Existing Use Value for Social Housing', which is defined by the Royal Institution of Chartered Surveyors Valuation Standards 6th Edition. This is in accordance with current CIPFA and HM Treasury guidance. However, this method of valuation is not recognised under IFRS and is a departure from IFRS and FReM.

Under the disclosure requirements in the 2014-15 Code, local authorities are not required to separately disclose vehicles. As a result, plant and machinery in Note 13 include vehicles held by local authorities.

Public corporations

Except where specific powers are defined in statute, public corporations are subject to all the discipline of corporate legislation including conforming to the financial reporting requirements of the Companies Act, and not the FReM.

Scottish Water values its infrastructure assets at historical cost in its accounts, rather than replacement cost per the FReM.

Specific WGA departures from the FReM

PFI disclosures

A number of WGA entities have PFI contracts which should not be recognised on the Statement of Financial Position because, under IFRIC 12, the private sector contractor was, on balance, considered to have greater control over the use of the asset. WGA entities reported off-balance sheet contracts in their accounts in different ways in 2014-15, as the accounting standards allow flexibility as to how to present the information. Therefore it is not possible to provide a summary of all PFI contracts in this account. Included in Note 29 is a list of the most material PFI contracts that have been reported.

Level of disclosures

On certain matters, the level of disclosure reported by individual entities in their accounts varies, which has impacted on the level of disclosures able to be reported in these accounts. For example, local authority accounting requirements disclose exit packages at different cost bands to those required to be disclosed in the FReM, and this has been reflected in the cost bands disclosed in Note 7.3. In these instances, the level of disclosure still provides users of the accounts with sufficient information to understand the Whole of Government Accounts (WGA).

On certain matters, the detailed level of disclosure required by financial reporting standards is not appropriate for WGA, as it would create an unwieldy document including details from over 6,000

[1] UK National Accounts, The Blue Book, 2015, Table 9.9 'Other Structures'

entities that would not serve the purpose of the WGA. In such cases detailed disclosures are omitted but are available in the individual accounts of the consolidated entities. This affects the following items:

Disclosure	Information omitted
Donated assets	Details of restrictions where a donor imposes restrictions on the use of donated assets.
Heritage assets	Information on the age and scale of assets, how they were acquired and what use is made of them.
Valuation of assets	Detailed disclosures regarding valuations including the following: name and qualification of the value or valuer's organisation and a description of its nature, date and amounts of valuations, if a valuation is performed by an employee or officer of the entity, and certain detailed disclosures regarding impairments required under IAS 38.
Investment property revaluation reserve	Investment property revaluation reserve to be shown separately from any other revaluation reserve.
Secured payables	Details of secured payables and the nature of security given.
Long term contracts	Payments on account of long term contracts separately disclosed in receivables and payables.
Managing capital	Qualitative and quantitative information about objectives, policies and procedures for managing capital.
Related party transactions	Details of material financial transactions between entities that are regarded as related parties.

5 Glossary

Accruals basis
A method of recording transactions to relate them to the period when the consumption of the goods, services or financial asset took place, or when the income is earned. For example, value added tax accrues when the expenditure to which it relates takes place, but HM Revenue and Customs receive the cash some time later. The difference between accruals and cash results in the creation of an asset and liability in the financial accounts, shown as amounts receivable or payable.

Actuarial assumptions
Assumptions used to calculate the costs of future events that affect the pension liability.

Actuarial gains and losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses. They arise because events have not coincided with actuarial assumptions made for the last valuation or the actuarial assumptions have changed.

Assets
Anything of positive economic value that can be owned or controlled.

Asset Purchase Facility
Facility created in January 2009 to increase the availability of corporate credit, in order to support the Bank of England's responsibilities for financial stability and monetary stability in the UK, and for monetary policy purposes.

Bank of England (BoE)
The Bank of England is the central bank of the United Kingdom. It is independent of the government and has two core purposes: monetary stability and financial stability. Since 1997 the Bank has had statutory responsibility for setting the UK's official interest rate.

Balance sheet
Also known as the Statement of Financial Position. A statement, drawn up at a particular point in time, showing the value of assets owned and of the financial claims (liabilities) against the owner of these assets.

Bond
A certificate of debt issued by a government or corporation in order to raise money - a bond is essentially an IOU. A bond states when a loan must be repaid and what interest the borrower (issuer) must pay to the holder. In the UK, government bonds are called 'gilts'.

Capital expenditure
Money spent on building, purchasing or upgrading physical assets (i.e. infrastructure, buildings, machinery etc.), for the purpose of creating future benefits.

Cash basis
The recording of transactions when cash or cash equivalents are paid out or received, rather than on an accruals basis.

Cash equivalents
Short-term, highly liquid bank deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

CIPFA
The Chartered Institute of Public Finance and Accountancy

Clear Line of Sight (CLoS)
A government driven project to simplify central government financial reporting to Parliament by reporting in a more consistent way, in line with the fiscal rules. [1]

Consolidated Fund
The government's "current account", operated by the HM Treasury, through which pass most central government payments and receipts.

Consumer Prices Index (CPI)
A measure of inflation. The CPI measures the average changes month-to-month in prices of consumer goods and services purchased in the UK. The CPI is the main UK measure of inflation for macroeconomic purposes and forms the basis for the government's inflation target.

[1] Also refer to: http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_clear_line_of_sight_intro.htm

Corporation tax
A tax on the taxable profits made by companies, limited companies and other organisations including clubs, societies, associations and other unincorporated bodies.

Current service costs
The increase in scheme liabilities arising from service in the current financial year.

Currency swap
A foreign exchange derivative between two institutions to exchange the principal and/or interest payments of a loan in one currency for equivalent amounts, in net present value terms, in another currency.

Defined benefit scheme
A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme
A pension or other retirement benefit scheme into which the employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivatives
Financial instruments whose value is linked to changes in the value of another financial instrument, an indicator or a commodity. In contrast to the holder of a primary financial instrument (for example a government bond or a bank deposit), who has an unqualified right to receive cash (or some other economic benefit) in the future, the holder of a derivative has only a qualified right to receive such a benefit. Examples of derivatives are options and swaps.

Designation Order
The statutory instrument which lists the entities consolidated into WGA and must provide data to HM Treasury.

Discount rate
The rate used to adjust for the time value of money. Discounting is a technique used to compare costs and benefits that occur in different time periods.

Effective interest rate
The rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the asset or liability. The annual rate of interest that accounts for the effect of compounding – i.e. when compounding occurs more often than once a year.

Equity
Equity is ownership or potential ownership of a company, as evidenced by the ownership of ordinary shares. They differ from other financial instruments in that they confer ownership of something more than a financial claim. Shareholders are owners of the company whereas bond holders are merely outside creditors.

Equity instruments
An 'equity instrument' is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities, e.g. ordinary shares.

Estimates
Estimates for central government departments are presented to the House of Commons to seek Parliamentary authority for expenditure, specifically the voted element of spending plans set out in Spending Reviews and Budgets.
Estimates are presented on a budgetary basis, the means by which the Treasury monitors and controls departmental spending.

Exchange rate
The rate at which one currency can be exchanged for another.

Exchange Equalisation Account (EEA)
An account of central government held by the Bank of England in which transactions in the official reserves are recorded. It is the means by which the government, through the Bank of England, influences exchange rates.

Expected rate of return on pensions assets
For a funded, defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets of the scheme.

Finance Bill
The annual Finance Bill puts into law the measures announced in the Budget. Its formal description is 'a Bill to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, to make further provision in connection with finance.'

Financial asset
Any asset that is cash; an equity instrument of another entity; a contractual right to receive another financial asset or exchange financial assets or liabilities on potentially favourable term; or certain types of contract which will or may be settled in the entity's own equity instruments.

Financial instruments
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial leasing
A form of leasing in which the lessee contracts to assume the rights and responsibilities of ownership of leased goods from the lessor (the legal owner) for the whole (or virtually the whole) of the economic life of the asset. In the economic accounts this is recorded as the sale of the assets to the lessee, financed by an imputed loan. The leasing payments are split into interest payments and repayments of principal.

Financial liabilities
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or certain types of contracts which will or may be settled in the entity's own equity instruments

Fiscal policy
The use of government spending and tax policy to affect changes in and influence the economy.

FReM
The 2013-14 Government Financial Reporting Manual which applies EU adopted International Financial Reporting Standards as adapted or interpreted for the public sector context.

General reserve
The main reserves account to which all revenue transactions are credited and from which revenue liabilities are discharged.

Gilts
Bonds issued or guaranteed by the UK government. Also known as gilt-edged securities or British government securities.

GRAA
Government Resources and Accounts Act 2000 which requires HM Treasury to prepare the Whole of Government Accounts (WGA).

Grants
Voluntary transfer payments. They may be current or capital in nature. Grants from government or the European Union to producers are subsidies.

Gross Domestic Product (GDP)
GDP is a measure of economic activity. It is the sum of all goods and services produced by a country over a given time period (usually a year). A rise in GDP shows the economy is growing, whilst falling GDP means the economy is contracting. GDP can be measured in three ways:

i) Income (the value of the income generated mostly in terms of profits and wages);
ii) Output (the value of the goods and services produced); and
iii) Expenditure (the value of the goods and services purchased).

Hedge
A hedge is an asset or derivative used to offset the risk in another asset held or liability.

Housing Revenue Account (HRA)
A separate account recorded by local authorities which is required by statute for recording income and expenditure on the provision of council housing. The rental and other HRA income pays for repairs, managing and maintaining the housing stock and repaying any money borrowed for past building and improvements. The HRA is ring fenced and can only be used to fund expenditure on council housing

Income Tax
A tax on personal income, i.e. wages or salary. The level of Income Tax an individual pays depends on their level of income – higher earners pay higher rates of Income Tax. However, nearly everyone who lives in the UK is entitled to an Income Tax personal allowance. This sets the amount of income you can receive each tax year without having to pay tax on it.

Index-linked gilts
Gilts whose coupon and redemption value are linked to movements in the retail prices index.

Inflation
A rise in the general price level of goods and services. Often measured over a 12 month period.

Intangible assets
An intangible fixed asset is an identifiable non-monetary asset which is without physical substance. Intangible fixed assets include mineral exploration, computer software and entertainment, literary or artistic originals. Expenditure on them is part of gross fixed capital formation. They exclude non-produced intangible assets such as patented entities, leases, transferable contracts and purchased goodwill, expenditure on which would be intermediate consumption.

Interest rate
A cost that is charged by a person or organisation that lends money to another. Usually expressed as a percentage.

Interest rate swap
A liquid financial derivative instrument in which two parties agree to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another.

International Monetary Fund (IMF)
The fund was set up in 1947 to supervise the fixed exchange rate system and to make available to its members a pool of foreign exchange resources to assist them when they have balance of payments difficulties. It is funded by member countries' subscriptions according to agreed quotas. It currently has about 180 member countries including most of the major countries of the world.

IMF quota subscription
A member's International Monetary Fund (IMF) quota subscription determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full upon joining the Fund.

Inventories
Inventories consist of finished goods (held by the producer prior to sale, further processing or other use) and products (for example, materials and fuel) acquired from other producers to be used for intermediate consumption or resold without further processing.

Liability
A claim on one entity by another which gives rise to a payment or other transaction transferring assets to the other entity. Conditional liabilities, that is where the transfer of assets only takes place under certain defined circumstances, are known as contingent liabilities.

LIBOR
The London Interbank Offered Rate is the average of interest rates estimated by each of the leading banks in London that it would be charged were it to borrow from other banks.

Liquidity
The ease with which a financial instrument can be exchanged for goods and services. Cash is very liquid whereas a life assurance policy is less so.

Machinery of Government (MOG) change
Transfer of functions from one part of the public sector to another in the UK.

Managing Public Money
A HM Treasury document for departments in central government that sets out the main principles for dealing with resources used by public sector organisations in the UK. It is publicly available at: https://www.gov.uk/government/publications/managing-public-money

Monetary policy
The regulation of money supply and interest rates by a central bank, such as the Bank of England, to achieve economic objectives.

National Insurance contributions (NICs)
National Insurance is a government-operated social security scheme. It is funded by compulsory contributions by employers, employees and the self-employed. Contributions increase according to the level of earnings (or profit, in the case of the self-employed).

NICs pay for contributory benefits, including the State Pension. Individuals stop paying NICs when they reach State Pension age or are no longer working. Various National Insurance credits are available to maintain entitlements where an individual is not able to work and there is also an option to pay voluntary contributions where credits are not available

National Loans Fund
An account of HM government set up under the National Loans Fund Act (1968) which handles all government borrowing and most domestic lending transactions.

National Non Domestic Rates
National Non-Domestic Rates (NNDR) (also known as business rates) are collected by each local authority. An element is retained and an element is paid into a national pool, which is shared out between local authorities as part of a formula grant (general government funding for local authorities). This funding, together with Council Tax, is used by local authorities to pay for local services.

Non-current assets
Assets that are themselves used repeatedly or continuously for more than one year. They include buildings and other structures, vehicles and other plant and machinery and also plants and livestock which are used repeatedly or continuously in production, for example fruit trees or dairy cattle. They also include intangible assets such as computer software and artistic originals.

Non-departmental public body (NDPB)
A body which has a role in the processes of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from ministers.

Operating leasing
The conventional form of leasing, in which the lessee makes use of the leased asset for a period in return for a rental while the asset remains on the balance sheet of the lessor. The leasing payments are part of the output of the lessor, and the intermediate consumption of the lessee. See also financial leasing.

Parliament
Parliament examines what the government is doing, makes new laws and debates the issues of the day. The business of Parliament takes place in two Houses: the House of Commons and the House of Lords. Both Houses hold debates in which Members discuss government policy, current issues, and debate and pass legislation.

Past service costs
The cost of retroactive benefits to member granted in a plan amendment as a result of the introduction, change or improvement to retirement benefits. Past service costs are amortised over the remaining expected service life of the members in the plan at the date it was amended.

Pension funds
The institutions that administer pension schemes. Pension schemes are significant investors in securities.

Pension scheme liabilities
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Preference share
This type of share guarantees its holder a prior claim on dividends. The dividend paid to preference shareholders is normally more than that paid to holders of ordinary shares. Preference shares may give the holder a right to a share in the ownership of the company (participating preference shares). However in the UK they usually do not, and are therefore classified as bonds.

Private Finance Initiative (PFI)
Private Finance Initiative (PFI) projects are schemes involving the private sector in the delivery of public sector infrastructure. PFI contracts transfer risk to the private sector, including the design, construction, maintenance and operation of the asset. In return, the government pays an annual charge over the lifetime of the contract, which is typically 25-30 years.

Private sector
The part of a nation's economy which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state.

Privatisation
The process of transferring a government-owned asset such as a company or property to the private sector.

Public corporations
These are public trading bodies which have a substantial degree of financial independence from the public authority which created them. A public corporation is publicly controlled to the extent that the public authority, that is central or local government, usually appoints the whole or a majority of the board of management.

Public finances
The government's accounts, including tax receipts, expenditure, borrowing and debt.

Public sector
The part of the nation's economy that is classified to the public sector by the Office for National Statistics.

Public sector current budget deficit
The amount by which government spending exceeds accrued government income during a specified period of time (usually a year), as measured by the Office for National Statistics.

Public sector net debt
The total amount of money owed by the public sector as measured by the Office for National Statistics.

Recession
The commonly accepted definition of a recession in the UK is two or more consecutive quarters (a period of three months) of contraction in national GDP.

Reserves
Reserves are created to finance expenditure occurring in future years. They include general reserve working balances, reserves for financing capital expenditure, and "earmarked" reserves for specific projects.

Retail Prices Index (RPI)
The RPI is a measure of inflation. The RPI measures the average changes month-to-month in prices of consumer goods and services purchased in the UK. The RPI is similar in nature to the Consumer Prices Index (CPI) however there are differences in calculation and in the basket of goods covered. In particular the RPI includes mortgage interest payments and housing depreciation whereas CPI does not.

Revaluation reserve
Entities are required to revalue their assets on a regular basis to reflect changes in value as a result of inflation. The revaluation reserve shows the cumulative effect of these revaluations. On sale of the asset, any remaining balance in the revaluation reserve is released to the Statement of Revenue and Expenditure.

Reverse sales and repurchase agreement (reverse repo)
Where an entity purchases securities and agrees to sell them back at a specified time and price. Securities pledged by an entity as collateral via reverse repos remain on its own statement of financial position.

Sale and repurchase agreements (repo)
Where an entity sells securities and agrees to repurchase them at a fixed price at a future date: essentially, a form of secured borrowing. Securities that are pledged by the entity as collateral via sales and repurchase agreements remain on its statement of financial position.

Sector
In the economic accounts the economy is split into different institutional sectors according broadly to their role in the economy. The main sectors are non-financial corporations, financial corporations, general government, households and non-profit institutions serving households (NPISH). See also private sector and public sector.

Special Drawing Rights (SDRs)
The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of four key international currencies, and SDRs can be exchanged by IMF members for freely usable currencies. IMF members can buy SDRs to discharge obligations to the IMF, and can sell SDRs in order to adjust the composition of their reserves. SDRs are also the IMF's unit of account.

Special Liquidity Scheme
Scheme created in 2008 to encourage banks to lend to each other, by allowing banks to temporarily swap high quality securities (including mortgage-backed) for Treasury Bills.

Spending Review
Spending reviews set multi-year budgets for government departments.

Subsidies
Current unrequited payments made by general government or the European Union to entities.

Taxes
Compulsory unrequited transfers to central or local government or the European Union.

Third party assets
Assets held by the government, through various public entities, as custodian or trustee, but which belong to third parties, for example funds in court or money held on behalf of others.

Treasury (The)
HM Treasury is the United Kingdom's economics and finance ministry. It is the government department responsible for formulating and implementing the government's financial and economic policy. Its aim is to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life with economic and employment opportunities for all.

Treasury Bills
Short-term securities or promissory notes which are issued by government in return for funding from the money market. In the United Kingdom every week the Bank of England invites tenders for sterling Treasury Bills from the financial institutions operating in the market. EU-denominated bills are issued by tender each month. Treasury Bills are an important form of short-term borrowing for the government, generally being issued for periods of 3 or 6 months.

United Kingdom
Broadly, in the accounts, the United Kingdom comprises Great Britain plus Northern Ireland and that part of the continental shelf deemed by international convention to belong to the UK. It excludes the Channel Islands and the Isle of Man.

Value Added Tax (VAT)
VAT is a tax that is charged on goods or services. It is levied at each stage in the chain of production and distribution. However, smaller businesses do not have to register for VAT and when VAT registered businesses buy goods or services they can generally reclaim the VAT that they have paid on them. Therefore VAT principally affects consumers. This is with the exception of certain goods that are taxed at zero per cent, including food, books, newspapers and children's shoes and clothes.

Value at Risk (VaR)
This measures the aggregate market risk on a portfolio. VaR is an estimate of the maximum potential loss in the value of a portfolio.