Whole of Government Accounts

year ended 31 March 2023

HC 289

November 2024

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year ended 31 March 2023

Presented to the House of Commons pursuant to section 11 of the Government Resources and Accounts Act 2000

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HC 289 November 2024

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Chapter 1

Performance Report

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Overview

1.1 The Whole of Government Accounts (WGA) provides a consolidated view of the government's financial position and performance. It consolidates the UK public sector in line with International Financial Reporting Standards (IFRS). WGA is a globally unique publication which has put the UK at the forefront of government financial reporting since financial year 2009-10.

1.2 The requirement to produce WGA is set out in the Government Resources and Accounts Act 2000 (GRAA), and every year HM Treasury must prepare a set of accounts, have them audited and lay them in Parliament.

1.3 The financial statements in WGA 2022-23 show:

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Income	**(974.5)**	(881.6)	(731.5)	(813.3)	(795.6)
Expenditure	**1,133.6**	1,044.4	1,063.0	918.7	851.8
Total assets	**2,554.3**	2,414.3	2,206.7	2,138.5	2,098.8
Total liabilities	**(4,943.4)**	(6,289.2)	(5,533.0)	(4,972.7)	(4,554.6)

1.4 There are many factors that influence these figures and details can be found throughout the performance report and the notes to the financial statements to aid understanding of trends in public sector finances.

1.5 This publication presents the financial statements for the 2022-23 financial year as well as information on more recent events which are useful to the reader. These include information on the economic and fiscal context which WGA sits within and external events and trends which have significantly impacted WGA. While WGA is prepared centrally by HM Treasury (HMT), as required by the GRAA 2000, multiple other central government departments may contribute sections in the performance report where they are better placed to comment on significant events throughout the year.

Whole of Government Accounts is a unique and internationally respected publication. WGA puts the UK at the global forefront of fiscal transparency and government financial reporting.

WGA is made up of over 10,000 bodies, across the whole public sector including central government departments, local authorities, devolved administrations, the NHS, academy schools and public corporations.

Why do we prepare WGA?

Providing a comprehensive picture of the UK's public sector finances supports government transparency, and having a complete picture of government assets and liabilities helps inform more effective management of fiscal risks.

WGA is independently audited by the National Audit Office (NAO), who provide assurance that the figures are prepared in line with International Financial Reporting Standards, as interpreted for the public sector context.

WGA and National Accounts

Day to day management of the public finances uses the National Accounts measures. These measures are less comprehensive than WGA, but are far faster to prepare, and follow international standards that allow comparisons between countries.

WGA is one of a range of tools used to manage public sector finance. Using WGA and the National Accounts together allows for robust monitoring of the fiscal position and periodic assessments of the overall state of the public finances, both through WGA itself and through the additional analysis that it supports such as the Office for Budget Responsibility's Fiscal Risks Report and Fiscal Sustainability Report. Further details on the National Accounts are included in **Annex A**.

How is WGA prepared?

At the end of the fiscal year, on 31st March, all government entities begin preparation of their annual financial statements for the previous year. Once these have been completed and individually audited, they submit the data that the accounts are based off to HMT.

HMT will then consolidate this data, eliminating any transactions between government entities. The aim is to only reflect in WGA transactions which take place between consolidated bodies and the external economy.

HMT applies rigorous assurance methods, which are also reviewed by the NAO, to the data which is received to ensure that WGA is as accurate as possible. More information on how we prepare WGA and how we ensure it of high quality can be found in the Governance Statement.

Who uses WGA?

The primary user of WGA is UK Parliament, who scrutinises the accounts in a yearly hearing held by the Public Accounts Committee. In addition, there are multiple offices within government and bodies holding the government to account which rely on WGA for transparency and analysis.

Year at a glance 2022-23

11 million homes able to be powered by the 11.8GW offshore wind capacity of The Crown Estate's holdings. Source: The Crown Estate

£45.8bn trade deal agreed between the UK and Italy Source: Department for International Trade

£1.84bn committed to the European Space Agency through the National Space Strategy, with first attempted UK launch to space from Cornwall.
Source: Department for Business, Energy and Industrial Strategy

£2.6bn provided in recovery premium funding for schools to support the most disadvantaged pupils
Source: Department for Education

£1.37bn joint industry and government commitment for development of ultra- low and zero emission technologies
Source: DFT

£1.6bn allocated to support people through the cost of living crisis
Source: Welsh Government

£18.9m invested in Northern Ireland's Cyber Security industry
Source: Northern Ireland Office

£10.6bn provided by Scotland to Scottish Local Government to support vital day- to- day services.
Source: Scottish Government

£34.0bn additional tax income, generated by tackling avoidance, evasion and non-compliance.
Source HMRC

£150m invested by the Flood and Coastal Resilience Innovation Programme to tackle flooding and coastal change.
Source: DEFRA

£2.3bn in military equipment, munitions, training and support to Ukraine in 2022.
Source: MOD

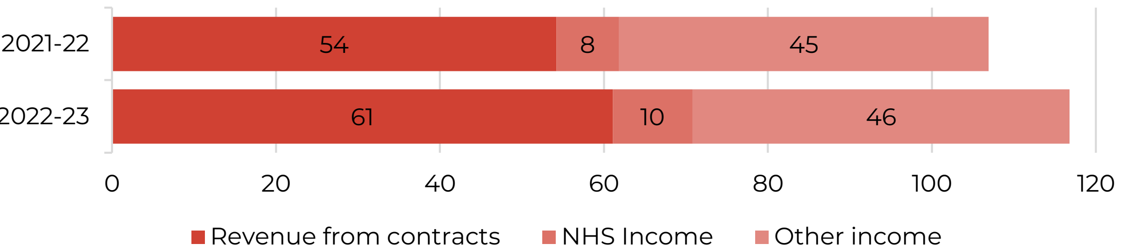
Summary

Income

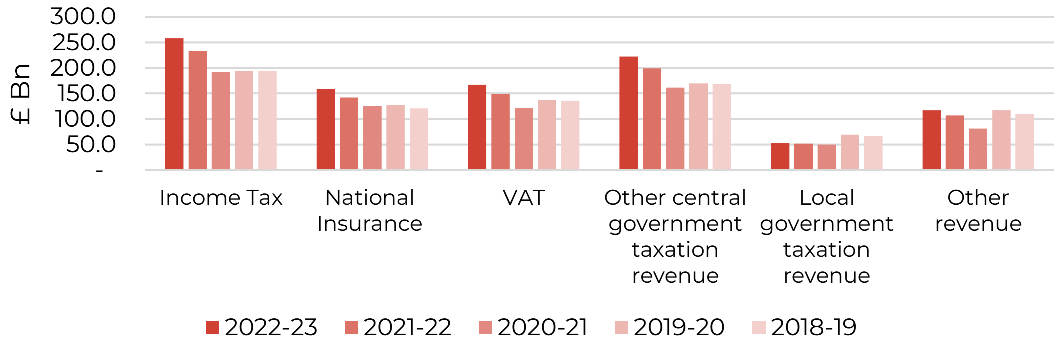
The majority of government income comes from taxation.

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Income Tax	258.0	233.4	191.9	194.2	194.0
National Insurance	158.3	142.1	125.8	126.6	120.4
VAT	166.8	148.7	122.1	137.2	135.6
Other central government taxation revenue	222.4	199.0	161.1	169.8	168.9
Local government taxation revenue	52.2	51.5	49.8	68.9	66.8
Other revenue	116.8	106.9	80.8	116.6	109.9
Total	**974.5**	**881.6**	**731.5**	**813.3**	**795.6**

Other revenue 2022-23 - £bn



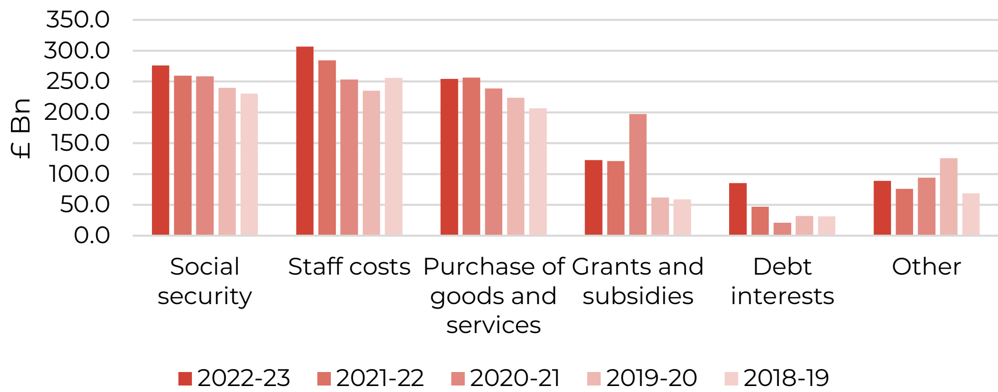
5 year trend: in year changes in revenue



Expenditure

The most significant types of public sector expenditure are social security costs, staff costs, and purchase of goods and services.

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Social security	276.1	259.7	258.4	240.0	230.3
Wages and salaries	188.1	175.6	171.0	168.2	159.4
Other staff costs	118.6	108.9	82.5	67.1	96.3
Purchase of goods and services	254.3	256.2	238.7	223.6	206.5
Grants and subsidies	122.4	121.0	197.2	62.2	58.8
Debt interest	85.1	47.1	21.2	31.8	31.6
Other	89.0	75.9	94.0	125.8	68.9
Total expenditure on public services	**1,133.6**	**1,044.4**	**1,063.0**	**918.7**	**851.8**



Assets

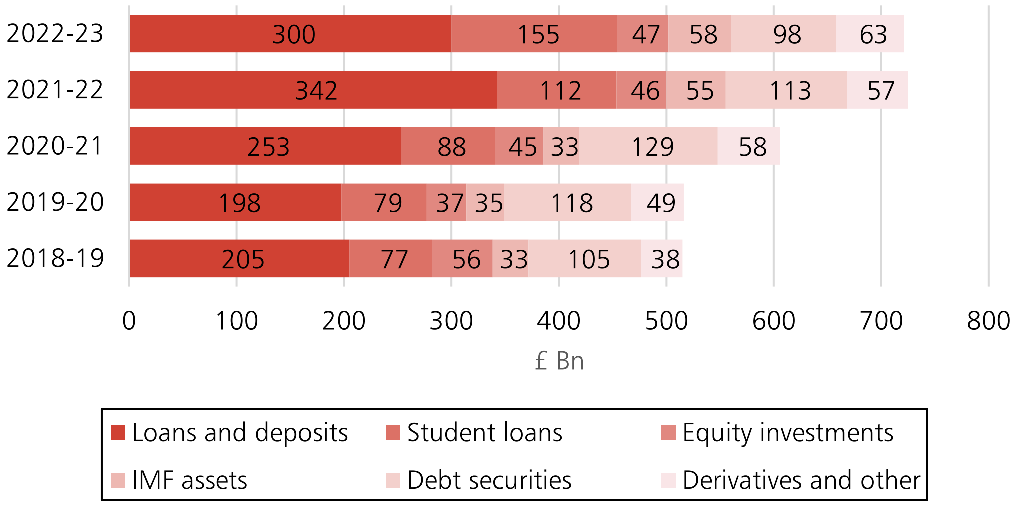
The most significant assets owned by the public sector are property, plant and equipment, other financial assets and other receivables.
* Other Assets include right of use assets.

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Property, plant and equipment	1,435.3	1,340.4	1,270.3	1,313.3	1,268
Other financial assets	721.1	724.8	605.7	516.2	514.9
Trade and other receivables	232.9	215.6	202.9	182.0	190.3
Other assets*	165.0	133.5	127.8	127.0	125.6
Total assets	**2,554.3**	**2,414.3**	**2,206.7**	**2,138.5**	**2,098.8**

Other financial assets

Other financial assets include loans and deposits, the student loan book, equity investments and debt securities. Some are held for cash management purposes and others to support specific policy objectives.

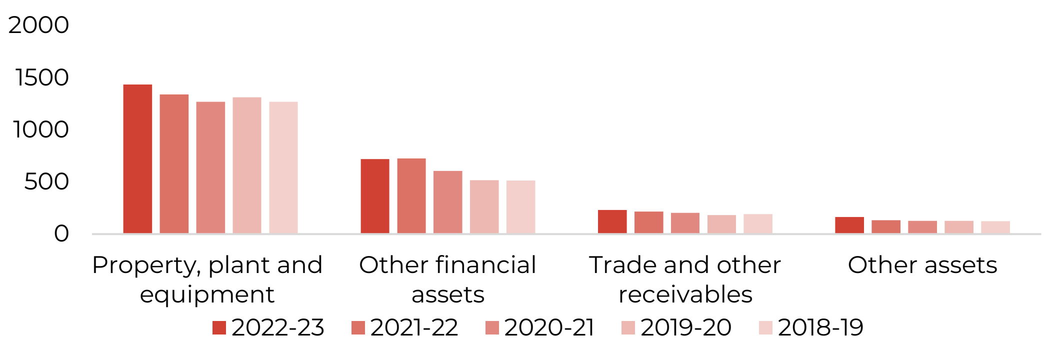
Other Financial Assets (£ billion)



Property, plant and equipment

Property, plant and equipment (PPE) comprises 56% of assets in WGA. The largest components of PPE are land and buildings, and infrastructure assets – which includes the road and rail network.

5 year trend: in year changes in assets

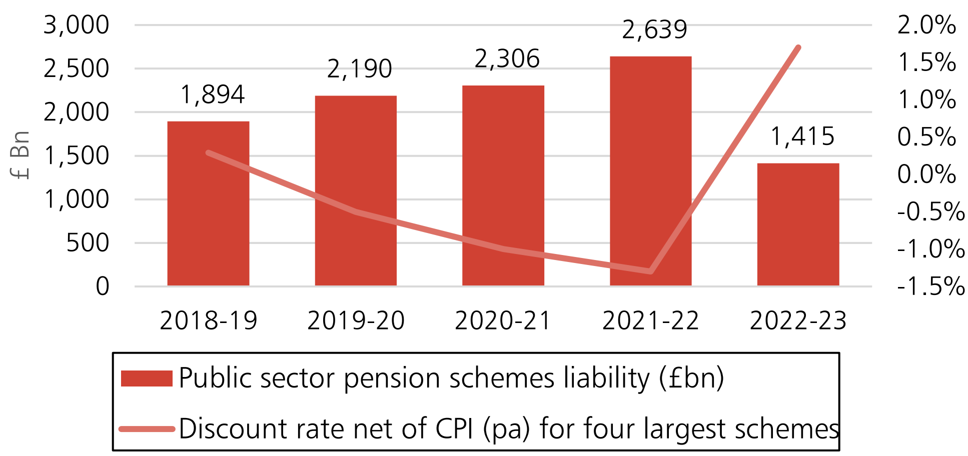


Liabilities

Key public sector liabilities are the net public sector pension liability, government borrowings, other financial liabilities and provisions.

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Public sector pensions	1,415.0	2,639.1	2,306.2	2,189.5	1,893.9
Government Borrowings	1,754.0	1,575.7	1,520.3	1,445.4	1,407.2
Other financial liabilities	1,251.2	1,334.0	1,118.8	761.9	750.2
Provisions	306.9	527.8	366.4	374.8	311.4
Trade and other payables	216.3	212.6	221.3	201.1	191.9
Total liabilities	**4,943.4**	**6,289.2**	**5,533.0**	**4,972.7**	**4,554.6**

Pension liabilities 5- year trend (£ billion)



Public sector pension liability

Public sector pension liabilities amounted to £1,415.0 billion in 2022-23. Pension valuations are impacted by changes in the discount rate used to calculate the present value and changes to actuarial assumptions such as on inflation and salary growth, life expectancy and workforce size. Further information on discount rates is available in matters of interest.

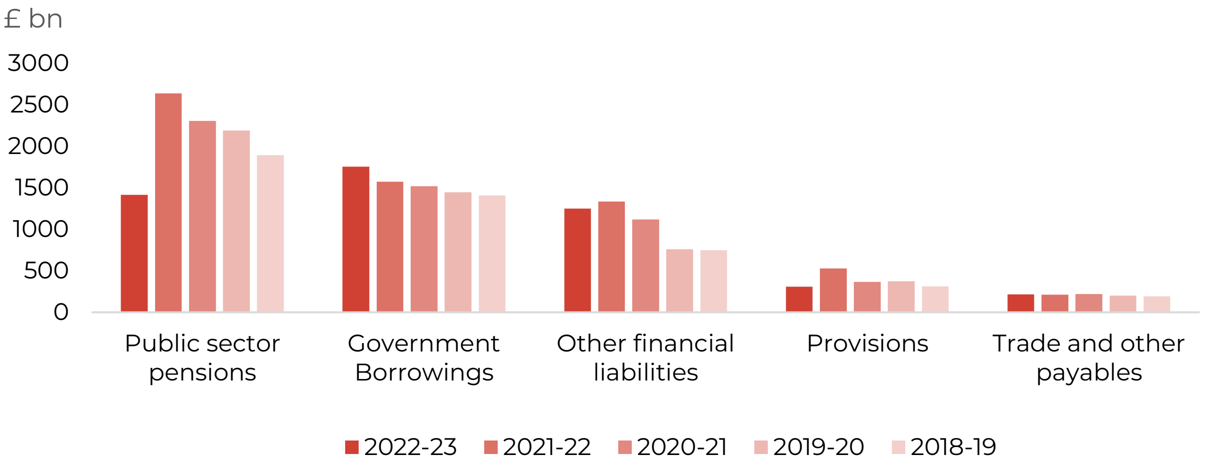
Government borrowings

The primary form of government debt is gilts. Total gilts stand at £1,472.9 billion. Other components include Treasury Bills and National Savings and Investments (NS&I) products. Government borrowing increased by 11.3% in 2022-23.

Provisions

Provisions are liabilities of uncertain timing or amount. Key provisions in WGA are those for nuclear decommissioning and clinical negligence. Changes this year in total provisions have primarily been driven by the change in the discount rate.

5 year trend: total liabilities



Commitments and contingent liabilities

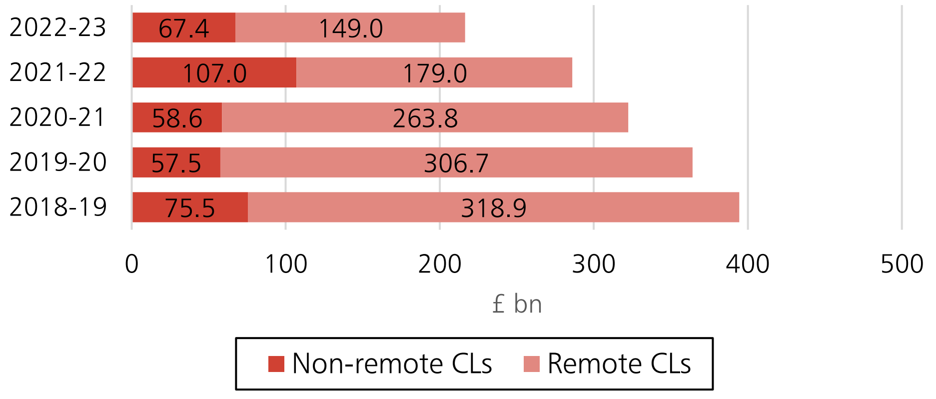
The WGA balance sheet shows £4.9 trillion of gross liabilities to be met by future revenues. In addition to these, there are other liabilities which are not recognised on the statement of financial position.

There are liabilities which the government is exposed to which are not recognised on the balance sheet. These can be broadly categorised into Contingent Liabilities (some Remote and some Non-Remote) and Commitments.

These other liabilities above are not recognised because they have not yet crystallised into being payable. Future events, which may be highly uncertain, will determine whether they become payable.

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Commitments	188.4	208.1	194.8	205.8	183.7
Remote Contingent Liabilities	149.0	179.0	263.8	306.7	318.9
Non- Remote Contingent Liabilities	67.4	107.0	58.6	57.5	75.5
Total: off balance sheet liabilities	**404.8**	**494.1**	**517.2**	**570.0**	**578.1**

Contingent Liabilities (£ billion)



Note: 2018-19, 2019-20, and 2020-21 figures contain restatements

Contingent liabilities are liabilities that are unlikely and will not crystalise unless a specific event occurs or becomes significantly more likely to occur. These include indemnities, guarantees, and outcomes of litigation. The most significant non- remote contingent liabilities in WGA relate to Clinical Negligence (49.6%) and Nuclear Decommissioning (27.4%), at £33.4 billion and £18.5 billion respectively. These liabilities are not committed and may not become payable.

Scope of WGA

Although WGA is a highly comprehensive product, there are some items that are not included, either because they are outside the accounting standards, would lead to lengthy disclosures that added limited value, or due to limitations in the data collection:

a) WGA does not include a liability for future state pension payments. This is because the expenditure is reported to match the period of entitlement. Future expenditure on public services is also not recognised unless contractually committed.

b) WGA does not recognise an asset for future tax revenue, as these future taxable events (like firms making profits) have not yet occurred.

c) WGA does not include individual remuneration disclosures of public sector employees, including senior employees. This information can be found in the published accounts of individual organisations.

d) WGA follows the IFRS definition of intangible assets. This means that there are strict rules over what can and cannot be recognised on the Statement of Financial Position. There is a broader definition of intangible assets which encompasses knowledge, techniques and know how, which supports broader consideration of public value. These are known as knowledge assets; however they are not captured in WGA.

What is not in WGA in 2022-23

The list of bodies consolidated into WGA is not identical every year. Component bodies are created, merged and dissolved, and classified into and out of the public sector. In some cases, bodies that are required to do not submit data for consolidation.

2019-20 saw a lack of data from 21 bodies which was more than in previous years. The number of bodies not submitting consolidation data for 2020-21 was much higher, as 155 bodies did not submit. For WGA 2021-22, 178 bodies did not submit data for consolidation, with 157 of those being local authorities. The trend continued to worsen in 2022-23, with 211 bodies not submitting, 187 of which were English local government. Information relating to missing data is available in the missing data section below.

Some areas of WGA 2022-23 are affected by this missing data more than others. An estimate of the effect on the Statement of Financial Position and Statement of Revenue and Expenditure is presented below from paragraph 1.7.

Data missing from WGA 2022-23

1.6 The list of bodies consolidated into WGA is not identical every year. In some cases, bodies do not submit data for consolidation as they are required to. Historically, the number of bodies which have failed to submit data for consolidation has been low and was not disproportionate to other changes to the list of bodies consolidated, such as changes in classification. 2019-20 saw a lack of data submitted from 21 bodies, which was higher than usual, but this was not material to WGA as a whole. The number of bodies not submitting consolidation data for 2020-21 was much higher, as 155 bodies did not submit and was even higher in 2021-22 as 178 bodies did not submit. This was primarily due to local authority reporting and audit issues.

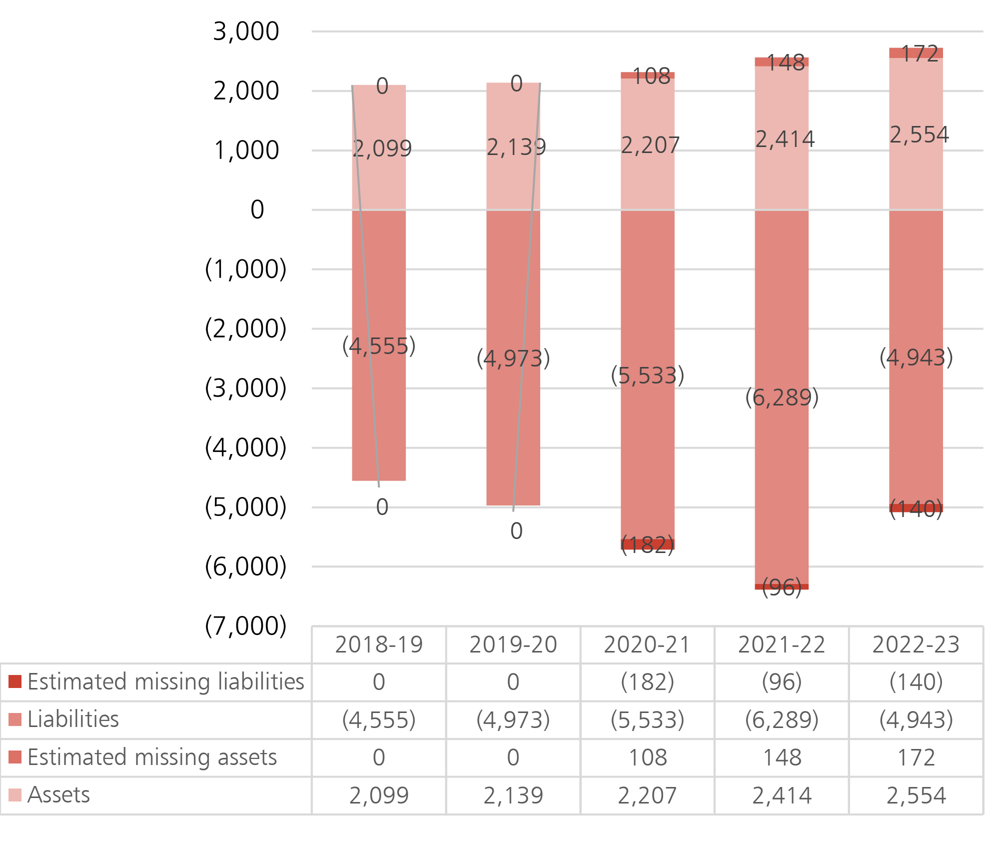
1.7 For 2022-23, 211 bodies did not submit data. 28 bodies did not submit in 2021-22 but then returned data for 2022-23, however 61 bodies submitted in 2021-22 but did not submit in 2022-23. Due to the absence of data, it is not possible to calculate the exact amount missing from 2022-23, but the most recent submissions from those missing bodies can be used as a proxy. The table below shows the totals for WGA 2022-23 alongside an estimate of the value of the missing data for those bodies which didn't submit in 2022-23. This estimate may be from either WGA 2021-22, 2020-21 or 2019-20 data, depending on when each entity last submitted a return. 16 small bodies have not submitted data since 2018-19 or earlier and these are not included in the estimates of missing data as below:

	WGA 2022-23 (£bn)	Estimated missing data (£bn)	Percentage of total (%)	WGA 2021-22 (£bn)	Estimated missing data (£bn)	Percentage of total (%)	WGA 2020-21 (£bn)	Estimated missing data (£bn)	Percentage of total (%)
Assets	2,554.3	172.0	6.7%	2,414.3	148.0	6.1%	2,206.7	108.0	4.9%
Liabilities	(4,943.4)	(140.3)	2.8%	(6,289.2)	(95.9)	1.5%	(5,533.0)	(182.3)	3.3%
Net liabilities	**(2,389.1)**	**31.7**	**(1.3%)**	**(3,874.9)**	**52.1**	**(1.3%)**	**(3,326.3)**	**(74.3)**	**2.2%**
Income	(974.5)	(40.8)	4.2%	(881.6)	(35.6)	4.0%	(731.5)	(29.2)	4.0%
Expenditure	959.9	75.2	7.8%	1,241.2	64.4	5.2%	1,135.9	55.3	4.9%
Net (income) / expenditure	**(14.6)**	**34.4**	**235.6%**	**359.6**	**28.8**	**8.0%**	**404.4**	**26.1**	**6.5%**

1.8 The table above demonstrates that despite being material, the missing data is a low proportion of key totals in percentage terms in 2022-23, as it was in the previous year. WGA is a substantially complete set of accounts with 90% of data reported by value across all the categories in the table above and this data provides a valuable source of information for stakeholders. The largest balances affected are Property, Plant and Equipment and Pension Liabilities. Therefore, WGA remains a useful and transparent set of accounts for appraising the UKs public finances. A more granular analysis of the missing data across WGA's 2022-23 Statement of Revenue and Expenditure and Statement of Financial Position, showing which areas of the accounts are particularly affected, is presented below from paragraph 1.26.

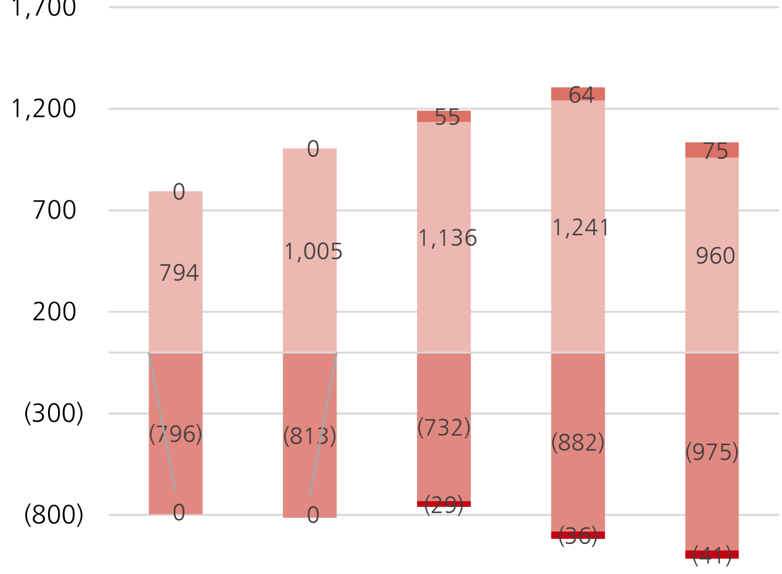
1.9 The charts below show these estimates of missing data for 2022-23, 2021-22 and 2020-21 in the context of the overall trend in movement of these key totals over the last five years.

Figure A.1 Assets and liabilities of the UK over time, with estimate of missing data (£ billion)



	2018-19	2019-20	2020-21	2021-22	2022-23
Estimated missing liabilities	0	0	(182)	(96)	(140)
Liabilities	(4,555)	(4,973)	(5,533)	(6,289)	(4,943)
Estimated missing assets	0	0	108	148	172
Assets	2,099	2,139	2,207	2,414	2,554

Figure A.2 Revenue and expenditure of the UK over time, with estimate of missing data (£ billion)



	2018-19	2019-20	2020-21	2021-22	2022-23
Estimated missing expenditure	0	0	55	64	75
Expenditure	794	1,005	1,136	1,241	960
Estimated missing revenue	0	0	(29)	(36)	(41)
Revenue	(796)	(813)	(732)	(882)	(975)

Impact on consolidation process

1.10 In order to prepare WGA, component entities submit their accounts data to HMT. Under the Government Resources and Accounts Act 2000 HM Treasury may designate a body for inclusion in WGA, unless its activities relate entirely to Scotland. HM Treasury lays a Statutory Instrument which designates the bodies in England and Wales which are required to submit data for consolidation, and a similar process takes place for Northern Ireland. The Scottish Government makes separate administrative arrangements for bodies in Scotland to provide data in line with HM Treasury requirements.

1.11 Once data has been collected from components; a series of consolidation adjustments are then made to this data to accurately present the picture for the UK public sector as a whole. This involves adjustments such as removing transactions between bodies that are both in WGA (so that the total income and expenditure, for example, isn't double counted), together with removing any associated asset and liability held by those bodies. These adjustments are known as eliminations. The estimates for the key metrics presented in paragraph 1.7 show the position after these consolidation adjustments.

1.12 Where bodies consolidated into WGA reported that they had transactions and balances with entities that did not submit returns for that year, these have been disclosed as related party transactions. See Note 32 for further details. These disclosures are likely to be underestimated as some entities will have omitted to report the relevant transactions and balances – either in error, or because the amounts involved are small and the entity considered them too trivial to report.

1.13 Due to the nature of funding flows within the UK public sector, the missing data will mean that some balances within WGA 2020-21, 2021-22 and 2022-23 are shown at the correct amount but categorised differently to how they were in 2019-20 and earlier years. Grants from central government to local government bodies are a key example. All UK central government departments submitted consolidation data for 2020-21, 2021-22 and 2022-23, but a significant number of English local government bodies did not. Ordinarily, the pre-eliminations data would show a grant expense in the department, with a matching amount of grant income reported by local government bodies and then expenditure (on e.g., schools or social care) as the grant is used for its intended purpose. Consolidation adjustments would then be made to remove the matching grant expenditure and income, so that WGA as a whole show only the ultimate expenditure on services. For the bodies that didn't submit data for consolidation this chain is broken, and WGA will show only the grant expenditure distributed to those bodies by central government.

1.14 On the other hand, some areas of WGA are largely unaffected by the missing data. Items such as gold holdings, government borrowings and contingent liabilities are almost entirely held by large central

government departments, all of whom submitted consolidation data, so in these areas the picture is largely complete in all years.

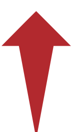
Number of missing entities

1.15 A summary of the number of entities which did not submit data for 2022-23 is as follows:

Sector	Missing Data TREND	Number of entities 2022-23	Number of entities 2021-22	Number of entities 2020-21
UK central government		0	0	3
Scottish central government		10	14	17
Northern Ireland central government		1	0	0
Total central government		**11**	**14**	**20**
English local government		187	146	118
Scottish local government		10	10	9
Welsh local government		1	1	1
Total local government		**198**	**157**	**128**
Public corporations		**2**	**7**	**7**
Total		**211**	**178**	**155**

TREND KEY:

-Positive downward trend on Missing Entities Submitted Data to WGA

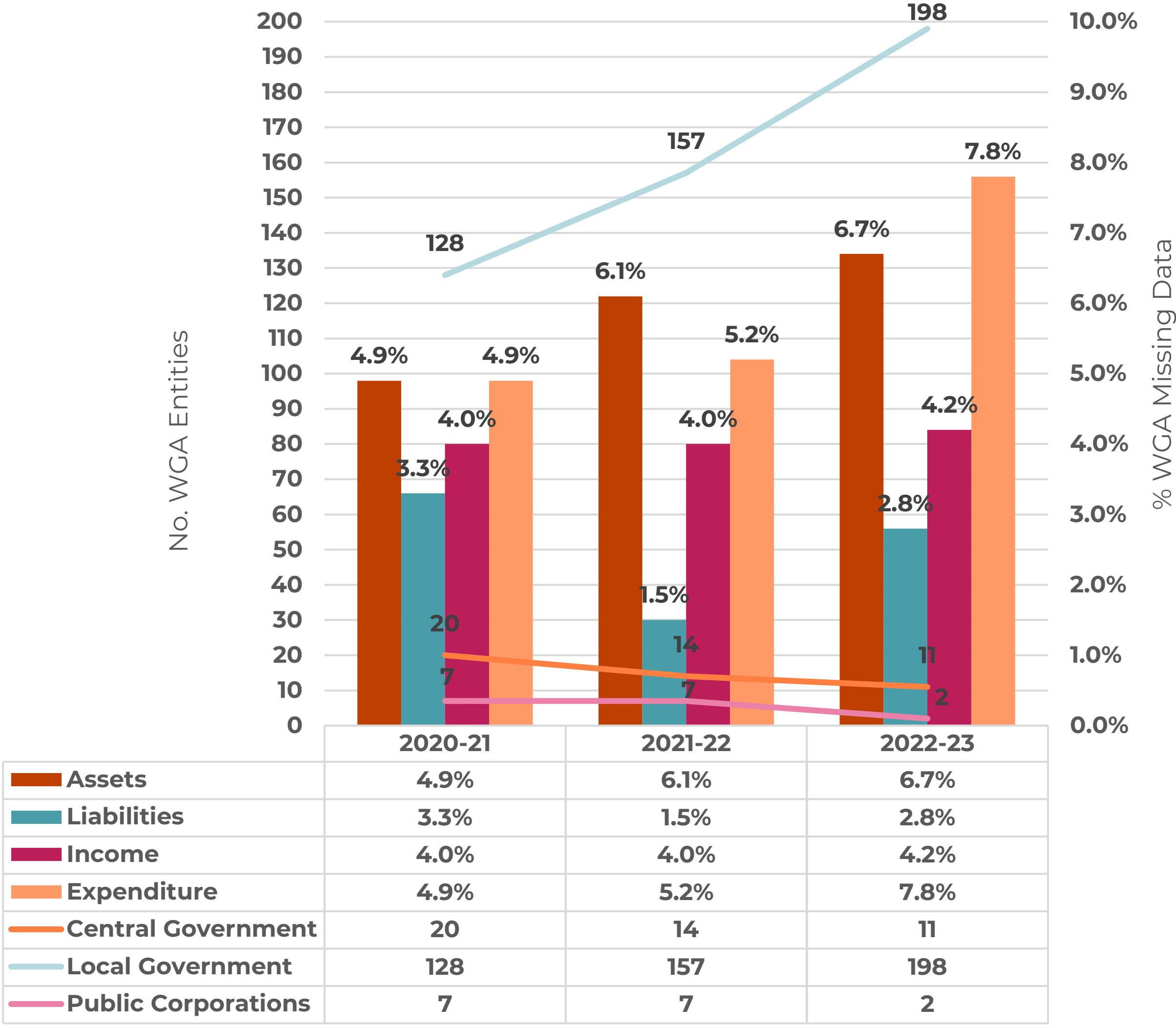


-Negative upward trend on Missing Entities Submitted Data to WGA

The missing data trend has shown improvement in all sectors except English Local Government, which has continued to worsen due to systemic issues with local government reporting and audit. The improvement has been partly driven by increased engagement with Scottish entities by HMT as part of our recovery strategy.

1.16 A summary of the number of entities which did not submit data vs the impact on missing data across Assets, Liabilities, Income & Expenditure is shown in the following chart..

Figure A.3 Missing Data Trends



	2020-21	2021-22	2022-23
Assets	4.9%	6.1%	6.7%
Liabilities	3.3%	1.5%	2.8%
Income	4.0%	4.0%	4.2%
Expenditure	4.9%	5.2%	7.8%
Central Government	20	14	11
Local Government	128	157	198
Public Corporations	7	7	2

1.17 For further details of the bodies within each category see Annex 2, published alongside WGA on gov.uk.

Reasons for non-submission

1.18 Data submissions for WGA 2022-23 opened on 31 August 2023. The submission deadlines set by HM Treasury were:

- 20 October 2023: Cycle 1 return of unaudited data
- 17 November 2023: Cycle 2 return of data based on audited accounts (with this data submission from bodies over the £2 billion threshold signed off by their auditors)

1.19 A significant number of WGA components, mainly in the local government sector, did not meet these Cycle 1 and Cycle 2 deadlines. In an effort to ensure as much data as possible was collected, HM Treasury kept the data collection window open past the submission deadline. During this period HM Treasury engaged with component bodies to encourage submission and assisted with technical accounting queries and on using the OSCAR II data collection software.

1.20 Data submissions for WGA 2022-23 were closed on 4 April 2024, although we did include a number of entities after this date to ensure a more complete set of data. This was considered to be the latest date we could allow submissions, balancing the needs for quality and completeness with timely production. This deadline also allowed consolidation work to begin, and for the data collection software to be updated for WGA 2023-24 and tested before submissions for that year opened on 17 June 2024.

1.21 The majority of bodies which didn't submit WGA data were in English local government. Ongoing reporting issues and audit delays in the local government sector were the main reason for non-submission in this area. These issues, and the actions being taken by the Ministry of housing, communities and local government (MHCLG) (previously Department for housing, levelling up and communities (DLUHC)) to address them, are discussed in more detail from paragraph 1.56 below.

1.22 As of 30 June 2024, Public Sector Audit Appointments (PSAA) disclosed[1] that the number of local government audit opinions that had not been issued for previous years totalled 559 (31 December 2023: 771). A breakdown by year is included below:

- 2022-23: 299 audits (31 December 2023: 422 audits)
- 2021-22: 160 audits (31 December 2023: 223 audits)
- 2020-21: 65 audits (31 December 2023: 83 audits)
- 2019-20: 25 audits (31 December 2023: 31 audits)
- 2018-19: 7 audits (31 December 2023: 9 audits)

[1] Presentation (psaa.co.uk)

- 2017-18: 1 audit (at 31 December 2023 and 30 June 2024)
- 2016-17: 1 audit (at 31 December 2023 and 30 June 2024)
- 2015-16: 1 audit (at 31 December 2023 and 30 June 2024)

These figures are taken from underlying statutory accounts.

1.23 The publishing date for 2022-23 audited local government accounts was 30 September 2023. PSAA announced that at this date only 5 out of 467 local government audit opinions had been given. This added to the 456 opinions outstanding from previous years at that date.

1.24 An audit opinion for 2022-23 being outstanding would not necessarily prevent the entity from submitting draft WGA data for that year. However, if an audit from 2021-22 or an earlier year remained outstanding, that may have prevented preparation of draft accounts for the subsequent year or years. A number of draft local government accounts had not been published ahead of the 2022-23 data submission deadlines.

1.25 WGA bodies in Scotland provide data in line with administrative arrangements made by the Scottish Government, which acts as a system leader in this area. Some Scottish central government and local government bodies did not submit WGA returns due to resource constraints.

Estimate of data missing from WGA 2022-23

1.26 The tables below show the Statement of Revenue and Expenditure and Statement of Financial Position for 2022-23, together with an estimate of the impact of missing data on each line of these statements.

1.27 In the absence of data for 2022-23, the most recent data submitted by the missing entities has been used as a proxy for the impact they would have had on 2022-23. This data may be from either WGA 2021-22, 2020-21 or 2019-20, depending on when each entity last submitted a return. Also, the pattern of missing data across years is considered by management to be consistent so WGA can be said to be comparable. The largest balances known to be affected are Property, plant and equipment and Pension liabilities. Within Property, plant and equipment, most of the missing data relates to entities in the local government sector, primarily land and buildings assets. Within Pension liabilities, most of the missing data relates to pension schemes in the local government sector and the Northern Ireland Teachers Superannuation Scheme.

Statement of Revenue and Expenditure

	Note	WGA 2022-23	Estimate of missing data	WGA 2021-22	Estimate of missing data	WGA 2020-21	Estimate of missing data
		£bn	£bn	£bn	£bn	£bn	£bn
Taxation revenue	4	(857.7)	(16.7)	(774.7)	(14.8)	(650.7)	(11.7)
Other revenue	5	(116.8)	(24.1)	(106.9)	(20.8)	(80.8)	(17.5)
Total public services revenue		**(974.5)**	**(40.8)**	**(881.6)**	**(35.6)**	**(731.5)**	**(29.2)**
Social security benefits	6	276.1	8.9	259.7	7.6	258.4	6.3
Staff costs	7	306.7	25.8	284.5	20.3	253.5	19.0
Purchase of goods and services	8	254.3	31.3	256.2	26.7	238.7	19.6
Grants and subsidies	9	122.4	1.4	121.0	3.3	197.2	2.0
Depreciation and impairment	10	52.8	4.3	47.9	3.6	61.9	3.2
Interest costs on government borrowing	11	85.1	-	47.1	-	21.2	-
Increase/(decrease) in provisions	23	36.2	0.2	28.0	0.2	32.1	0.2
Total expenditure on public services		**1,133.6**	**71.9**	**1,044.4**	**61.7**	**1,063.0**	**50.3**
Net expenditure on public services		**159.1**	**31.1**	**162.8**	**26.1**	**331.5**	**21.1**
Financing costs of long-term liabilities, including discounting	11	(141.9)	3.3	197.2	2.4	55.7	4.8
Revaluation of financial assets and liabilities		(31.8)	-	(0.4)	0.3	17.2	0.2
Net (income)/expenditure for the year		**(14.6)**	**34.4**	**359.6**	**28.8**	**404.4**	**26.1**

Statement of Financial Position

	Note	WGA 2022-23	Estimate of missing data	WGA 2021-22	Estimate of missing data	WGA 2020-21	Estimate of missing data
		£bn	£bn	£bn	£bn	£bn	£bn
Non-current assets							
Property, plant and equipment	12	1,435.3	133.6	1,340.4	112.6	1,270.3	81.6
Right of use assets	13	28.8	-	-	-	-	-
Investment properties	14	14.2	11.0	14.8	10.7	16.5	7.6
Intangible assets	15	47.9	0.4	43.7	0.3	41.0	0.3
Trade and other receivables	16	22.7	3.0	22.4	2.9	20.6	2.5
Other financial assets	17	505.1	2.9	456.9	2.9	340.8	2.4
		2,054.0	**150.9**	**1,878.2**	**129.4**	**1,689.2**	**94.4**
Current assets							
Inventories	18	13.2	0.3	13.5	0.3	15.3	0.1
Trade and other receivables	16	210.2	6.7	193.2	5.6	182.3	4.3
Other financial assets	17	216.0	7.8	267.9	6.8	264.9	5.2
Cash and cash equivalents	19	43.9	5.7	45.6	5.2	39.6	3.4
Gold holdings	34	16.0	-	14.7	-	12.3	-
Assets held for sale		1.0	0.6	1.2	0.7	3.1	0.6
		500.3	**21.1**	**536.1**	**18.6**	**517.5**	**13.6**
Total assets		**2,554.3**	**172.0**	**2,414.3**	**148.0**	**2,206.7**	**108.0**
Current liabilities							
Trade and other payables	20	(168.6)	(13.9)	(160.8)	(11.2)	(169.3)	(8.4)
Government borrowings	21	(371.9)	-	(340.0)	-	(274.0)	-
Other financial liabilities	22	(948.0)	(2.7)	(1,030.4)	(2.3)	(943.3)	(2.0)
Provisions	23	(29.8)	-	(29.7)	-	(28.4)	-
		(1,518.3)	**(16.6)**	**(1,560.9)**	**(13.5)**	**1,415.0**	**(10.4)**
Non-current liabilities							
Trade and other payables	20	(47.7)	(9.7)	(51.8)	(7.2)	(52.0)	(6.1)
Government borrowings	21	(1,382.1)	-	(1,235.7)	-	(1,246.3)	-
Other financial liabilities	22	(303.2)	(7.9)	(303.6)	(6.5)	(175.5)	(6.3)
Provisions	23	(277.1)	(1.5)	(498.1)	(1.3)	(338.0)	(1.1)
Net public sector pension liability	25	(1,415.0)	(104.6)	(2,639.1)	(67.4)	(2,306.2)	(158.4)

Total non-current liabilities	**(3,425.1)**	**(123.7)**	**(4,728.3)**	**(82.4)**	**(4,118.0)**	**(171.9)**
Total liabilities	**(4,943.4)**	**(140.3)**	**(6,289.2)**	**(95.9)**	**(5,533.0)**	**(182.3)**
Net liabilities	**(2,389.1)**	**31.7**	**(3,874.9)**	**52.1**	**(3,326.3)**	**(74.3)**
Financed by taxpayers' equity:						
General reserve	(3,154.0)	31.7	(4,547.6)	52.1	(3,932.3)	(94.7)
Revaluation reserve	759.7	-	667.8	-	601.8	20.2
Other reserves	5.2	-	4.9	-	4.2	0.2
Total liabilities to be funded by future revenues	**(2,389.1)**	**31.7**	**(3,874.9)**	**52.1**	**(3,326.3)**	**(74.3)**

1.28 The estimated impact figures above are taken from data submitted by component entities in 2021-22, 2020-21 or 2019-20, adjusted for WGA consolidation adjustments made at an individual entity level. There are some other consolidation adjustments made at a higher (sector) level which are not reflected in an individual entity's figures and cannot be attributed to individual entities. As a result, the estimates presented are likely to be overstated as they do not reflect these sector level adjustments. Conversely, the general trend seen for bodies which submitted in both years was for many figures in the accounts to increase, so using these figures from earlier years as a proxy is likely to understate the level of missing data.

1.29 The figures shown above as estimates of the missing data will not agree exactly to the boundary adjustment figures shown in the notes to the financial statements or discussed in the narrative to those notes. The estimates shown above summarise the data submitted in 2021-22, 2020-21 or 2019-20 for the 211 entities which submitted data for those years but not for 2022-23. The boundary adjustment figures in the notes show that missing data, but also include the effects of bodies being created, merged, and dissolved, and classified into and out of the public sector.

1.30 Analysis of the movement between years in the narrative of the notes to the accounts is complicated by the artificial reduction due to this missing data. The narrative to the notes which are materially affected draw out the impact of the missing data and also of other trends within the data, particularly where these two movements counteract each other in the headline figures.

WGA 2023-24 and future years

1.31 HM Treasury's engagement strategy involved the Director of Public Spending regularly writing to Finance Directors and Section 151 Officers to emphasise the importance of WGA and strongly encourage them to submit data for 2022-23 and future years. During the data collection phase for WGA 2022-23 and into 2023-24, HM Treasury has also continued to pro-actively engage with component finance teams at the working level. A series of webinars providing guidance on the WGA data collection process, including updates for the implementation of IFRS 16 as well as providing a walk-through of the submission process, were attended by over 800 people across the UK public sector.

1.32 HM Treasury carried out additional engagement with central government Finance Directors through the Finance Leadership Group. HM Treasury has also increased engagement at a senior level with the Scottish Government, in order to strengthen and reinforce the Scottish Government's system leadership role for bodies in Scotland. This had led to an increase in returns submitted across Scottish Central Government.

1.33 HM Treasury has taken a proactive approach to engage with preparers to encourage submission. However, the Accounting Officer of WGA is not ultimately responsible for any individual WGA component bodies. Where bodies are devolved and independent, HM Treasury has more limited influence, particularly with regard to local government components, which remain independent bodies. With other underlying factors such as the audit backlog in local government remaining, HM Treasury expect the lower level of submissions seen in WGA 2022-23 to also be an issue in 2023-24 and future years.

1.34 Whilst the situation does not appear to be improving, significant measures to tackle the worsening backlog in local audit and restore transparency and accountability have been announced. It comes after only 1% of local bodies published audited accounts on time in 2022-23. Secondary legislation has been laid to set a statutory backstop of 13 December 2024. This will be for the publication of audited accounts for all financial years up to and including 2022-23, with the intention of clearing the backlog and enabling a focus on recent accounts which provide the most up-to-date information.

1.35 These measures have been supported by the Comptroller and Auditor General (C&AG) and endorsed by the Financial Reporting Council. Communication and engagement with stakeholders will continue to take place to make clear the necessity of the steps and emphasise the context for disclaimed opinions.

1.36 The proposed backstop dates for 2023-24 and beyond are as follows:

2023-24	28 February 2025
2024-25	27 February 2026
2025-26	31 January 2027

Usefulness of WGA

1.37 Although the impacts of missing data are felt throughout the whole WGA, the overall percentages shown in the table below paragraph 1.7 are relatively low, implying that the vast majority of data is being presented in WGA. Despite the disclaimed opinion, it remains a useful tool to the reader of the accounts in appraising the position and performance of UK public finances. Although the C&AG is unable to provide an opinion on the accounts due to the amount of data missing in the accounts and the amount that is in the accounts that has not been audited, the WGA can still be used as a tool by stakeholders, especially where Local Authorities don't have much impact.

1.38 Noting that the C&AG has previously qualified the WGA accounts on the material levels of missing entity and unaudited data in WGA, as detailed above, the position has deteriorated given the increases in the non-submitting entities from just 21 in 2019-20 to 211 in 2022-23. The deteriorating position has led to the C&AG judging that the issue is material and pervasive to the accounts to such an extent that he has disclaimed his opinion. Despite a disclaimed opinion being significant, HMT is confident that WGA remains a useful tool for management of public finances and for government transparency, and that WGA still fulfils its unique role. The disclaimed opinion does not indicate that WGA is no longer useful or of low quality, only that the C&AG cannot form an audit opinion on the financial statements in line with International Standards on Auditing (ISAs). HMT remains confident that WGA remains a useful tool for public accountability and transparency. The details of the disclaimer are set out in the C&AG's report.

1.39 WGA remains a globally unique publication as it is the only set of consolidated public sector accounts that include central government, local government, and government owned corporations. The WGA provides invaluable insights into the financial position and activities of the UK public sector. In the absence of such comprehensive data, stakeholders would have limited visibility into the true state of public finances. The availability of consolidated financial statements, albeit complex, is undoubtedly more beneficial than having no data at all. Individual entity accounts (other than those directly affected by the reporting and audit issues noted) continue to be published and where appropriate laid in Parliament. Scrutiny of public finances at an individual level remains robust.

1.40 Accordance with International Financial Reporting Standards (IFRS), interpreted and adapted for the public sector, in the preparation of the WGA is crucial. IFRSs provide a high-quality, internationally recognised set of accounting standards. These bring transparency,

accountability, and efficiency to financial markets across the world. For the UK public sector, adherence to IFRS supports the transparency and consistency of high-quality financial reporting that is transparent for users and comparable over all periods presented.

Highlights of the 2022-23 WGA include:

Year at a Glance – A celebration of achievements from across the public sector and demonstration of the variety of activities reported in the WGA.

Missing Data from WGA 2022-23 – A comprehensive report on missing data from WGA 2022-23, including the impact on the consolidation process and trend analysis.

Economic and Fiscal Context – An update on the new fiscal framework.

Accounting Spotlights – A new section that addresses key areas such as the composition of the WGA and consolidation, new accounting standards and discount rates.

Government Debt Management Function – A detailed insight into the work of the Government Debt Management Function and the launch of the Government Debt Strategy for 2023-2026.

Fiscal risk management framework

Economic and Fiscal Context

1.41 This section provides a forward-looking commentary on the Treasury's overall approach to managing the financial position and fiscal risk, including information on the economic and fiscal outlook as published by the Office for Budget Responsibility (OBR) in its October 2024 Economic and Fiscal Outlook (EFO).[2]

1.42 The government is delivering its growth mission by prioritising stability, investment, and reform to drive prosperity across the UK. These reforms include ambitious planning reforms to remove barriers to growth, the development of a 10-year infrastructure strategy to be published alongside Phase 2 of the Spending Review, the publication of the Get Britain Working White Paper and the establishment of Skills England to ensure we have the highly trained workforce needed to deliver economic growth. Supported by the new fiscal framework, Autumn Budget 2024 increases public investment by more than £100 billion over the next five years to boost growth and help crowd in private investment in the long run.

Economic Outlook

1.43 Low and stable price inflation is an essential element of a stable macroeconomic environment, and a pre-requisite for sustainable economic growth and improving living standards. Consumer Prices Index (CPI) inflation is normalising after peaking at 11.1% in October 2022, and spending 33 consecutive months above target. Inflation fell back to the 2% target in May 2024 and has since remained close to this level, falling to 1.7% in September, but underlying pressures remain. The OBR expects inflation to rise further to 2.4% at the end of this year, before peaking at 2.7% in Q2 2025, and returning steadily to target at the end of the 5-year forecast horizon. With inflation normalising, the Bank of England's Monetary Policy Committee (MPC) have begun reducing Bank Rate from a high of 5.25% earlier in the year to 4.75% at their November meeting. Market expectations are for the MPC to continue gradually reducing Bank Rate over the course of the next year.

1.44 Elevated nominal wage growth has contributed to underlying inflation persistence, although recent data suggests this pressure is easing. Total pay growth fell to 4.3% in Q3 2024, and regular wage growth, which excludes one-off payments also fell to 4.8%. Elevated wage growth has in part been due to tightness in the labour market, characterised by an imbalance between supply and demand for labour, but there continue to be signs of this pressure easing as the labour market loosens. Vacancies have continued falling steadily for over two years, from a peak of over 1.3 million in the 3 months to May 2022 to 831,000 in the 3 months to October 2024.

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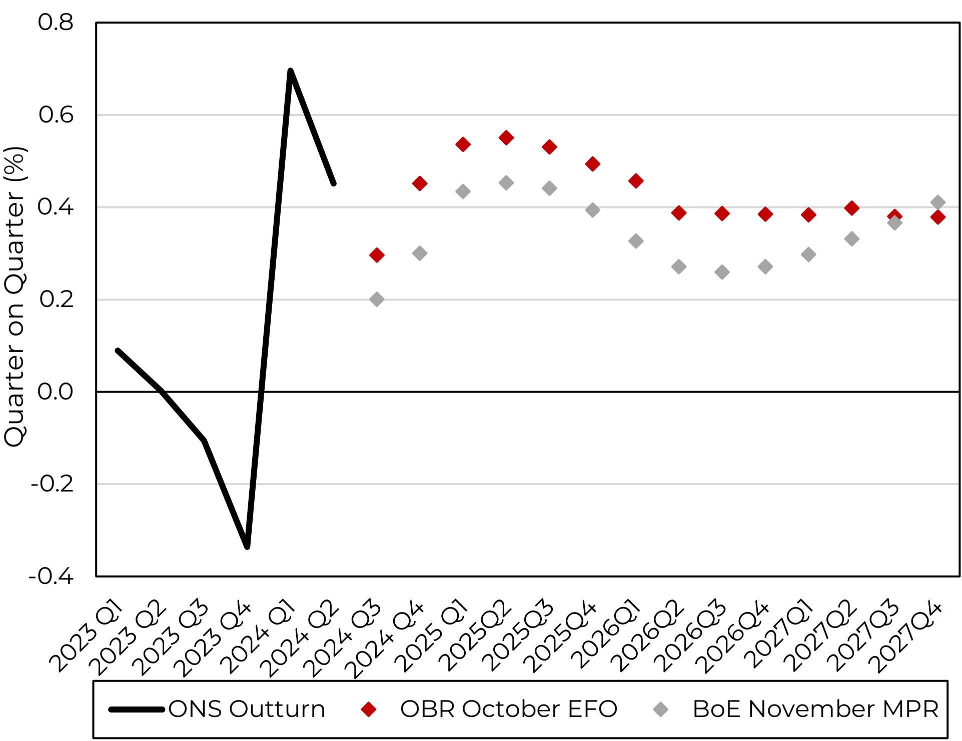
[2] Economic and fiscal outlook, Office for Budget Responsibility, October 2024.

1.45 The unemployment rate (16+), rose to 4.3% in Q3 2024 but remains low by historical standards. The OBR expects the unemployment rate to rise to 4.3% in Q4 2024, before falling back gradually to 4.0% in 2025 and remaining close to this level for the rest of the forecast. Despite this the inactivity rate continues to rise, and has increased steadily to 21.8% in Q3 2024, from 20.8% in 2019 Q4. This is largely due to long-term sickness related inactivity rising to a record high of 2.8 million people in 2024.

1.46 The UK economy is expected to continue its recovery from a recession in 2023. GDP grew by 0.7% in Q1 and 0.5% in Q2, although momentum is slowing in the second half of the year, with an initial estimate of 0.1% growth in Q3. The OBR, in its October Economic and Fiscal Outlook, forecast annual GDP growth in 2024 of 1.1%, while the Bank of England in their November Monetary Policy Report (MPR) have estimated annual growth of 0.9% this year[1]. Reflecting the impact of policies announced at the Budget and market expectations for a gradual easing of monetary policy, the OBR forecast GDP to increase to 2.0% in 2025 and 1.8% in 2026, before growth settles close to its trend rate in the later years of the forecast. The OBR has judged that increased public investment announced at the Budget will, if sustained, permanently increase the size of the economy in the long term.

Quarterly Real GDP Growth Forecast



Source: Office for National Statistics, Office for Budget Responsibility, Bank of England

Fiscal Outlook

1.47 At the Budget, the government took tough decisions on tax, spending and welfare to repair the public finances and support economic stability. These decisions set realistic plans for public spending while putting the public finances on a sustainable path. The government also published an updated Charter for Budget Responsibility to implement a more stable and transparent fiscal framework.[3]

1.48 This included confirming the government's fiscal rules, which put the public finances on a sustainable path and prioritise investment to support long-term growth:

- Stability rule: to move the current budget into balance, so that day-to-day spending is met by revenues.
- Investment rule: to reduce net financial debt as a share of the economy.

1.49 The stability rule (which is the government's fiscal mandate) requires that the current budget must be in surplus in 2029-30, until 2029-30 becomes the third year of the forecast period. From that point,

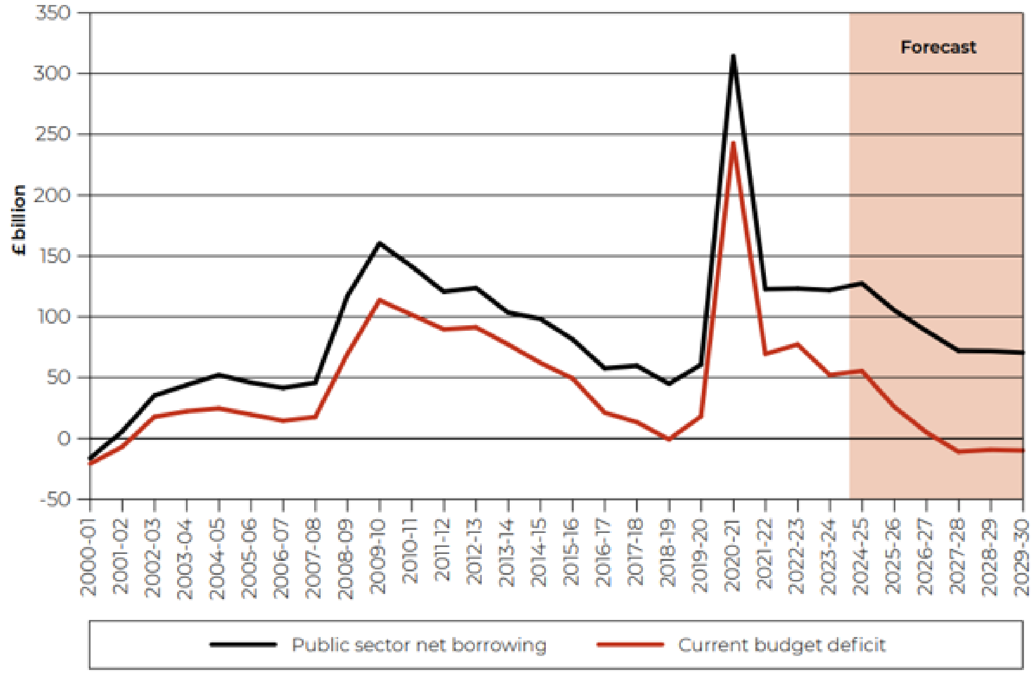
[3] Charter for Budget Responsibility, HM Treasury, October 2024.

the current budget must then remain in balance or in surplus from the third year of the rolling forecast period, where balance is defined as a range: in surplus, or in deficit of no more than 0.5% of GDP.

1.50 The government's fiscal mandate is supplemented by a target to ensure net financial debt is falling as a share of the economy by 2029-30, until 2029-30 becomes the third year of the forecast period. Net financial debt should then fall by the third year of the rolling forecast period.

1.51 The OBR has confirmed that the government is on track to meet its stability and investment rules. The current budget is in surplus by £9.9 billion in the target year, 2029-30, and the rule is met two years early.[4] Net financial debt falls in the final year of the forecast with a £15.7 billion buffer. The investment rule is also met two years early in 2027-28. Net financial debt is slightly lower at the end of the OBR's forecast (2029-30) than at the start (2024-25), at 83.4% and 83.5% of GDP respectively, showing the path of debt is stabilised.

Public Sector Net Borrowing and Current Budget Deficit



Source: Office for National Statistics and Office for Budget Responsibility.

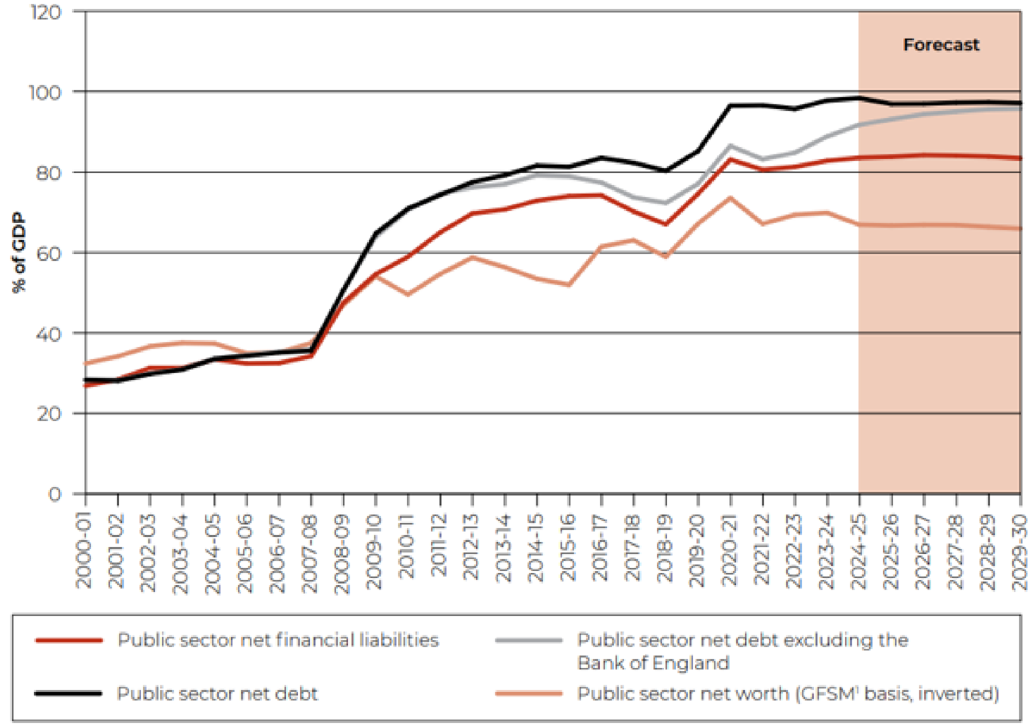
1.52 The government announced a comprehensive set of guardrails to ensure investments are consistent with fiscal sustainability and decisions represent value for money. The guardrails and the fiscal reforms confirmed at the Budget are fully set out in the government's

[4] Economic and fiscal outlook, Office for Budget Responsibility, October 2024.

'A strong fiscal framework' and 'Financial transaction control framework' publications.[5,6]

1.53 In addition to its fiscal rules, the government has committed to consider a wide range of metrics to inform a full assessment of the sustainability of the public finances, and will seek to improve sustainability over time. Public sector net debt (PSND) is forecast to be lower by the end of forecast than the start, falling from 98.4% of GDP in 2024-25 to 97.1% of GDP in 2029-30. Public sector net worth (PSNW), the difference between the value of all public sector assets (financial and non-financial) and liabilities, is expected to strengthen from -69.6% of GDP in 2024-25 to -67.9% of GDP in 2029-30.

Four Measures of the Public Sector Balance Sheet



[1] Government Finance Statistics Manual.

Source: Office for National Statistics and Office for Budget Responsibility.

1.54 The government will transparently report any new commitments that may result in future costs, known as contingent liabilities. This is in line with best practice fiscal management as these liabilities are not all included in debt metrics. There have been two new contingent liabilities taken on since the last update at Spring Budget 2024 with £282 million of total exposure and £86 million of net expected loss. These are the government's ENABLE build and the Private Rental Sector Guarantee Scheme.

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[5] A Strong Fiscal Framework: Explaining the government's new fiscal framework and rules, HM Treasury, October 2024.

[6] Financial Transactions Control Framework, HM Treasury, October 2024.

Fiscal risks and sustainability

1.55 The OBR's Fiscal Risks and Sustainability report (FRS), published in September 2024, recognised that the UK economy has been hit by a succession of extraordinary shocks in the last two decades that have left the public finances under strain. The report includes analysis of the sustainability of public debt and progresses analysis on the fiscal risks posed by climate change damage and changing health trends to the UK.

- Climate Change Damage: The OBR sets out that the UK will face significant costs from climate-related damage from flooding, coastal erosion and other climate hazards, in addition to mitigation and adaptation costs. The costs would be more severe if the UK and rest of the world's net zero commitments are not met, which is why one of the government's missions is to make the UK a clean energy superpower. The government has taken immediate action to unblock and drive investment into the UK's clean energy sector, including by reversing the de-facto ban on new onshore wind, launching Great British Energy to invest in home-grown, clean energy, and establishing a new National Wealth Fund to supercharge growth in clean energy industries. The Budget built on these first steps, including by confirming new funding for clean energy industries and £125 million for Great British Energy in 2025-26; £3.4 billion over the next three years as the first step towards a Warm Homes Plan; and over £200 million funding to accelerate electric vehicle charge point rollout in 2025-26.
- Health Spending: Rising health spending is forecast to be the single most important driver of public debt increasing over the next years. A healthier population can bring economic and fiscal benefits. The health mission will ensure that we build an NHS fit for the future that is there when people need it, with fewer lives lost to the biggest health-related killers, in a fairer Britain where everyone lives well for longer.
- Debt Sustainability: Demographic pressures, adapting to climate change and rising geopolitical tensions are projected to increase pressures on the public finances over the next fifty years and put public debt on an unsustainable trajectory, on the basis of policy at the Spring Budget in March 2024 and in the absence of policy action to mitigate the rise in debt. Boosting the productive potential of the economy can help to reduce this rise in debt, which underlines the importance of tackling the UK's weak productivity performance through the government's growth mission. The action being taken by the government to deliver on this growth mission is set out above.

Local Government Accountability and Oversight

1.56 The Ministry of Housing, Communities and Local Government (MHCLG) has responsibility for ensuring that local government acts properly in the management of its resources. The way the department receives assurance in the delivery of this oversight role is set out in the department's Accounting Officer System Statement and specifically at Annex A of that document, which covers local government accountability. This describes how local government, through elected councillors (and, where applicable, directly elected mayors) is accountable to its local communities for the proper stewardship of all its resources. There is a role for MHCLG and other central government departments to maintain a statutory framework of legal duties and financial controls on local authorities, to ensure proper democratic accountability, transparency, public scrutiny and audit.

1.57 MHCLG is responsible for the core local government accountability framework for local authorities and for ensuring that it is effective as a national system within which local authorities take their own decisions. In addition to the core accountability system, other departments which oversee services run by local government publish statements that explain the grants they make to local authorities, and the legislation and regulations that relate to those services. These departments include the Department for Education, Department of Health & Social Care, Department for Transport and Department for Business and Trade. MHCLG's Accounting Officer is regularly provided with comprehensive assurance advice on how the local government accountability system is working and whether the system needs amending.

Oversight

1.58 MHCLG adopts a broad approach in discharging this responsibility. It looks carefully at the financial health of authorities, as well as local authority governance and service delivery. MHCLG has worked closely with organisations, such as the Chartered Institute of Public Finance and Accountancy (CIPFA), to ensure their guidance on these matters are consistent with its approach.

1.59 MHCLG collects and analyses information from a wide range of sources. This includes financial data, information on outcomes, information relating to specific services as well as soft intelligence. All financial data is taken from one or a combination of:

- Office for National Statistics data,
- the publicly available statistical returns provided by local authorities to the department

1.60 Other information is gained from MHCLG's interactions with authorities and from other government departments. This data and intelligence are considered and analysed to provide indications of which local authorities are facing risks of financial distress, service or governance failure or other inability to meet statutory duties.

1.61 MHCLG has taken a number of steps to improve its oversight of the local government sector that includes establishing a Local Authority Governance and Accountability Framework Review Panel in September 2019, to review the Governance and Accountability Framework. Its membership is drawn from the National Audit Office, Local Government and Social Care Ombudsman, Local Government Association, Society of Local Authority Chief Executives, Centre for Public Scrutiny, Chartered Institute of Public Finance and Accountancy, and Lawyers in Local Government and the Association of Local Authority Treasurers. MHCLG also established the Office for Local Government (Oflog) in July 2023, see below.

1.62 MHCLG has policy responsibility for the Prudential Framework comprising the legislation and statutory guidance under which local authorities borrow and invest. Authorities must restrict borrowing to what is affordable and have regard to the statutory codes issued by CIPFA and the department. In response to changes in patterns in local authority behaviour where a minority of authorities have taken on excessive risk through debt, over-reliance on commercial income or the pursuit of novel and risky investments, the government took a series of actions to strengthen the capital system.

1.63 HM Treasury (HMT) supports MHCLG's oversight of this system by providing spending team challenge and assurance on local authority spending proposals and any support MHCLG is considering extending to a local authority. In addition, HMT considers local authority sustainability at spending reviews to ensure that the local authority sector as a whole has the resources it needs to carry out its functions.

Local audit

1.64 Local authorities and other local bodies, including police, fire, transport and waste authorities, as well as national parks, provide vital public services to local communities. Effective local audit ensures transparency and accountability for public money spent on these vital services and builds public confidence.

1.65 The Government launched a consultation on local audit in February 2024. There was clear support for the core element of the approach to clearing the backlog. The written ministerial statement published in July 2024 outlines the immediate actions the Government together with the Financial Reporting Council the National Audit Office and organisations in the wider local audit system are taking to address the backlog and put local audit on a sustainable footing.

1.66 On 9 September the Government laid legislation to provide for an initial backstop date of 13 December 2024 to clear the backlog of unaudited accounts up to and including financial year 2022/23. Where auditors have been unable to complete audits by the backstop date, they will issue a 'disclaimed' or 'modified' opinion. The legislation includes five further backstop dates up to and including financial year 2027/28 to allow full reassurance to be rebuilt over several audit cycles.

1.67 The Government will continue to review evidence, including considering the recommendations of external reviews to date, and will update Parliament in the Autumn on the Government's longer-terms plans to overhaul local audit.

The role of WGA in financial reporting and management

1.68 WGA is part of a broader framework of financial reporting and management. It is one of a range of tools that are used to manage and report on UK public spending. The key elements of this framework are discussed below:

Annual planning

OBR publications

The Office for Budget Responsibility (OBR) produces independent forecasts of the medium-term outlook for the economy and public finances twice a year. They also publish an annual Fiscal Risks and Sustainability Report. The government is required to respond to this report within a year of publication. This helps to ensure that fiscal risks and their management are properly considered and scrutinised.

Supply Estimates

Public spending is subject to Parliamentary approval. Public bodies request the funding they need for the year via the budgeting and Estimates process. These budgets are then voted on by Parliament. Once budget has been provided, the central government department is responsible for ensuring that it does not overspend. Spending against budgets must be disclosed as part of department's financial accounts, and this information is audited.

In-year reporting

Internal management accounts

Individual entities are responsible for remaining within budget. Therefore, the Accounting Officer (and equivalent) of each organisation is required to put in place appropriate financial controls. Many organisations will have their own internal forecasting and management account processes, that produce management data on a monthly basis. This data is then used by management to allocate resources and manage in-year over or underspends

Public Sector Finances

This monthly national statistics publication is a joint release between the Office for National Statistics (ONS) and HM Treasury. It records the official UK government positions for spending, receipts, borrowing and debt. Central government data is supplied by HM Treasury, based on data provided by each government department.

Outturn reporting

Individual entity accounts

Individual entity's Accounting Officers (or equivalent) are responsible for the public funds spent within their entity. As part of this framework of accountability, each entity produces an annual report and accounts. These are prepared in line with International Financial Reporting Standards, as adapted for the public sector, and are then independently audited. Detailed information about the underlying activities and governance arrangements of the public sector can be obtained from the individual accounts consolidated into WGA.

Public Expenditure Statistical Analysis (PESA)

This provides a range of information about public spending for both outturn and plan years. It contains a range of presentations including departmental budgetary information and spending on services (a functional look at spending which is more stable over time). It also includes statistical information split by Country and Region that is originally published in the Country and Regional Statistical release. In addition to PESA, outturn updates are published on a quarterly basis to ensure updated public spending information is readily available.

Whole of Government Accounts

This is the only place that shows the financial performance and position of the entire public sector, and publishing WGA is another way the government fulfils its promise to make more data available to the public. There are over 10,000 organisations consolidated in WGA (including 9,000 academy schools). WGA data is then drawn on by future OBR reports and used by HM Treasury to monitor balance sheet risks.

Balance Sheet Management

1.69 Having solid foundations of financial information provided by WGA has enabled government to go further in its work to improve balance sheet management of its assets and liabilities.

1.70 The WGA provides an extensive view of the government's balance sheet, which is complemented by other measures that look at broader public sector assets and liabilities. The ONS publish and the OBR forecast a range of measures of the public sector balance sheet, including public sector net debt (PSND), public sector net financial liabilities (PSNFL) and public sector net worth (PSNW), providing a broader view of fiscal sustainability.

1.71 At Autumn Budget 2024 the government announced its fiscal rules[7]:

- **Stability rule:** to move the current budget into balance, so that day-to-day spending is met by revenues.
- **Investment rule:** to reduce net financial debt as a share of the economy.

1.72 Net financial debt, defined as PSNFL, includes all the debt and assets counted within PSND but is a broader and more comprehensive measure of the public sector balance sheet. In addition to the government's stock of debt captured in PSND, it includes all other financial liabilities (including funded pensions obligations and standardised guarantees). In addition to the liquid assets (like cash and deposits) captured in PSND, it also recognises illiquid financial assets (such as equity holdings and loans), which are netted off the debt held to calculate the overall measure of the public sector balance sheet.

1.73 Targeting net financial debt allows the government to deliver a step change in investment spending, while maintaining a strong fiscal anchor. Net financial debt strengthens fiscal management by providing a fuller account of what government owes and owns. It recognises the value of financial assets, reflecting that financial investments, like loans, have a positive value, and enables investments in financial assets that are expected to grow the economy while delivering a positive return for the Exchequer.

1.74 The investment rule is accompanied by guardrails to strengthen controls on public spending on financial assets, such as loans and equity. These are set out in the Financial Transaction Control Framework. The core principles are that:

- The established spending control framework in Managing Public Money and Consolidated Budgeting Guidance remains in full.
- New financial transactions (FTs) should generate a return at a portfolio level that at least covers their cost of financing, or when

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[7] Further detail can be found in 'A strong fiscal framework', HM Treasury, October 2024.

they do not, the costs of loss-making investments will be transparently recognised in departmental budgets.

- All large-scale FTs and guarantees should be delivered by expert institutions including the National Wealth Fund, UK Export Finance, and the British Business Bank.
- The government will publish an annual report on its financial assets using asset values audited by the National Audit Office (NAO).
- Standardised risk controls for FTs and guarantees will be introduced.

1.75 In addition to its fiscal rules, the government has committed to consider a wide range of metrics to inform a full assessment of the sustainability of the public finances, including PSND and PSNW, and will seek to improve sustainability over time.

1.76 The government continues to develop the management of contingent liabilities, guarantees and insurance to reduce fiscal risk. HM Treasury's Contingent Liability Approval Framework was updated in April 2023, strengthening the management of contingent liability risk in government. UK Government Investments (UKGI) provide expert capability and can help departments quantify risk, as well as set up appropriate risk mitigation and charging arrangements. UKGI published the 'Annual Report on the UK Government's Contingent Liabilities' in November 2023, setting out for the first time a portfolio view of the government's contingent liability exposure and providing additional context to reporting on the flow of new liabilities. The report provides government with invaluable information to enhance and inform policy design and lifetime management of contingent liabilities.

1.77 The Government Office of Technology Transfer (GOTT) was set up to support the UK public sector to unlock the potential of its knowledge assets and deliver value to the UK economy and society. Knowledge Assets are intangible assets such as research and development, intellectual property such as patents, software, trademarks, know-how and data. Some knowledge assets are not included in the government's balance sheet as they do not meet the recognition requirements of the accounting standards, but are valuable public assets, critical to the effective delivery of public services. GOTT provides guidance to public sector bodies, as well as practical support and grant funding for specific opportunities. Its Knowledge Assets Grant Fund runs bi-annual calls for funding proposals to support the public sector to develop and exploit their knowledge assets.

Use of WGA

1.78 WGA is used by a range of stakeholders to inform decision making, both internally and externally.

1.79 Within HM Treasury, WGA is used for the following:

- The ‘managing fiscal risk’ report for 2017, supplementing narrative relating to an increase in the value of financial exposure on the government’s balance sheet due to changes to the long-term discount rate for provisions and contingent liabilities.
- Balance Sheet Review (BSR 2020) to identify immediate and long- lasting opportunities to improve the health of public finances. Figures obtained directly from WGA are used throughout the paper, including PFI liabilities and the clinical negligence provision.

1.80 Examples of external WGA users are the following:

- The Office for National Statistics (ONS). They produce one- off articles using WGA data, and the (WGA) data to feed into wider datasets such as in the compilation of the public sector finances dataset consistent with the IMF’s Government Finance Statistic framework.
- The Office for Budget Responsibility (OBR). They independently report on the future sustainability of the public finances in its Fiscal Sustainability Report and Fiscal Risks Report, drawing on the data published in WGA. In addition, the government responded to the findings of the Fiscal Risk Report in the Managing Fiscal Risks report.
- The Chartered Institute of Public Finance & Accountancy (CIPFA). They are a professional body for people in public finance and manages the accounting framework for Local Government. WGA data is used in their CIPFA stats which is an independent source of comprehensive data about local government and its services.
- Other professional bodies: both the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants in England and Wales (ICAEW). They have presented analysis of WGA data, with the latter stating it is ‘probably the most important report published by the UK government each year’ in 2023.

Accounting Spotlight

IFRS 16

1.81 Accounting standards provide principles, standards and procedures that define the basis of financial accounting policies and practices. Until 2022-23 in central government, the accounting standard that covered leases was IAS 17. It has now been superseded by IFRS 16. This section provides an overview of the significance of the change. Local government will adopt IFRS 16 in financial year 2024/25. See note 1.4 for further information.

Leases

A **lease** is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. (IFRS 16)

From a government finance perspective, a lease generally relates to the hire of **land and buildings** (Government Property Agency), **vehicles** (Department for Transport) or **equipment** (Ministry of Defence). A lease is used as an alternative to purchasing the asset outright, allowing the cost (consideration) to be spread over a period of time.

1.82 IAS 17 has since been superseded, on the basis that leases could be classified in different ways, leading to difficulty when comparing two sets of financial statements, with operating leases excluded from the asset and liability totals.

IAS 17

IAS 17 classifies leases into two types:

- **Finance Lease**, where the lease transfers all the risks and rewards of ownership to the lessee
- **Operating Lease**, where the risks and rewards of ownership are not transferred to the lessee

1.83 IFRS 16 supersedes IAS 17 as the leasing accounting standard. The impact of the adoption of IFRS 16 will standardise the treatment of leases across the public sector and facilitate a more straightforward comparison entity's assets and liabilities, with operating leases (previously off- statement of financial position financing) recorded on the SOFP and treatment standardised.

IFRS 16

IFRS 16 removes the distinction between **operating leases** and **finance leases** by introducing a **single lessee accounting model**. It requires recognition of assets and liabilities for all leases in the statement of financial position excluding both low value leases and short-term leases (lease term less than 12 months).

Adoption results in the recognition of a **right-of-use asset**, representing a right to use the underlying asset and a **lease liability**, representing an obligation to make lease payments.

1.84 IFRS 16 has been implemented by WGA and central government entities from 2022-23, with implementation for local authorities deferred until 2024-25, with early implementation permitted in 2022-23 or 2023-24. This results in an inconsistent application of this accounting policy in WGA 2022-23, with some local government entities still consolidated into WGA under the earlier lease standard, IAS 17. Further information is provided in Notes 1.4 and 1.16.

1.85 The implementation of IFRS 16 in WGA has increased total non-current assets by £28.8 billion compared to 2021-22, with £24.0 billion relating to land and buildings and £4.8 billion relating to 'other assets' including transport equipment, plant and machinery, IT equipment and furniture, fittings and other. Further information is available in Note 13. Liabilities have also increased by £24.3 billion compared to 2021-22, comprising £21.2 billion of non-current and £3.1 billion of current lease liabilities. Further information is available in Note 22.

Spotlight on: Ministry of Defence

1.86 The Ministry of Defence fully implemented IFRS 16 with effect from 1 April 2022. In preparation for IFRS 16 implementation, the department carried out a comprehensive review of all existing contracts, and from 1 April 2020 implemented lease assessments of new contracts and extensions as business as usual. The review included the department's more complex contracts, which contained embedded lease liabilities and associated right-of-use assets not previously recognised as leases. The omission of these complex sites in previous years, due to practical issues in applying the previous accounting standards, had resulted in a qualified audit opinion.

1.87 Implementing a comprehensive programme to identify all leases and arrangements containing a lease as part of IFRS 16 implementation and embedding the department's Lease Accounting Tool as business as usual, has enabled the department to obtain and maintain the accounting records needed to identify and account for lease arrangements, supporting effective management of the department's right-of-use assets and enabling the department to remove the qualification from the 2022-23 accounts.

(Source: Ministry of Defence 2022-23 accounts)

Discount Rates

1.88 Some of the liabilities (and assets, to a much lesser extent) reported in WGA are sensitive to changes in discount rates. These changes can result in large variances on the balance sheet with little reassessment of the underlying balances.

Accounting Spotlight: Discounting cash flows

What is discounting and why do we do it?

It is generally accepted that cash flows in the future are worth less than the present. It is therefore common practice, in both the public and private sectors, for future cash flows to be estimated as a present value by discounting them. The aim is to reflect how much a future cash flow is worth today, considering potential uses for the cash in the meantime.

How is the discounting completed?

To bring future cash flows into a present value, the most common approach is to use a discount rate, which will adjust the future cash flow to a present value.

For example, if you were required to pay £105 in 1 years' time and you have access to a savings account paying 5% interest per annum on deposits, then the 'present value' of your future cost of £105 is £100, as this amount could be deposited today, resulting in £105 in 1 year to meet your obligation. In this example, the 'discount rate' is 5%.

When a cash flow is many years in the future, this process is compounded. Resultingly, if the discount rate being used is relatively large, the present value of the cash flow can significantly shrink. When cash flows are far in the future, different discount rates will be applied to different time periods, usually smaller rates for cash flows further in the future, so as not to discount the cash flows to insignificance.

Discount rates are closely linked to interest rates, gilt yields, and inflation. When a change in the assessment of a discount rate occurs, a previously assessed present value must be restated to reflect this change. As a result, large variances in the present value of assets/liabilities can be presented without any change of undiscounted future cash flow.

Who chooses the discount rates for the public sector?

HM Treasury (HMT) sets the discount rate used by central government based on real yields for high quality corporate bonds on an annual basis. However, Secretaries of State may provide direction to bodies in their portfolio to use alternative discount rates if the HMT rates are not appropriate. The local government discount rate varies based on judgement of administrating authority or actuary.

1.89 The largest individual impact of discount rate changes in WGA 2022-23 is the effect on pension liabilities, which was reduced by £1,357.1 billion due to changes in pension assumptions, of which the majority is discount rates. More detail on pensions movements can be found in note 25. Where balances are impacted by changes in discount rate, this fact will be highlighted in the relevant notes to the financial statements.

1.90 As mentioned above, long term liabilities are more sensitive to changes in the discount rate, while assets are generally more insulated from the changes. In 2022-23, it does not mean that the pensions liability is now £1,357.1 billion cheaper than in 2021-22 but that the assessment of the present value of costs has changed by this amount.

1.91 Until 2018-19, HMT issued a 'real' discount rate, which included a discounting impact for inflation. Afterwards, HMT began to issue 'nominal' discount rates, which did not. As the nominal rate is now used, bodies will process a opposite discount for inflation estimates, primarily provided by the Office for Budget Responsibility (OBR) or Government Actuary's Department (GAD). Historic HMT rates are below. As a result, the discount rates ultimately used by each department will differ (Individual departmental rates are detailed in note 23) from the HMT rate and from each other. However, they will generally move in concert, as they are all driven by similar forces.

	2018-19 Real	**2019-20 Nominal**	**2020-21 Nominal**	**2021-22 Nominal**	**2022-23 Nominal**	**2023-24 Nominal**
Short term	0.54%	0.51%	-0.02%	0.47%	3.27%	4.26%
Medium term	1.13%	0.55%	0.18%	0.70%	3.20%	4.03%
Long term	1.99%	1.99%	1.99%	0.95%	3.51%	4.72%
Very long term	1.99%	1.99%	1.99%	0.66%	3.00%	4.40%

1.92 Discount rates applied in government have been low for some years, in line with the monetary policy objectives of the Bank of England. In the economic impact of the Covid 19 pandemic and the resulting inflation, discount rates were in some departments, effectively negative as inflation exceeded official discount rates.

1.93 Below is a 3-year illustration of net discount rates used by the Department of Health and Social Care (DHSC), which had negative rates due to inflation overtaking discount rates. These rates also illustrate how a department can apply both positive and negative rates depending on the timeframe.

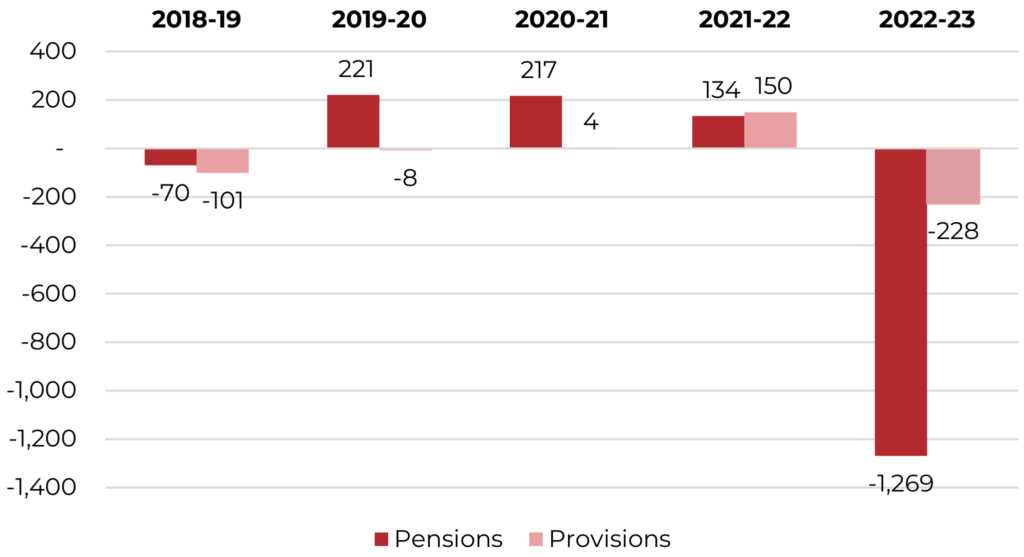
Real Discount Rates	2022-23	2021-22	2020-21
Short-term	-3.85%	-3.39%	-1.21%
Medium-term	1.58%	-1.64%	-1.88%
Long-term	1.18%	-1.27%	-1.78%
Very long-term	1.06%	-1.27%	-0.01%

1.94 The liabilities in financial statements will be discounted with the discount rate issued that year, with inflation deducted. Below is a simplified illustration (not based on WGA figures) of how inflation has caused negative discounting in recent years, resulting in increased future cash flows.

	Inflation < discount	Inflation > discount
Unadjusted, estimated cash flow 1 year away	£100.00	£100.00
Forward estimate of inflation p.a	2.00%	4.00%
Discount rate	4.00%	2.00%
Inflated estimate of cash flow	£102.00	£104.00
Discounted inflated estimate - recognised on balance sheet as present value	**£98.08**	**£101.96**
Net discount rate	**1.96%**	**-1.92%**

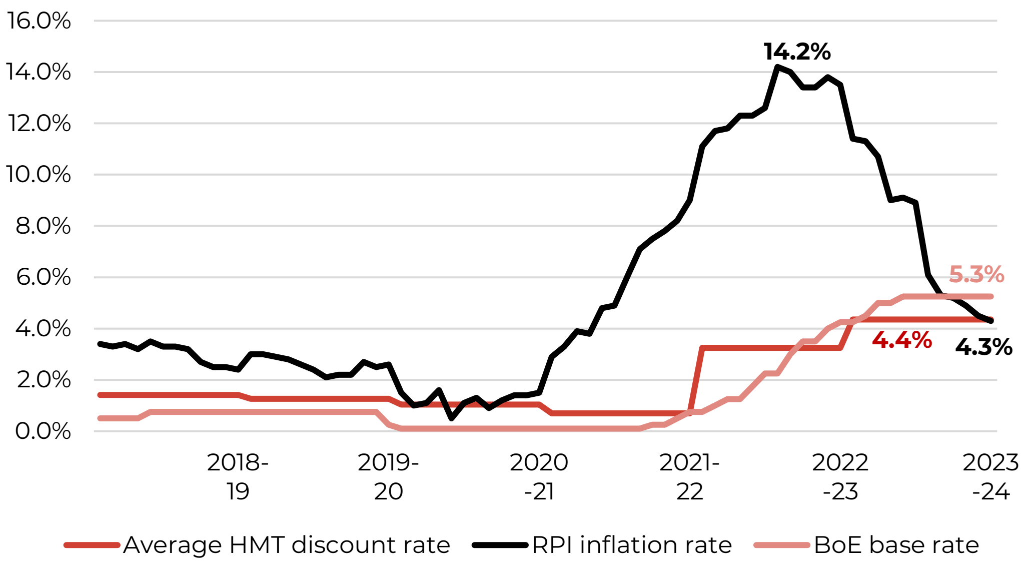
1.95 In the fiscal year 2022-23, official rates issued by HMT increased as monetary policy and markets responded to inflation. This has caused a significant downward reassessment of cash flows in 2022-23, particularly in the medium to long term redemption timescales.

Figure A.1 Movement in pensions liabilities and provisions driven by discount rate changes (bn)



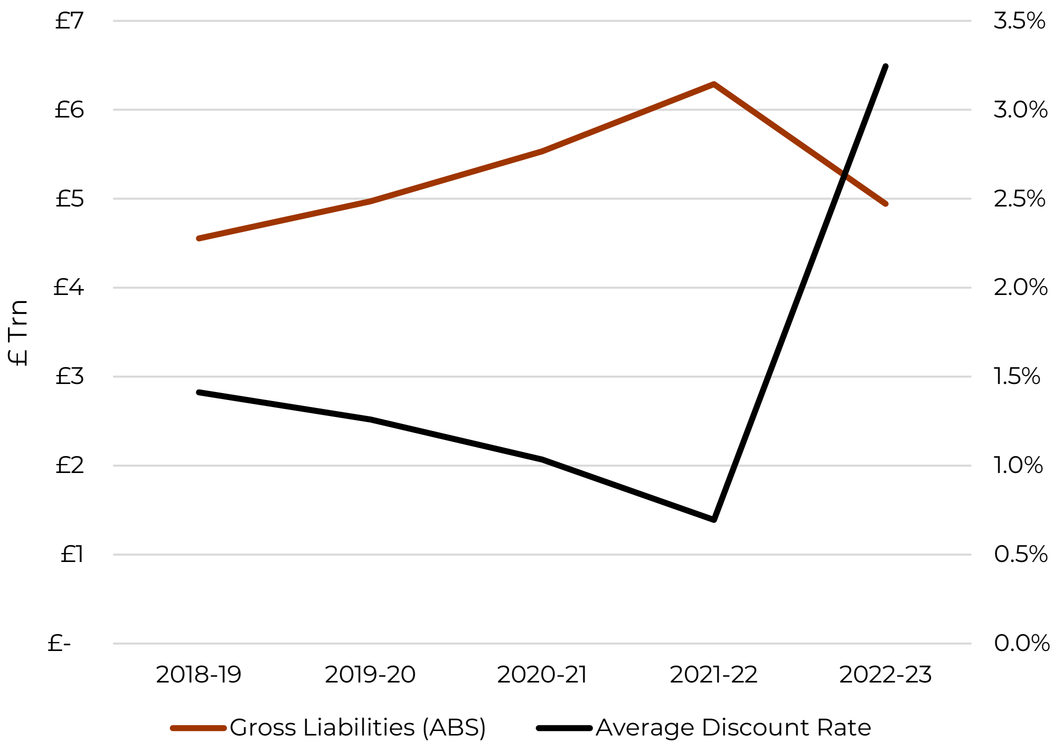
1.96 The increase of HMT discount rates of approx. 2.5% from 2021-22 to 2022-23 has lifted net discount rates into the positive figures (an example of which can be seen in DHSC net discount rates above). As a result, future liabilities are being decreased instead of increased by the discounting process.

Figure A.2 Historic central government discount rates, RPI inflation, and Bank of England Base Rate



1.97 While there have been many other movements in WGA 2022-23, discount rate impacts have driven a lot of large variances. Understanding the drivers of variances is important to the context in which WGA sits and for the management of long term liabilities such as pensions and nuclear decommissioning.

Figure A.3 Interaction between discount rate and liabilities



1.98 Chart 1.E shows the inverse relationship between discount rates and WGA liabilities. Between 2018-19 and 2021-22, the average discount rate fell consistently from roughly 1.4% to 0.7%, causing gross liabilities to increase from £4.6 to £6.3 trillion. In 2022-23, the discount rate increased to around 3.2%, causing a significant fall in the total value of gross liabilities.

Actuarial Assumptions

Actuarial valuations of liabilities and provisions

Some figures in the WGA are calculated using actuarial techniques. The most significant of these are pensions liabilities and some of the provisions such as clinical negligence.

What is an actuarial valuation?

An actuarial valuation is the calculation of any amount where assumptions need to be made about what will happen in the future. Very often, this involves payments that are expected to be made several years in the future, where there is uncertainty in the amount or timing of the payments. Each future payment is estimated, discounted to the valuation date and added together.

Setting assumptions

Assumptions are needed if the timing or amount of future payments is uncertain. Some examples of assumptions in valuations include:

- life expectancy, retirement age and salary growth of pension scheme members
- average cost and inflation of clinical negligence claims
- timing of construction of nuclear decommissioning sites

Assumptions can be set based on the past experience of the entity being valued if the administrative data held is recorded accurately and if the dataset is large enough to make statistically robust conclusions. Many of the public service pension schemes hold data that can be used to set assumptions.

Assumptions should also allow for trends in the experience and known future changes in, for instance, pension scheme rules.

Different assumptions may be appropriate for valuations with different purposes, such as to set employer contribution rates or to specify liabilities in accounts for a pension scheme.

Data

The calculation of the liability will usually start from administrative data held. For instance, a pension scheme valuation will use the rates of pensions currently in payment, the amount of pensions accrued but not yet in payment and the salaries of current employees. If there are uncertainties about this data, then assumptions are made about the data before it is used in calculations.

Consolidation of Financial Statements

1.99 The Government Resourcing and Accounts Act 2000 (GRAA) states that the Treasury 'shall prepare in respect of each financial year a set of accounts for a group of bodies which appears to the Treasury (a) to exercise functions of a public nature, or (b) to be entirely of substantially funded from public money'. To meet this requirement, HM Treasury (HMT) must complete an accounting process known as consolidation.

Accounting Spotlight: Consolidation

What is account consolidation and why do we do it?

When a company holds ownership of multiple subsidiaries, it can be useful for the shareholders of the company to see the financial statements of all companies 'consolidated' into one set.

This can be useful in appraising the performance of the group, which may have entities that make losses for the strategic benefit of other bodies in the group.

The process is completed by taking the statements of the 'parent' company the most senior in the chain of ownership or control and adjusting them to reflect all bodies below it on a 'line by line' basis: adding up all assets, liabilities, income, and expenditure.

In the context of a private company, the intention is to present financial performance and position the 'group' as one single entity, simplifying what can be complex group structures into one body.

How does WGA differ from private sector consolidation?

1.100 When determining which bodies exercise functions of a public nature or are funded substantially by public money, HMT uses a classification published by the Office for National Statistics (ONS). This is a departure from the relevant accounting standard IFRS 10, which lays down guidance for determining which entities are 'in' or 'out' of the consolidation.

1.101 The reason for this departure is the absence of a parent entity in a whole of government context. In most consolidations, the group structure funnels upwards into a single entity, such as a holding company. There is no equivalent parent in WGA and the consolidation in WGA should be regarded as gathering multiple departmental group accounts which would otherwise not be linked by ownership or control.

1.102 More details about the consolidation process can be found in the governance statements.

Subgroups consolidated into WGA

1.103 There are multiple large groups consolidated into WGA, mostly in central government, along with many which stand independently, such as local government and public corporations which the ONS has designated within public sector. These groups are consolidated in compliance with accounting standards, WGA is the only departure.

Figure A.4 WGA Consolidated Bodies

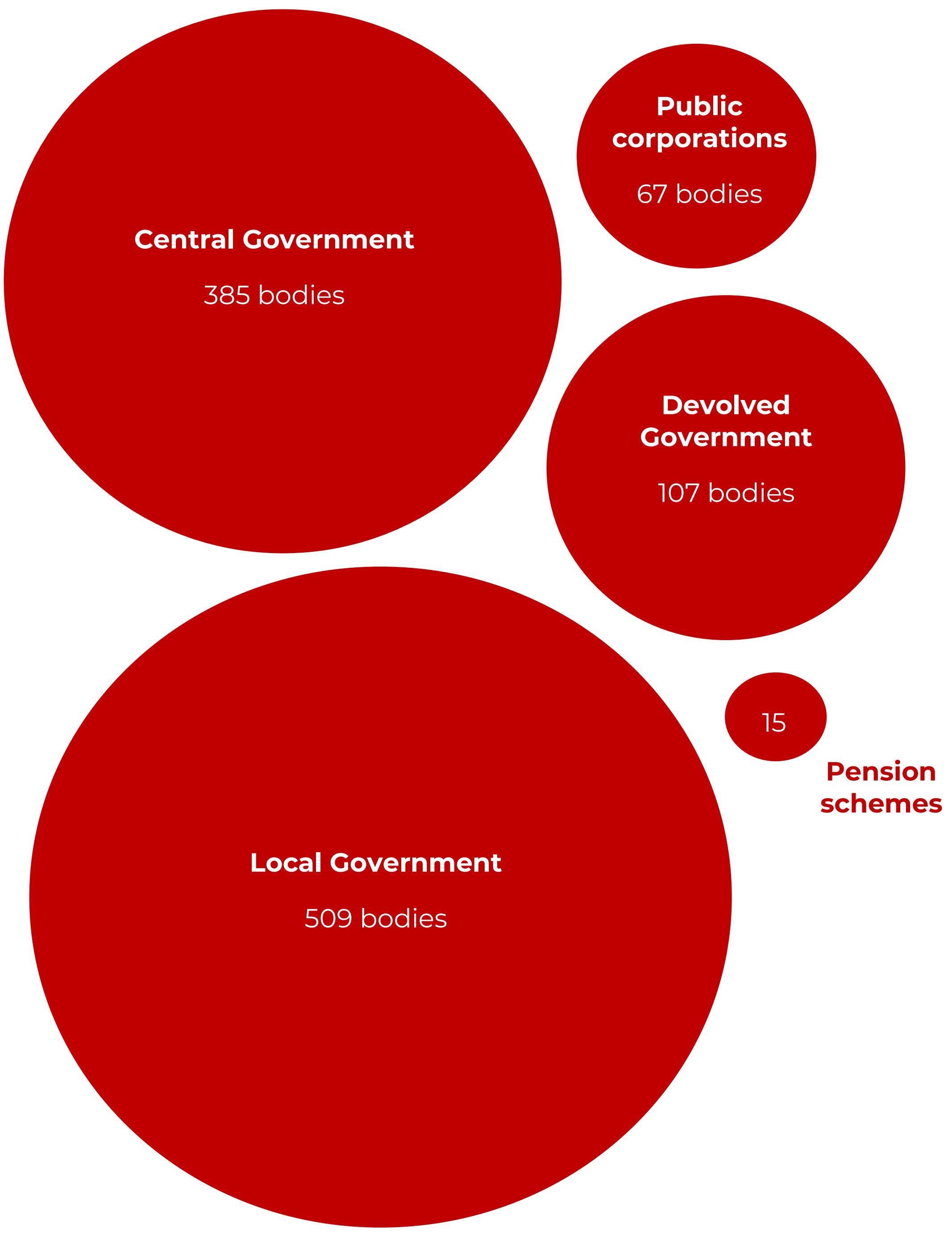


Figure A.5 Examples of group entities

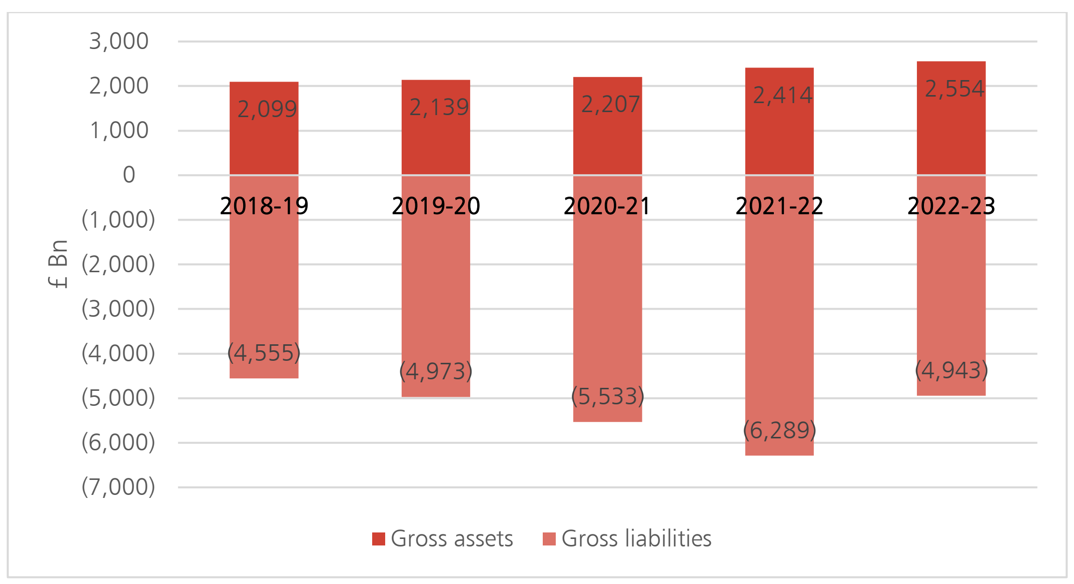
Analysis of WGA Financial Statements

Report on Assets and Liabilities

Statement of Financial Position

1.104 The purpose of the Statement of Financial Position, also known as a balance sheet, is to show the financial status of an entity at a specific point in time. In WGA, the Statement of Financial Position shows what the UK public sector owns (its assets) and how much it owes (its liabilities). This information is more valuable when several consecutive periods are grouped together, so that trends in the different items can be viewed. Data collected for 2022-23 has further reduced, in line with the trend since 2020-21. This primarily relates to issues in the local government sector. Further information on the local government sector can be found in 'significant matters of interest'.

Figure A.6 Assets and liabilities of the UK over time (£ billion)



1.105 In the chart above, we see a substantial fall in total liabilities, contrasting with an increase in total assets. Until 2022-23, total liabilities consistently increased, primarily due to a consistent fall in the real discount rates used to calculate major liabilities such as net public service pension liability and provisions. In 2022-23, the real discount rate increased from (1.3%) to 1.7%, reducing the discounted value of total liabilities. Further information can be found in the spotlight on discount rates paragraphs 1.88 to 1.98.

1.106 The key differences between 2021-22 and 2022-23 are an increase in infrastructure assets within PPE and decreases to the public sector pension and provisions liabilities. The former is primarily driven by revaluation gains and the latter is driven by discount rate increases. The following sections explore the most significant assets and liabilities,

including these key movements, and the underlying income and expenditure in 2022-23.

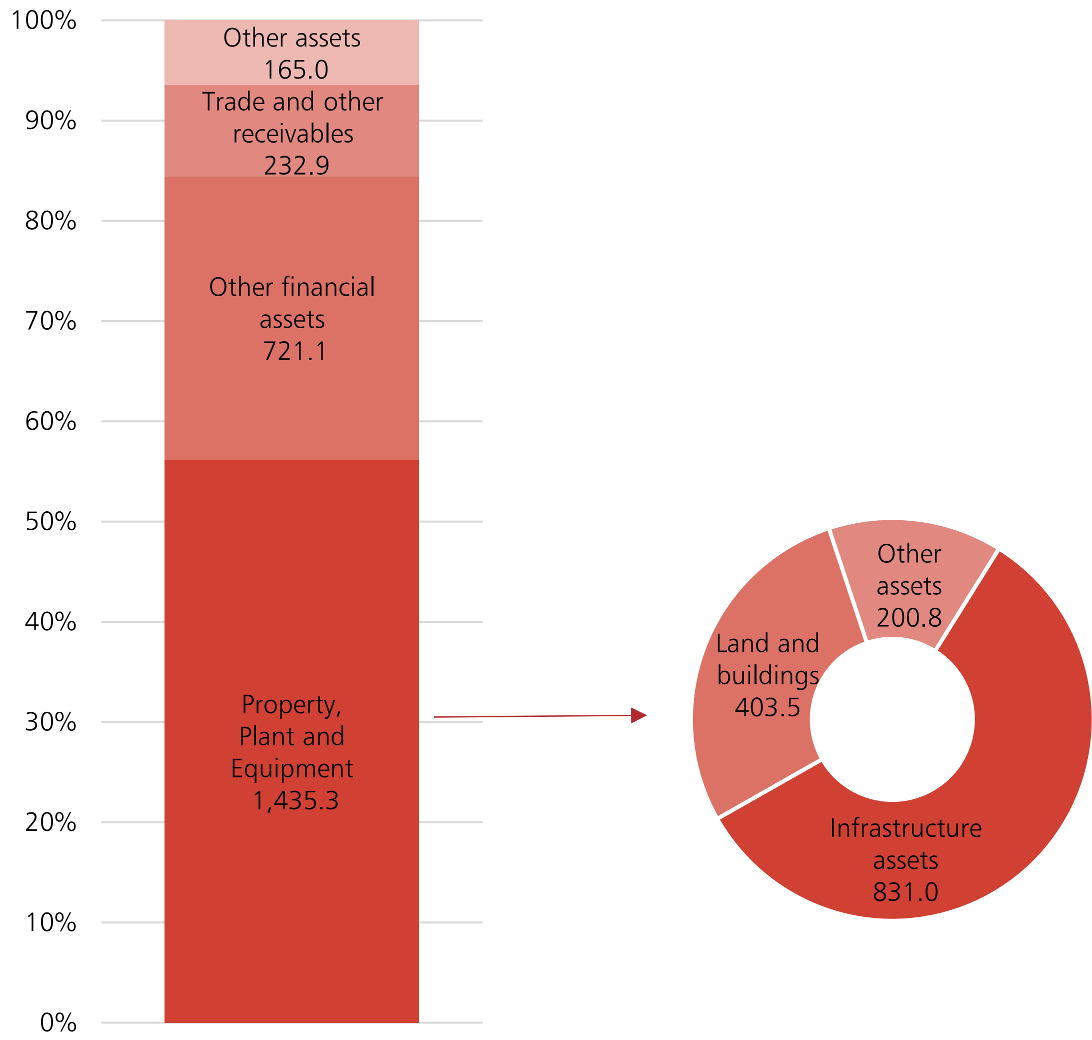
1.107 WGA consistently shows a net liability position for the UK public sector, due to the way tax revenue is accounted for. Future payments such as public service pensions are recognised as liabilities in WGA. However, a corresponding asset is not recognised for future tax revenue, as the future taxable events (like firms making profits) have not yet occurred.

Assets

Total Assets £2,554.3 billion

1.108 The UK public sector has a large asset base spanning physical property, plant and equipment (PPE), financial assets, and intangible assets.

Figure A.7 Breakdown of assets (£ billion)

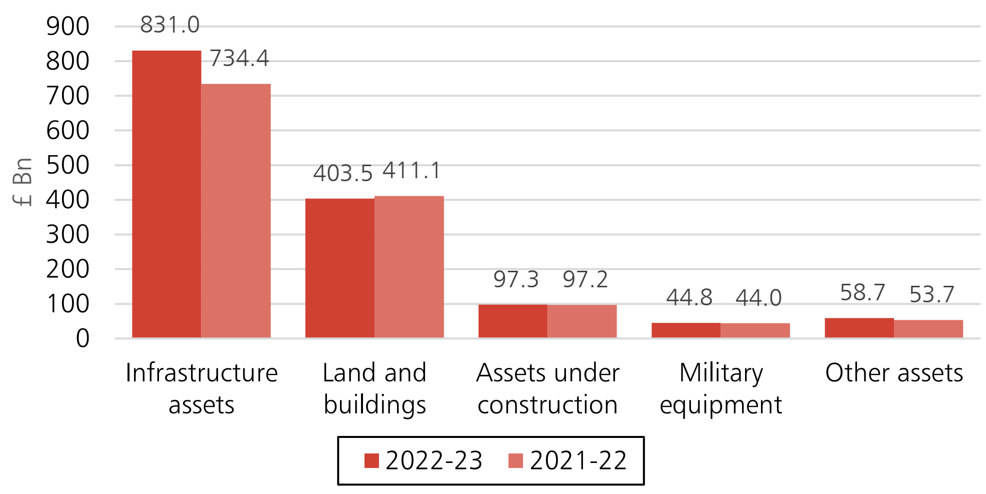


1.109 The most significant assets owned by the public sector are PPE (which includes land and buildings, infrastructure and military equipment), financial assets and trade receivables. PPE accounts for

57% of total assets, of which 58% relates to infrastructure assets. The largest contributor to the public sector's infrastructure is the rail network valued at £411.4 billion (2021-22 £365.5 billion). Included in other assets are intangible assets of £47.9 billion (2021-22: £43.7 billion), which are measured in accordance with International Financial Reporting Standards (IFRS).

Property, Plant and Equipment £1,435.3 billion

Figure A.8 Property, Plant and Equipment breakdown (£ billion)



1.110 Overall, the value of PPE reported in WGA increased by £94.9 billion or 7.1% in 2022-23. A breakdown of the two largest elements; 'Infrastructure Assets' and 'Land and Buildings', is provided below.

Infrastructure Assets £831.0 billion

1.111 Infrastructure assets increased by £96.6 billion (13.2%) relative to the prior year. A breakdown of public sector infrastructure assets by type is shown in the table below.

Figure A.9 Breakdown of infrastructure assets

	2022-23 £bn	2021-22 £bn
Held by		
Network Rail	411.4	365.5
National Highways	159.4	146.0
Scottish Water	78.0	68.7
Northern Ireland Department for Infrastructure	36.9	31.2
Scottish Government Strategic Road Network	27.1	23.0
Welsh Government	23.7	21.1
Other	15.4	14.6
Total central government and public corporations	**751.9**	**670.1**
Transport for London	38.0	21.2
Highways Infrastructure and other local government assets	41.1	43.1
Total local government	**79.1**	**64.3**
Total infrastructure assets	**831.0**	**734.4**

1.112 The most significant movement by value related to Network Rail. The £45.9 billion increase in the railway network, managed by Network Rail, was primarily driven by revaluation gains, arising from the estimated annual increase of building a modern equivalent infrastructure asset. Given the high value and often specialised nature of the assets, these estimates are subject to a significant amount of uncertainty. More information on sensitivity analysis can be found in Note 2.3.

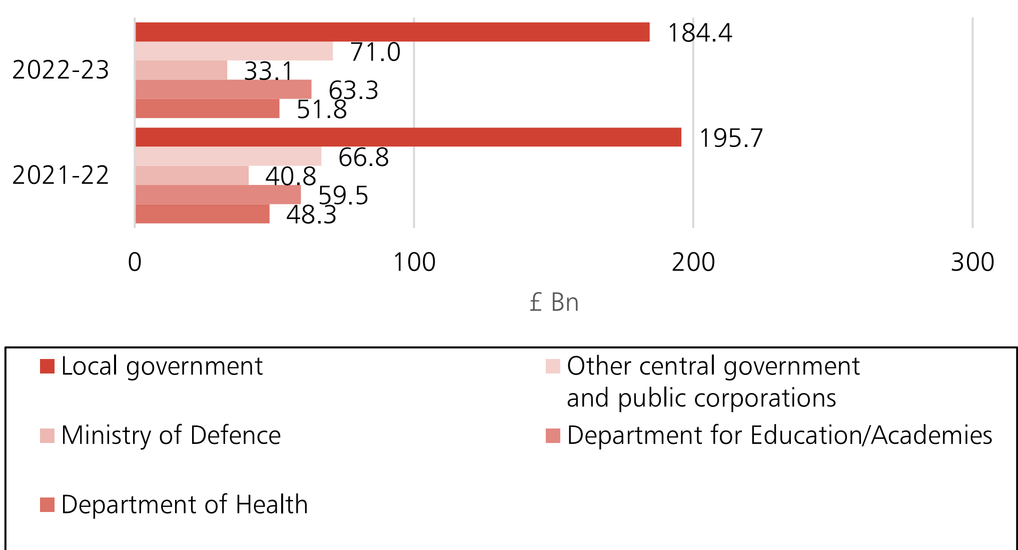
1.113 Central government values their infrastructure assets at depreciated replacement cost (DRC), whilst local government value their assets (of which highways infrastructure is the most significant) based on historical cost. WGA has an audit qualification as a result of these inconsistent valuation methodologies.

1.114 The carrying value of the local authority networked assets is £79.1 billion (2021-22: £64.3 billion). This compares to the ONS estimate for the depreciated replacement cost of these networked assets of £176.9 billion as at 31 December 2022 (2021-22: £159.1 billion). Infrastructure assets shown in WGA are therefore likely to be understated by at least £97.8 billion. See Note 2.3 to the accounts for further detail.

Land and buildings £403.5 billion

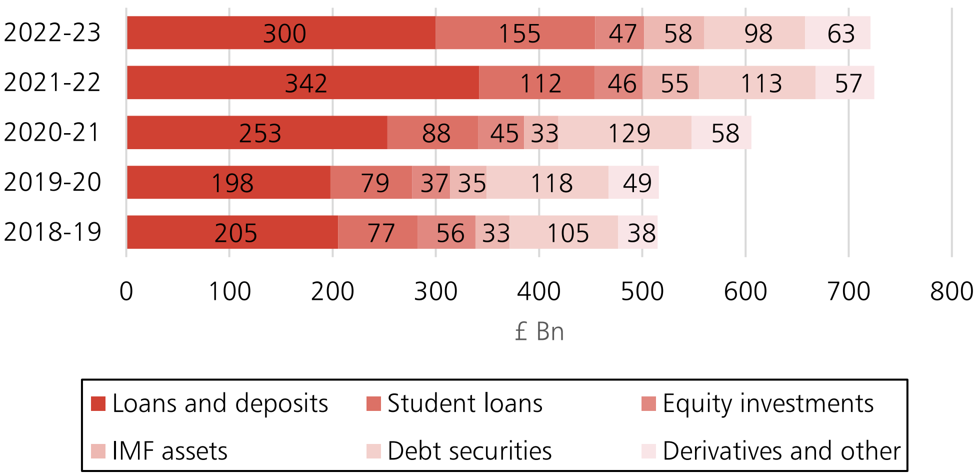
1.115 The value of land, buildings and dwellings reported in WGA decreased by £7.6 billion or (1.9%) in 2022-23. The most significant movement was experienced by the Ministry of Defence, who experienced a decrease of £7.7 billion due to transfers between asset classes following adoption of IFRS 16 (Leases). Further information is available in Note 12.

Figure A.10 Government land and buildings (£ billion)



Other financial assets £721.1 billion

Figure A.11 Breakdown of other financial assets (£ billion)



1.116 The UK public sector holds a range of financial assets. Some are held as part of the government's normal operations to manage cash and foreign exchange risks. Others were acquired to support specific policy objectives. The largest balance in debt securities is held by the Exchange Equalisation Account (£71.7 billion). The largest student loan balance is held by the Department for Education (£137.8 billion). The largest balance in loans and deposits is Term Funding Scheme for SME loans, held by the Bank of England (£180.5 billion). Further details on these significant balances are included below.

Term Funding Scheme for SMEs loans £180.5 billion

1.117 The Term Funding Scheme for SMEs (TFSME) was announced on 11 March 2020 as a package of Bank of England measures to respond to the economic shock from Covid-19. It helped reinforce the transmission

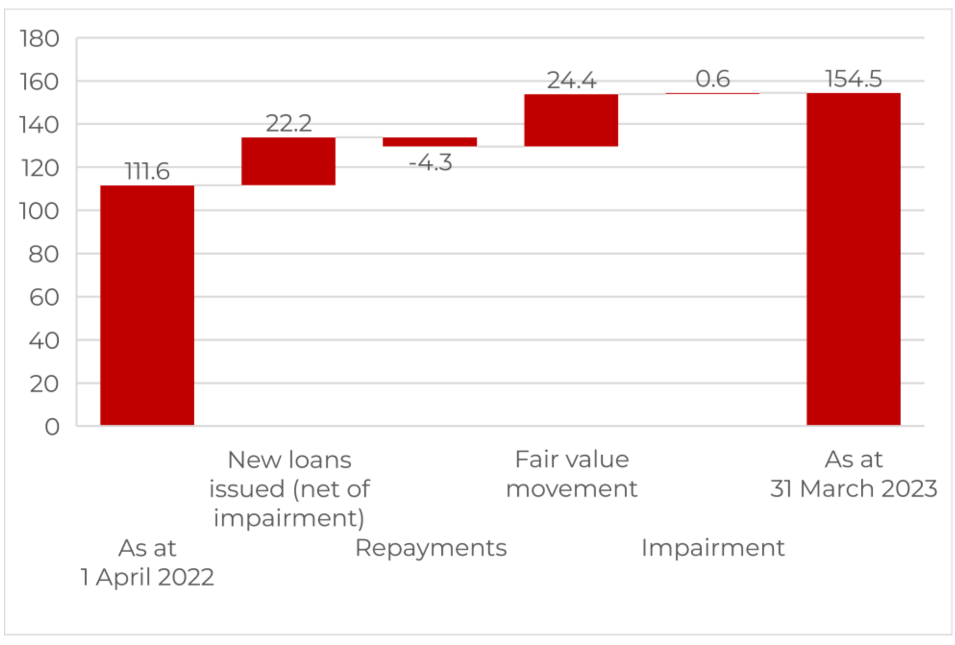
of the reduction in Bank Rate to the real economy to ensure that businesses and households benefitted from lower interest rates. It was also designed to incentivise banks to provide credit to businesses and households to bridge through a period of economic disruption and provide additional incentives for banks to support lending to SMEs (small and medium enterprises) as these typically bear the brunt of contractions in the supply of credit during periods of heightened risk aversion and economic downturns.

Exchange Equalisation Account – Debt Securities £71.7 billion

1.118 Foreign currency reserves are held by the Exchange Equalisation Account on a precautionary basis in the event of any unexpected shocks, or if required to meet any future change in exchange rate policy.

Student loans: £154.5 billion

Figure A.12 Change in student loan valuation (£ billion)



1.119 The student loan portfolio continues to expand. The face value of outstanding student loans in England is forecast to reach £384.0 billion by March 2072[8]. Repayment rates vary by loan type, but the average of the government's long-term estimates is that around 74% of the value of loans issued in 2022-23 will be repaid.

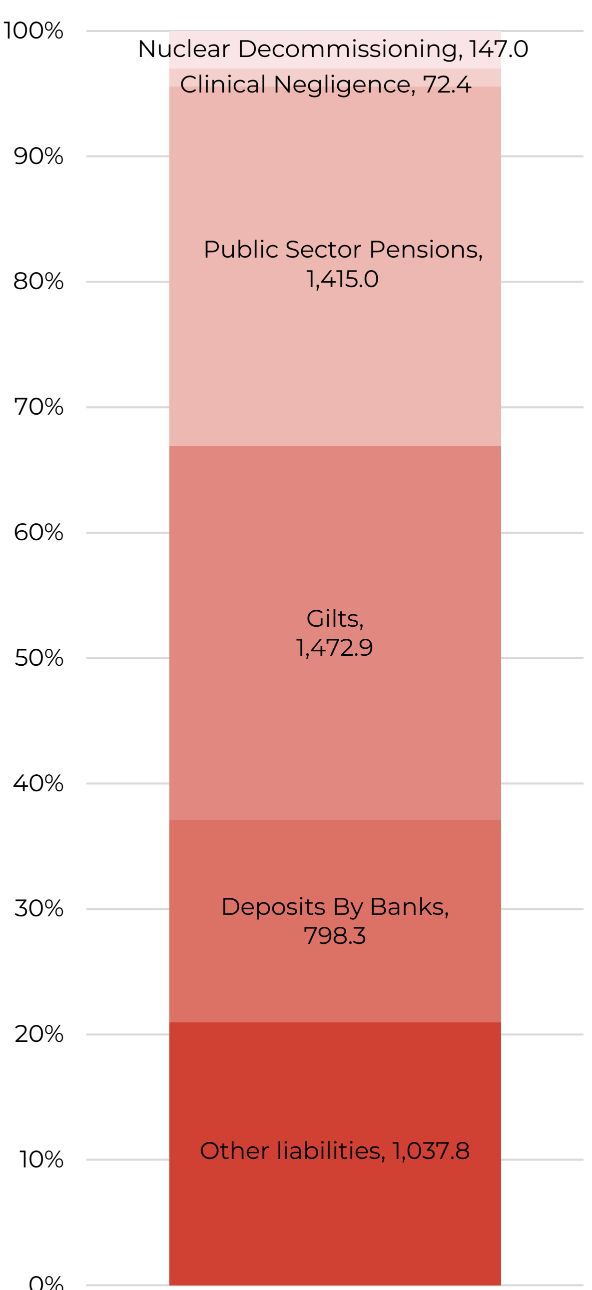
[8] Student loan forecasts for England, Financial year 2022-23 - Explore education statistics - GOV.UK (explore-education-statistics.service.gov.uk)

Liabilities

Total liabilities £4,943.4 billion

1.120 The UK public sector holds a series of significant liabilities: government borrowing, public sector pension liabilities, other financial liabilities, payables and provisions.

Figure A.13 Breakdown of liabilities (£ billion)



The **nuclear decommissioning provision** reflects work to decommission nuclear sites which are not expected to be fully completed until 2137. The length of time, and complexity of the materials involved, results in uncertainty in cost estimates in later years.

Clinical negligence provision payments are dependent on the outcome of legal processes. Claims for seriously injured patients are usually paid as a lump sum up front and annual payments for the rest of the claimant's life. This means some elements of the liability will last several decades.

The OBR produces projections for **public sector pensions** up to 2072. Given the nature of the liability, pay-outs will be made for many decades to come.

Gilts are the main form of government borrowing. This will drive the government's need to access the bond market to fund borrowing. At the end of 2021-22, the main bulk of gilts are due for redemption before 2050.

Deposits by banks are mostly deposits by commercial banks with the Bank of England and are repayable on demand. These fluctuate depending on the underlying business activity of these financial institutions.

Other liabilities are summarised in paragraph 1.121 below.

1.121 Other liabilities are made up of short-term and long-term items. Short-term liabilities include Treasury bills (£63.1 billion, 2022-23) and National Savings and Investment (NS&I) products. Short-term liabilities

also include IMF special drawing rights (£32.1 billion) and banknotes in circulation (£85.9 billion, 2022-23), which is a liability repayable on demand, although it can be considered not to have a maturity and its value will fluctuate over time depending on the value of notes in circulation.

1.122 The following sections provide more detail on some of the government's most substantial liabilities. These are:

- deposits by banks
- government borrowings
- provisions
- public sector pensions

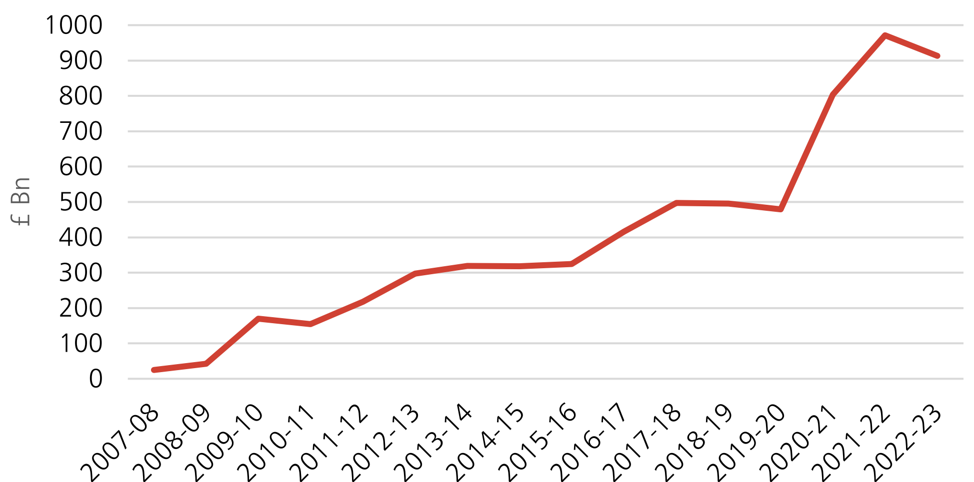
Deposits by banks £801.0 billion

1.123 Deposits by banks decreased by £86.9 billion from £887.9 billion to £801.0 billion in 2022-23. They mainly comprise reserves accounts held at the Bank of England. Reserves accounts are sterling current accounts which banks and building societies hold at the Bank of England. Repayable on demand, they are the most liquid asset a bank or building society can hold and are the ultimate means of settlement between banks and building societies.

1.124 The rate paid by the Bank on reserves account balances is also the means by which the Bank keeps market interest rates in line with Bank Rate. All reserves balances are remunerated at Bank Rate.

1.125 The deposits by banks figure referenced above differs from the figure in the chart below due to the Bank of England accounting period differing from the WGA accounting period; £913.2 billion is the Bank of England figure and represents the total for the calendar year of 2022, whilst £801.0 billion represents the WGA accounting period for the financial year 2022-23.

Figure A.14 Deposits by banks at Bank of England over the last 15 years (£ billion)

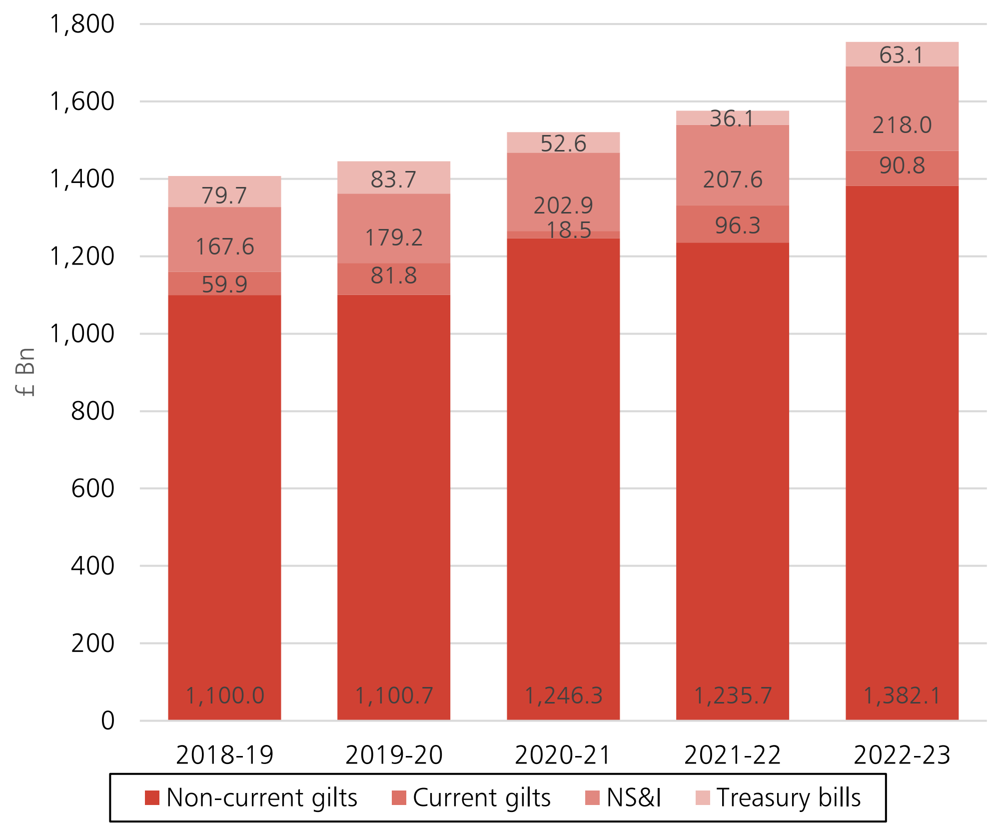


1.126 The chart above shows the trend of deposits by banks at the Bank of England since 2007-08. During this time the Bank of England has used new monetary policy tools, such as Quantitative Easing (QE) and the Term Funding Scheme, to boost spending and investment in the economy and help the independent Monetary Policy Committee meet its inflation target. These policies are funded by creating additional central bank reserves, which increases deposits by commercial banks at the Bank of England. Policies which create central bank reserves have been used multiple times since 2008, notably there have been rounds of QE in 2009, 2012, 2016 and in November 2020, which have led to several sharp increases in deposits by banks over the last 15 years.

1.127 In the case of QE, the basic mechanics involve the Bank of England creating central bank reserves in order to finance a loan to the Bank of England Asset Purchase Facility Fund (BEAPFF). The BEAPFF uses this money to buy gilts and high-quality corporate bonds from the private sector.

Government borrowing £1,754.0 billion

Figure A.15 Government borrowing over time (£ billion)



1.128 Government borrowing is achieved through the issuance of gilts and Treasury bills. The total nominal value of central government wholesale debt (excluding government holdings) as at 31 March 2023 was £1,754.0 billion, up from £1,575.7 billion as at 31 March 2022.

1.129 When setting a strategy for government borrowing, a number of risks are taken into account. These include interest rate risks, refinancing risk, inflation risk, liquidity risk and execution risk. The government maintains a relatively long average maturity of government debt to limit exposure to refinancing risk. Details of the government's debt management strategy and financing plans are set out in the debt management report.

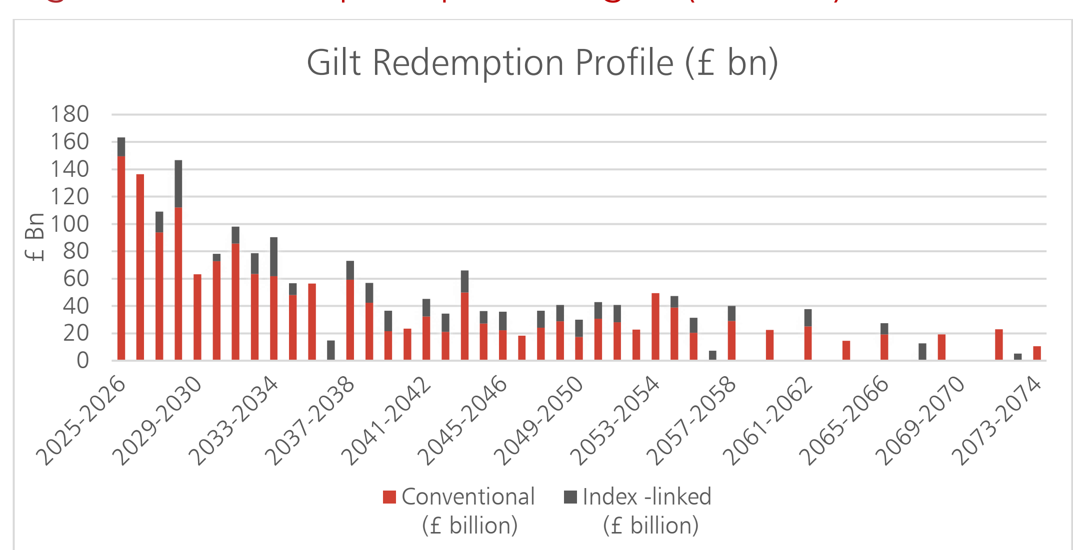
1.130 Gilts are the primary form of government debt. The gilt redemption profile from the Debt Management Office (DMO) debt management report is included in the chart below. This shows that some gilts are due for redemption as far in the future as the 2070s, but the bulk are due for redemption before 2050.

1.131 The government issues a mix of fixed coupon (conventional) and index-linked gilts. Index-linked gilts have their principal and coupon payments adjusted according to the Retail Price Index (RPI) inflation measure. At Budget 2018 the government announced that it would look to manage the inflation exposure in the debt portfolio by gradually reducing the issuance of index-linked gilts as a proportion of total issuance, and the government has since made progress towards reducing inflation exposure in relative terms.

1.132 In the five years prior to 2018-19, index-linked gilts accounted for around 25% of the government's annual debt issuance, for which both the principal and coupon payments are indexed to RPI. Index-linked gilt issuance has accounted for around 14% (unweighted) of annual gilt issuance over the last five years (including 2022-23), while the proportion of index-linked gilts in the debt stock has also fallen from 28.4% at the end of 2019 to 23.9% at the end of 2022.

1.133 The government is no longer looking to reduce index-linked gilt issuance as a share of total issuance on a year-on-year basis over the medium term. The government decides index-linked gilt issuance on an annual basis, and in practice the share of total issuance will vary from year to year depending on factors including the size of the financing requirement, demand and market conditions.

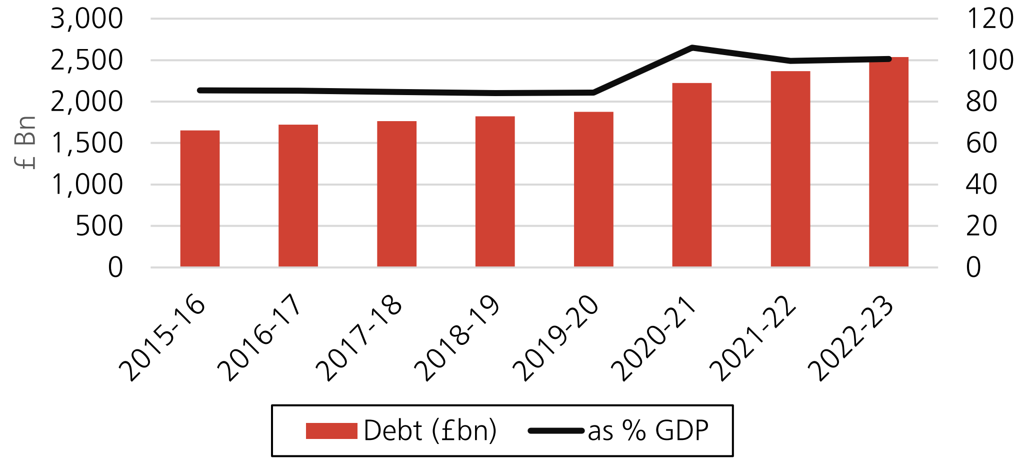
Figure A.16 Redemption profile of gilts (£ billion)



Source: DMO

1.134 At 31 March 2023, the statistical measure of UK general government gross debt was £2,537.0 billion, equivalent to 100.5% of gross domestic product (GDP) (source ONS).[9] This represents an increase of £171.6 billion since the March 2022, and debt as a percentage of GDP increased by 0.9 percentage points from 99.6% over the same period.

Figure A.17 General government gross debt as a percentage of GDP over time



1.135 The UK government net borrowing (deficit) as a percentage of GDP for the year ending March 2023 was 0.3 percentage points lower than in the same period the previous year (source ONS).

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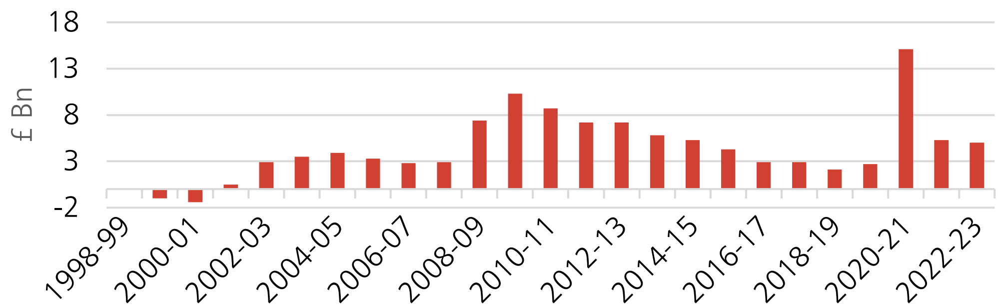
[9] UK government debt and deficit - Office for National Statistics (ons.gov.uk)

Figure A.18 General government net borrowing (deficit) as a percentage of GDP over time



Provisions £306.9 billion

1.136 Total provisions decreased by 41.8% (or £220.9 billion) from £527.8 billion in 2021-22 to £306.9 billion in 2022-23. The decrease was largely due to changes in the discount rate which decreased total provisions by £214.9 billion (2021-22: £137.4 billion increase). For more information on the impact of discount rates on the value of the provision, please see Note 23 in the notes to the accounts.

Figure A.19 Provision totals by year (£ billion)

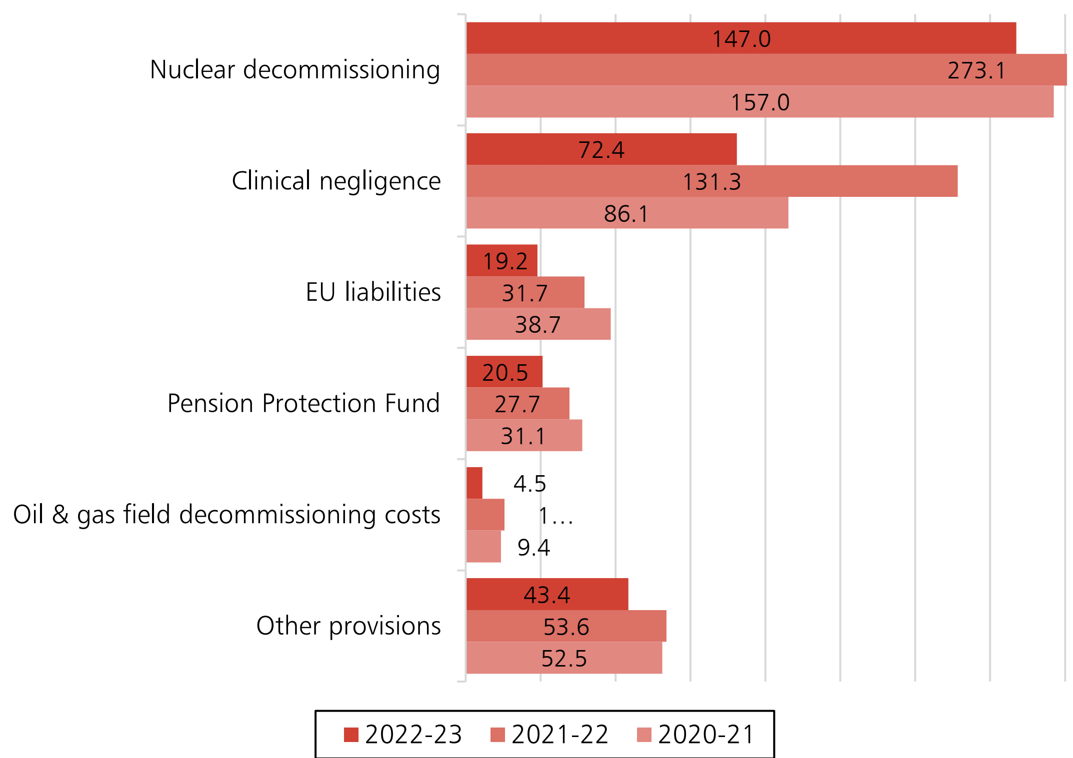
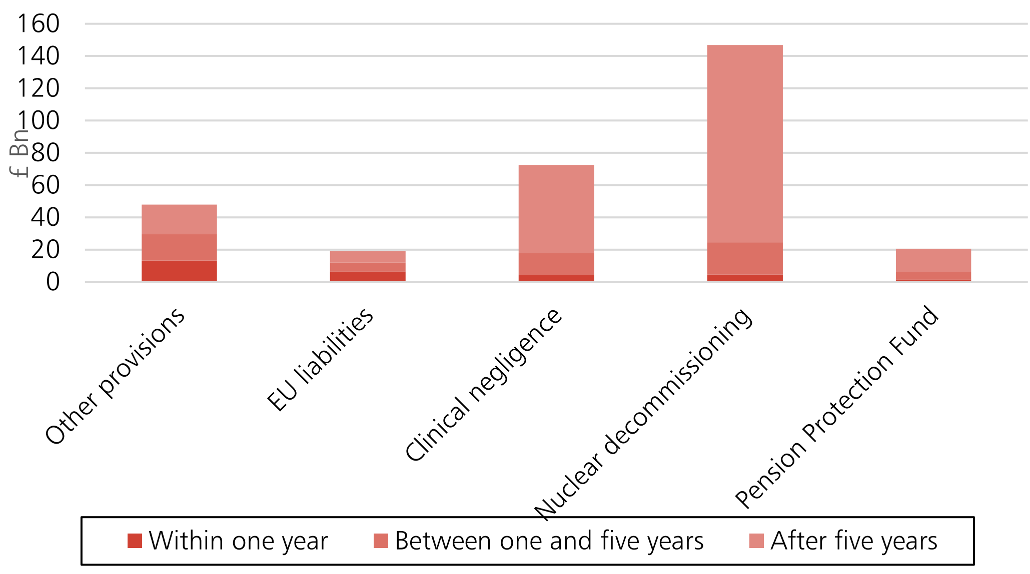
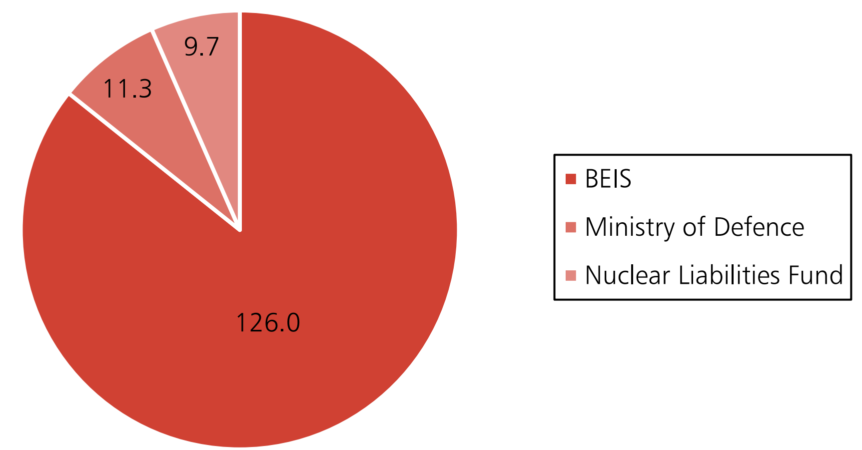


Figure A.20 Maturity of provisions (£ billion)



Nuclear decommissioning provisions £146.9 billion

Figure A.21 Breakdown of the nuclear decommissioning provision (£ billion)



**BEIS split into DSIT, DESNZ, and DBT in a machinery of government change after 2022-23*

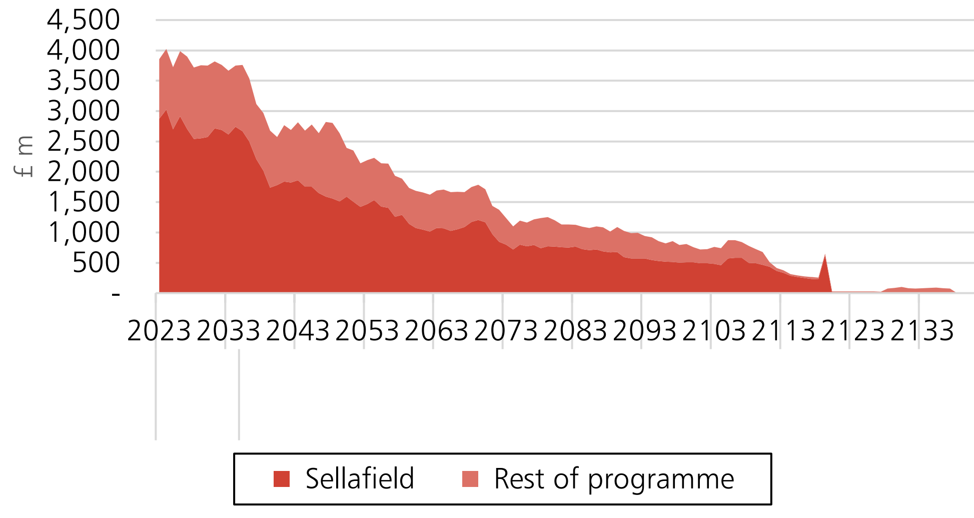
1.137 The Nuclear Decommissioning Authority (NDA) are a subsidiary of the Department for Business, Energy and Industrial Strategy. Following a Machinery of Government (MOG) change in 2022/23, BEIS became the Department for Energy Security and Net Zero (DESNZ). BEIS, along with certain other government bodies provide for future costs relating to nuclear decommissioning. The BEIS provision represents 86% of the total in this area. The provision for nuclear decommissioning decreased by £126.2 billion, from £273.1 billion in 2021-22 to £146.9 billion in 2022-23. Changes in the discount rate decreased

this provision by £131.8 billion (2021-22: £137.4 billion increase). NDA manages the clean-up and decommissioning of 17 nuclear licensed sites across the UK, such as former nuclear power stations and research centres, some of which have operated since the earliest days of nuclear power. Unlike modern facilities, decommissioning of these sites was not built into plans or designs.

1.138 Decommissioning of these sites will take many decades. In part, this is because plans often include periods of 'care and maintenance', where sites are made safe and put into an interim stage, allowing residual amounts of radioactive material to decay over time. By doing this, the final stages of decommissioning will be easier and safer to complete. The Sellafield site has the largest radioactive inventory and the most complex facilities to decommission.

1.139 The chart below illustrates the expected profile of pay-outs by the NDA which total £173.0 billion before discounting and £125.0 billion after discounting.

Figure A.22 Expected profile of pay-outs by the NDA (£m, undiscounted)



Source: BEIS

Clinical negligence provision £72.4 billion

1.140 The Department of Health and Social Care and the devolved administrations provide for future costs in a number of cases where they are the defendant in legal proceedings brought by claimants seeking damages for the effects of alleged clinical negligence. Most of the UK government's clinical negligence claims are managed by NHS Resolution, who handle both clinical and non-clinical claims relating to the NHS in England.

1.141 NHS Resolution makes a provision in its accounts for the likely value of future claims payments, and also records contingent liabilities which represent possible additional claims payments that have not

already been provided for. The provision is made up of lump sum payments, long-term payments (usually lifetime) and incidents that have not yet been reported. The maturity profile of clinical negligence payments is impacted by uncertainty around the length of time it takes to resolve cases and the structure of payments. More information on contingent liabilities is included in Notes 30 and 31 to the accounts.

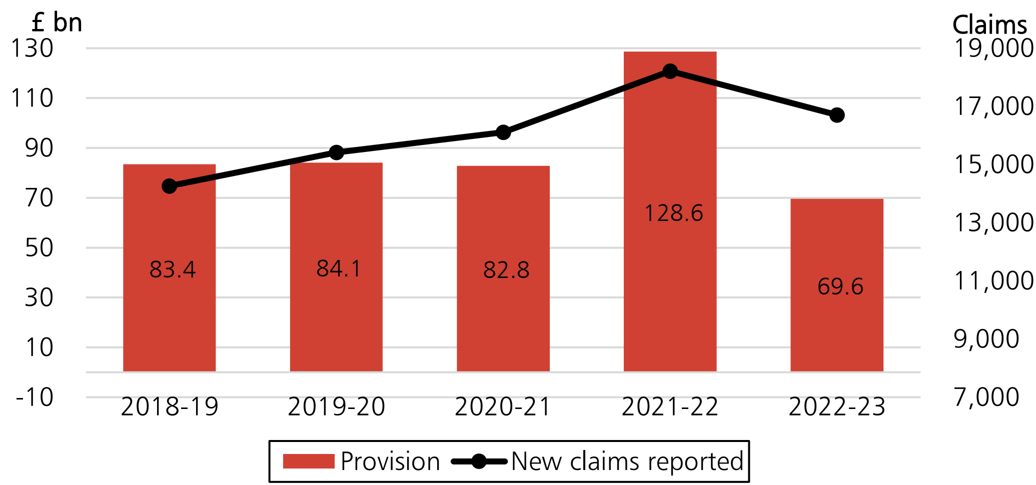
1.142 The drivers of claim costs are a combination of the number of claims received, the amount of compensation paid for those claims and the legal costs which are attached to them. Discount rates also have a significant effect on these costs.

1.143 The total overall provision for clinical negligence claims decreased by £58.9 billion or 44.9% in 2022-23, from £131.3 billion to £72.4 billion. £74.5 billion of this movement was due to reductions in the long-term and very long-term discount rates. In addition to the clinical negligence provision, £33.4 billion (2021-22: £75.2 billion) is disclosed as a contingent liability for clinical negligence.

1.144 In 2022-23, NHS Resolution received 13,511 new clinical negligence claims, a decrease of 1,567 claims (10.4%) from 2021-22. The number of new non-clinical claims, typically employers' and public liability claims, increased by 1.9% to 3,192 in 2021-22. The reduced average number of claims arising from clinical activity potentially reflect a reduced volume of elective procedures carried out during the acute period of the pandemic in addition to the wider disruption to the NHS at this time.

The provision for liabilities as at 31 March 2023 represents the value of liabilities arising from incidents that occurred before 31 March 2023 at current prices. This figure includes claims received, and NHS Resolution's estimate of likely claims from incidents which have occurred but have yet to be reported (incurred but not reported, IBNR). The chart below provides further information.

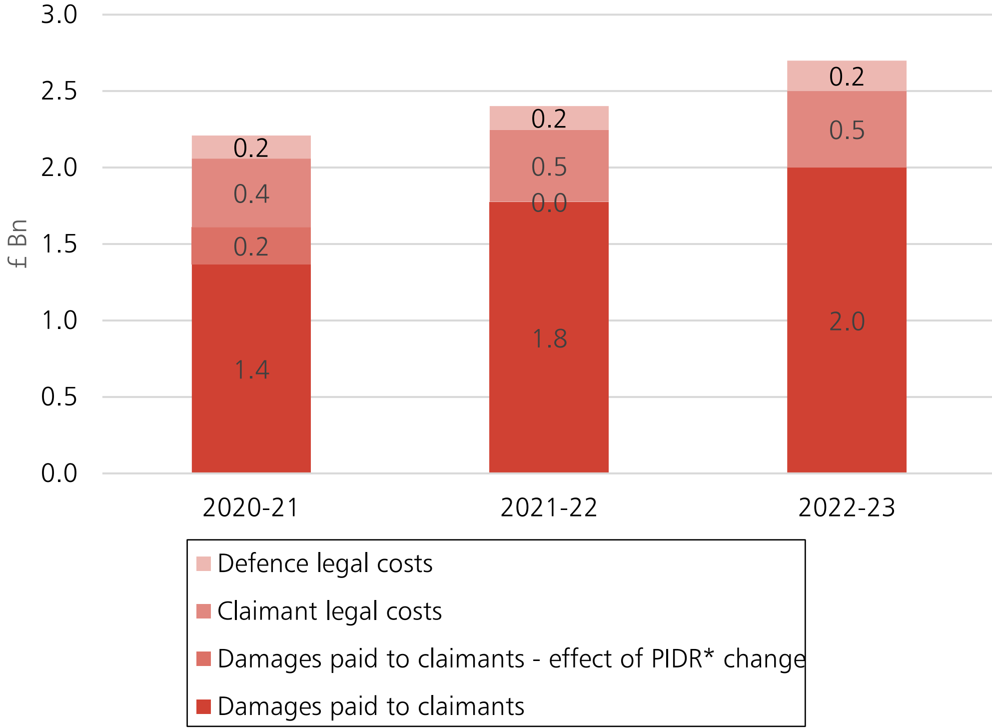
Figure A.23 NHS Resolution total provision for clinical and non-clinical negligence claims, and number of new claims reported in year



Source: NHS Resolution accounts 2022-23 as at March 2023

1.145 The chart below provides a breakdown of the £2.7 billion of pay-outs made by NHS Resolution during 2022-23.

Figure A.24 NHS Resolution pay-outs in year (£ billion)



Source: NHS Resolution accounts 2022-23 as at March 2023
* Personal Injury Discount Rate

1.146 The provision is an estimate and is sensitive to changes in key assumptions. As an example, for the Clinical Negligence Scheme for Trusts (CNST) the NHS Resolution accounts estimate a figure of £62.0 billion, with a reasonable upper range of £81.1 billion, and a reasonable lower range £43.8 billion. Further information can be found in the accounts of NHS Resolution.

1.147 During 2022-23, the majority of NHS Resolution claims were settled without formal legal proceedings (80% compared to 77% in 2021-22). NHS Resolution has used dispute resolution techniques, such as mediation and more collaboration with claimant lawyers, to settle more claims before formal court proceedings are required. A decrease in the rate of claims going into formal litigation reduces the stress of that process for patients and healthcare staff and contributes to a further decrease in claimant legal costs, helping to reduce the overall cost to taxpayers.

Public sector pensions £1,415.0 billion

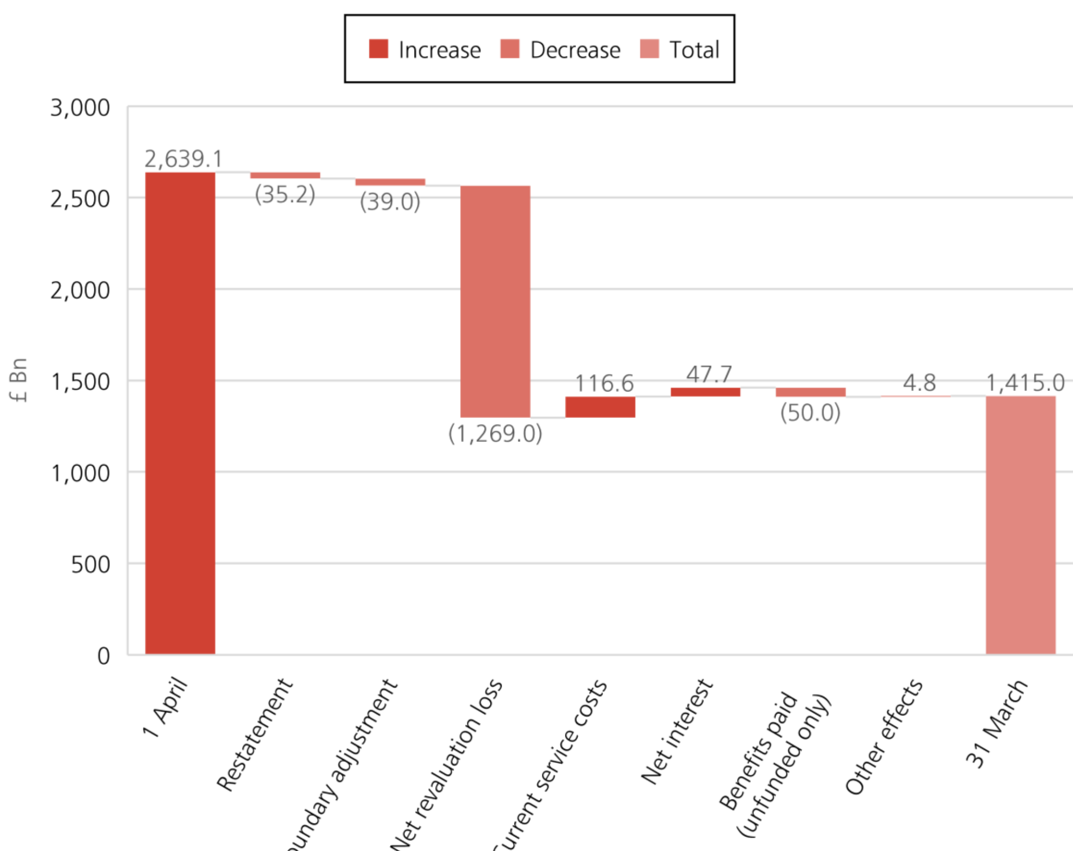
1.148 The net public sector pension accounts for 28.6% of total liabilities and is the second largest liability in WGA behind government borrowings. The net liability decreased by £1,224.1 billion or 46.4% in 2022-23. It does not include the state pension, which is social security expenditure.

Figure A.25 Net public sector pension breakdown

1.149 The chart above shows a breakdown of the net public sector pension liabilities. The Local Government Pension Scheme and the Civil

Superannuation Account cover Great Britain, the Armed Forces Retired Pay Pensions and National Health Service Pension Scheme cover the UK.

Figure A.26 Change in net public sector pension liability



The largest public service pension schemes

1.150 Four single unfunded pension schemes make up 88.2% of the pension liability. These are: the National Health Service Pension Scheme (NHSPS), Teachers' Pension Scheme (TPS) (England & Wales), Cabinet Office Civil Superannuation (PCSPS), and Armed Forces Pension Scheme (AFPS).

Snapshot of the four biggest pension schemes

Pension Scheme	Decrease in liability	Active members*
NHSPS (England and Wales)[10]	£380.3 billion	1,815,310
TPS (England and Wales)[11]	£229.1 billion	713,033
PCSPS (Great Britain)[12]	£140.9 billion	572,423
AFPS	£122.6 billion	275,672

* Due to the complexity of some of the schemes, individual members may be a member of more than one scheme, and therefore double counted. An active member is defined as an individual who is in pensionable service and where the employer has not provided a withdrawal indicator.

1.151 The four main schemes' financial management arrangements conform to the requirements of HMT as laid out in "Managing Public Money". Pensions in payment and deferment are increased based on the change in the Consumer Price Index (CPI) in the 12 months to the end of the preceding September. As CPI at September 2019 was 0.5%, there was a 0.5% increase to these pensions in April 2021.

1.152 These four schemes are unfunded, defined benefit occupational pension schemes. The pay-as-you-go nature of these schemes means that pension contributions of employees and employers are used to offset payments to current pensioners. Future payments will be funded by future contributions and tax receipts.

1.153 The income received in the **NHS Pension Scheme** currently exceeds payments made by the scheme, so the balance of surplus cash is returned to HM Treasury under arrangements governed by the legislation.

1.154 The income in the **Principal Civil Service Pension Scheme** (PCSPS), **Teachers' Pension Scheme** (TPS) and the **Armed Forces Pension Scheme** (AFPS) is insufficient to pay all pensions in payment. The balance of funding is provided by Parliament.

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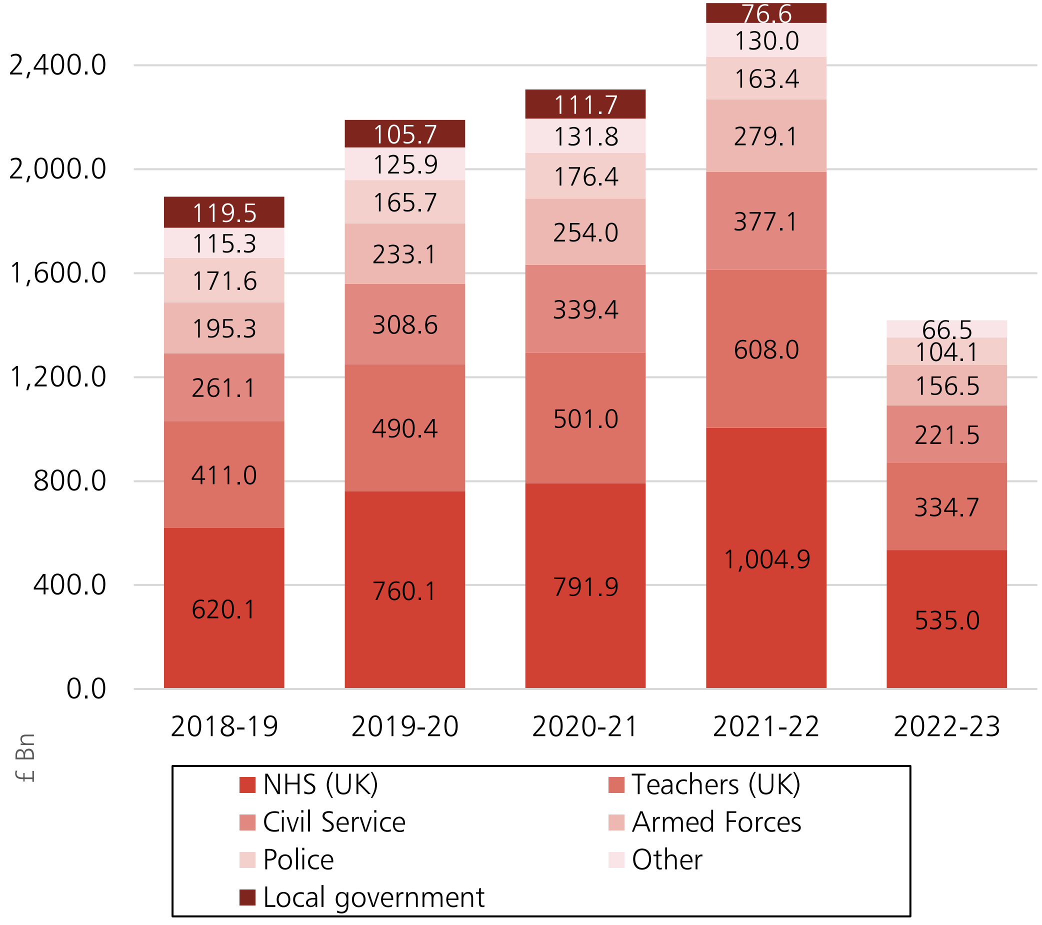
[10] https://www.nhsbsa.nhs.uk/sites/default/files/2023-09/NHS%20Pensions%20Annual%20Report%20and%20Accounts%202022-2023.pdf

[11] https://assets.publishing.service.gov.uk/media/6508172522a783000d43e734/2022-2023_TPS_Annual_Report_and_Accounts.pdf

[12] https://www.gov.uk/government/publications/civil-superannuation-annual-account-2022-to-2023/civil-superannuation-annual-report-and-account-2022-23-html

Figure A.27 Net Pension liabilities over time



1.155 The balance sheet value of public sector pensions can vary significantly over time. Much of this change is due to changes in assumptions. These include demographic assumptions, such as life expectancy, used by actuaries to estimate the amount that will eventually be paid out in pensions. Another factor is the discount rate used to convert those future payments into a liability at the reporting date.

Discount rate

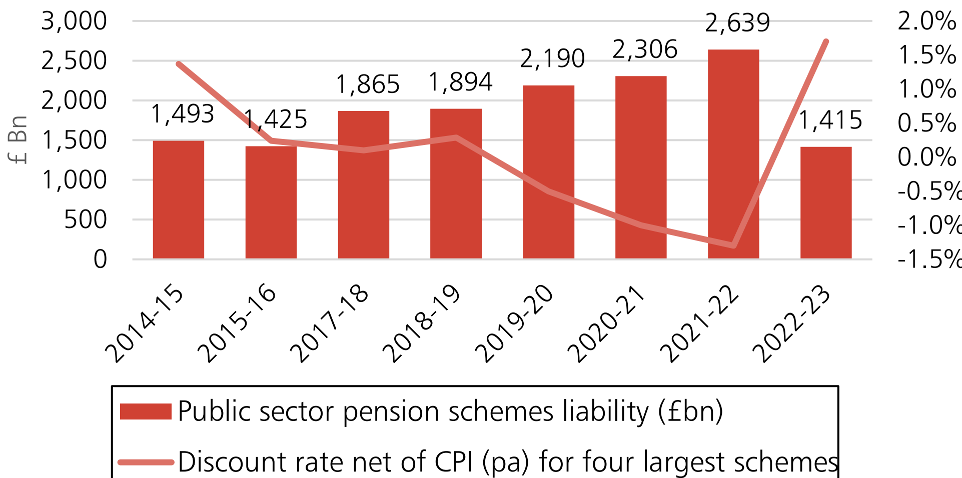
1.156 Each year, revisions are made to the discount rate used to calculate the public sector pension liability for accounting purposes. This rate is based on the market yield of corporate bonds net of the consumer price index (CPI). The discount rate for central government schemes is set by HMT each year.

1.157 The discount rate generally has a significant impact on the liability because many of the benefit payments that the schemes

expect to make fall decades into the future, and so a small change in the per annum discount rate has a large impact on the liability.

1.158 The chart below illustrates how the trend in this real discount rate compares with the trend in the public sector pension scheme liability over recent years. In 2022-23, the central government real discount rate increased from (1.30%) to 1.7%. The gain on revaluation from changes in assumptions of £1,269.0 billion also includes the impact of other actuarial assumptions, as summarised below.

Figure A.28 Discount rate trend



1.159 The net discount rate for the year 2023-24 (for the central government unfunded schemes) has been set at 2.45% pa. We therefore anticipate a decrease of perhaps around £200 billion from the reported 31 March 2023 public sector pension scheme liability when the 2023-24 WGA is published, solely as a result of this change in the net discount rate. More information can be found in paragraphs 1.88 to 1.98 in the accounting spotlight section on discount rates and where relevant to notes to financial statements.

Actuarial assumptions

1.160 The public sector pensions liability is also impacted by changes in other factors, in addition to the discount rate. These include:

- the assumptions for CPI growth and salary growth which affect how much an individual is expected to receive
- the assumptions for life expectancy which affect the expected term of pension payments

1.161 Step changes in the liability can occur when key assumptions or data are updated, such as the ONS publication of population projections which are used to set life expectancy assumptions.

Maturity of public sector pensions

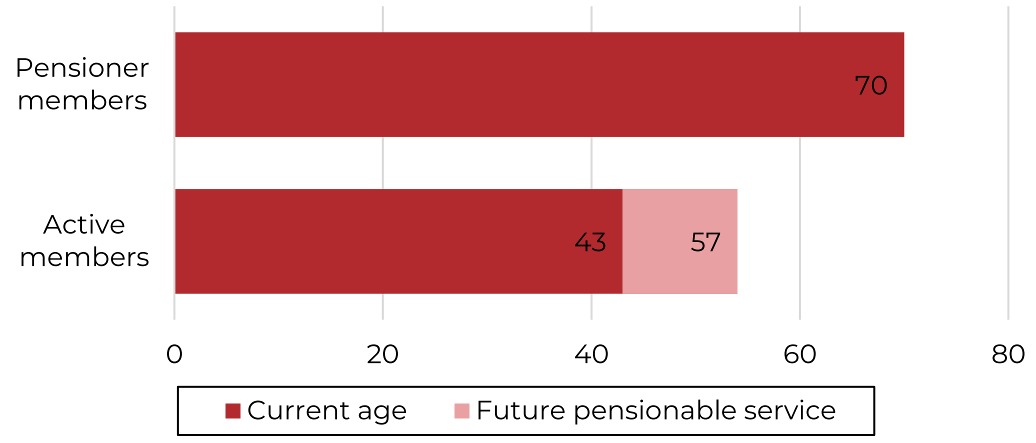
1.162 The table below shows the average life expectancy at 65 of male and female active and pensioner members. Active pension scheme members are those currently employed and paying in contributions, pensioner members are those being paid a pension. These averages have been calculated for the unfunded public service schemes (i.e. excluding the local government scheme), weighted by the pay or pension in each scheme. These figures were all calculated as at 31 March 2020 for the purposes of calculating employer contributions.

Figure A.29 Average life expectancy at age 65 (years)

	Active member	**Pensioner member**
	(current age 45)	(current age 65)
Male	24	22
Female	25	23

1.163 The chart below shows the average age for active and pensioner members as at 31 March 2020 and average future service (for active members), with the average calculated in the same way as the average of the life expectancy figures above. The sum of average age and average future service represent the average age of leaving service and not the average age of retirement since not all members retire immediately after leaving service.

Figure A.30 Average age, for active and pensioner members (years)



1.164 The chart below shows the average duration of the liabilities for active and pensioner members calculated as at 31 March 2020. Duration is the average number of years in the future at which cash flows are paid. This average is calculated by weighting the average times to

payment by the discounted cashflows due at those future times. Payments will therefore take place both before and after the duration.

Figure A.31 Average duration of liabilities (years)

	Active member	Pensioner
Duration	26	12

Affordability of public sector pensions

1.165 Changes to the discount rate net of CPI drive changes in the public sector pension liability, but do not affect the future benefits payable. Due to this, the government focuses on other measures to assess the affordability of the public sector pension schemes and manage the associated fiscal risks.

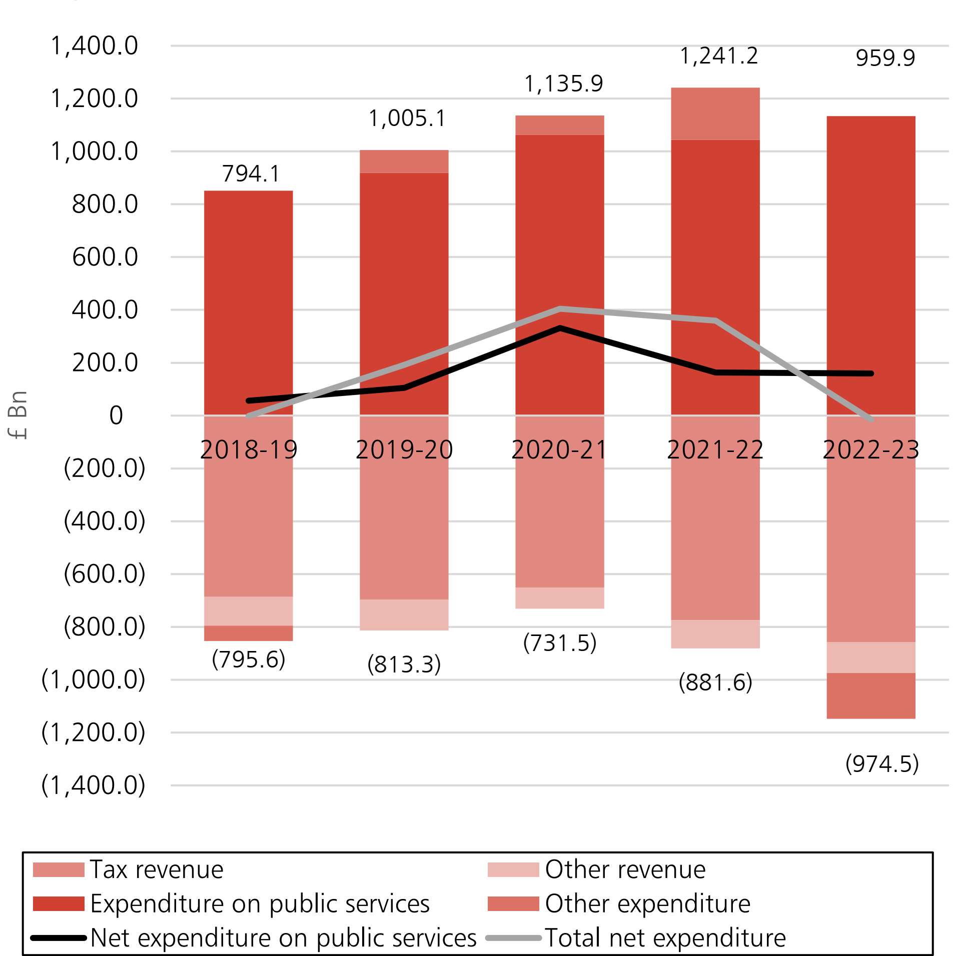
1.166 For example, when monitoring the fiscal implications of the schemes, the government considers the OBR's long-term projections of public sector pension scheme expenditure, as published in their Fiscal Risk and Sustainability Reports. These look at the future expected pension cash flows as a percentage of GDP. The latest Fiscal Risks and Sustainability Report was published in July 2023.

Report on Income and Expenditure

1.167 Over the last 5 years the net expenditure on public services shown by the black line in chart below, has increased by 183% (£102.9 billion). After being largely flat from 2015-16 to 2017-18, net expenditure increased across 2018-19 and 2019-20 and increased further in 2020-21 before dropping back in 2021-22 and staying steady in 2022-23. Across the increasing years, the rise was largely driven by an increase in expenditure on public services, with the particular increase in 2020-21 a response to the Covid-19 pandemic.

1.168 The black trendline excludes other expenditure, which results in a steady trend despite volatility in discount rates. The grey trendline includes other expenditure, which includes changes in discount rate. The grey trendline, as a result of including discount rate changes, shows a downward swing of £449 billion in 2022-23, while net expenditure on public services only reduced by £4 billion.

Figure A.32 5-year trend on income and expenditure (£ billion)



Income

The government received £974.5 billion in income

1.169 Taxation revenue makes up 88.0% (£857.7 billion) of total income, 93.0% of which is collected by HMRC. Taxation revenue is driven by the overall level of activity in the economy and by the rates of taxation, allowances and reliefs. The Covid-19 pandemic and the government policies announced in response to it have had significant impacts on amounts collected across a number of taxes, particularly in deferring payments from 2020-21 to 2021-22.

1.170 HMRC indicates that drivers of taxation income growth in 2022-23 were strong employee earnings and frozen income tax bands. HMRC also noted population growth resulting in more individuals paying income tax and national insurance contributions.

Figure A.33 Taxation revenue over time (£ Billion)

£ Bn	2018-19	2019-20	2020-21	2021-22	2022-23
Income tax	194.0	194.2	191.9	233.4	258.0
National insurance	120.4	126.6	125.8	142.1	158.3
VAT	135.6	137.2	122.1	148.7	166.8
Local Government taxes	66.8	68.9	49.8	51.5	52.2
Corporation tax	53.1	52.4	53.7	68.3	80.4
Hydrocarbon oil duty	28.0	27.3	21.3	25.8	25.0
Other	87.8	90.1	86.1	104.9	117.0

Source: WGA note 4 – Taxation Revenue

1.171 Income tax, National Insurance Contributions and VAT make up the three largest elements of total tax revenue, but a wide range of other taxes and duties are also factored in.

1.172 Snapshot - total revenues by type of tax

Tax revenue source	2022-23 (bn)	Change on 2021-22
Income Tax The taxable event for Income Tax is the earning of assessable income during the taxation period by the taxpayer.	258.0	+11%
National Insurance Contributions NICs are collected by HMRC on behalf of the National Insurance Funds (NIF) of Great Britain and Northern Ireland and the NHS for England, Wales, Scotland and Northern Ireland.	175.8	+11%
Value Added Tax The taxable event for VAT is the supply of goods and services that attract VAT during the taxation period by the taxpayer.	166.9	+12%
Corporation Tax The taxable event for CT is the earning of assessable profit during the taxation period by the taxpaying company.	80.5	+18%
Hydrocarbon Oils Duties The taxable event for Hydrocarbon oils duty is the date of production, date of import or movement of relevant goods out of a duty suspended regime	25.0	-3%
Stamp Taxes The taxable event for Stamp Duty Land Tax (SDLT) is the purchase of property. The taxable event for Stamp Duty and Stamp Duty Reserve Tax is the purchase of shares.	19.0	+2%
Alcohol Duties	12.3	-6%
Capital Gains Tax The taxable event for Capital Gains Tax (CGT) is the disposal of a chargeable asset leading to a taxable gain.	17.0	+8%
Air Passenger Duties	3.3	+175%
Insurance Premium Tax	7.6	+13%
Tobacco Duties	9.4	-8%
A number of other taxes, including inheritance tax, customs duties, and apprenticeship levy account for the remaining revenue.		

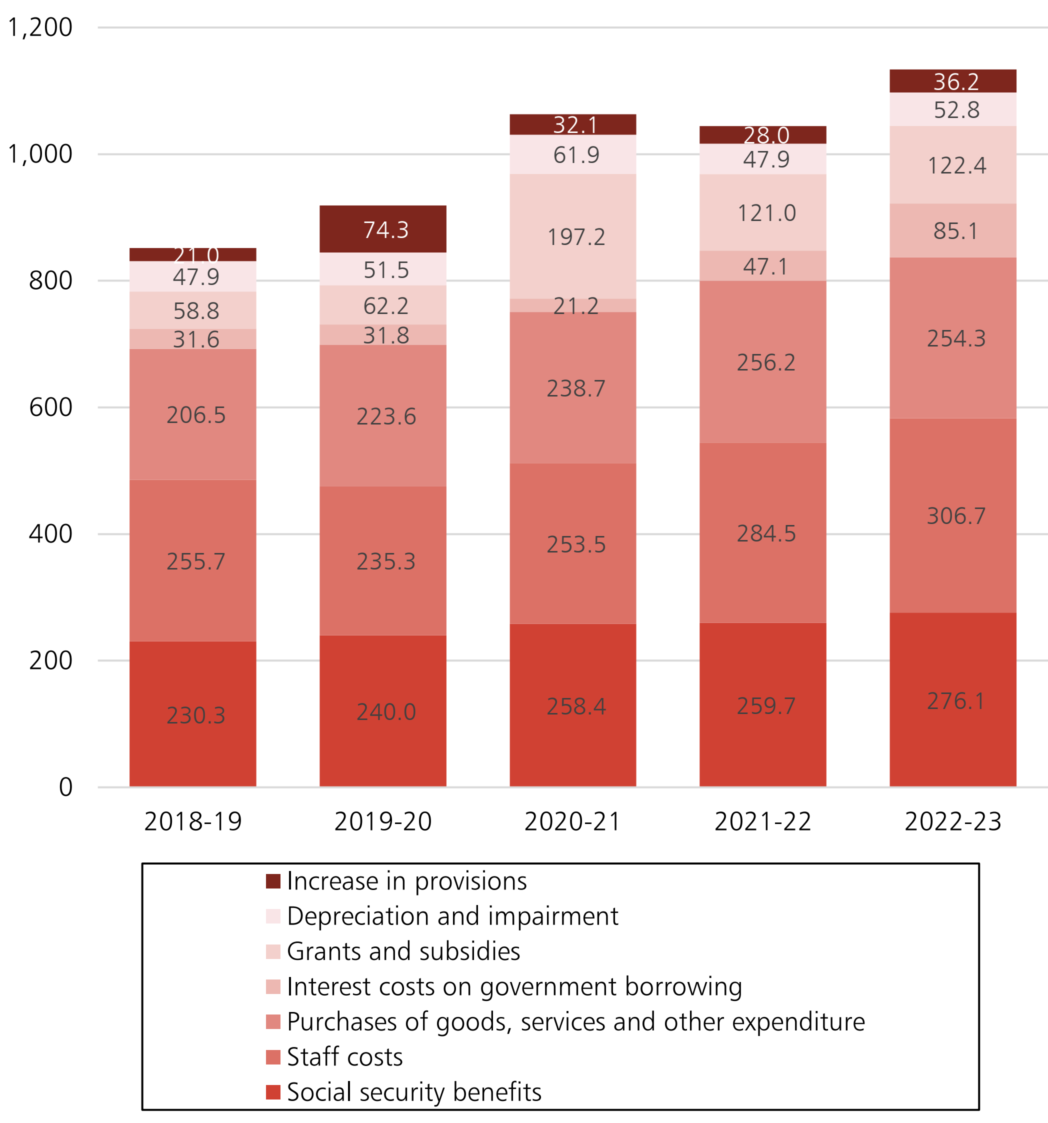
Source: HMRC Annual Report and Accounts 2022-23, figures will differ from WGA figures due to eliminations

Expenditure

Total expenditure on public services is £1,133.6 billion

1.173 The government spent £1,133.6 billion on public services. The most significant elements were **social security benefits** of £276.1 billion (2021-22: £259.7 billion), **staff costs** of £306.7 billion (2021-22: £284.5 billion) and **purchase of goods and services** of £254.3 billion (2021-22: £256.2 billion), each of which is explored in more detail in the following sections.

Figure A.34 Expenditure on public services (£ billion)



1.174 Overall, total expenditure on public services has increased by 33.1% over the last 5 years. The largest change from 2021-22 to 2022-23 was an increase in interest on government borrowing of £38.0 billion to £85.1 billion. Further detail on borrowing costs can be found in Note 11.

1.175 As well as WGA, HMT publishes the Public Expenditure Statistical Analysis (PESA)[13] and the Country and Regional Analysis (CRA).[14]

These statistical publications provide another way of looking at government expenditure based on what it is spent on (e.g. health, education) and where it is spent.

Figure A.35 Public Expenditure breakdown – Country and Regional 2017-18 to 2022-23

Region	2022-23 £bn	2022-23 % of total	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn	2017-18 £bn
North East	34.7	3%	32.0	35.5	27.4	26.5	25.7
North West	96.5	9%	89.9	99.3	74.9	72.3	71.0
Yorkshire and The Humber	65.7	6%	60.7	68.9	51.5	49.8	48.5
East Midlands	55.4	5%	51.0	58.3	43.1	41.2	39.8
West Midlands	73.4	7%	68.3	76.0	57.0	54.9	52.3
East	72.4	7%	67.7	78.2	56.8	54.2	51.5
London	128.4	12%	120.7	138.1	98.3	93.1	90.9
South East	105.5	10%	98.8	113.2	82.2	79.1	75.3
South West	66.2	6%	61.8	70.6	51.9	49.7	47.9
Scotland	78.6	7%	75.8	80.8	63.1	60.7	58.6
Wales	43.7	4%	41.4	44.9	34.3	33.3	32.4
Northern Ireland	27.6	3%	26.7	29.0	22.7	21.8	20.8
Outside UK	25.1	2%	22.1	27.3	28.3	30.0	26.4
Non-identifiable expenditure	203.9	19%	141.4	101.2	107.7	106.5	108.7
Public sector expenditure on services	**1077.1**	**100%**	**958.4**	**1,021.0**	**799.2**	**773.2**	**750.0**
Add: Depreciation and impairment	52.8		47.9	61.9	51.5	47.9	56.5
Add: Increase in provisions	36.2		28.0	32.1	74.3	21.0	15.2
Accounting adjustments	- 32.5		10.1	-52.0	-116.2	-79.5	-79.5
WGA expenditure on public services	**1,133.6**		**1,044.4**	**1,063.0**	**808.8**	**762.6**	**742.2**

Source: Public Expenditure Statistical Analysis 2023 Chapter 9 as at March 2023[15]

[13] https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa

[14] https://www.gov.uk/government/collections/country-and-regional-analysis

[15] Table may not agree with PESA / CRA due to rounding

Figure A.36 Public Services expenditure breakdown – Functional 2017-18 to 2022-23

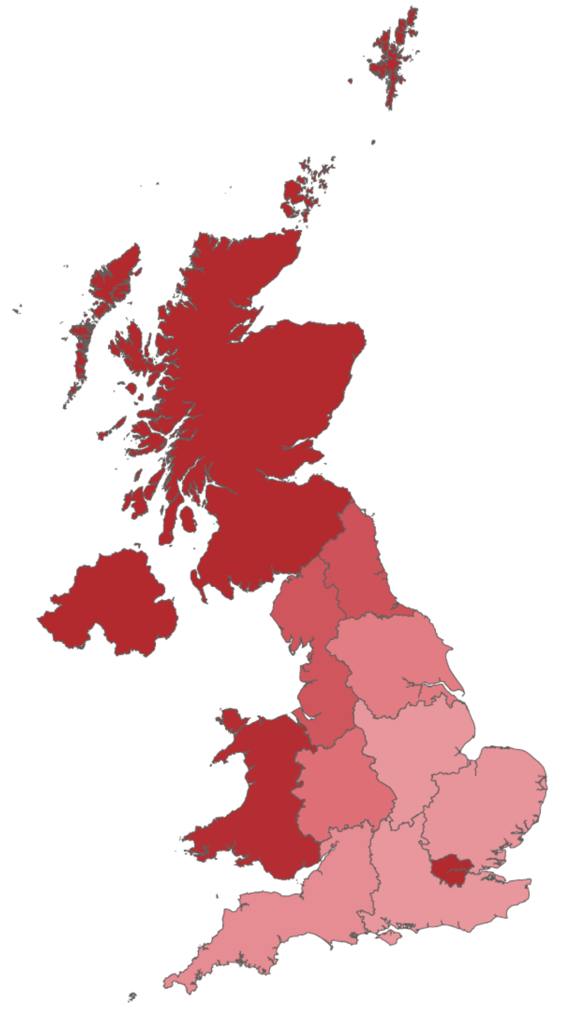
Function	2022-23 £bn	% of total	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn	2017-18 £bn
Social protection	318.8	30%	300.0	299.3	275.8	274.8	268.7
Health	211.6	20%	216.2	218.6	164.1	152.9	147.3
Education	105.5	10%	101.1	95.5	90.6	88.1	86.1
Defence	55.5	5%	48.7	44.6	42.2	40.2	38.7
Public order and safety	43.9	4%	39.8	38.9	34.5	32.4	31.5
Transport	43.6	4%	44.7	49.8	34.6	32.7	30.3
Other economic affairs	81.4	8%	53.7	146.6	32.1	28.0	22.9
Environment protection	13.9	1%	13.8	13.0	11.8	11.0	11.8
Housing and community amenities	17.8	2%	15.2	13.6	14.2	12.0	11.4
Recreation, culture and religion	14.0	1%	12.9	12.9	11.9	11.4	11.5
General public services	35.3	3%	89.2	29.8	26.3	24.7	22.7
Debt interest	128.4	12%	74.5	41.8	54.7	55.1	60.5
EU transactions	(2.3)	0%	(2.0)	7.0	5.8	7.9	5.4
Public services expenditure per PESA	**1,067.4**	**100%**	**1,007.8**	**1,011.4**	**798.6**	**771.2**	**748.8**
Add: Depreciation and impairment	52.8		47.9	61.9	51.5	47.9	56.5
Add: Increase in provisions	36.2		28.0	32.1	74.3	21.0	15.2
Accounting adjustments	(22.8)		(39.3)	(42.4)	(115.6)	(77.5)	(78.3)
WGA expenditure on public services	**1,133.6**		**1,044.4**	**1,063.0**	**808.8**	**762.6**	**742.2**

Source: Public Expenditure Statistical Analysis 2022 table 4.2 as at March 2023[16]

[16] Table may not agree with PESA / CRA due to rounding

Figure A.37 Total UK identifiable expenditure on services, per head, 2022-23

Region	Spend Per Head £
East Midlands	11,225
East of England	11,309
England	12,227
London	14,486
North East England	12,938
North West England	12,845
Northern Ireland	14,453
Scotland	14,456
South East England	11,244
South West England	11,492
UK identifiable Expenditure	**12,549**
Wales	13,967
West Midlands	12,182
Yorkshire and The Humber	11,855



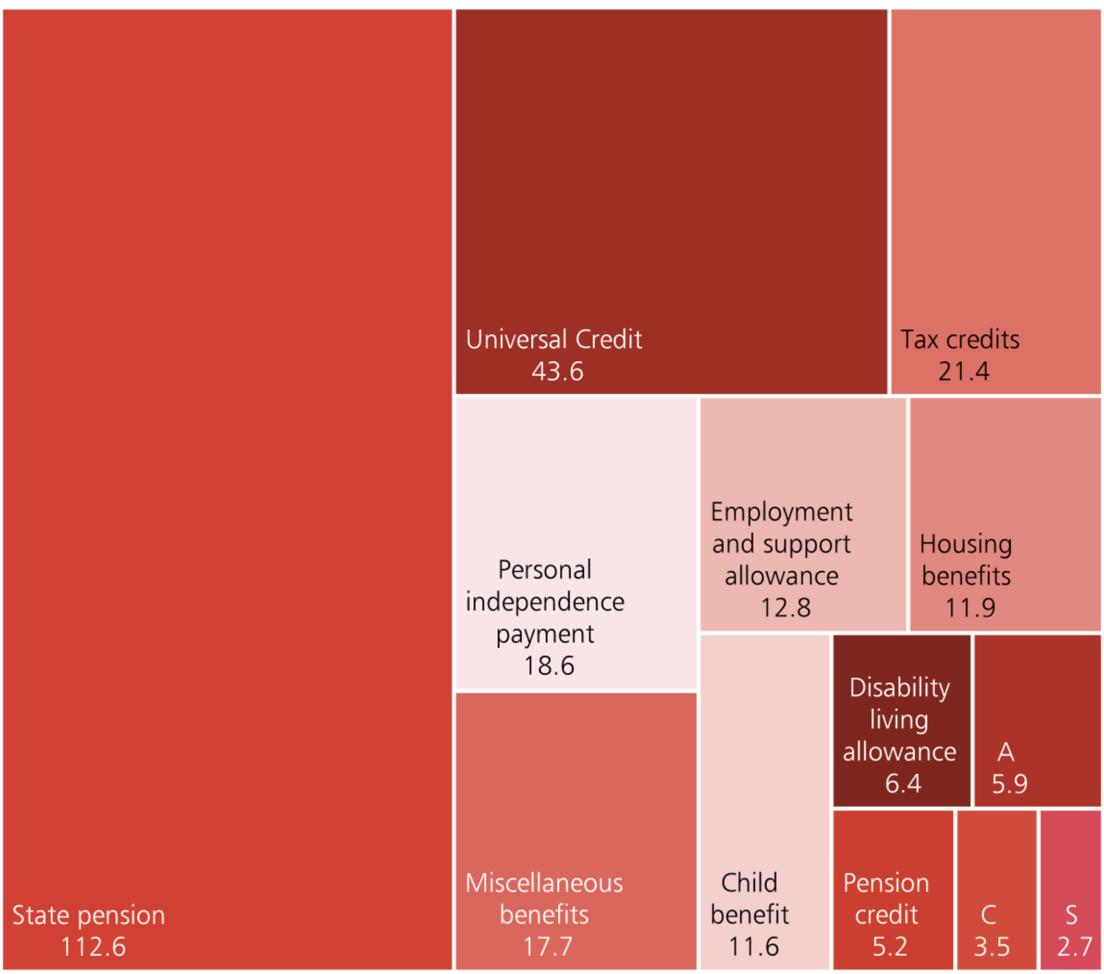
1.176 Expenditure per head provides a more accurate picture of regional differences, as it accounts for population size. Spend in London has historically been higher compared to other English regions partly due to the fact that for many functions it is more expensive to provide services in the capital, due to higher staff and infrastructure costs. In addition, London has historically had high capital expenditure, as it includes spend by Transport for London (TfL). Part of this spend will also benefit commuters who live outside London but who use TfL services while commuting. The lowest total spend per head was in the East Midlands and then the South East.

Social security benefits totalled £276.1 billion

1.177 Government spending on social security benefits increased by £16.4 billion (6.3%) in 2022-23 compared with 2021-22. It has increased by £45.7 billion over the last five years. The largest element of social security benefits is the state pension at £112.6 billion.

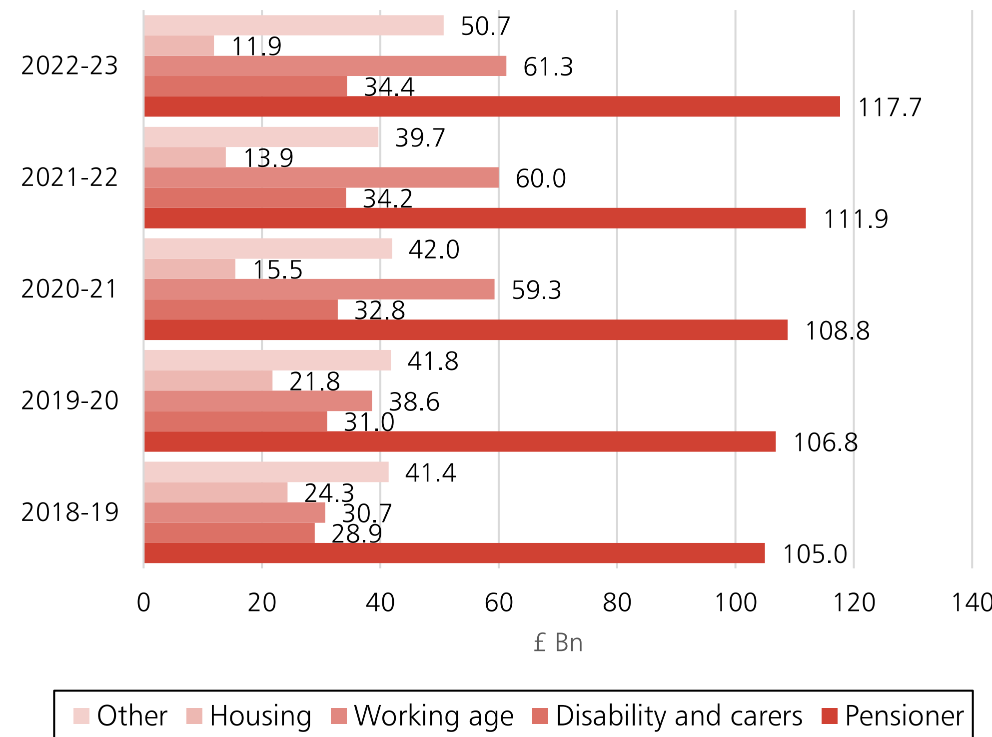
1.178 The most significant single increase throughout 2022-23 has been to the State Pension, which increased by 5.4% (£5.8 billion) in line with inflation, as required by the "triple lock". Offsetting this is a £2.0 billion decrease in housing benefits.

Figure A.38 Breakdown of social benefit payments (£ billion)



C: Carers allowance
S: Statutory Sick pay and Maternity Pay
A: Attendance Allowance

Figure A.39 Social security benefits over time (£ billion)



1.179 Throughout the last 5 years, working age benefits saw the biggest change, increasing by 99.7% (£30.7 billion to £61.3 billion), the majority of which was reported by the Department for Work and Pensions (DWP). All other social security benefits underwent growth throughout the 5 year period, with the exception of housing benefit, which contracted by 51% (£24.3 billion to £11.9 billion). However, housing benefit is particularly impacted by missing data, more detail on which can be found in note 6.

Staff costs totalled £306.7 billion

1.180 Staff costs comprise expenditure on salaries and wages, and expenditure on pension costs.

1.181 In 2022-23, the cost of salaries and wages recognised in WGA was £188.1 billion (2021-22: £175.6 billion), an increase of 7.1% on the prior year which took place alongside a 1.0% increase in staff numbers. This compares to 2.7% increase in staff costs in 2021-22, which also saw a 1.0% increase in staff numbers.

1.182 Pension costs increased by 9.0% to £118.6 billion in 2022-23 (2021-22: £108.9 billion), the single largest contributor to this increase being the NHS Pensions Scheme, with a year-on-year increase of £7.8 billion.

1.183 Further details on staff costs and numbers are included in the staff cost Note 7. Further information on public sector pension costs, and the drivers of changes to these costs, are included in Note 25.

Figure A.40 Staff costs by sector (£306.7 billion)

£ Bn

280
240
200
160
120
80
40
0

104.4
138.9
92.0
127.9
13.9
42.7
16.2
43.0
6.4
0.4
4.7
0.8

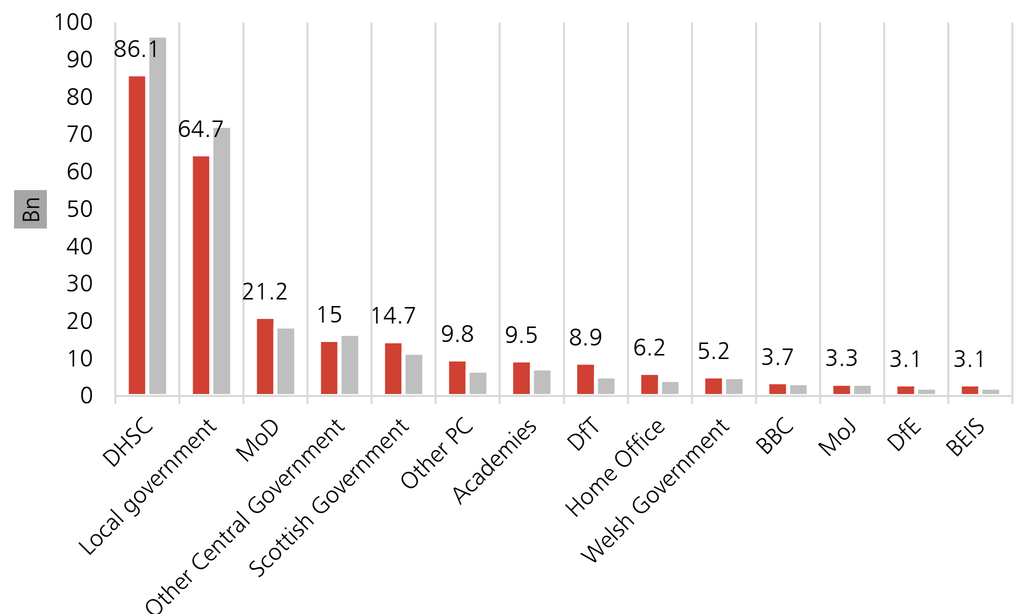
2022-23 2021-22
Central Government
2022-23 2021-22
Local Government
2022-23 2021-22
Public Corps & Banks

Salaries and wages
Pension costs

Purchase of goods and services totalled £254.3 billion

1.184 Purchase of goods, services and other expenditure decreased 0.7% or £1.9 billion compared to 2021-22. The balance can be analysed by identifying which entities make up the largest balances.

Figure A.41 Purchase of goods and services summarized by spend area (£254.3 billion)



1.185 The Department of Health and Social Care (DHSC) reported the largest expenditure of purchase of goods and services of £86.0 billion (2021-22: £96.5 billion), despite the reduction in COVID-19 responses as the pandemic subsided.

1.186 The Ministry of Defence has the second largest Departmental spend for purchase of goods and services at £21.1 billion (2021-22: £18.6 billion). The Ministry of Defence plays a pivotal role in providing defence and security for people of the United Kingdom across the globe. Defence's contribution to the Covid-19 response represented the most significant domestic resilience operation in peacetime.

1.187 The 'Country and Regional Analysis' (CRA) and the 'Public Expenditure Statistical Analyses' (PESA), both published by HMT, provide more detail and analysis on government expenditure'

The wide range of activities carried out by entities in the public sector, differences in what is material in each entity and differences in reporting conventions mean that it is impractical to analyse expenditure on goods and services by category within WGA. For example, central government departments report by category of expenditure but frequently have items that are unique to their service (such as medical supplies). By comparison, local government reports based on the purpose of the expenditure (such as delivering social care). HM Treasury continues to work on providing a more useful analysis of goods and services that works across different sectors.

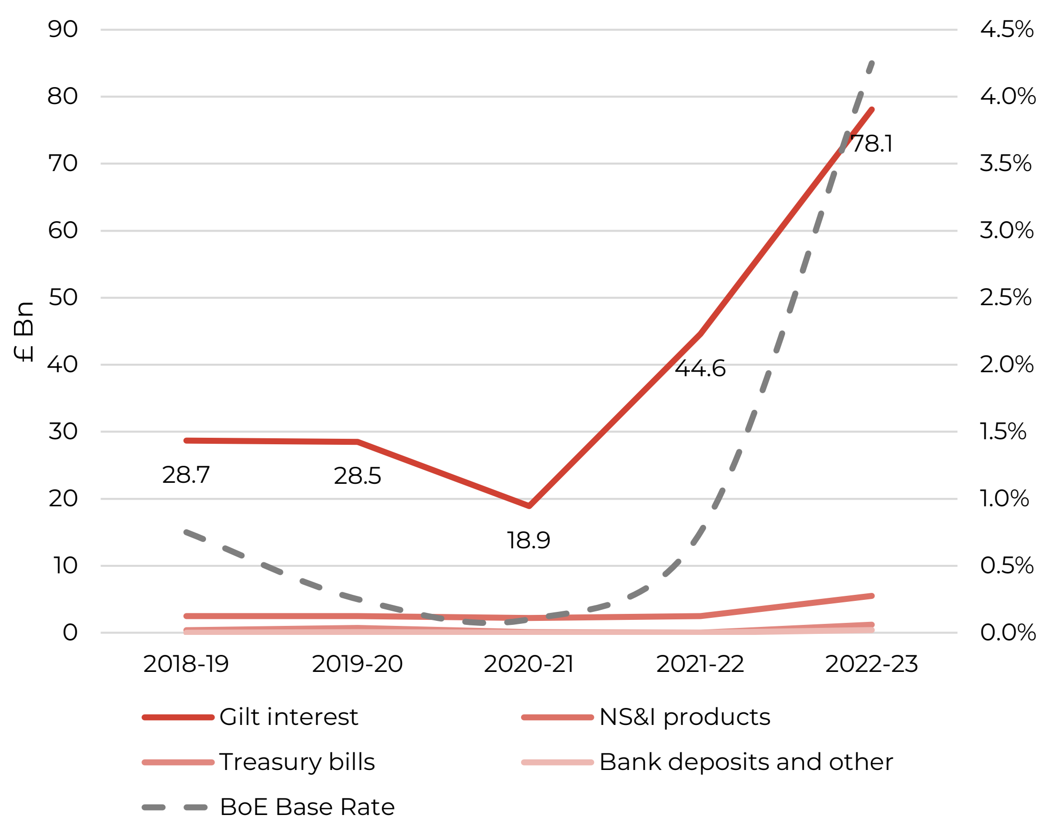
Debt interest costs £85.1 billion

1.188 The cost of servicing government debt increased by 81% to £85.1 billion in 2022-23. This is largely attributable to a £33.4 billion (75%) increase in interest on gilts as a result of higher financing costs.

1.189 While borrowing costs have increased throughout the year, it is mostly driven by the bank rate and, to a lesser extent, the increase in borrowing volume. While market sentiment can impact debt servicing costs, it has not had a significant impact throughout this period. As a result, it is expected that debt servicing costs in future WGAs will move broadly in line with the bank rate and borrowing volume. A 5-year trend of this can be found in the chart below.

1.190 Another factor contributing to the increase in debt servicing in 2022-23 is the redemption of older gilts which were replaced with new, higher rate gilts. As the government refinances at higher rates, interest payments increase as new gilts are issued with higher debt servicing burdens for government.

Figure A.42 5-year trend: Interest servicing costs of government debt (£ billion) and BoE Base Rate (%)

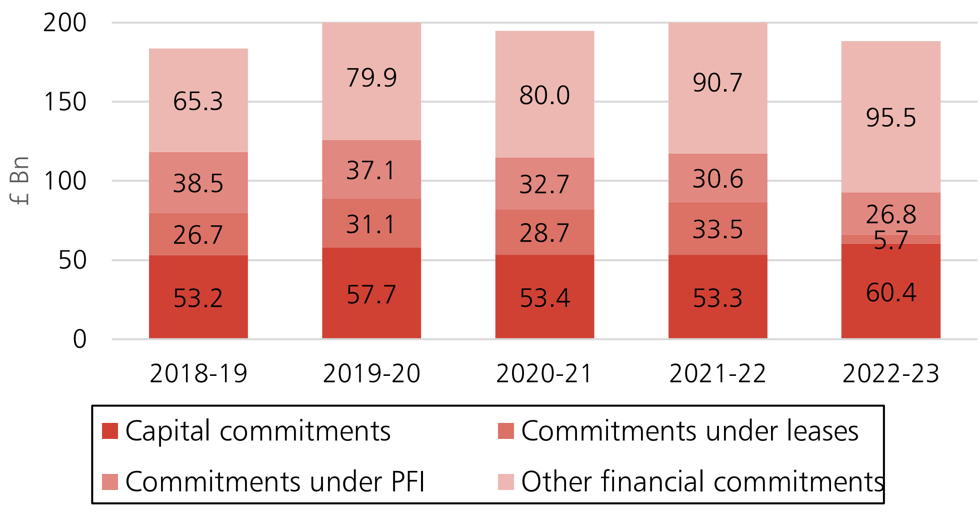


Commitments and contingent liabilities

Commitments -(£188.4 billion)

1.191 As well as the income, expenditure, assets and liabilities recognised in WGA, the accounts include several other liabilities and commitments that are disclosed but not recognised.

Figure A.43 Commitments (£ billion)



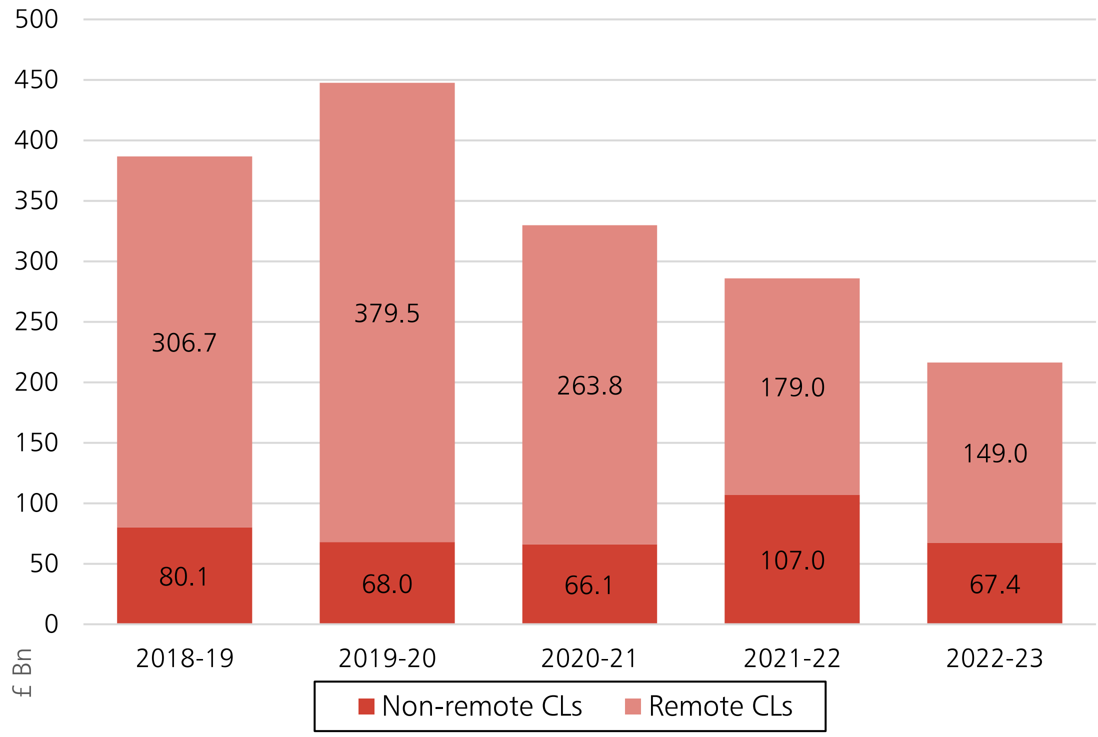
1.192 Commitments have increased by £4.7 billion over the 5 years to 2022-23, largely driven by an increase in other financial commitments which has increased significantly over this period.

1.193 Offsetting this historic increase is a reduction in commitments under leases, which decreased by £27.8 billion throughout 2022-23. This decrease was primarily driven by the introduction of IFRS 16, which was first adopted in central government on 1 April 2022. IFRS 16 is a new accounting standard which requires leased assets, which meet certain criteria, to be recognised on the balance sheet as a right of use asset with a corresponding discounted lease liability, rather than being disclosed as a commitment as required under the previous lease standard, IAS 17. Notes 13 and 22 give detail on IFRS 16 assets and liabilities. Information on IFRS 16 can be found in the 'matters of interest' section. As described in Note 1.4, IFRS 16 has been implemented by WGA and central government entities from 2022-23, with implementation for local authorities deferred until 2024-25 with early implementation permitted in 2022-23 or 2023-24, resulting in inconsistent application of IFRS 16 in the WGA. Total lease commitments now recognised as lease liabilities under IFRS 16 is £24.3 billion, further detail of which can be found in note 1 to the financial statements.

Contingent liabilities

1.194 The government has a total of £216.4 billion disclosed as quantifiable contingent liabilities, a decrease of £69.6 billion from 2021-22. These include £67.4 billion (2021-22: £107.0 billion) of contingent liabilities that are reported under the accounting standards (IFRS), and a further £149.0 billion (2021-22: £179.0 billion) of remote contingent liabilities. As the chance of these liabilities becoming due is considered remote, the accounting standards do not require their disclosure. However, HM Treasury (HMT) requires government departments to disclose remote contingent liabilities through its government reporting framework.

Figure A.44 Quantifiable contingent liabilities: non-remote and remote (£ billion)

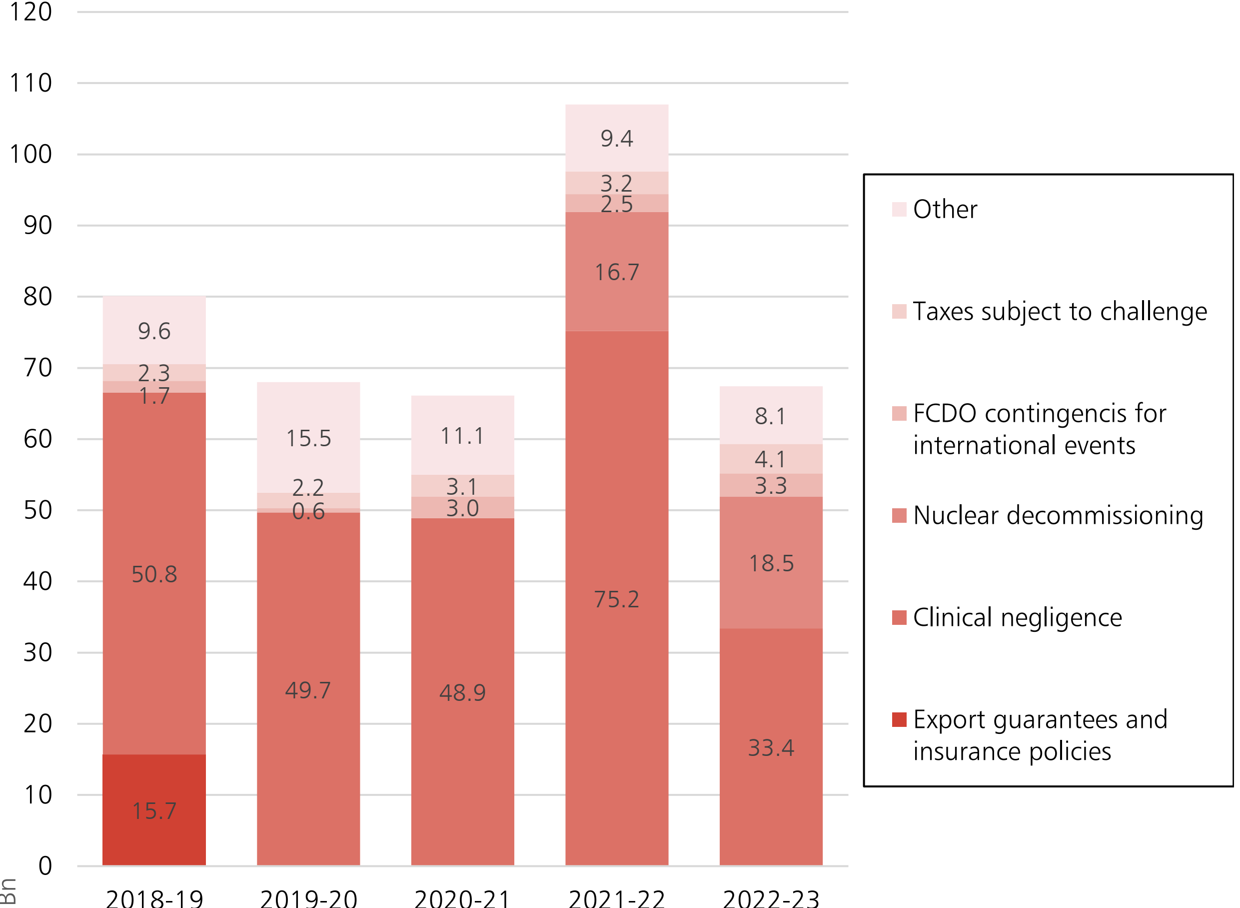


1.195 Remote quantifiable contingent liabilities totalled £149.0 billion (2021-22: £179.0 billion). The largest balances were guarantees, some relating to EU-exit, reported by HMT, but no individual balances were material to WGA. More information can be found in HMT annual report and accounts.

1.196 The largest individual remote contingent liability in 2021-22 WGA was £60.0 billion, reported by the Pension Protection Fund (PPF). This was the aggregate value of all potential claims against the fund. Following significant decreases and expirations of liabilities throughout 2022-23, the closing balance as at 31 March 2023 for PPF contingent liabilities was £6.0 billion. Further details on the decrease of this remote contingent liability can be found in Note 31.

1.197 Non-remote contingent liabilities totalled £67.4 billion in 2022-23. The contingent liability for clinical negligence has decreased over the last five years and now makes up 49.6% of the total, as shown in the chart below.

Figure A.45 Non-remote contingent liabilities (£ billion)



1.198 The largest quantifiable non-remote contingent liability is clinical negligence, of £33.4 billion (2021-22: £75.2 billion). The Department of Health and Social Care (DHSC) 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 accounts. In other cases, there is a large degree of uncertainty as to the Department's (and other health bodies') liability. The contingent liability is an estimate of this possible expenditure.

1.199 The clinical negligence remote contingent liability is highly sensitive to medium-to-long-term discount rates. In 2022-23, changes in discount rates have impacted the remote contingent liabilities significantly more than changes in undiscounted estimated cash flows. More detail on contingent liabilities can be found in notes 30 and 31.

Matters of Interest
Net Zero

1.200 The UK was the first major economy to establish a legal commitment to achieve net zero carbon emissions by 2050, as well as interim five-yearly Carbon Budgets. Final emissions data confirms that the UK has achieved its Third Carbon Budget, covering the period 2018 to 2022. The UK has now achieved all three of its carbon budgets to date, and in 2023 became the first major economy to halve territorial emissions since 1990.

1.201 The Climate Change Committee Progress Report 2024 advised that further, action is required across all sectors of the economy to get on track for the UK's legal and international net zero commitments, with low-carbon technologies becoming the norm. Since July 2024, the UK government has taken further action to deliver clean energy by 2030 and accelerate net zero delivery. This has included:

- Committing to delivering clean power and 2030 and accelerating to net zero, with making Britain a clean energy superpower one of the five missions of this government.
- Taking action to remove the de-facto ban on onshore wind in England, alongside wider reforms to the National Planning Policy Framework to accelerate energy infrastructure development. The Government is also consulting on re-integrating onshore wind into the Nationally Significant Infrastructure Projects regime to encourage more applications and has set up an Onshore Wind Taskforce.
- Approving planning consents through the Nationally Significant Infrastructure Projects regime for three major solar projects, potentially unlocking over 1.3 GW of capacity.
- Significantly increasing the budget for the sixth allocation round of the Contracts for Difference scheme by £530 million to £1.555 billion overall, including £1.1 billion for offshore wind farms.
- Great British Energy will be established at pace. This will be a publicly owned energy company designed to drive clean energy deployment, boost energy independence, create jobs and ensure UK taxpayers, billpayers and communities reap the benefits of clean, secure, home-grown energy.
- Announcing plans for a new National Wealth Fund. This will play a central role in delivering the UK's future Industrial Strategy and Net Zero Strategy by catalysing private investment into the UK's priority green and growth sectors, all whilst generating a return for the taxpayer.

Climate Related Financial Disclosures

1.202 Following the direction from HM Treasury and support from the Financial Reporting Advisory Board (FRAB), all departments and large arms-length bodies will be required to apply TCFD-aligned disclosure (Task Force on Climate Related Financial Disclosures) on a comply or explain basis. Other relevant authorities are deciding on their own implementation for the wider public sector.

1.203 TCFD-aligned disclosure application guidance has been published for Phase 1 on the Governance pillar, and Phase 2 on the Risk Management and Metrics and Targets pillars – applying to 2023-24 and 2024-25 reporting periods, respectively. HM Treasury is drafting and consulting on the final Phase 3 guidance, on the Strategy pillar, throughout 2024. This will apply to central government annual reports and accounts from 2025-26. Post implementation, HM Treasury will assess which TCFD-aligned disclosures are relevant to WGA to support report users.

1.204 Adopting TCFD-aligned disclosure is an appropriate step forward, considering the uptake of the framework's structure and underlying disclosures by the UK private sector and by international standard setters. With TCFD as a common building block in other frameworks, the 'TCFD-first' approach offers a suitable step forward while maintaining flexibility in any decision on future sustainability reporting standards. The sustainability reporting landscape continues to develop at pace, with the International Sustainability Standards Board (ISSB) issuing their first two sustainability reporting standards in June 2023 (with the UK endorsement process ongoing). In addition, the International Public Sector Accounting Standards Board (IPSASB) is developing a climate-related exposure draft (expected in October 2024) and a standard (expected in the second half of 2025). FRAB supports the view that making a decision on a future UK public sector sustainability reporting - beyond the TCFD recommendations - would be premature given the rapid pace of change in international sustainability reporting standard development. FRAB and the FRAB Sustainability Subcommittee will continue to monitor external developments with the aim of assessing whether and when it would be appropriate to decide on and implement any further sustainability reporting standards.

Government Debt Management Function

1.205 Debt owed to government occurs through a number of different ways, such as unpaid tax, benefits overpayments, fines and penalties. The overdue debt balance owed to central government was £54.3 billion at 31 March 2023 (c.5.6% of government income).

1.206 The wider Government Debt Management Function (GDMF) spans 30+ organisations and c.7000 debt leads working across central government. The GDMF works to bring in money to support the funding of public services, minimising losses to the exchequer and ensuring taxpayers' money is spent in the most efficient and effective way whilst minimising unnecessary stress on those that owe debt.

1.207 The Government Debt Management Function Functional Centre (GDMF FC) was established to achieve a more consistent approach to debt management across government. The GDMF FC provides strategic leadership for the function, including setting the strategy for the function.

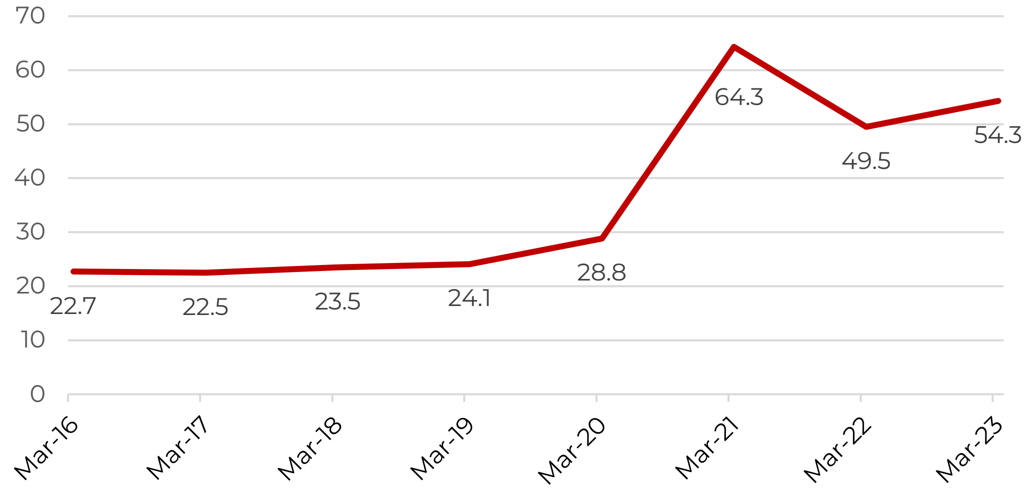
Government Debt Strategy[17]

1.208 The GDMF FC launched an ambitious Government Debt Strategy for 2023-2026, aiming to align debt management practices and achieve fair debt outcomes for all through three key pillars:

1. Scoping ways to **prevent avoidable debt** upstream and support those in vulnerable circumstances to reduce the number who fall into problem debt;
2. Consistently **resolving debt to agreed standards**, pursuing those who avoid repaying and enforcing recovery where proportionate and appropriate; and,
3. Identifying opportunities to **improve government's capability** to resolve debt efficiently and effectively.

[17] Source: Government Debt Management Function functional centre. The GDMF FC collects data from organisations separately from WGA. By collecting overdue debt data monthly, the GDMF FC can monitor trends in overdue debt owed to government closer than the annual basis used by WGA. WGA does not report on these metrics and no reconciliation between the datasets is required.

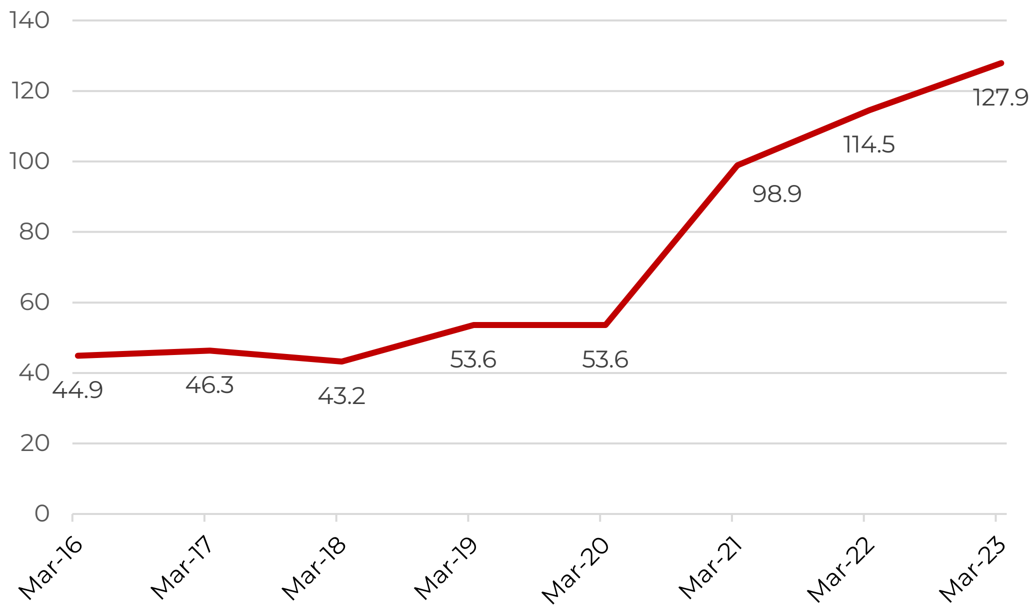
Figure A.46 HMG overdue debt trend (£bn)



1.209 Prior to the outbreak of Covid-19, the overdue debt balance owed to government was £28.8 billion at March 2020. During the pandemic, the UK government responded to the urgent needs of citizens, including creating multiple schemes and grants to support people and businesses, as well as changing collection and enforcement practices.

1.210 This led to an increase in the overdue debt balance, reaching a historical high of £64.3 billion at March 2021 through the creation of additional debt and the aging of debt. While the overdue debt balance has since fallen, overdue debt owed to government is still significantly increased.

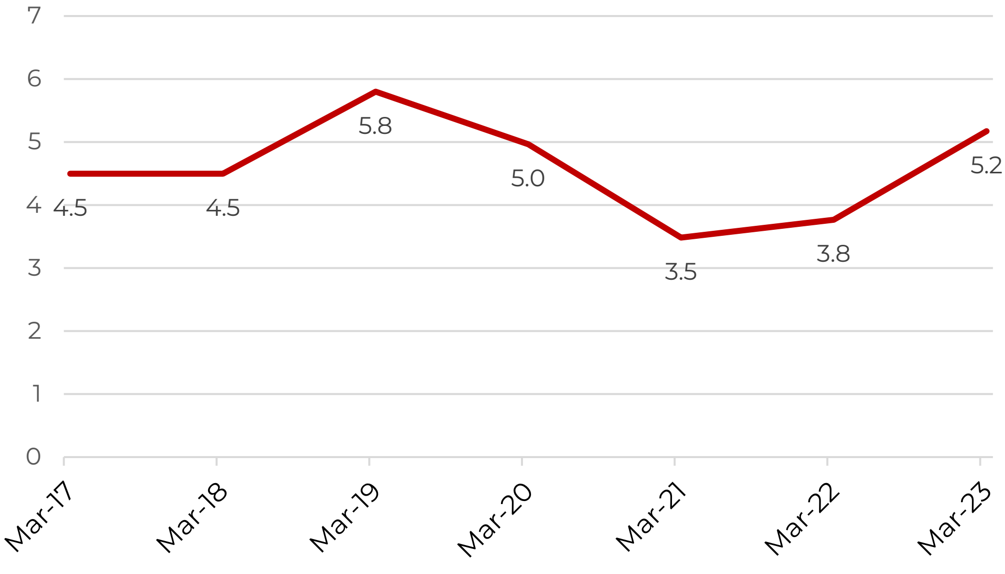
Figure A.47 HMG debt recoveries (£bn)



1.211 The total debt collected across government for 2022-23 was £127.9 billion. Money recovered by the GDMF is used to pay for vital public services, therefore overdue debt must be managed efficiently and effectively in order to provide the best outcomes for both government and the public.

1.212 To complement government organisations' in-house debt management capability, the GDMF FC and Crown Commercial Service set up the Debt Market Integrator and its successor, the Debt Resolution Services, to enable public sector bodies to access private sector debt management services. To date, government have recovered over £3 billion of overdue debt through the Debt Market Integrator.

Figure A.48 HMG debt losses (£bn)



1.213 Total losses across government for 2022-23 was £5.2 billion, including write off and remissions. The majority of losses can be attributed to insolvency (£3.7 billion of losses for 2022-23). Total HMG losses fell following the outbreak of Covid-19, as the government introduced emergency fiscal relief schemes to support businesses through the pandemic.

Fairness in Debt Management

1.214 Government recognises the need to balance fairness to taxpayers and those that do pay on time by taking a proportionate response to those that do not, while ensuring those who cannot pay through financial, mental or physical vulnerability, are identified and provided with relevant support.

1.215 To support the strategic aims set out in the Government Debt Strategy, the GDMF FC have collaborated across government and the wider debt management sector to develop products which enable government to support those who need it in the right way.

Debt Management Fairness Charter

The Debt Fairness Charter was developed in collaboration with the advice sector and government, outlining how those owing debt to government should be treated and aiming to improve transparency. The Charter sets out principles for the fair and responsible treatment of people repaying personal debts to central government, including a cross-government commitment to understanding someone's financial and personal situation.

Vulnerability Toolkits

1.216 The Government Debt Management Function has led work across the debt advice sector to develop and publish the HMG Vulnerability Toolkits, providing best practice guidance for identifying and assisting those who need additional support, including those with physical and mental health challenges.

Economic Abuse

1.217 The GDMF developed the Economic Abuse Toolkit to help public sector creditors to understand, identify and support people who experience economic abuse. 16% of adults in the UK (8.7 million people) say they have experienced economic abuse[18], a legally recognised form of domestic abuse, often occurring in the context of intimate partner violence. 60% of victim-survivors have been coerced into taking out debt.[19]

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[18] Refuge (2020), Know Economic Abuse, Refuge: London

[19] Surviving Economic Abuse, Coerced Debt Statistics 2020 and Impact Report 2018-2019

Covid 19

1.218 The 2021-22 accounts in the WGA were affected by the Covid-19 pandemic, which impacted on economic activity, government revenues and government expenditure.

1.219 This section outlines the impact of Covid-19 up to June 2023 and also considers the impact on 2021-22 accounts for departments particularly affected.

1.220 Throughout its response to Covid-19, the government sought to protect people's jobs and livelihoods while also supporting businesses and public services across the UK as per the IMF's 'Policy responses to Covid-19'[20]. Various measures were implemented to facilitate this. Additional funding for the NHS, public services and charities totalled £48.5 billion throughout the pandemic. Support for businesses was provided through various measures, including property tax holidays, direct grants and compensation for sick pay leave. These measures cost the government £29 billion. A further £8 billion was used to boost welfare through increased universal credit payments amongst other benefit increases.

Covid-19 Cost Tracker

1.221 HM Treasury have taken ownership of the Covid-19 cost tracker since the June 2022 update. The report was previously produced in the form of an interactive tool by the NAO.

1.222 The tracker brings together data from across the UK government. It provides estimates of the costs of measures announced in response to the Covid-19 pandemic and allows the user to explore the full dataset in several different ways. The latest release of this cost tracker was published in July 2023 and includes measures announced between February 2020 and April 2023.

1.223 HMT's Covid-19 cost tracker shows a total estimated lifetime cost of £189 billion as at April 2023 for measures that were active as of April 2022 or were introduced afterwards, and an estimated lifetime cost for measures both active and complete of £373.3 billion. This represents a fall of £2.7 billion since the previous publication of the NAO Covid-19 cost tracker, with changes laid out in the following table:

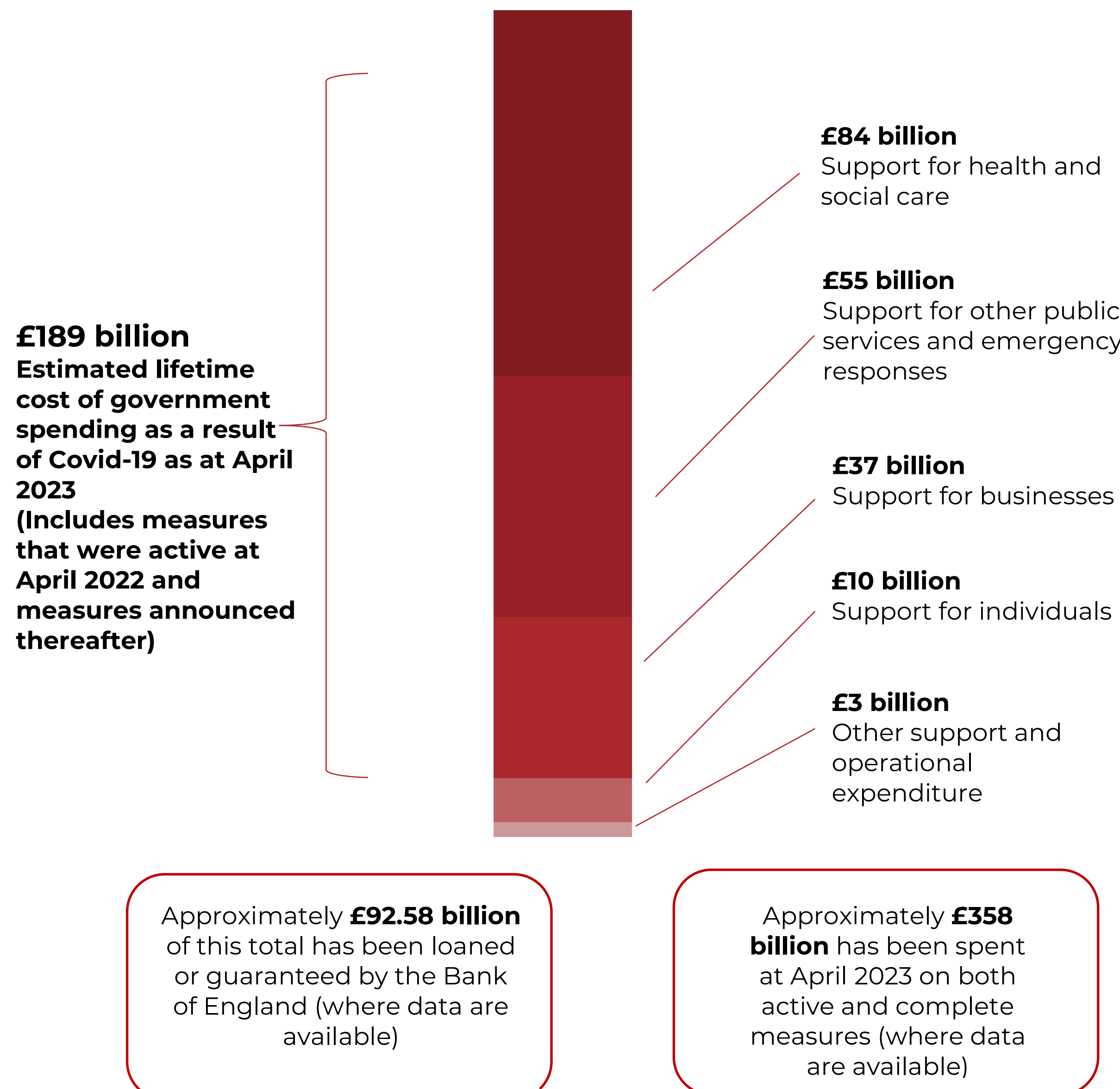
[20] Policy Responses to COVID19 (imf.org)

Estimated Lifetime Cost – Covid- 19 (all measures)

Estimated Lifetime Cost	Value £bn
Closing Balance April 2022	**376.0**
Reclassification of rail emergency measures	-3.0
Expected losses from VAT referral scheme	-1.3
Expected costs of Covid-19 additional relief fund	-0.3
Additional measure - NHS spending review 2021 Covid-19 recovery funding	6.1
Other	-4.2
Closing Balance April 2023	**373.3**

1.224 The tracker differs from the previous version, produced by NAO, based on two key factors. Firstly, the range of dates for inclusion in the trackers differs; the NAO tracker captures measures between February 2020 and April 2022, whilst HMT's includes an additional year to April 2023. Secondly, NAO's captures all measures up to April 2022, whilst HMT's solely includes measures that were still active at, or announced from April 2022.

Figure A.49 Covid- 19 Cost Tracker



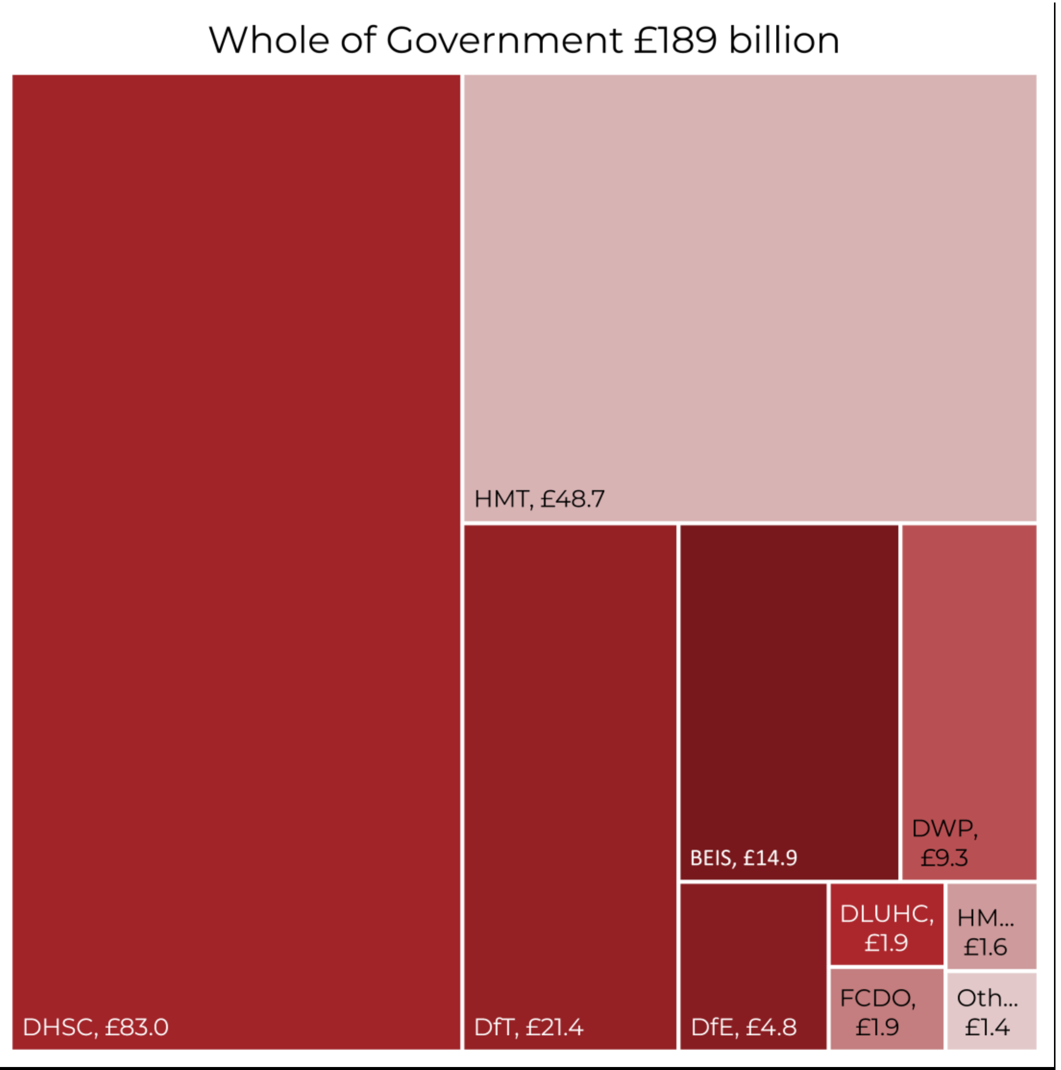
Source: HMT Covid-19 cost tracker

1.225 Where the Bank of England loaned amounts, the loans would normally be expected to be repaid and will appear on the WGA balance sheet as an asset. This will then be subject to impairment assessments going forward.

1.226 Cost commitments do include central government's allocation of funding to local and devolved governments but do not include further spending decisions taken by local authorities and devolved administrations. It also notes that some of these commitments are given for a period of support, which may be extended and therefore lead to increased costs.

1.227 The total estimated lifetime cost of active or complete measures is £373 billion. The estimated cost of measures still active as of April 2023 is £189 billion. The table above provides a breakdown of the active measures.

Figure A.50 Whole of government estimated lifetime cost (£ billion)



Source: HMT Covid-19 cost tracker dataset
** Includes measures that were active at April 2022 or introduced thereafter up to 30 April 2023.*

Limitations of HMT and NAO Covid-19 Cost Trackers

HM Treasury note that their Covid-19 cost tracker data has limitations which include:

Verifying the data: The data included in this publication has not been audited but HM Treasury has worked closely with departments to ensure that all data provided is accurate.

Completeness: Not all departments were able to provide all the information requested. For example, following the pivot to the government's living with Covid-19 strategy, some departments do not distinguish between Covid-19 spending and business as usual spend, due to the removal of the Covid-19 specific ringfence within budgets. Where possible, departments have provided cost and spend data in line with their Spending Review settlements.

Certainty: costs and spend depend on a range of uncertain factors, including the impact of the pandemic on the wider economy and level of take-up for each scheme.

Technicalities: the estimated costs of government-backed loans and finance schemes represent estimates of write-off costs (for example, if businesses default on their loans), which have a consequent cost to the government.

Comparisons with government publications: When comparing any data included within this publication, costs within this publication may differ from other publications because:

- this tracker includes some measures funded through departments' own resources;
- The tracker excludes funds set aside for the Covid-19 response in the Covid-19 Reserve; and
- There are timing differences between producing the cost estimates for each publication.

Similar limitations applied to the previous Covid-19 cost tracker published by NAO.

Events since 31 March 2023

1.228 There have been a number of events that could have a bearing on the Statement of Financial Position as at 31 March 2023. These events are shown in Note 33 to the accounts.

Conrad Smewing

Accounting Officer

21 November 2024

Chapter 2

Statement of Accounting Officer's responsibilities

2.1 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, or
- to be entirely or substantially funded from public money

2.2 The account is prepared on an accruals basis and in accordance with the GRAA and the 2022-23 Government Financial Reporting Manual (FReM) which applies 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.

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

2.3 In addition to these responsibilities, and specifically with regard to Whole of Government Accounts (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

2.4 The responsibilities of an Accounting Officer are set out in Managing Public Money, 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.

2.5 The WGA Accounting Officer is responsible for signing the WGA Governance statement. This sets out the governance framework which supports the process of preparing and publishing the consolidated accounts, in line with the responsibilities outlined above. For each individual entity consolidated into WGA, the Accounting Officer or their equivalent retains responsibility for that entity's governance arrangements, as documented through the Governance Statement for those bodies.

Chapter 3

Governance Statement

Disclaimed opinion in WGA 2022-23

3.1 For the first time in its 14-year history, WGA has received a disclaimed audit opinion from the C&AG. This means that, due to missing data not submitted by bodies within the boundary and data submitted which has not been audited, the C&AG has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. The details of the disclaimer are set out in the C&AG report. HMT recognises the severity of this matter and has taken action to limit the impact of missing and unaudited data on WGA.

3.2 HMT does not have any direct influence on the issues faced by the local government accounting and audit sector, which is primarily driving the data integrity issues in WGA. Non-submitting and unaudited entities are concentrated in English local government, where administrative pressures introduced by the Covid-19 pandemic have severely delayed the preparation of accounts and subsequent audits. Despite having no direct influence, HMT is strongly supportive of, and working proactively with, stakeholders working towards the resolution of these issues, such as MHCLG, the NAO and others. HMT is confident that by working together with these bodies, an effective and sustainable solution can be found to prevent reoccurrence of these issues in future. More detail on the impact of missing data and several measures being taken to reverse this position in future WGAs, can be found in the missing data section.

Some measures being taken by HMT, supported by wider stakeholders, to address these issues include:

- A series of audit backstop dates, requiring entities auditors to issue an opinion for LG accounts, being laid in parliament as Secondary Legislation. The first backstop effective 13th December 2024.
- Internal assurance exercises, where data which was unaudited at time of submission (November 2023) is compared with financial statements which have since been audited and published.
- Proactive engagement with submitting entities to ensure queries are addressed quickly and facilitate timely submission of WGA returns.

3.3 The impact of missing data on specific balances has been highlighted in each of the Notes to the Financial Statements, as missing data has a varied impact on different types of balances and

transactions. The reader is encouraged to review these paragraphs for their areas of interest in WGA to understand missing data impact.

3.4 Despite being disclaimed, HMT is confident that WGA remains a useful tool for management of public finances and for government transparency, and that WGA still fulfils its unique role. The disclaimed opinion does not indicate that WGA is no longer useful or of low quality, only that the NAO cannot form an audit opinion on the financial statements in line with International Standards on Auditing (ISAs). HMT remains confident that WGA remains a useful tool for public accountability and transparency.

Scope of Accounting Officer's responsibility

3.5 As Accounting Officer, I am responsible for maintaining a governance framework to support the efficient and effective production of the Whole of Government Accounts (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 including Accounting Officer or equivalent controls.

3.6 The previous Accounting Officer, Catherine Little, was Accounting Officer for the Whole of Government Accounts up to 16 April 2023. I have been Accounting Officer for the Whole of Government Accounts since 17 April 2023. Although I was not Accounting Officer for the Whole of Government Accounts for the period that this report covers, Catherine Little has provided me with written assurance that there were adequate governance arrangements in place up to 16 April 2023 and that the system of internal control was effective throughout.

3.7 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.

3.8 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.

3.9 HM Treasury has put in place a risk management framework to manage the key risks to the WGA consolidation and preparation process. This includes maintenance and regular review of 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.

3.10 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 3.26 to 3.27. The key risks in the preparation of WGA, and any corresponding changes for 2022-23 are summarised below:

3.10.1 Failure to provide data through submission of WGA returns or providing data which has not been audited

A record number of entities failed to submit consolidation data for WGA by the date on which consolidation work began, and submissions for 2022-23 were closed. Non submission of data remains a serious issue for WGA 2022-23, which has led, for the first time in WGA history, to a disclaimed audit opinion.

While the deadlines for data submission for WGA 2022-23 were later than 'business as usual' submission deadlines, they were significantly closer to them than 2021-22 and previous years, and 2023-24 submission deadlines have returned to pre-recovery-plan timeframes.

A number of entities also submitted consolidation data for WGA but the data was unaudited. These entities were primarily local government entities and systemic issues in the local government audit sector have led to a backlog of outstanding audits. Plans have been implemented to mitigate these issues.

HM Treasury continues to work closely with component entities to prioritise timely submission of data returns for 2023-24 and future years and will continue to look at how we can try to minimise the administrative burden of submitting data for WGA. There are systemic issues in the local government audit sector which have led to a backlog of outstanding audits, and this issue is expected to continue for WGA in future years. There are plans in place to mitigate the issues.

It should be noted that these issues are not due to a specific failure in HMT controls, but are due to the systemic issues in the local government audit sector. For further details on the missing data issues, see Note 1.3 and the Performance Report (from paragraph 1.6).

3.10.2 Quality of WGA impacted by qualifications in underlying accounts

When a set of accounts is disclaimed, the auditor will not qualify the accounts in the same way as if it had not received a disclaimed opinion. WGA received a new qualification in 2021-22 relating to a qualification in the underlying accounts of the Department of Health and Social Care (DHSC), and if WGA 2022-23 had not been disclaimed, it would also be qualified in this

regard. The C&AG is expressing that he cannot form an opinion in line with auditing standards, and as such cannot form qualifications to that opinion. **This does not mean that previous qualifications sustained by WGA have been resolved.**

As WGA 2022-23 has been disclaimed, the underlying qualification of DHSC will not be a qualification for WGA, even though the C&AG would have qualified WGA if a disclaimed opinion had not been given. For details of this and of the continuing qualifications in this area, see paragraph 3.26-3.27.

The qualification in the DHSC accounts remained in 2022-23 but WGA 2022-23 has not received a qualification in the same manner as 2021-22 for the reason discussed above. The C&AG has described separately in his audit report the issues which would have led to qualification if a disclaimed opinion had not been given.

Even if not qualified on these grounds in 2022-23, HMT continues to work to address these issues and reduce qualifications in future WGAs.

HMT takes both the WGA qualifications and audit opinion very seriously and pursues all assurances possible to minimise the negative impact on WGA. WGA will continue to receive a qualification based on qualifications of underlying consolidated accounts (unless it receives further disclaimed opinions).

3.10.3 Quality and timeliness of WGA impacted by OSCAR 2 system for data collection and accounts preparation

HM Treasury carried out extensive testing of the data collection tool within OSCAR 2 before submissions opened and the data collection phase went smoothly. System capacity issues impacted some users although not significantly, and these issues were subsequently resolved. HM Treasury has taken further action in conjunction with the software supplier to improve performance, train users, and further mitigate future system capacity issues.

As well as data collection, HM Treasury uses OSCAR 2 to help produce the WGA financial statements. OSCAR 2 did not impact on the preparation of WGA 2022-23 as HM Treasury worked closely with the software supplier to ensure that any issues resolved during previous accounts preparation phases did not reoccur. There is now a well-established process to resolve defects as they arise and implement changes requested by HM Treasury.

3.10.4 Inaccuracies in entities' WGA returns, resulting in materially misstated balances

The level of risk to the preparation of WGA arising from inaccuracies in returns has been managed in the same manner as previous years. HM Treasury have undertaken a programme of work to gain internal assurance over unaudited data submissions, such as cross-referencing data submissions to accounts which have since been audited and published. Additionally, the OSCAR 2 data collection system contains a significant number of data validation checks to ensure submissions are internally consistent. I consider that the work undertaken by HM Treasury during the adjustments and analytical review processes of WGA preparation is sufficient to mitigate this risk and reduce the risk of material misstatement to a low level.

3.10.5 Non-elimination of intra-group transaction streams and balances, resulting in materially misstated figures in the accounts

The level of risk to the preparation of WGA arising from non-elimination of intra-group items is unchanged from previous years. I consider that the work undertaken by HM Treasury during the eliminations and analytical review processes of WGA preparation is sufficient to mitigate this risk and reduce the risk of material misstatement to a low level. A feature of the OSCAR 2 system is that, while data collection is still in progress, entities are able to see details of intra-group transactions and balances which other entities have reported with them. This functionality increases the completeness and accuracy of intra-group transactions reported, so facilitates their elimination. Where there are mismatches between the amounts reported by entities, HM Treasury investigates and resolves these mismatches through the eliminations process.

3.11 The WGA governance framework has been in place for the year ended 31 March 2023 which this account reports on and the full period of account preparation up to the date of approval. The governance framework accords with HM Treasury guidance, including the 'Corporate Governance in Central Government: Code of Good Practice', to the extent that it applies to WGA.

3.12 Where risks relevant to WGA preparation can be managed internally, HMT has developed robust procedures for doing so. The overwhelming majority of historic qualifications borne by WGA, which would have been sustained in 2022-23 if not for the disclaimed opinion, are due to factors outside of the control of HMT. HMT does however engage with external stakeholders to understand how and when the drivers behind issues may be neutralised.

The WGA governance framework

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

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

The **Government Internal Audit Agency** (GIAA) is available to provide support if the Audit and Risk Committee and I assess that the additional assurance provided by an internal audit engagement is required. GIAA carried out a review of WGA controls and processes during the 2022-23 financial year.

As well as the internal framework of governance and risk management, the WGA is subject to external audit provided by the **Comptroller and Auditor General**, supported by staff from the National Audit Office (NAO). The Comptroller and Auditor General is independent and reports his findings on the accounts to Parliament. The Comptroller & Auditor General does not provide assurance to me, but the work of his staff supports my assessment of risks. More information about the respective responsibility of the auditor and preparer can be found in the Comptroller and Auditor General's audit certificate in Chapter 5. The Comptroller and Auditor General and his staff have access to all HM Treasury papers and NAO staff attend HM Treasury's Audit and Risk Committee.

How WGA is prepared

3.14 WGA is a uniquely complex undertaking and is unlike accounts in most private sector organisations. This section provides more information on the stages of WGA preparation.

Data collection

3.15 There are a wide range of entities consolidated into WGA. These include central government departments, local government bodies, entities in the devolved administrations of Scotland, Wales and Northern Ireland, and public corporations.

3.16 The data that makes up WGA is largely based on the information included in each entity's audited financial statements, which are published at different times. Historically, central government departments aimed to publish their accounts prior to that year's summer recess (summer closure of Parliament), English local government bodies aimed to publish their finalised accounts by July, and devolved administrations have their own reporting timetables, based on the requirements of local accountability and oversight bodies. It is not possible to prepare WGA until the vast majority of these entities have finalised their financial statements.

3.17 The format of financial statements varies across the UK public sector. In order to be consolidated into WGA, entities have to provide audited data in a standardised format using a data collection tool

provided by the Treasury. The data collection tool covers the whole of an entity's group. For WGA 2022-23, data collection returns were requested for 676 entities, of which returns were received for 465 entities.

3.18 Not every entity in the public sector is consolidated into WGA. The largest entity which is excluded is NatWest. Paragraph 3.28 explains how this could lead to a qualification of the auditor's opinion. In addition to NatWest, very small stand-alone entities (below £30 million) are not consolidated and the Treasury publishes a list of these entities alongside WGA on gov.uk. Finally, there are some entities which are part of the public sector but are not answerable to the Executive function of government that are also excluded from WGA. These include entities such as the Crown Estate and the NAO. The Treasury also publishes a list of these entities alongside WGA on gov.uk.

Adjustments and eliminations

3.19 In order to produce WGA, transactions between entities have to be eliminated. Individual entities may recognise income originating from other government entities, with the other entity recognising an expense of the same amount, both of which need to be removed from the WGA reporting. In doing so, HMT ensures that assets, liabilities, income, and expenditure are not overstated, and the only transactions and balances reported in WGA are between government and the external economy. There are a vast range of transactions within the public sector and the data collection tool asks entities to provide details of all their transactions with other WGA entities.

3.20 Many transactions can be quickly eliminated based on returns in the data collection tool. Others require investigation because the transactions reported by two entities do not match. Sometimes this is due to legitimate differences of opinion on how to treat a transaction, on some occasions it is due to incomplete information in one counterparty, or it can be because one counterparty has made an error in the data collection tool.

3.21 As part of the WGA preparation process, the Treasury reviews and adjusts transactions between WGA entities until the difference in what is reported by entities (known as the 'eliminations error') is at an acceptable level. For the 2022-23 WGA the final elimination error in the Statement of Financial Position is £1.9 billion (2021-22: £2.0 billion) and in the Statement of Revenue and Expenditure, £1.7 billion (2022-22: £2.4 billion).

Analytical review

3.22 Once the intra-governmental transactions have been eliminated, the Treasury moves on to a process called 'analytical review'. Analytical review is the process of analysing and interrogating the financial data to ensure its integrity and investigate variances and significant balances and transactions. In carrying out the analytical review the Treasury also focuses on ensuring that trends in the data are

understood, which supports the analysis provided in Chapter 1 of WGA and provides useful data that is shared with other bodies to support broader development of public policy and statistics.

How WGA is being used

3.23 WGA is an established product. In addition to making an important contribution to accountability and transparency, both the publication and the underlying dataset are used to support decision making and risk management. Within the Treasury WGA data is used in the Managing Fiscal Risk publication, the Balance Sheet Review (BSR) and internally for example by the Local Government Spending team. More detail of the BSR is found in Chapter 1.

3.24 The publication and underlying dataset have also been used more broadly, including:

The Office for National Statistics produce one off articles using WGA data, and use WGA data to feed into wider datasets such as in the compilation of the public sector finances dataset consistent with the IMF's Government Finance Statistic framework.

The Office for Budget Responsibility (OBR) independently reports on the future sustainability of the public finances in its Fiscal Sustainability Report and Fiscal Risks Report, drawing on the data published in WGA. In addition, the government responded to the findings of the Fiscal Risk Report in the Managing Fiscal Risks report.

The Chartered Institute of Public Finance & Accountancy (CIPFA) is a professional body for people in public finance, and manages the accounting framework for Local Government. WGA data is used in their CIPFA stats which is an independent source of comprehensive data about local government and its services.

Other professional bodies: both the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants in England and Wales (ICAEW) have presented analysis of WGA data.

Qualifications

3.25 The 2022-23 WGA audit opinion has been disclaimed, but if had not been disclaimed, it would be qualified as a result of qualifications in underlying accounts and as a result of issues relating to the boundary, non-coterminous year ends and accounting policies applied by the Treasury when carrying out the WGA consolidation.

Qualifications in underlying accounts

3.26 A small number of entities have audit qualifications to their accounts. The qualifications are caused by weaknesses that need to be managed by the relevant Accounting Officer (or equivalent) and cannot be managed by the WGA Accounting Officer.

3.27 The qualifications that are material to WGA are summarised below:

There are two qualifications of the underlying 2021-22 and 2022-23 accounts of the **Department for Health and Social Care** (DHSC) which are material to WGA. One qualification relates to a lack of records to support £1.4 billion of personal protective equipment (PPE) inventory held at 31 March 2022, and £1.6 billion of impairments and write downs and £8.0 billion of consumption of the inventory during 2021-22, which led the Comptroller and Auditor General to limit the scope of his opinion on the balance and associated transactions in DHSC's 2021-22 accounts. As the £0.7 billion of impairments and write downs and £0.8 billion of consumption of PPE inventory in 2022-23 depend on the balance as at 31 March 2022, the Comptroller and Auditor General also limited the scope of his opinion on the balance and associated transactions in the 2022-23 accounts. The second qualification relates to the disclaimed opinion on the UK Health Security Agency (UKHSA) 2021-22 and 2022-23 accounts, a significant component of DHSC, where the Comptroller and Auditor General was unable to obtain sufficient, appropriate audit evidence to support UKHSA total net expenditure in 2022-23 of £3.1 billion (2021-22: £8.9 billion) and UKHSA net assets of £1.8 billion (2021-22 £0.9 billion).

In summary, there were only two qualifications in 2022-23 (UKHSA and inventory). The accruals position is no longer qualified. The qualification related to inventory in 2022-23 is related to opening balance of inventory and associated in-year transactions.

Qualifications from the consolidation process

3.28 Similar to the qualifications in underlying accounts, WGA 2022-23 would have received qualification arising from the consolidation process if it had not received a disclaimed opinion. Those qualifications relating to the boundary, accounting policies and non-coterminous year ends and are summarised below:

The **boundary qualification** arises as a result of WGA making a conscious policy choice to exclude certain bodies from the consolidation. The largest of the bodies to be excluded is NatWest. The scale and nature of NatWest's activities would distort the picture of UK finances. NatWest was classified as in the private sector by the ONS effective from 1 July 2024 and this element of this qualification is expected to be removed in WGA 2024-25. In November 2022, the ONS reclassified the further education (further education colleges, sixth form colleges and designated institutions) in England to the public sector, with retrospective effect. These entities will be consolidated into WGA at a future date.

The qualification on **inconsistent accounting policies** mainly relates to different methods used in valuing infrastructure assets. The largest

difference remaining is the valuation of the local authority road network which will remain as a qualification in the medium term. This is likely to be extended to cover the inconsistent accounting treatment of the application of IFRS 16 between central and local government entities. Note 1 to the accounts provides further details.

The **non-coterminous year ends** qualification mainly relates to the inclusion of academy schools which have a year end of 31 August, as opposed to the 31 March date used by WGA.

In addition, both missing data and unaudited data would have remained qualifications had they not led to a disclaimed opinion. Further information is provided below:

A qualification due to the **number of bodies for which consolidation data was requested but not received**. As a result, these bodies are not consolidated into WGA 2022-23 The majority of missing entities are English local government bodies. As noted above, this is a matter I am taking very seriously. Note 1 to the accounts provides further details. This was a new qualification in 2020-21.

The qualification on **consolidation of components whose accounts have not been audited** relates to the consolidation of draft accounts data for a number of local authorities whose statutory audits have not yet concluded. In the absence of a component audit opinion, the C&AG was unable to obtain sufficient assurance that the valuations of these assets are materially correct. This was a new qualification in 2019-20 and was the result of delays in local authority audits.

3.29 Further details on the boundary and accounting treatment of infrastructure assets are included in the critical accounting estimates and judgements in Note 2 to the accounts. Further details on the qualification arising from the academies sector are included below.

WGA and the Academies sector

3.30 Academies have a financial year which aligns with the academic year. The Department for Education (DfE) has alternative reporting arrangements for the academies sector as agreed with the Treasury and Parliament. The DfE core department, its agencies and arm's length bodies prepare one set of accounts to 31 March. The academies sector prepare a separate sector account, to a year end of 31 August (known as the Sector Annual Report and Accounts, or SARA). This data creates a non-coterminous year end misalignment with the rest of WGA, and this in turn leads to a qualification to WGA.

3.31 It is not currently practical to change the Academies year end to 31 March, as this will cause significant disruption to the sector, and cause misalignment between the internal activities of academies (which would normally be planned over the course of an academic year) and financial reporting and planning.

3.32 The key challenge in assessing the size of the non-coterminous year end misalignment is to determine how similar or different a 31 March balance would be to the 31 August balance from 7 months earlier, which is the balance consolidated into WGA. Balances such as property, plant and equipment tend not to fluctuate during the year. Where this type of balance has increased during the year, the value part-way through the year is likely to be somewhere between the balances at the beginning and end of the year. So, we can use the total movement over the year as an estimate of the maximum error between the balances at 31 August and the following 31 March.

3.33 The balance as at 31 August 2021 was £62.4 billion and this was included in the 2021-22 WGA. We now know that the 31 August 2022 balance was £65.9 billion (which has been included in this 2022-23 WGA) and that the balance as at 31 March 2022 is likely to be in between those two figures, giving an estimated maximum error of £3.5 billion on this year's figure. In a similar manner we can estimate the maximum error for other balance sheet items at 31 March 2023.

3.34 Balances such as cash may vary more within a year. Given the size of these balances a material difference between 31 August and 31 March balances is not anticipated, and the Treasury and DfE will work together on an evidence base to support the 31 March position and any adjustments that may be required.

Comparing balance sheet positions – 31 March 2022

Item (£bn)	SARA balance 31 August 2022 (included in the 2022-23 WGA)	SARA balance 31 August 2021 (included in the 2021-22 WGA)	Estimated Maximum amount of variance between 31 August and 31 March.
Property plant and equipment	65.9	62.4	3.5
Cash and cash equivalents	6.6	5.9	n/k
Other assets	2.1	1.8	0.3
Pension liability	(3.4)	(17.9)	n/k
Other liabilities	(3.4)	(2.9)	(0.5)

Source: SARA 2021-22

Balancing timeliness, quality and cost effectiveness of data

3.35 While there have been improvements in the quality of WGA over time, a number of qualifications would have remained in the absence of a disclaimed opinion being given. However, two of these qualification issues are partly driven by the same underlying root cause:

The qualification relating to highways infrastructure remains, in part, because it would not be cost effective to change accounting valuations within local authorities.

The qualification relating to academies non-coterminous year end remains, in part, because it would not be cost effective to require separate 31 March returns from the academies sector, this involves over 9,000 academy schools.

3.36 However, I am conscious that the scale of qualifications (and indeed a disclaimed opinion) in WGA is very unusual and not something seen in many sets of financial accounts. This is something I, as Accounting Officer take very seriously. Many countries across the world produce something equivalent to WGA but none consolidate to the scale of WGA. WGA is unique in that it consolidates financial information from across the whole public sector and is an audited IFRS-based accounts. Whilst this breadth and scrutiny creates many challenges, I am keen that we continue to do all we can to reduce the qualifications in WGA and limit our exposure to additional qualifications in future. This is something that HMT are prioritising for future years' WGA.

3.37 In preparing WGA, I must balance the timeliness, cost effectiveness and quality of the accounts. This is not a simple task at the scale of WGA. Spending significant additional public money to provide changes to WGA reporting and disclosures has to be carefully considered. While I am committed to improving WGA, it is important to acknowledge that some of the issues outlined above may not have a cost-effective or practical solution. Where I determine this to be the case, I will consider how supplementary disclosures or information can be used to improve the quality of the accounts.

3.38 I have made a similar judgement regarding the balance between timeliness and quality when considering the cut-off point for data collection. In order to meet the agreed publication timetable for WGA 2022-23 and future years, it was necessary to close data collection for the 2022-23 period so that accounts preparation work could be carried out in the most efficient manner with a stable dataset. Closing data collection for 2022-23 also allowed data collection for 2023-24 to take place while the 2022-23 accounts were being prepared. This will allow preparation of WGA 2023-24 to begin shortly after publication of WGA 2022-23.

3.39 I have assessed that the recovery timetable submitted to the Parliamentary Accounts Committee (PAC) remains a viable schedule to return to regular yearly production of WGA, as can be assessed by the submission deadlines for data and publication dates for WGA. The recovery plan was a gradual return to 'business as usual' over five WGAs, three of which have now been delivered, with every milestone along the way being met or ahead of deadline. These milestones have been met despite significant challenges and there is nothing to indicate that the recovery plan will not be completed.

Assurance in making this judgement

3.40 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.

3.41 I am satisfied that there is no additional remedial action to improve the quality of the data at this present time. Some improvements are currently in progress. Because lessons are being learned after the accounts of the previous year have been completed, improvements may take several years to be implemented fully.

3.42 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 WGA.

Information and data handling

3.43 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 2) database.

Disclosure of information to auditors

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

3.45 I confirm that this annual report and accounts 2022-23 is, as a whole, fair, balanced and understandable. I take personal responsibility for the annual report and accounts, including the judgements required for determining that it is fair, balanced and understandable.

Conrad Smewing

Accounting Officer

21 November 2024

Chapter 4

Financial Statements

Statement of Revenue and Expenditure

For the year ended 31 March 2023

	Note	2022-23 £bn	2021-22 £bn
Taxation revenue	4	(857.7)	(774.7)
Other revenue	5	(116.8)	(106.9)
Total public services revenue		**(974.5)**	**(881.6)**
Social security benefits	6	276.1	259.7
Staff costs	7	306.7	284.5
Purchase of goods and services	8	254.3	256.2
Grants and subsidies	9	122.4	121.0
Depreciation and impairment	10	52.8	47.9
Interest costs on government borrowing	11	85.1	47.1
Increase/(decrease) in provisions	23	36.2	28.0
Total expenditure on public services		**1,133.6**	**1,044.4**
Net expenditure on public services		**159.1**	**162.8**
Financing costs of long-term liabilities, including discounting	11	(141.9)	197.2
Revaluation of financial assets and liabilities		(31.8)	(0.4)
Net (income)/expenditure for the year		**(14.6)**	**359.6**

Statement of Comprehensive Income and Expenditure

For the year ended 31 March 2023

	2022-23 £bn	2021-22 £bn
Net (income)/expenditure for the year	(14.6)	359.6
Other comprehensive income and expenditure:		
Net (gain)/loss on:		
Revaluation of property, plant and equipment	(101.2)	(77.8)
Revaluation of intangible assets	(3.4)	0.3
Revaluation of assets measured at Fair Value through Other Comprehensive Income	(1.8)	(1.2)
Revaluation of pension scheme liabilities	(1,263.9)	130.1
Other comprehensive (income)/ and expenditure	(1,370.3)	51.4
Total comprehensive (income)/ expenditure for the year	**(1,384.9)**	**411.0**

Statement of Financial Position

As at 31 March 2023

	Note	2022-23 £bn	2021-22 £bn
Non-current assets			
Property, plant and equipment	12	1,435.3	1,340.4
Right of use assets	13	28.8	-
Investment properties	14	14.2	14.8
Intangible assets	15	47.9	43.7
Trade and other receivables	16	22.7	22.4
Other financial assets	17	505.1	456.9
		2,054.0	**1,878.2**
Current assets			
Inventories	18	13.2	13.5
Trade and other receivables	16	210.2	193.2
Other financial assets	17	216.0	267.9
Cash and cash equivalents	19	43.9	45.6
Gold holdings	34	16.0	14.7
Assets held for sale		1.0	1.2
		500.3	**536.1**
Total assets		**2,554.3**	**2,414.3**
Current liabilities			
Trade and other payables	20	(168.6)	(160.8)
Government borrowings	21	(371.9)	(340.0)
Other financial liabilities	22	(948.0)	(1,030.4)
Provisions	23	(29.8)	(29.7)
		(1,518.3)	**(1,560.9)**
Non-current liabilities			
Trade and other payables	20	(47.7)	(51.8)
Government borrowings	21	(1,382.1)	(1,235.7)
Other financial liabilities	22	(303.2)	(303.6)
Provisions	23	(277.1)	(498.1)
Net public sector pension liability	25	(1,415.0)	(2,639.1)

Total non-current liabilities	**(3,425.1)**	**(4,728.3)**
Total liabilities	**(4,943.4)**	**(6,289.2)**
Net liabilities	**(2,389.1)**	**(3,874.9)**
Financed by taxpayers' equity:		
General reserve	(3,154.0)	(4,547.6)
Revaluation reserve	759.7	667.8
Other reserves	5.2	4.9
Total liabilities to be funded by future revenues	**(2,389.1)**	**(3,874.9)**

The financial statements and supporting notes on pages 129 to 278 and Annex A form part of these accounts.

Conrad Smewing

Accounting Officer

21 November 2024

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

	General reserve	Revaluation reserve	Other reserves	Total
	£bn	£bn	£bn	£bn
At 1 April 2021	**(3,932.3)**	**601.8**	**4.2**	**(3,326.3)**
Restatements	(2.2)	(0.7)	-	(2.9)
Impact on opening balances – missing entities	(133.5)	(9.2)	-	(142.7)
Net income /(expenditure) for the year ended 31 March 2022	(359.6)	-	-	(359.6)
Net gain/(loss) on:				
Revaluation of property, plant and equipment	-	77.8	-	77.8
Revaluation of intangible assets	-	(0.3)	-	(0.3)
Revaluation of assets measured at Fair Value through Other Comprehensive Income	-	1.2	-	1.2
Revaluation of pension scheme liabilities	(130.1)	-	-	(130.1)
Other reserves movements including transfers	10.1	(2.8)	0.7	8.0
Balance at 31 March 2022	**(4,547.6)**	**667.8**	**4.9**	**(3,874.9)**
Restatements (1)	43.3	-	-	43.3
Impact on opening balances – missing entities	16.8	-	-	16.8
Net income/(expenditure) for the year ended 31 March 2023	14.6	-	-	14.6
Net gain/(loss) on:				
Revaluation of property, plant and equipment	--	101.2	-	101.2
Revaluation of intangible assets	-	3.4	-	3.4

Revaluation of assets measured at Fair Value through Other Comprehensive Income	-	1.8	-	1.8
Revaluation of pension scheme liabilities	1,263.9	-	-	1,263.9
Other reserves movements including transfers	55.0	(14.5)	0.3	40.8
Balance at 31 March 2023	**(3,154.0)**	**759.7**	**5.2**	**(2,389.1)**

(1) Restatements primarily comprise:

£29.0 billion relating to the adjustment of 31 March 2022 pension liability balances for the National Health Service Pension Scheme, to bring them in line with updated assumptions (see note 25), arising from inconsistencies in the source data used to calculate the assumptions estimates.

£6.2 billion relating to adjustments to 31 March 2022 balances to consolidate Pool Reinsurance Company Limited in the HM Treasury accounts, as the entity has been classified as Central Government by the Office for National Statistics.

£5.4 billion relating to the adjustment of 31 March 2022 pension liability balances for the Royal Mail Pension Scheme, as a result of a revised understanding of underlying pensions data (see note 25).

Statement of Cash Flows

For the year ended 31 March 2023

	Note	2022-23 £bn	2021-22 £bn
Cash flows from operating activities:			
Net operating expenditure for public services	SoRE	(159.1)	(162.8)
Adjustments for non-cash transactions		(7.3)	169.5
Impact of missing entities (boundary adjustment)		22.0	34.0
Adjustment for non-operating transactions		26.5	46.2
(Increase)/decrease in inventories	18	(3.3)	(1.4)
(Increase)/decrease in trade and other receivables	16	(17.3)	(12.7)
Increase/(decrease) in trade and other payables	20	3.7	(8.7)
Net cash movement for the provision of pensions		2.5	2.4
Use of provisions	23	(26.4)	(25.2)
Increase/ (decrease) in lease liabilities	27	24.3	-
Interest on lease liabilities		0.5	-
Net cash inflow/(outflow) from operating activities		**(133.9)**	**41.3**
Cash flows from capital expenditure and financial investment:			
Purchase of non-financial assets		(106.5)	(69.3)
Interest received	5	14.9	5.9
Proceeds from disposal of non-financial assets		6.5	3.0
Net cash inflow/(outflow) from purchase and disposal of financial assets and liabilities		(103.2)	(109.1)
Net cash inflow/(outflow) from capital expenditure and financial investment		**(188.3)**	**(169.5)**
Cash flows from financing activities:			
Payment of lease liabilities		0.3	-

Financing costs of long-term liabilities		163.2	(45.6)
Finance charges paid on finance leases and PFI contracts		(21.3)	(3.9)
Net Borrowings		178.3	183.7
Net cash inflow/(outflow) from financing activities		**320.5**	**134.2**
Net increase/(decrease) in cash and cash equivalents	19	(1.7)	6.0
Cash and cash equivalents at the beginning of the year	19	45.6	39.6
Cash and cash equivalents at the end of the year	19	**43.9**	**45.6**

Notes to the accounts

Note 1. Statement of accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the 'Government Resources and Accounts Act 2000' (GRAA) and International Financial Reporting Standards (IFRS), as adapted and interpreted by the Financial Reporting Manual (FReM). Many public bodies consolidated into these financial statements do not follow the FReM. For example, local authorities follow the IFRS-based Code of Practice on Local Authority Accounting. Adjustments are made on consolidation to harmonise accounting policies where material and any exceptions are noted in these accounting policies.

In adopting the going concern basis for preparing the financial statements, the Accounting Officer has considered the government's power to set tax rates to meet its funding requirements, as well as controls over public spending, which ensure that the government will continue to exercise its functions.

1.2 Accounting convention

The financial statements have 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.

1.3 Basis of consolidation

The GRAA requires WGA to consolidate a group of entities that appear to HM Treasury to exercise functions of a public nature, or to be entirely or substantially funded from public money. The FReM adapts IFRS in order to comply with this statutory requirement and specifies that the WGA consolidation boundary should be based on the national accounts classification of bodies to the public sector, as independently determined by the Office of National Statistics (ONS).

Bodies classified to the public sector by the ONS include:

- central government bodies including departments, arm's length bodies, agencies, and the NHS
- local government bodies such as councils, police and crime commissioners, combined authorities, and transport bodies (such as Transport for London)
- public corporations
- the devolved administrations of Scotland, Wales, and Northern Ireland

There are areas where the boundary diverges from the ONS classification, most significantly the exclusion of NatWest (previously known as RBS), and further details are provided in the critical accounting estimates and judgements in Note 2.

WGA also does not include minor bodies (those with assets, liabilities, income and expenditure all less than £30 million), and a small number of non-government entities that report directly to Parliament, such as the National Audit Office. These bodies are listed in Annexes 2 and 3, published alongside WGA on gov.uk.

WGA is prepared by consolidating financial data provided by components based on their own audited statutory accounts (or the best available draft accounts if the audit of their statutory accounts is not yet finalised), supplemented with additional information where required. For components with transactions and balances over a certain threshold, the financial data provided for consolidation is reviewed by the component's own auditor to confirm consistency with the audited statutory accounts. The threshold is £2 billion, applicable to any of income, expenditure, assets excluding property, plant and equipment, or liabilities excluding pension liabilities. Pension scheme accounts do not exclude pension liabilities.

The list of components consolidated into WGA is not identical each year as bodies are created and dissolved, classified into and out of the public sector by ONS, and, in some cases, do not submit data for consolidation. The number of bodies which have failed to submit data has historically been low and was not disproportionate to other changes to the boundary. The net effect of all boundary changes on WGA was not material and therefore not separately presented in the financial statements.

In 2019-20, 21 bodies, all of which were local authorities, did not submit consolidation data. For WGA 2020-21, 155 bodies did not submit data for consolidation, of which 128 were local authorities. This was a substantial omission of data and caused a significant difference between balances at 31 March 2020 and the consolidated balances at 1 April 2020 of those bodies which submitted data for 2020-21. The difference between these two sets of figures was presented as an opening balance adjustment line in the SOCTE and a boundary adjustment line in those notes to the financial statements where a 1 April 2020 balance is shown. The adjustment shown on the SOCTE was £74.3 billion, which represents the total net assets and net liabilities of bodies moving into and out of the WGA consolidation. The equivalent figure for 2019-20 was £2.2 billion, presented within other reserves movements.

For WGA 2021-22, 178 bodies did not submit data for consolidation, with 157 of those being local authorities. 27 bodies did not submit in 2020-21 but then returned data for 2021-22, however 52 submitted in 2020-21 but not in 2021-22. This increased omission of data causes a significant difference between balances at 31 March 2021 and the consolidated balances at 1 April 2021 of those bodies which submitted 2021-22 data.

The difference is again presented as an adjustment line in the SoCTE and in those notes to the financial statements where a 1 April 2021 balance is shown. The adjustment shown on the SoCTE was £142.7 billion, which represents the total net assets and net liabilities of bodies moving into and out of the WGA consolidation.

For WGA 2022-23, 211 bodies did not submit data for consolidation, with 198 of those being local authorities. 28 bodies did not submit in 2021-22 but then returned data for 2022-23, however 61 submitted in 2021-22 but not in 2022-23. As in 2021-22, this increased omission of data causes a difference between balances at 31 March 2022 and the consolidated balances at 1 April 2022 of those bodies which submitted 2022-23 data. The difference is again presented as an adjustment line in the SoCTE and in those notes to the financial statements where a 1 April 2022 balance is shown. The adjustment shown on the SoCTE is £16.8 billion, which represents the total net assets and net liabilities of bodies moving into and out of the WGA consolidation. For notes which present totals as at 31 March 2022 and 2023, material variances due to this missing data are discussed in the note narrative.

Three annexes are published alongside WGA on gov.uk, which list the entities consolidated into WGA 2022-23 and also those which are within the WGA boundary but not consolidated in 2022-23:

- Annex 1: list of entities consolidated in the WGA
- Annex 2: entities that are not consolidated in the WGA. This annex includes non-government entities which report directly to Parliament, and those entities which did not submit consolidation data in 2022-23
- Annex 3: minor bodies excluded from the consolidation. This annex provides details of small bodies not consolidated due to their size

Bodies which are part of the public sector but not consolidated into WGA (as shown in Annex 2 section 2) are considered related parties to WGA. See Note 32 for further details.

1.4 Accounting standards in issue but not yet effective

IFRS 16 'Leases' replaces IAS 17 'Leases' and represents a significant change in lessee accounting. It 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. In line with the FReM, IFRS 16 was adopted by WGA and applied by central government entities in 2022-23. However, in line with the Code of Practice on Local Authority Accounting, adoption of IFRS 16 in the local government sector has been deferred until 2024-25, with early adoption allowed in 2022-23 or 2023-24. As a result, in 2022-23 there is inconsistent application of this accounting policy as most components in the local government sector are still reporting under IAS 17 and have not assessed the impact for them of

transition to IFRS 16. For further detail, see Note 1.16 Leases. WGA 2022-23 consolidates the results of 2 local government entities which early adopted IFRS 16, with right of use assets of £2.0 billion and lease liabilities of £2.3 billion.

IFRS 17 'Insurance Contracts' was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. It will be adopted by central government bodies from 2025-26, and therefore WGA will adopt IFRS 17 in 2025-26. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. It is not possible at this time to quantify the impact of IFRS 17 on WGA, as this will be dependent on choices made on the scope and applicability of the standard to the public sector, and work done within individual entities to assess the impact on their own business.

There are no other IFRS or International Financial Reporting Interpretations Committee (IFRIC) interpretations not yet effective that would be expected to have a material impact on WGA.

1.5 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.

1.6 Revenue

Taxes and duties

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 associated economic benefits from the taxable event will flow to the government. Revenues are deemed to accrue evenly over the period for which they are due. Taxation that is retained by an entity, either by statute or approval from HM Treasury, is treated as revenue from contract and is under the scope of IFRS 15. No revenue is recognised if there are significant uncertainties regarding recovery of the taxes and duties due.

Taxes and duties are accounted for on an accruals basis, except for stamp duty and National Insurance Classes 1A and 1B. These are accounted for on a cash basis and the timing difference does not have a material impact on the accounts. In addition, some repayments are accounted for on a cash basis. The nature of tax legislation and HMRC associated systems, mean that some of the accrued revenue receivable figures and some other items are subject to statistical estimation or forecasts.

Taxable events for material tax streams are as follows:

Revenue type	Revenue recognition point
Income tax	Earning of assessable income during the taxation period
Social security	Earning of income on which National Insurance is payable
Corporation tax	Earning of assessable profit during the taxation period
Value Added Tax	Undertaking of taxable activity during the taxation period
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 excludes tax credits which are recognised separately as an expense.

Amounts collected on behalf of the EU

Where the UK acts as an agent of the EU in collecting revenues on its behalf, and bears none of the risks and rewards, these amounts are excluded from WGA. This applies in the case of EU customs duties collected by HMRC.

Other revenue

Revenue from the sale of goods and services is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. WGA recognises revenue based on the delivery of performance obligations and an assessment of

the point where control over a product or service transfers to a customer. Income from the European Union (EU) in respect of supported projects is recognised at the point that the expenditure on those projects is recognised. 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.

1.7 Expenditure

Social security benefits

Social security benefits are statutory entitlements payable to private individuals and households and include the state pension. Social security benefits are generally accounted for as expenditure in the period of entitlement. Social security benefits include tax credits, which are recognised in the year in which claims are assessed and awards authorised. Where under or overpayments are identified, either during the award year or subsequently, most of this is recovered over time.

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. Average staff numbers include staff engaged on capital projects. Public sector pension scheme costs include current service costs and past service costs, both of which are explained in further detail in accounting policy Note 1.19.

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. Entitlement to a grant varies according to the details of individual schemes and the terms of the offers made. Obligations arising from, as yet 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.

Interest costs

Interest costs on government borrowing are determined using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows to the debt instrument's initial carrying amount. Most government borrowings are at fixed interest rates. For variable rate or index-linked borrowings, the current rate applicable to each product is used. Gilts with the same maturity and coupon rate are sometimes issued in separate tranches and may have a different effective interest rate due to market conditions. However, once issued, gilts with the same maturity and coupon rate are

indistinguishable from each other and so are treated as one issue using a weighted average effective interest rate.

1.8 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently valued at current value in existing use. For non-specialised assets, such as offices, this is the market value based on its current use less depreciation. For specialised assets, including the road and rail network held by central government, this is replacement cost less depreciation.

Infrastructure assets are valued at replacement cost less depreciation. However, road network assets held by local government, Northern Ireland water infrastructure assets and some others are valued at historical cost less depreciation. Further details on the accounting estimates involved in valuing infrastructure assets are included in the critical accounting estimates and judgements in Note 2.

Land and buildings are usually professionally valued 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.

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

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. Development expenditure on military equipment, which meets the capitalisation criteria, is capitalised as an intangible asset.

Other assets including community assets are accounted for as property plant and equipment. Heritage assets are recognised at fair value or, if this information is not available, at cost. Some heritage assets are not recognised on the Statement of Financial Position, as the costs of valuing these unique assets are not commensurate with the benefits.

1.9 Investment properties

Investment properties consists of land and buildings held for rental revenue or for capital appreciation. Investment properties are measured initially at cost and are subsequently measured at fair value. Gains or losses arising from a change in fair value or disposal are recognised in the Statement of Revenue and Expenditure.

1.10 Intangible assets

Intangible assets are recognised if it is probable that they will result in future economic benefits to the government and if their cost can be measured reliably. Intangible assets are initially recognised at cost and subsequently valued based on current value in existing use. Where no active market exists, intangible assets are revalued using indices or another suitable model.

1.11 Depreciation and amortisation

Depreciation or amortisation is charged to write down the cost or valuation of an asset to its residual value over its estimated useful economic life. Residual values and useful economic lives are reviewed annually. Assets acquired through finance leases or Private Finance Initiative (PFI) contracts are depreciated over the shorter of the lease term and the estimated useful life. Any impairment in value in addition to depreciation is recognised immediately in the Statement of Revenue and Expenditure.

The depreciation period varies based on the estimate made by each WGA entity of the useful economic life of their assets. Generally, property, plant and equipment are depreciated over the following timescales:

Type	Period
Infrastructure Assets	
Scottish water infrastructure	Up to 150 years
Road and rail network	Up to 100 years
Land and Buildings	
Freehold land	Not depreciated
Buildings	Up to 60 years
Assets under construction	
Assets under construction	Not depreciated
Military equipment	
Military equipment	Up to 50 years
Other Assets	
Plant and machinery	Up to 30 years
Transport equipment	Up to 50 years
IT equipment	Up to 10 years
Furniture and fittings	Up to 20 years

For depreciation of right of use assets, see Note 1.16.

Intangible assets are usually amortised over the following timescales:

Type	Period
Military equipment	Up to 60 years
Development expenditure	Up to 35 years
Software	Up to 20 years
Licenses and other	Up to 15 years

The amortisation period for military equipment has increased from 35 years in 2021-22 to 60 years in 2022-23. For further information, see the Ministry of Defence 2022-23 accounts.

1.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Where there is no expectation of consumption or sale in the ordinary course of business, the value is impaired to reduce it to net realisable value.

1.13 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, 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.

1.14 Gold holdings

Gold is valued at fair value based on the sterling equivalent of the London Bullion Market Association dollar denominated spot bid price at the reporting date. Changes in fair value are recognised in the Statement of Revenue and Expenditure.

1.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. IFRS 9 allows entities to apply a 'simplified approach' for trade receivables, contract assets and lease receivables, which allows entities to recognise lifetime expected credit losses on all these assets without the need to identify significant increases in credit risk. Most WGA bodies use this simplified approach. An entity may select its accounting policy for trade receivables, lease receivables and contract assets independently of each other. Expected

credit losses are recognised in the Statement of Revenue and Expenditure.

1.16 Leases

As noted above in 1.4, WGA and central government entities have adopted the new standard IFRS 16 'Leases' from 2022-23 in line with the FReM, while the Code of Practice on Local Authority Accounting followed by local authorities has deferred adoption until 2024-25, with early adoption allowed in 2022-23 or 2023-24. This results in an inconsistent application of this accounting policy in WGA 2022-23, with most local government sector components still consolidated into WGA under the earlier lease standard, IAS 17 'Leases'. WGA 2022-23 consolidates the results of 2 local government entities which early adopted IFRS 16, with right of use assets of £2.0 billion and lease liabilities of £2.3 billion.

IFRS 16

WGA has adopted IFRS 16 Leases from 1 April 2022. Leases previously classified as operating leases are recognised in the Statement of Financial Position as right of use assets and lease liabilities, with corresponding depreciation of right of use assets and interest on lease liabilities recognised in the Statement of Revenue and Expenditure. The cumulative effect of adopting IFRS 16 is reflected as an adjustment to the opening balances of taxpayers' equity at 1 April 2022.

The impact of first-time adoption for those entities adopting IFRS 16 in WGA 2022-23 is as follows:

	£bn
Operating lease commitment at 31 March 2022	22.1
Discounted using discount rates	(0.5)
Finance Lease liabilities at 31 March 2022	0.8
Exemptions for short term leases	(0.2)
Extensions and termination options reasonably certain to be exercised	0.5
Impacts of restatements for Operating Lease and Finance Lease	(0.1)
Re-assessment for IFRS16	1.6
Lease Liabilities recognised at 1 April 2022	**24.2**

Leases include intra-UK government agreements where non-performance may not be legally enforceable, such as Memorandum of Terms of Occupation agreements, and arrangements with nominal consideration or lease payments significantly below market value,

known as peppercorn leases. WGA has chosen not to recognise right of use assets and lease liabilities for the following types of leases:

- Intangible assets
- Non-lease components of contracts, where applicable
- Low-value assets
- Leases with a term of 12 months or less

Lease liabilities are initially measured present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the rate provided by HM Treasury. Lease liabilities are subsequently measured at amortised cost.

Right of use assets are initially measured at cost, except for peppercorn leases, which are initially measured either at fair value or current value in existing use. Subsequently, right of use assets are measured either at fair value or current value in existing use and depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

IAS 17

As set out in Note 1.4, adoption of IFRS 16 in the local government sector has been deferred until 2024-25, with early adoption allowed in 2022-23 or 2023-24. As a result, in the 2022-23 WGA there is inconsistent application of this accounting policy as most components in the local government sector are still reporting under IAS 17.

Leases in which a significant proportion of the risks and rewards of ownership are transferred to government are finance leases and the leased assets are treated as if they had been purchased. The corresponding liability to the lessor is shown as a finance lease liability and the accounts distinguish between payments of interest and capital.

All other leases are operating leases, with costs recognised in the Statement of Revenue and Expenditure on a straight-line basis.

1.17 Private Finance Initiatives (PFI)

PFI contracts in which the government controls or regulates the services that the private sector operator must provide with the assets and controls any significant residual interest in the asset at the end of the contract, are recorded on the government's Statement of Financial Position as if they had been purchased. The corresponding liability to the PFI operator is recognised as a PFI liability and the accounts distinguish between payments of interest, capital, and charges for services.

If the above conditions are not met, the asset is not recognised, and all payments are recognised as charges for services.

Several 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 these off-balance sheet contracts in their accounts in different ways in 2022-23, as the accounting standards allow flexibility as to how to present the information.

1.18 Provisions

Provisions are recognised when the government has a present obligation as a result of a past event and it is probable that the government will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date and are discounted to present value where the time value of money is material.

Discount rates for UK central government are set by HM Treasury which gives rates for short, medium, long-term, and very long-term general provisions. These are defined as follows:

- short-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary between 0 and up to and including 5 years from the reporting date.
- medium-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary of after 5 and up to and including 10 years from the reporting date.
- long-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary of after 10 years and up to and including 40 years from the reporting date.
- very long-term rate: A nominal discount rate to be applied to the cash flows of general provisions in a time boundary exceeding 40 years from the reporting date.

Where some or all the expenditure required to settle a provision is expected to be recovered from a third party, the recoverable amount is treated as an asset. The net provision expense after deducting expected recoveries from third parties is recognised in the Statement of Revenue and Expenditure.

1.19 Pension liabilities

The pension liability relates to public sector pension liabilities for current and former government employees, plus a small component for other approved organisations that qualify for membership of these government schemes. The government operates both defined benefit and defined contribution pension schemes. The defined benefit pension schemes are either funded (meaning that the scheme receives contributions and invests them to fund pension payments) or unfunded (meaning that contributions are not held in a separate fund and the

government is directly liable to fund pension payments as they fall due). The pension liability excludes the state pension paid to the general public, which is included within overall expenditure. The future liability to pay state pension is not recognised in the accounts, as the state pension is a social security benefit and accounted for as expenditure in the period of entitlement. For further information, see Note 1.7.

For defined benefit pension schemes, the difference between the fair value of scheme assets (if any) and the present value of the scheme liability is recognised as a net asset or net liability on the Statement of Financial Position. The scheme liability is calculated by discounting expected future benefit payments back to the reporting date using a discount rate based on high quality corporate bonds, usually interpreted as corporate bonds with a credit rating of AA. The expected future benefit payments are calculated allowing for pensionable service to the reporting date, future increases to benefits in accordance with scheme rules (known as the projected unit method) and projections of earnings for current employees up to the date of retirement, leaving service or early death. The pension liability is therefore an estimate of the amount of money that would need to be invested in high quality corporate bonds at the reporting date to cover all the expected future benefit payments accrued up to the reporting date.

Current service costs are the increase in the present value of the scheme liabilities arising from current members' service over the year. They are determined by the individual scheme actuaries and are calculated using the discount rate at the start of the 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. These also include any gains or losses in relation to events defined as settlements or curtailments.

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. 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 (i.e., net of assets).

The gains and losses on revaluation reflect three elements:

- the change in the underlying assumptions used by the actuaries to determine the value of scheme liabilities. This includes changes in the assumptions such as financial assumptions, mortality rates and projected salary increases.
- where in-year experience differs from assumptions previously used to determine the liabilities. For example, relating to assumptions about general salary and pension increases.

- differences between the asset returns experienced in-year and the interest on the assets included in the Statement of Revenue and Expenditure for funded schemes.
- the current service costs, any past service costs, including those arising from settlements or curtailments, and pension financing costs are recognised as an increase in the pension liability and are charged to the Statement of Revenue and Expenditure. The gain or loss on revaluation of pension scheme assets and liabilities is recognised in the Statement of Other Comprehensive Income.

Payments to defined contribution pension schemes are recognised in the Statement of Revenue and Expenditure as they fall due.

1.20 Financial instruments

Financial assets

Financial assets are categorised as one of the following:

1. Amortised cost for financial assets whose cash flows are solely payments of principal and interest, and the business model is to hold those financial assets in order to collect contractual cash flows. They are initially recognised at fair value and thereafter at amortised cost using the effective interest method less any impairment. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of recognising and allocating interest income over the relevant period.

2. Fair Value Through Other Comprehensive Income (FVTOCI) in the case of:

- debt instruments whose cash flows are the sole payments of principal and interest and held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

- equity instruments that are neither held for trading nor contingent consideration recognised in a business combination.

- regular purchases and sales of financial assets are recognised at the trade date, which is the date on which the entity commits to purchase or sell the asset, or, in the case of loans and advances to financial counterparties, at the settlement date. After initial recognition, these assets are subsequently carried at fair value. Gains and losses in fair value are recognised directly in equity. On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Revenue and Expenditure

3. Fair value through profit or loss (FVTPL) for any financial assets that are not measured at amortised cost or FVTOCI. This category includes derivatives and investments in equity instruments unless an irrevocable election is made on initial recognition to classify as FVTOCI. The election is only available to equity instruments that are not held for trading. Transactions costs and any subsequent movements in the valuation of assets held at FVTPL are recognised in the Statement of Revenue and Expenditure.

Financial assets other than equity instruments and those at FVTPL are assessed for impairment at each reporting date using the expected credit loss model as introduced by IFRS 9, and impairments are recognised in the Statement of Revenue and Expenditure. All equity investments, measured at either fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI), and other financial instruments measured at FVTPL, are outside the scope of IFRS 9's impairment model.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the risks and rewards of ownership have been substantially transferred.

IFRS 9 impairment requirements for financial assets apply to:

- debt instruments – loans, trade receivables and debt securities measured at amortised cost or fair value through other comprehensive income (FVTOCI)
- lease receivables
- contract assets within the scope of IFRS 15
- certain financial guarantees and loan commitments

Financial liabilities

Most of the government's financial liabilities are classified as amortised cost. The exceptions are derivatives and IMF Special Drawing Rights allocation which are classified as fair value through profit of loss. Deposits by banks can also be classified as fair value through profit or loss.

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.

1.22 Events after the reporting period

The Government Financial Reporting Manual (the FReM) modifies financial reporting requirements for the purposes of WGA in that the requirement that the financial statements be adjusted for events that provide evidence of conditions that existed at the reporting date do not apply, and therefore all such events are non-adjusting.

Note 2. Critical accounting estimates and judgements

2.1 WGA boundary

The Government Resources and Accounts Act (GRAA) 2000 requires WGA to consolidate a group of entities that appear to HM Treasury to exercise functions of a public nature, or to be entirely or substantially funded from public money. The FReM adapts IFRS in order to comply with this statutory requirement and specifies that the WGA consolidation boundary should be based on the national accounts classification of bodies to the public sector, as independently determined by the Office of National Statistics (ONS).

In applying this policy, HM Treasury has made a judgement to exclude certain bodies which the ONS classifies to the public sector from the WGA consolidation. These exceptions are:

- WGA excludes a small number of entities such as the National Audit Office, Crown Estate and Audit Scotland that are accountable to their respective parliaments or assemblies rather than to an executive arm of the government, and therefore do not form part of government. The total impact of excluding these bodies from WGA is estimated to be £1.8 billion of gross expenditure and £20.9 billion of net assets. Some of these amounts would be eliminated on consolidation. £16.8 billion of the net assets not included in WGA are owned by the Crown Estate.
- Minor entities are excluded on the basis that they are too small to have any material impact on WGA. The criteria used for minor bodies in 2022-23 was that they had to have gross expenditure, income, assets and liabilities of less than £30 million. For example, this includes some district councils. The total impact of excluding minor bodies is estimated to be £0.7 billion of gross expenditure and £0.3 billion of net assets. Some of these amounts would be eliminated on consolidation.

The WGA also does not include some other bodies such as Trust Ports and most significantly NatWest.

NatWest

NatWest (previously known as RBS) is recognised as an investment of government rather than being consolidated. This has been a consistent policy applied since the government took its holding. This is on the basis that the scale of NatWest would have dwarfed other aspects of WGA, distorting the accounts and making it difficult to determine trends. It would also have been very technically challenging to consolidate NatWest due to the differences in accounting policies and year end. The government does not intend to retain its shares in NatWest.

The table below sets out the estimated effect of excluding NatWest from the consolidation. It is based on NatWest's financial results for the year

ended 31 December 2022. It does not include an estimate of the changes required to align the year end or accounting policies.

	2022-23 WGA £bn	2022 NatWest £bn	Eliminations £bn	WGA plus NatWest £bn
Revenue	974.5	16.6	(5.6)	985.5
Expenditure	(1,133.6)	(12.7)	4.2	(1,142.1)
Net Income / (Expenditure)	**(159.1)**	**3.9**	**(1.4)**	**(156.6)**
Assets	2,554.3	720.1	(135.3)	3,139.1
Liabilities	(4,943.4)	(683.6)	124.3	(5,502.7)
Net Assets / (Liabilities)	**(2,389.1)**	**36.5**	**(11.0)**	**(2,363.6)**

	2021-22 WGA £bn	2021 NatWest £bn	Eliminations £bn	WGA plus NatWest £bn
Revenue	881.6	12.8	(2.7)	891.7
Expenditure	(1, 044.4)	(9.7)	2.1	(1,052.0)
Net Expenditure	**(162.8)**	**3.1**	**(0.6)**	**(160.3)**
Assets	2,414.3	782.0	(179.4)	3,016.9
Liabilities	(6,289.2)	(740.2)	168.0	(6,861.4)
Net Assets / (Liabilities)	**(3,874.9)**	**41.8**	**(11.4)**	**(3,844.5)**

Further education sector in England

In November 2022, the Office for National Statistics reclassified the further education sector (further education colleges, sixth form colleges and designated institutions) in England to the public sector, with retrospective effect. These entities will be consolidated into WGA at a future date.

2.2 Taxation revenue

Taxation revenue is recognised in the period in which the event that generates the revenue occurs. Some of the accrued revenue receivable figures and other items are subject to statistical estimation of forecasts, as tax returns and tax payments can be filed later. Due to the areas of uncertainty involved, actual outcomes could differ from the estimates used. Each year HMRC reviews the performance of its estimation models.

In 2021-22, the Accrued Revenue Receivable (ARR) underestimation was £4.6 billion (0.6% of total revenue for 2021-22) and the Accrued Revenue Payable (ARP) underestimation was £0.1 billion (0.01% of total revenue for 2021-22). HMRC's 2023-24 Annual Report and Accounts discloses that for 2022-23 the ARR underestimation was £0.7 billion (0.1% of total revenue for 2022-23) and the ARP underestimation was £1.5 billion (0.2% of total revenue for 2022-23).

2.3 Valuation of infrastructure assets

Infrastructure assets in central government are largely comprised of the strategic road and rail networks, which are managed by the Department for Transport. They are valued at replacement cost less depreciation. The valuation of infrastructure assets is subject to significant uncertainty, as determining the replacement cost requires certain assumptions including a modern equivalent asset (a network which is identical in function but constructed using modern methods) and instantaneous build on a greenfield site.

Road network assets held by local authorities are currently held at historical cost less depreciation, which is different from the valuation basis used by central government. Local authorities investigated a valuation based on replacement cost less deprecation. The accounting framework for local authorities is set by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA are considering the approach to be taken for the valuation of infrastructure assets in local government, and whilst this is underway, local authority infrastructure assets remain valued at historical cost less depreciation.

The best proxy currently available for depreciated replacement cost is the calculated asset value used by the ONS in the National Accounts. The National Accounts estimated the value of local government networked assets at £176.9 billion (2021-22: £159.1 billion restated) as of 31 December 2022. Infrastructure assets are likely to be understated by at least £97.8 billion. The ONS figure excludes land, and therefore the total error is likely to be larger than the figure stated. Further information regarding this departure from the FReM can also be found in Chapter 1.

Rail network

The strategic rail network owned by Network Rail is valued using a complex model. As at 31 March 2023 this asset is valued at £411.4 billion (2021-22: £365.5 billion). The following sensitivity analysis reflects the sources of estimation uncertainty, showing the impact of changes in assumptions at the reasonable boundaries of uncertainty.

Remaining asset lives: sensitivity to change	Depreciated Replacement Cost £bn	Change £bn	Change %
Decrease by 10%	382.3	(29.1)	(7%)
Base assumptions	411.4	N/A	N/A
Increase by 10%	440.6	29.2	7%

The land valuation includes an assessment of land purchase compensation costs. As Network Rail rarely purchases large parcels of land, the estimate of -69% shown below reflects the experience of National Highways.

Land compensation adjustment: sensitivity to change	Depreciated Replacement Cost £bn	Change £bn	Change %
Decrease by 10pp (to 59%)	404.5	(6.9)	(2%)
Base assumption (69%)	411.4	N/A	N/A
Increase by 10pp (to 79%)	418.3	6.9	2%

The valuation model for infrastructure assets assumes instantaneous build on a greenfield site. Comparative costs for constructions on greenfield sites may be difficult to find, so it is sometimes necessary to start with a comparative cost for construction in a live operational environment, which is more expensive, and reduce to a greenfield cost by an estimate of 32%. This adjustment applies only to costing rates

built up using a methodology not already reflecting greenfield build.

Greenfield site adjustment: sensitivity to change	Depreciated Replacement Cost £bn	Change	
		£bn	%
Decrease by 10pp (to 22%)	403.5	(7.9)	(2%)
Base assumption (32%)	411.4	N/A	N/A
Increase by 10pp (to 42%)	419.3	7.9	2%

After allowing for known costs in constructing assets there remain unknown and localised costs that are captured using a risk factor of 22%.

Risk factor adjustment: sensitivity to change	Depreciated Replacement Cost £bn	Change	
		£bn	%
Decrease by 10pp (to 12%)	387.7	(23.7)	(6%)
Base assumption (22%)	411.4	N/A	N/A
Increase by 10pp (to 32%)	435.2	23.8	6%

Strategic road network

The strategic road network owned by National Highways is valued using a complex model. As at 31 March 2023 this asset is valued at £159.4 billion (2021-22: £146.0 billion).

The valuation relies on accounting estimates and is subject to estimation uncertainties. The following sensitivity analysis reflects the sources of estimation uncertainty, showing the impact of changes in assumptions at the reasonable boundaries of uncertainty.

The Implied Output Price Index (IOPI)is an index which directly reflects the movement in prices experienced by National Highways. It is applied to roads and structures for the purposes of yearly revaluation.

Costing rates: sensitivity to change	Depreciated Replacement Cost £bn	Change £bn	%
Decrease by 10%	144.2	(15.2)	(10%)
Base assumptions	159.4	N/A	N/A
Increase by 10%	174.6	15.2	10%

Sensitivity to Implied Output Price Index (IOPI)	Depreciated Replacement Cost £bn	Change £bn	%
Base case	159.4	N/A	N/A
Increase by 10 points	170.5	11.1	7%

2.4 Financial assets

Student loans

Due to the implementation of IFRS 9, student loans are carried at fair value through profit or loss (FVTPL). The FReM requires that where future cash flows are discounted to measure fair value, the higher of the rate intrinsic to the financial instrument or HMT's current discount rate should be used. The discount rate used to discount expected cash flows to calculate the fair value of student loans is the intrinsic rate of the loan for Master's loans, and HMT's standard cross-government discount rate of RPI-1.3% (2021-22: RPI-1.1%) for the remainder of the loan books, as required by the FReM interpretation of IFRS 9.

The fair value calculation also takes into account an estimate of the value of student loans which will not be repaid because of the policy decisions made by the government for the loans to be written off in certain circumstances such as death, disability or the age of the student. This estimate is sensitive to assumptions on borrowers' earnings which are based on latest forecasts from the Office for Budget Responsibility.

The method for determining the carrying value of the student loan book in the accounts is set by the FReM and is likely to be higher than the amount that they could be sold for. This is because the discount rate used by a market investor in valuing the future cash flows would likely be higher given that the investment is riskier than gilts.

Term Funding Scheme (TFS) and Term Funding Scheme with additional incentives for SMEs (TFSME) loans

Loans made by the Bank of England through the Term Funding Schemes (TFS and TFSME) and associated scheme fees are valued on a present value methodology, using expected future cash flows and discounted using Bank Rate to provide a net present value. The discount

rate adopted is deemed appropriate as it represents the funding cost to the Bank of providing the loans. The deviation away from using a ‘market implied rate’ is justified as Term Funding Schemes loans are unique in their nature, provided at an indiscriminate rate to achieve the policies set by the Bank of England in its function as a central bank. As such there is not an equivalent product or market with which to compare.

TFS loans are cash loans made to eligible participants for a term of four years and secured against eligible collateral. Participants are charged interest on the loans equal to Bank Rate plus a Scheme fee. The fee is determined based on the net lending of each participant over the reference period of the scheme and ranges from 0 basis points to 25 basis points.

The drawdown period for TFSME ran until 31 October 2021 and the term of each transaction is for four years from the date of drawdown. The Bank charges interest on TFSME transactions equal to Bank Rate plus a Scheme fee (TFSME Fee). The TFSME Fee is determined at the end of the reference period, based on the net lending over the reference period. This fee ranges from 0 basis points to 25 basis points. The reference period ran from 31 December 2019 to 30 June 2021. Any scheme fees due were recognised when the reference period closed.

Term Funding Scheme loans (TFS and TFSME) are treated as non-current financial assets as they are not tradeable and their value is not realisable by the Bank of England at short notice. The Bank of England may only require the participants to repay early if the latter goes into default, i.e. they are in breach of the terms and conditions of the scheme.

2.5 Public sector pension liability

The assessment of the pension liabilities requires various assumptions about future unknowns in order to determine the expected future benefit payments. These assumptions include life expectancy, employee turnover rates, projections of price inflation and projections of earnings for current employees. A discount rate is then required to discount the future benefit payments to produce a net present value. The local government pension schemes are managed individually and locally which means there is no single real discount rate. There is a single real discount rate provided by the Cabinet Office which is used by central government. More information on pensions is presented in Note 25 Pensions.

The key financial assumptions used by the actuaries of government pension schemes to determine 2022-23 and 2021-22 WGA pension liabilities are set out below:

	2022-23		
	Unfunded central government %	Unfunded local government %	Funded local government %
Rate of increase in salaries	3.65	3.00-4.80	2.30-8.50
Rate of increase of Pensions in Payment	2.40	2.60-3.20	2.30-4.80
Discount rate: real	1.70		
Discount rate: nominal	4.15	2.70-4.90	2.60-4.80
Price inflation assumption	2.40	2.60-4.75	2.30-4.80

	2021-22		
	Unfunded central government %	Unfunded local government %	Funded local government %
Rate of increase in salaries	4.15	3.20-4.80	2.00-4.90
Rate of increase of Pensions in Payment	2.90	2.85-3.60	1.95-3.50
Discount rate: real	(1.30)		
Discount rate: nominal	1.55	2.60-2.80	2.00-2.80
Price inflation assumption	2.90	2.70-4.50	2.60-4.00

2.6 Provision for nuclear decommissioning

The Nuclear Decommissioning Authority's (NDA's) nuclear decommissioning provision forms the bulk of the overall government provision for nuclear decommissioning and represents the best estimate of the costs of decommissioning plant and equipment on their designated nuclear licenced sites to return them to pre-agreed end

states in accordance with the Authority's published strategy. NDA's programme of work will take until the year 2137.

The estimate is necessarily based on assumptions regarding processes and methods likely to be used to discharge the obligations, reflecting a combination of latest available technical knowledge, 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 estimates of future costs, particularly in later years. The estimate is updated to reflect changed circumstances and more recent knowledge and changed assumptions; as a result, material adjustments could be made to the carrying amount of the nuclear decommissioning provision and related assets and liabilities in the future. The principal assumptions and sensitivities around the cost estimates were reviewed and updated by NDA management as at 31 March 2023.

Sensitivity analysis

	% Change	Provision (£bn)
Increase in discount rate	0.5%	110
Decrease in discount rate	0.5%	143

Four different discount rates are used, according to the expected timing of cashflows (from short-term to very long-term); see Note 23 for details for the rates used each year. The change in discount rates in 2022-23 produced a decrease of £111.6 billion (2021-22: £84.0 billion increase).

Analysis of expected timing of discounted cash flows for the NDA Nuclear Provision is as follows:

	Sellafield £bn	Magnox £bn	Waste £bn	Transport £bn	2022-23 Total £bn	2021-22 Total £bn
Up to 1 year	2.9	0.8	0.2	0.0	3.9	3.3
2 to 5 years	11.1	3.5	0.7	0.0	15.3	15.2
6 to 20 years	30.0	9.6	3.5	0.1	43.2	54.4
21 to 50 years	26.1	11.3	3.4	0.0	40.8	77.4
50 years +	13.7	5.0	2.5	0.0	21.2	86.7
	83.8	**30.2**	**10.3**	**0.1**	**124.4**	**237.0**
Deduction in respect of Site Licence Companies pension receivable from NDA					0.8	(0.2)
Total NDA Decommissioning Provisions					**125.2**	**236.8**

The table below shows how the sensitivities can result in a range of values that could be higher or lower than the base case assumption.

Sensitivity	Sellafield £bn	Magnox £bn	Waste £bn	Transport £bn	2022-23 Total £bn	2021-22 Total £bn
Increase	59.3	3.0	15.9	0.0	78.2	245.7
Reduction	(10.0)	(3.0)	(2.8)	(0.0)	(15.8)	(43.9)

The NDA calculates its provision based on management's best estimate of the future costs of the decommissioning programme, which is expected to take until 2137 to complete. The NDA also considers credible risks and opportunities which may increase or decrease the cost estimate, but which are deemed less probable than the best estimate. These are the basis of the sensitivities identified in the sensitivity increase and reduction lines above. The sensitivity increase line brings together NDA's assessment of credible risks that may increase the cost estimate, and the reduction line shows the decrease in cost estimate that may arise from credible opportunities. Factors that feed into key sensitivities includes costs of constructing and operating facilities, the impact of timing on construction and operations, final decommissioning of assets and site clearance. The key sensitivities are as follows.

The key sensitivities for waste activities are in the timing and costs of constructing and operating the Geological Disposal Facility, which is

expected to receive waste from 2045. Construction costs are dependent on the location and construction requirements of the facility.

Activities on the sites used primarily for research are concerned with final decommissioning of assets and site clearance. Key sensitivities are the cost and timing of site clearance.

Sellafield represents activities associated with the operation of the site, reprocessing and eventual decommissioning, and includes all site overheads. Principal sensitivities are around the cost of delivering the plan, particularly the costs of new construction, decommissioning, and post operational clean out work in the long term.

The generation programme of work includes defueling the generation stations and preparing for interim Care and Maintenance (complete by 2030), followed by a final site clearance phase around 2070 to 2107. The main cost risks in the final site clearance phase.

Further details are reported in the Annual Report and Accounts for Department for Business, Energy and Industrial Strategy and the NDA.

2.7 Provision for clinical negligence

The clinical negligence provision requires the directors of the NHS Resolution to make judgements, estimates and assumptions to value the liability. The estimates and associated assumptions are based on historical experience and other factors that are relevant. They are reviewed annually by the NHS Resolution, supported by its actuaries, the Government Actuary's Department. Known reported claims are individually valued using likely costs to resolve the claim and probability factors to take account of the potential of a successful defence, while Incurred But Not Reported (IBNR) claims are valued using actuarial models to predict likely values. Due to the long-term nature of the liabilities and the assumptions on which the estimate of the provision is based, some uncertainty about the value of the liability remains.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The value of the provision is sensitive to changes in discount rates, and a sensitivity analysis is provided below (source: Department of Health and Social Care Annual Report and Accounts 2022-23).

Discount rates (all terms): sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
All rates -1 percentage point	33.9	6.8	25%
Base assumptions	27.1	N/A	N/A
All rates +1 percentage point	22.4	(4.7)	(17%)

Other key sensitivities are claims value inflation, average costs of claim and the probability of a successfully defended claim. A sensitivity analysis of these is shown below (source: Department of Health and Social Care Annual Report and Accounts 2022-23)

Claims value inflation: sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
All rates -1 percentage point	23.6	(3.5)	(13%)
Base assumptions	27.1	N/A	N/A
All rates +1 percentage point	31.2	4.1	15%

Probability of a successfully defended claim: sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
All probabilities -5 percentage points	22.2	(4.9)	(18%)
Base assumptions	27.1	N/A	N/A
All probabilities +5 percentage points	32.0	4.9	18%

Life expectancy assumptions determine the expected period over which liabilities will be paid and so also affect the value of the provision.

Average costs of claim: sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
Reduction in average claim values of 20%	29.3	2.2	8%
Base assumptions	27.1	N/A	N/A
Increase in average claim values of 20%	24.9	(2.2)	(8%)

2.8 Provisions related to the EU financial settlement

The provisions recognised in relation to the EU financial settlement are mostly due to EU pension obligations and rights to other employment-related benefits, and outstanding EU Budgetary commitments (the so-called RAL) at the end of 2020.

The UK obligation in respect of EU pensions is estimated on the basis of full membership data supplied by the EU as at 31 December 2020, projecting forward salary to the assumed date of exit, and applying the UK post 2020 financing share to end 2020 EU pension obligations, adjusting for the difference in discount rates used in EU accounts and those required under the FReM. The accounting valuations for the pension related liabilities are sensitive to actuarial assumptions (e.g., life expectancy, inflation, retirement age) for defined benefit pension obligations.

The obligation in respect of other employment-related benefits relates to the Joint Sickness Insurance Scheme (JSIS). This obligation is estimated on the basis of the UK's post 2020 financing share of the employer contributions to JSIS made on payment of the pension, to the extent the pension was accrued prior to 31 December 2020, and therefore follows the same profile as estimated for the EU pensions.

The Withdrawal Agreement provides the UK with an option of early settlement on a different valuation basis. HM Treasury has valued the provision using the default calculation basis set out in the Withdrawal Agreement, as HM Treasury's best estimate is that this obligation will not be settled using the early settlement option.

The obligation in respect of the RAL is estimated based on information in EU Budgets adopted on or before 31 March 2023 and associated budget implementation data. The post 2020 financing share is applied

to commitments in EU Budgets up to 2020 and adjusted for forecast implementation rates (based on the historical level of commitments that do not lead to payments).

These provisions represent payments and receipts to be recognised several years into the future. There are a number of key sensitivities and assumptions which may affect future valuations. The key sensitivities are set out in the table below:

Assumption	Change	Degree of uncertainty	Sensitivity of output to changes in input	Financial impacts £bn
Exchange rate	Sterling appreciation of 1%	High	Moderate	Decrease of 0.2
Decommitments	Decrease of 1 percentage point	High	Moderate	Increase of 0.1
Discount rate	Decrease of 0.1 percentage point	Moderate	Moderate	Increase of 0.2
Salary changes	Expected increase higher by 0.1%	Moderate	Moderate	Increase of 0.2
Retirement age	1 year lower	Low	Low	Decrease of 0.0
Life expectancy	1 year higher	Low	High	Increase of 0.6

2.9 Non-coterminous year ends

WGA consolidates a wide variety of organisations. All bodies, barring the exceptions discussed below, use a year end to 31 March. Where the impact of different year ends is material, HM Treasury is required by the accounting standards to make adjustments to align the component's submission to the WGA year end.

The following WGA components have different financial year ends where the impact is judged by HM Treasury to be immaterial:

- British International Investment – year end to 31 December
- Northern Ireland and Scottish FE colleges – year end to 31 July
- Channel 4 – year end to 31 December
- Bank of England – year end to 28 February
- National Physics Laboratory – year end to 31 December

- Post Office Ltd – year end to 27 March
- Northern Ireland Transport Holding Company – year end to 27 March
- British Nuclear Fuels – year end to 30 June

The following WGA components have different financial year ends where the impact is judged by HM Treasury to be material:

Academies sector

The Academies sector annual report and accounts has a year end to 31 August 2022. The account is compiled and published by the Department for Education. The Department was unable to estimate, to a material level of accuracy, the adjustments required to reflect their financial position and performance to 31 March. WGA therefore reflects the Academies sector to 31 August 2022, with no adjustments made.

The material balance impacted by this misalignment is property, plant and equipment (where academies report net book value of £65.9 billion). See paragraph 3.33 of the Governance Statement in chapter 3 for estimates of the maximum amount of variance between 31 August and 31 March.

2.10 Contracts for difference (CfDs)

WGA includes several CfDs on the Statement of Financial Position. CfDs are a mechanism used to support investment in UK low-carbon electricity generation projects. CfD contracts do this by agreeing with a generator a strike price for electricity supplied, thereby providing the certainty needed for private investment, while protecting consumers from having to continue to pay higher support costs when electricity prices are high. The support payments paid (or repaid) in future will be calculated from the difference between the strike price and the average market price.

During 2019-20, changes to the forecast models used by BEIS meant it became possible to reliably estimate the valuation of Hinkley Point C (HPC) CfD. As a result of this, BEIS considered the recognition criteria for HPC CfD to have been met, and the HPC CfD was recognised in the BEIS Annual Report and Accounts 2019-20 and subsequent years.

Long term forecasts are not generally seen as a single most likely outcome with degrees of uncertainty either side. Rather there are multiple sets of inputs that are internally consistent and credible. A set of these inputs is usually used as a 'scenario' and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long term forecasting. Therefore, individual forecasts may use a very different set of assumptions such as generation mix, carbon and fuel costs, electricity demand and interconnector capacity, but still be within what we would describe as the 'universe of reasonableness'.

The following table shows the impact on the fair value of CfDs by applying reasonably possible alternative assumptions to the valuation

obtained using the forecasting model. Due to the significance and uniqueness of Hinkley Point C (HPC) CfD the impact (and certain assumptions) has been shown separately.

An additional element in the calculation of the CfD liability is the discount rate that is applied. The HM Treasury discount rate has been used for valuing financial instruments such as CfDs. In line with 2021-22, this rate is based on the HM Treasury nominal rate of 1.9% adjusted by the latest OBR CPI inflation forecasts for each modelled year. The table below illustrates the impact of using a different rate (the social discount rate of 3.5%, as published in the HM Treasury Green Book).

	Favourable / (Unfavourable) changes		
	HPC CfD £bn	**Other CfDs £bn**	**Total Impact £bn**
Change in fair value of CfDs if:			
High Case scenario	4.7	(1.1)	3.6
Low Case scenario	(3.4)	(13.4)	(16.8)
Discount rate of 3.5%	32.5	10.2	42.7

The fair value is highly dependent upon the actual capacity generated once the plant is built and the electricity prices which will prevail at the time of generation. The favourable and unfavourable changes show how the impact of changes in capacity and prevailing electricity prices will affect the fair value of the CfDs due to the change in the level of cash flows. As the sensitivity analysis illustrates, the overall fair value movements are subject to material uncertainty.

Further details on the assumptions can be found in the accounts of the Department for Business, Energy and Industrial Strategy and Note 24 financial instruments.

Note 3. Segmental Reporting

Segmental reporting 2022-23

	Central government £bn	Local government £bn	Public corporations £bn	Whole of Government £bn
Taxation revenue	(808.6)	(49.0)	(0.1)	(857.7)
Other revenue	(64.2)	(32.1)	(20.5)	(116.8)
Total public services revenue	**(872.8)**	**(81.1)**	**(20.6)**	**(974.5)**
Social security benefits	264.2	11.4	0.5	276.1
Staff costs	243.3	56.6	6.8	306.7
Purchase of goods and services	213.9	46.2	(5.8)	254.3
Interest cost on government borrowing	85.1	-	-	85.1
Increase/(decrease) in provisions	42.0	0.6	(6.4)	36.2
Grants and subsidies	121.7	0.4	0.3	122.4
Depreciation and impairment	39.6	11.5	1.7	52.8
Total expenditure on public services	**1,009.8**	**126.7**	**(2.9)**	**1,133.6**
Net (revenue)/expenditure on public services	**137.0**	**45.6**	**(23.5)**	**159.1**
Financing costs of long-term liabilities, including discounting	(169.2)	7.6	19.7	(141.9)
Net loss/(gain) on revaluations and disposals of assets and liabilities	(42.1)	0.7	9.6	(31.8)
Net expenditure/(revenue) for the year	**(74.3)**	**53.9**	**5.8**	**(14.6)**
Property, plant and equipment	1,036.6	295.5	103.2	1,435.3
Right of use assets	24.7	2.0	2.1	28.8
Other non-current assets	350.2	25.2	214.5	589.9
Current assets	407.9	37.3	55.1	500.3

Total assets	**1,819.4**	**360.0**	**374.9**	**2,554.3**
Current government borrowings	(371.9)	-	-	(371.9)
Other current liabilities	(244.8)	(28.5)	(873.1)	(1,146.4)
Non-current government borrowings	(1,382.1)	-	-	(1,382.1)
Provisions non-current	(255.6)	(1.9)	(19.6)	(277.1)
Net public sector pension asset/(liability)	(1,310.0)	(106.6)	1.6	(1,415.0)
Other non-current liabilities	(118.6)	(30.2)	(202.1)	(350.9)
Total liabilities	**(3,683.0)**	**(167.2)**	**(1,093.2)**	**(4,943.4)**
Net assets/(liabilities)	**(1,863.6)**	**192.8**	**(718.3)**	**(2,389.1)**

WGA uses the same classification of sectors of government as the Office for National Statistics (ONS).

The overall impact of missing data on the SoRE and SoFP is analysed in the Performance Report on a line by line basis as well as detailing the number of missing returns by sector.

Central government comprises government departments, the devolved administrations of Scotland, Wales and Northern Ireland, non-departmental public bodies, entities in the National Health Service, the pension liability for all teachers included within the Teachers' Pension Scheme and certain local government functions in Northern Ireland and Scotland, such as police, education, and social services, which are carried out by central departments. Central government also includes academy schools. The share of central government expenditure has been increasing over time as schools convert and transfer out of the local government sector.

Local government comprises all local authorities, police and crime commissioners, fire and rescue authorities, national park authorities and waste disposal authorities in England and Wales and local authorities in Northern Ireland and Scotland.

Public corporations comprise a range of publicly owned companies, many of which provide services to the general public, including the BBC, Channel 4, Bank of England and Scottish Water.

Note 7 provides a breakdown of staff numbers by sector.

Segmental reporting 2021-22

	Central government £bn	Local government £bn	Public corporations £bn	Whole of Government £bn
Taxation revenue	(725.3)	(49.3)	(0.1)	(774.7)
Other revenue	(60.5)	(33.2)	(13.2)	(106.9)
Total public services revenue	**(785.8)**	**(82.5)**	**(13.3)**	**(881.6)**
Social security benefits	245.8	13.4	0.5	259.7
Staff costs	219.7	59.2	5.6	284.5
Purchase of goods and services	173.7	72.3	10.2	256.2
Interest cost on government borrowing	47.1	-	-	47.1
Increase/(decrease) in provisions	28.2	0.5	(0.7)	28.0
Grants and subsidies	120.2	0.4	0.4	121.0
Depreciation and impairment	36.4	10.0	1.5	47.9
Total expenditure on public services	**871.1**	**155.8**	**17.5**	**1,044.4**
Net (revenue)/expenditure on public services	**85.3**	**73.3**	**4.2**	**162.8**
Financing costs of long-term liabilities, including discounting	188.7	6.9	1.6	197.2
Net loss/(gain) on revaluations and disposals of assets and liabilities	0.2	(1.0)	0.4	(0.4)
Net expenditure/(revenue) for the year	**274.2**	**79.2**	**6.2**	**359.6**
Property, plant and equipment	944.0	309.0	87.4	1,340.4
Other non-current assets	281.3	27.1	229.4	537.8
Current assets	427.7	42.7	65.7	536.1
Total assets	**1,653.0**	**378.8**	**382.5**	**2,414.3**
Current government borrowings	(340.0)	-	-	(340.0)

Other current liabilities	(308.0)	(33.9)	(879.0)	(1,220.9)
Non-current government borrowings	(1,235.7)	-	-	(1,235.7)
Provisions non-current	(468.8)	(2.1)	(27.2)	(498.1)
Net public sector pension asset/(liability)	(2,401.3)	(239.9)	2.1	(2,639.1)
Other non-current liabilities	(109.1)	(34.9)	(211.4)	(355.4)
Total liabilities	**(4,862.9)**	**(310.8)**	**(1,115.5)**	**(6,289.2)**
Net assets/(liabilities)	**(3,209.9)**	**68.0**	**(733.0)**	**(3,874.9)**

Note 4. Taxation revenue

	2022-23 £bn	% of total	2021-22 £bn	% of total
Income tax	258.0	30%	233.4	30%
National Insurance Contributions (NIC)	158.3	19%	142.1	18%
Value added tax (VAT)	166.8	19%	148.7	19%
Corporation tax	80.4	10%	68.3	9%
Hydrocarbon oils duty	25.0	3%	25.8	3%
Excise Duty	34.8	4%	35.3	5%
Stamp taxes	20.3	2%	19.9	3%
Capital gains tax	17.0	2%	15.8	2%
Other taxes and duties	44.9	5%	33.9	4%
Central government taxation revenue	**805.5**	**94%**	**723.2**	**93%**
Council Tax	27.6	3%	28.3	4%
National Non-Domestic rates (NNDR)	24.6	3%	23.2	3%
Local government taxation revenue	**52.2**	**6%**	**51.5**	**7%**
Total taxation revenue	**857.7**	**100%**	**774.7**	**100%**

Most government expenditure is financed through **taxation revenue**. Most taxation income is from individuals, with income tax and National Insurance levied on salaries, wages and employers, and VAT and certain duties levied on consumption. Local taxes comprise of council taxes and business rates.

There were several entities which contributed to the note total through their data submissions in 2021-22, but which did not make a submission to the WGA this year. These entities contributed a total of £5.4 billion to this note's total last year. Similarly, there were also several entities which made contributions to the note this year but did not make a submission in 2021-22. These entities contributed a total of £2.9 billion to the note this year, giving a net decrease of £2.5 billion due to missing data.

Total taxation revenue increased by £83.0 billion (10.7%) in 2022-23 mainly driven by the impact and recovery due to Covid-19 on the UK economy in the two prior years.

During 2020-21 and to a certain extent in 2021-22, disproportionate levels of unemployment were evident in sectors at the lower end of the pay distribution scale, where **National Insurance** (NIC) thresholds are higher and **Income tax** rates are lower; this resulted in lower levels of NIC and income tax. As a result, the amount of NIC revenue collected in 2022-23 was £16.2 billion higher than in 2021-22. There was an overall increase in income tax revenue generated of £24.6 billion, a 10.5% increase from 2021-22. This was mainly due to the strength of employee earnings, growth in the population of Income Tax customers and frozen tax thresholds.

The taxable event for **Value Added Tax** (VAT) is the supply of goods and services that attract VAT during the taxation period by the taxpayer. During the 2021-22 year, a One Stop Shop (OSS) was introduced for quarterly VAT reporting and as a payment system for distance selling, and an Import One Stop Shop (IOSS) for imports. The implementation of both OSS and IOSS has resulted in an increase in VAT receipts of £18.1 billion compared to 2021-22, an increase of 12.2% year on year. Also, increases in VAT revenue were as a result of high levels of inflation and subsequent changes in real consumer expenditure.

Corporation Tax (CT) has increased by £12.1 billion (17.7%) from 2021-22 to £80.4 billion, reflecting the economic recovery from the Covid-19 pandemic. Covid-19 support payments are recoverable as CT if the recipient is a company and was not entitled to the amount in accordance with the scheme under which the payment was made. The amount chargeable is the amount the recipient is not entitled to. For the period ended 31 March 2023, Covid-19 support payments recovered via CT totalled £206 million (2021-22: £73 million).

The taxable event for **Hydrocarbon Oils Duty** is the date of production, date of import or movement of relevant goods out of a duty suspended regime (a regime where, under UK legislation, certain goods benefit from a temporary suspension or reduction of import duties). **Hydrocarbon Oils Duty** decreased by £0.8 billion to £25.0 billion compared to 2021-22.

Excise Duty accounts for £34.8 billion, and is comprised of Alcohol, Tobacco, Vehicle, and Custom Duties.

The taxable event for **Stamp Duty Land Tax** (SDLT) is the purchase of property. This continues to recover following the Covid-19 pandemic, showing a small increase of £0.4 billion compared to 2021-22.

Capital gains tax increased by £1.2 billion (7.6%); the taxable event is the disposal of a chargeable asset leading to a taxable gain.

Other taxes and duties of £44.9 billion comprises Inheritance Tax, Betting and Gaming duties, Air Passenger Duty, Climate Change Levy, Bank Levy, Insurance Premium Tax, Landfill Tax, Lottery Income,

Broadcast Licence fees, Digital Services Tax, Aggregates Levy, Soft Drinks Industry Levy, Diverted Profits Tax, Petroleum Revenue Tax and Apprenticeship Levy. The Energy Profits Levy was introduced in 2022-23 as an additional levy on UK oil and gas profits on top of the existing headline rate of CT. This contributed to an increase in revenue of £4.6 billion in 2022-23 compared to 2021-22. The overall increase in **Other taxes and duties** revenue was £11.0 billion year on year.

Local government taxation revenue increased by £0.7 billion (1.4%), as **Council Tax** reduced by £0.7 billion and **National Non-Domestic Rates** increased by £1.4 billion. This was largely driven by entities who submitted WGA returns in 2021-22 but did not submit in 2022-23 and vice-versa.

Note 5. Other revenue

	2022-23 £bn	2021-22 £bn
Revenue from contracts:		
Sales of goods and services (excluding the NHS)	32.5	26.6
Levies	2.8	4.1
Court fines and penalties	1.1	1.3
Passenger transport and income from train operating companies	7.4	5.4
Other fees and charges	7.0	7.4
Rental income	6.9	7.0
EU income	2.2	1.9
Licence income	1.2	0.5
Revenue from contracts	**61.1**	**54.2**
NHS Income:		
Sales of goods and services	5.6	3.7
NHS fees and charges (dental, prescription and other)	1.9	2.2
Other income from the NHS	2.2	1.7
NHS Income	**9.7**	**7.6**
Other income:		
Interest income	14.9	5.9
Private sector contributions to local services	2.9	3.4
Pension income	6.8	6.9
CRC allowance sales and EU emissions trading scheme	6.1	5.9
Grants from private sector	1.6	1.9
Miscellaneous operating revenue	13.7	21.1
Other Income	**46.0**	**45.1**
Total Other Revenue	**116.8**	**106.9**

Other revenue has increased overall by £9.9 billion in 2022-23.

Sales of goods and services is made up of goods and services provided by local authorities £15.5 billion (2021-22: £20.2 billion); this figure includes a wide range of goods and services, including income from schools and adult social care provision.

£8.6 billion (2021-22: £8.7 billion) of the total is goods and services from Public Corporations, including Royal Mint, BBC, Channel 4, Scottish Water and the Post Office. The remaining £8.4 billion (2021-22: £5.5 billion) is from central government, which includes a wide range of income streams.

Levies of £2.8 billion (2021-22: £4.1 billion) includes £0.6 billion (2021-22: £0.3 billion) of immigration skills charges received by the Home Office Trust Statement. The Immigration Skills Charge was introduced in April 2017 as a result of changes under the Immigration Act, 2016. The Immigration Skills Charge levies employers who employ migrants in skilled areas and is collected as part of the Tier 2 visa applications. Other smaller sources of levy income include the Pension Protection Fund, Financial Services Compensation Scheme, the Bank of England, and the Department for Environment, Food and Rural Affairs (DEFRA).

Passenger transport and train operating companies' income of £7.4 billion (2021-22: £5.4 billion) is predominantly made up of passenger income from the Department for Transport (DfT) of £2.2 billion (2021-22: £3.0 billion), and from Transport for London (TfL) of £4.0 billion (2021-22: £2.4 billion).

Rental income of £6.9 billion (2021-22: £7.0 billion) includes rents and related costs collected from local government council tenants.

EU income of £2.2 billion (2021-22: £1.9 billion), has increased by £0.3 billion due primarily income received by the Department for Works and Pensions from the European Social Fund 2014-20 programme; this funds projects across the UK.

Licence income of £1.2 billion (2021-22: £0.5 billion) is largely made up of income from OFCOM. The BBC licence fee is classified as a tax in Note 4.

NHS income of £9.7 billion (2021-22: £7.6 billion) is made up of a variety of sources and increased by a net £2.1 billion.

Interest income of £14.9 billion (2021-22: £5.9 billion) includes interest and dividend income received from the private sector of £13.7 billion (2021-22: £4.9 billion). The increase reflects the successive bank rate increases over the year.

Pension scheme income of £6.8 billion (2021-22: £6.9 billion) relates to employer contributions from organisations which participate in public sector pension schemes but are not themselves consolidated within the WGA boundary. Examples include GPs and charity hospices that

contribute to the NHS pension scheme, and higher and further education institutions and independent teaching establishments that contributed to the Teachers' Pension Scheme. It also includes non-WGA entities such as the National Audit Office, Audit Wales and Electoral Commission that contribute to the Principal Civil Service Pension Scheme.

Miscellaneous income has decreased by £7.4 billion, from £21.1 billion in 2021-22 to £13.7 billion in 2022-23.

Several entities contributed to the note total through their data submissions in 2021-22 but did not make a submission to the WGA this year. These entities contributed a total of £8.5 billion to last year's note total. Conversely, several entities made contributions to the note this year but did not submit last year. These entities contributed £8.6 billion to this year's note total, resulting in a net increase of £0.1 billion due to the missing data.

Note 6. Social security benefits

	2022-23 £bn	% of total	2021-22 £bn	% of total
State pension	112.6	41%	106.8	41%
Pension credit	5.2	2%	5.1	2%
Pensioner benefits	**117.8**	**43%**	**111.9**	**43%**
Disability Living Allowance	6.4	2%	6.8	3%
Attendance allowance	5.9	2%	6.0	2%
Personal Independence Payment	18.6	7%	17.8	7%
Carer's allowance	3.5	1%	3.6	1%
Employment and Support Allowance	12.8	5%	13.4	5%
Jobseeker's Allowance	0.3	0%	0.5	0%
Income support	0.8	0%	0.9	0%
Statutory sick pay and maternity pay	2.7	1%	2.7	1%
Universal Credit	43.6	16%	41.3	16%
Other working age benefits	1.1	0%	1.2	0%
Tax credits	21.4	8%	22.3	9%
Child Benefit	11.6	4%	11.4	5%
Housing Benefit	11.9	4%	13.9	6%
Miscellaneous benefits	17.7	7%	6.0	2%
Disability, working and other benefits	**158.3**	**57%**	**147.8**	**57%**
Total social security benefits	**276.1**	**100%**	**259.7**	**100%**

The State Pension (including New State Pension) for 2022-23, at £112.6 billion, is the largest benefit paid, accounting for 41% of the benefit spending total. State pension expenditure increased by £5.8 billion. This represents an increase of 5.4% in line with inflation, as per the "triple lock" requirement.

Disability, working, and other benefits amounted to £158.3 billion, reflecting a £10.5 billion increase from the previous year. A significant contributor to this rise was Universal Credit, which saw an increase of £2.3 billion compared to 2021-22. This increase is attributed to the ongoing expansion of Universal Credit, which is replacing several legacy benefits and now encompasses payments previously issued through personal tax credits by HMRC.

Similarly, miscellaneous benefits increased by £11.7 billion. This is primarily due to the inclusion of cost-of-living payments which accounted for an additional £5.7 billion relative to 2021-22, whilst social fund expenditure more than doubled to £4.7 billion. Conversely, Housing

Benefit fell by £2.0 billion, mainly the result of non- submitting entities which accounted for around £1.7 billion.

Several entities that contributed to the note's total through their data submissions in 2021-22 did not submit data for the WGA this year. Last year, these entities accounted for £2.9 billion of the total, primarily related to Housing Benefits. Conversely, this year, some entities that did not contribute in 2021-22 provided data, contributing £1.2 billion, almost all of which was related to Housing Benefits. As a result, the net decrease due to missing data was £1.7 billion.

Note 7. Staff costs

	Permanently employed staff	Others	2022-23 Total	2021-22 Total
	£bn	£bn	£bn	£bn
Salaries and wages	172.0	16.1	188.1	175.6
Pension scheme costs: current service costs (net of employees' contributions)	116.6	-	116.6	105.5
Pension scheme costs: past service costs	0.1	-	0.1	0.5
Pension scheme costs: losses/(gains) on settlements and curtailments	(0.2)	-	(0.2)	0.1
Expenditure on external pension schemes	2.1	-	2.1	2.8
Total staff costs	**290.6**	**16.1**	**306.7**	**284.5**

Overall staff costs rose by £22.2 billion in 2022-23, an increase of 7.8%.

Several entities that submitted data in 2021-22, contributing £9.7 billion to last year's note total, did not make a submission to the WGA this year. Conversely, new entities contributed £5.8 billion to this year's note total despite not having submitted last year. This shift resulted in a net decrease of £3.9 billion due to the missing data. A split of staff costs by sector between central government, local government and public corporations can be found in the segmental analysis in Note 3.

Salaries and wages increased by £12.5 billion to £188.1 billion, an increase of 7.1% on the prior year. The largest single contributor to this increase was with the DHSC which increased by £6.4 billion to £66.8 billion (2021-22: £60.4 billion). In March 2023, a further pay deal was offered and subsequently accepted by NHS unions, resulting in around £2.7 billion of additional expenditure accrued in 2022-23. Additionally, average staff numbers rose by 54,407 to 1,475,275 (2021-22: 1,420,868).

Overall **Pension scheme costs** increased by £9.7 billion in total, to £118.6 billion, an increase of 8.9% on the prior year. These costs included expenses such as current service costs, past service costs, enhancements, gains or losses on settlements and curtailments.

The single largest contributor to this increase was the NHS Pensions Scheme, with a year-on-year increase of £7.8 billion. This was due to an increase in current year service costs, relating to a change to accounts assumptions. Increases in current year service costs were also the main

reasons for pension cost increases reported by the Teachers' Pension Scheme (England and Wales) of £2.3 billion, Cabinet Office Civil Superannuation Scheme (£2.5 billion increase), and Armed Forces Retired Pay and Pensions scheme (£0.9 billion increase).

Further details are included in Note 25.

Average number of persons employed (Full time equivalent)

	Permanently employed staff	Others	2022-23 Total	2021-22 Total
Health sector	1,600,628	185,763	1,786,391	1,724,387
Academy schools	528,020	37,250	565,270	545,529
Northern Ireland and Scotland FE colleges	10,001	716	10,717	14,649
Other	881,007	74,395	955,402	939,046
Total Central government (including health)	**3,019,656**	**298,124**	**3,317,780**	**3,223,611**
Local government	937,696	38,361	976,057	1,046,004
Public corporations	99,901	28,202	128,103	110,492
Total	**4,057,253**	**364,687**	**4,421,940**	**4,380,107**

In addition to permanently employed staff, 'other' includes ministers, special advisers, temporary and contract staff. The cost of the salaries of ministers was £5.9 million (2021-22: £5.6 million) and the cost of special advisers was £12.0 million (2021-22: £9.8 million). The ministerial salary only includes the additional element on top of the basic salary of an MP.

Civil service and other compensation schemes - exit packages

Exit package cost band 2022-23 for central government and public corporations

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost £bn
<£10,000	1,561	4,482	6,043	-
£10,000-£50,000	1,303	3,947	5,250	0.1
£50,000-£100,000	160	1,502	1,662	0.1
>£100,000	86	708	794	0.1
Total	**3,110**	**10,639**	**13,749**	**0.3**

<£10,000 consists of £23.9 million in total costs which has been rounded down to £0.0bn.

Exit package cost band 2022-23 for local government

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost £bn
<£40,000	1,482	3,868	5,350	0.1
£40,000-£60,000	118	305	423	-
£60,000-£100,000	72	245	317	-
>£100,000	73	227	300	-
Total	**1,745**	**4,645**	**6,390**	**0.1**

£40,000-£60,000 consists of £21.3 million in total costs which has been rounded down to £0.0bn. £60,000-£100,000 consists of £25.9 million in total costs which has been rounded down to £0.0bn. >£100,000 consists of £48.6 million in total costs which has been rounded down to £0.0bn.

Exit package cost band 2021-22 for central government and public corporations

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost £bn
<£10,000	2,521	4,106	6,627	-
£10,000-£50,000	1,733	3,439	5,172	0.1
£50,000-£100,000	235	1,048	1,283	0.1
>£100,000	102	373	475	0.1
Total	**4,591**	**8,966**	**13,557**	**0.3**

<£10,000 consists of £29.6 million in total costs which has been rounded down to £0.0.bn.

Exit package cost band 2021-22 for local government

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost £bn
<£40,000	2,143	4,929	7,072	0.1
£40,000-£60,000	126	383	509	-
£60,000-£100,000	105	303	408	-
>£100,000	80	211	291	-
Total	**2,454**	**5,826**	**8,280**	**0.1**

£40,000-£60,000 consists of £25.1 million in total costs which has been rounded down to £0.0bn. £60,000-£100,000 consists of £30.0 million in total costs which has been rounded down to £0.0bn. >£100,000 consists of £45.4 million in total costs which has been rounded down to £0.0bn.

Note 8. Purchase of goods, services and other expenditure

	2022-23 £bn	2021-22 (restated) £bn
Central government:		
Department of Health and Social Care	86.0	96.5
Ministry of Defence	21.1	18.6
Academies	9.5	7.4
Scottish Government	14.7	11.6
Department for Transport	8.9	5.2
Welsh Government	5.2	5.1
Ministry of Justice	3.3	3.3
Home Office	6.2	4.3
Department for Business, Energy & Industrial Strategy	3.1	2.9
Department for Education	3.1	2.2
Other*	15.0	16.6
Total Central government	**176.1**	**173.7**
Local government	**64.7**	**72.3**
Public Corporations:		
British Broadcasting Corporation	3.7	3.4
Other	9.8	6.8
Total Public Corporations	**13.5**	**10.2**
Total purchases of goods, services and other expenditure	**254.3**	**256.2**

* This comprises expenditure for 18 entities with immaterial balances individually.

Total purchases of goods and services decreased by £1.9 billion (1%) in 2022-23.

The key categories of expenditure are shown in the table below:

	2022-23 £bn	2021-22 £bn
Facilities costs	7.1	6.0
Accommodation costs	16.7	14.2
Medical goods and services	66.3	73.3
ICT outsourcing and support	6.7	6.2
Travel costs	2.9	2.7
Other goods and services**	51.3	53.8
Other expenses**	77.5	67.3
Rental and PFI costs	6.1	8.3
Audit costs	0.2	0.2
Loss on disposal of assets	1.8	1.2

** Disaggregation of expenditure has not been possible due to lack of further granularity.

Central government balances increased by £2.4 billion (1%) in 2022-23 (£14.2 billion increase in 2021-22). A significant contributor to this is the increase of £3.7 billion of spending by the Department of Transport, which has been offset by a decrease in expenditure by the Department for Health and Social Care of £10.5 billion.

The decrease in expenditure for the Department for Health and Social Care relates to the decrease in provision of supplies and services, in particular a decrease in the supply of ventilators and Personal Protective Equipment to support the COVID-19 pandemic response.

The increase of spending by the Department for Transport is driven by the Department's support of rail operators in England follow the onset of the pandemic. Ministry of Defence also showed a £2.5 billion increase in expenditure, primarily relating to increased rental costs, travel costs, and research and development costs.

Academies showed a £2.1 billion increase in expenditure due to building maintenance and repairs, as more repairs and maintenance works were carried out coming out of the restrictions from COVID-19.

The Scottish Government have also shown an increase of £3.1 billion expenditure year on year due to increased spend on COVID-19 support services, notably, delivering essential support to health and social care including vaccinations and support to businesses with support grants and non-domestic rates reliefs.

Local government balances decreased by £7.6 billion (11 %) in 2022-23 (£1.3 billion increase in 2021-22).

Public corporation balances increased by £3.3 billion (32%) in 2022-23 (£2.0 billion increase in 2021-22), primarily due to an increase in

programme costs of £0.73 billion incurred by the British Broadcasting Corporation.

Missing entities. The total impact of entities who did not submit a return in 2022-23 but who did submit a return in 2021-22 was £10.3 billion. The total impact of entities who did not submit a return in 2021-22 but who did submit a return in 2022-23 was £7.1 billion. The impacts are primarily in local government balances.

Note 9. Grants and subsidies

	2022-23 £bn	2021-22 £bn
Capital grants	12.2	13.5
Current grants	103.8	103.2
EU grants	1.9	2.1
Other grants	4.5	2.2
Total grants and subsidies	**122.4**	**121.0**

There was an overall increase in grants and subsidies of £1.4 billion.

Current grants increased by £0.6 billion during 2022-23, driven by a significant increase in funding from Department for Science, Innovation and Technology for Innovate UK programmes. For further information on these grants, see the BEIS 2022-23 annual report and accounts.

Total current grants of £103.8 billion (2021-22: £103.2 billion) includes the following amounts, with 2022-23 and 2021-22 figures below showing all current grants, rather than focussing on individual grants:

Entity	Grant	2022-23 £bn	2021-22 £bn
HM Revenue & Customs (HMRC)	The Covid-19 support schemes ended during 2021-22, so there was no significant expenditure related to them in 2022-23. Previous grant payments to businesses and individuals included Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme grants as part of the government's response to the Covid-19 pandemic.	0.6	18.1
Department for Education	DfE administer further and higher education grants to colleges and universities. This covers activities such as college condition improvement, post-16 capacity funding and the Skills Teach Grant.	21.0	16.9
Department for Business, Energy & Industrial Strategy	Largest elements of grants include the Energy Price Guarantee Scheme (EPG), the Energy Bills Support Scheme (EBSS) and the Energy Bill Relief Scheme (EBRS). These energy	49.2	14.9

	affordability schemes were initiated to support energy users in light of significant increases in the cost of energy. Significant increased funding for core Innovate UK programmes – which drew in private sector leverage. Further grants included the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF) as part of the Covid-19 Business Support Grants.		
Scottish Government	The Scottish Government provides a range of grants to deliver their policies as reported in the portfolio outturn statements in their consolidated accounts. Reduction in grant schemes that were put in place to provide support to sectors of the economy or groups of workers particularly affected by the Covid-19 pandemic.	3.6	10.8
Department for Work and Pensions (DWP)	Grants awarded to organisations included Kickstart, Household Support Fund and Access to Work schemes. DWP is also responsible for the Social Fund, which is used to make grants to individuals. This includes regulated payments of Funeral Expenses Payments, Sure Start Maternity Grants, Winter Fuel Payments, and Cold Weather Payments.	7.2	7.3
Foreign, Commonwealth and Development Office (FCDO)	Grants administered by FCDO comprise of a variety of programmes including debt relief payments and joint programme contributions.	4.9	5.0
Department for Transport	Grants included support payments to bus and light rail operators: these support costs reduced in 2022-23 during Covid-19 recovery and due to the launch of the Levelling Up Fund. This saw all transport-related grants being issued by the Department for Levelling Up, Housing & Communities.	0.6	5.9

EU grants decreased by £0.2 billion. Payments met by the Consolidated Fund under the EU Withdrawal Agreement Financial Settlement included custom duties on imports from outside the EU.

The total impact of entities who did not submit a return in 2022-23 but who did submit a return in 2021-22 was £0.6 billion. The total impact of entities who did not submit a return in 2021-22 but who did submit a return in 2022-23 was £1.9 billion. The impacts are primarily in local government balances.

Note 10. Depreciation and impairment

	Note	2022-23 £bn	2021-22 £bn
Depreciation of property, plant and equipment and Right of Use Assets	12, 13	35.8	32.0
Amortisation of intangible assets	15	4.5	3.7
Impairments and revaluations		12.5	12.2
Total depreciation and impairment		**52.8**	**47.9**

Impairments refers to the impairment of property, plant and equipment, inventories, intangible assets, trade receivables, financial assets, and losses on revaluation.

The overall figure of depreciation and impairments has increased by £4.9 billion compared to 2021-22, mostly driven by a £3.8 billion increase in depreciation charges. The largest increases in depreciation were incurred by the Department for Transport (£0.9 billion increase), the Department of Health and Social Care (£0.7 billion increase), and Transport for London (£0.5 billion increase).

The largest contributors to depreciation are the Department for Transport recognising £8.4 billion (2021-22: £7.5 billion) and the Ministry of Defence recognising £6.2 billion (2021-22: £6.4 billion). The overall depreciation total of these two entities makes up 40.8% (2021-22: 43.4%) of the total depreciation figure of £35.8 billion (2021-22: £32.0 billion) and the remainder is made up of immaterial figures across other bodies, in a similar manner to 2021-22.

There were a number of entities which contributed to the note total through their data submissions in 2021-22, but which did not make a submission to the WGA this year. These entities contributed a total of £1.4 billion to this note's total last year. Similarly, there were also a number of entities which made contributions to the note this year but did not make a submission in 2021-22. These entities contributed a total of £0.7 billion to the note this year, giving a net decrease of £0.7 billion due to missing data.

Note 11. Finance expense

	2022-23 £bn	2021-22 £bn
Gilts	78.0	44.6
National Savings and Investment products	5.5	2.5
Treasury bills	1.2	-
Bank deposits and other	0.4	-
Total interest costs on government borrowing	**85.1**	**47.1**

Interest costs on government borrowing

There is no impact on interest costs from entities that made data submissions in 2021-22 but did not submit to the WGA this year, and similarly, no impact from entities that submitted this year but not in 2021-22.

In 2022-23, interest costs on government borrowings have increased by £38.0 billion (81%) to £85.1 billion. This is largely attributed to a £33.4 billion (75%) increase in interest on gilts as a result of higher financing costs.

	Note	2022-23 £bn	2021-22 £bn
Pension financing costs	25	51.3	39.0
Provision financing costs	23	(222.8)	149.9
Other finance expense		29.6	8.3
Total financing costs of long-term liabilities		**(141.9)**	**197.2**

Financing costs of long-term liabilities

Pension financing costs have increased by £12.3 billion (32%) in 2022-23. The variance is primarily due to increases in the expense cost for the National Health Service Pension Scheme of £3.7 billion, the Teachers' Pension Scheme (England & Wales) of £2.3 billion, Civil Superannuation of £1.5 billion and the Armed Forces Retired Pay Pension of £1.2 billion. The variance is due to a change in actuarial assumptions. Further details can be found in Note 25.

Provisions financing includes the impact of changes of discount rates for provisions. In 2022-23, there was an increase in short-, medium- and long-term discount rates that led to provisions decreasing; these rates are set centrally by the Treasury based on the yield of gilts issued by the government. Further details can be found in Note 23.

Other finance expense mostly consists of interest payable to the private sector and has increased by £21.3 billion (257%). This was driven by an increase in interest expenditure by the Bank of England. The Bank of England's base interest rate was 0.75% at the beginning of 2022-23 but ended the financial year at 4.25%, the highest level since 2008.

In 2021-22, several entities contributed to the financing costs total through their data submissions. However, these same entities did not submit data to the WGA this year. Their combined financing costs amounted to £1.1 billion last year. Similarly, in the current year, there were other entities that contributed to the financing costs total but did not submit data in 2021-22. These entities contributed a total of £0.5 billion this year, resulting in a net decrease of £0.6 billion due to missing data.

Note 12. Property, plant and equipment

	Infrastructure assets	Land and buildings	Assets under construction	Military equipment	Other assets	Total
	£bn	£bn	£bn	£bn	£bn	£bn
Cost or valuation:						
At 1 April 2022	1,001.3	471.5	97.2	89.8	115.0	1,774.8
Boundary adjustment	(5.4)	(19.2)	(1.4)	-	2.0	(24.0)
Restatements	(18.5)	0.2	-	-	4.0	(14.3)
Additions	13.5	8.1	36.6	0.7	5.9	64.8
Revaluations	114.6	14.6	(0.1)	4.3	3.4	136.8
Impairments	(0.3)	(2.7)	(0.9)	0.3	-	(3.6)
Reclassifications and transfers	18.1	(4.8)	(33.6)	2.0	(2.9)	(21.2)
Disposals	(0.4)	(4.2)	(0.5)	(2.5)	(6.1)	(13.7)
At 31 March 2023	**1,122.9**	**463.5**	**97.3**	**94.6**	**121.3**	**1,899.6**
Depreciation:						
At 1 April 2022	(266.9)	(60.4)	-	(45.8)	(61.3)	(434.4)
Boundary adjustment	1.5	0.2	-	-	1.0	2.7
Restatements	12.9	0.4	-	-	(1.0)	12.3
Charged in year	(11.7)	(10.7)	-	(3.1)	(7.0)	(32.5)
Revaluations	(28.1)	4.1	-	(2.6)	(1.2)	(27.8)
Impairments	-	0.4	-	(0.3)	(0.1)	0.0
Reclassifications and transfers	0.1	4.6	-	(0.4)	2.3	6.6
Disposals	0.3	1.4	-	2.4	4.7	8.8
At 31 March 2023	**(291.9)**	**(60.0)**	**-**	**(49.8)**	**(62.6)**	**(464.3)**
Carrying amount at 31 March 2022	734.4	411.1	97.2	44.0	53.7	1,340.4

Carrying amount at 31 March 2023	**831.0**	**403.5**	**97.3**	**44.8**	**58.7**	**1,435.3**
Asset financing:						
Owned	795.6	373.5	97.0	44.8	55.6	1,366.5
Finance leased	0.7	2.1	0.3	-	0.2	3.3
PFI reversionary interest	-	-	-	-	-	-
On balance sheet PFI contracts	34.7	27.9	-	-	2.9	65.5
Carrying amount at 31 March 2023	**831.0**	**403.5**	**97.3**	**44.8**	**58.7**	**1,435.3**

Infrastructure assets include the following:

	2022-23 £bn	2021-22 £bn
Railway network as reported by the Department for Transport and managed by Network Rail	411.4	365.5
Strategic road network assets as reported by the Department for Transport and managed by National Highways	159.4	146.0
Road network assets held by the Scottish Government	27.1	23.0
Networked assets held by Scottish Water	78.0	68.7
Infrastructure assets held by the Department for Infrastructure – Northern Ireland	36.9	31.2
Networked assets held by the Welsh Government	23.7	21.1
Networked assets held by local authorities	79.1	64.3
Networked assets held by Transport for London (included in local authorities total above)	38.0	21.2

The value of infrastructure assets has increased by £96.6 billion during 2022-23. The Department for Transport is the most significant contributor to this increase at £573.4 billion, an increase of £58.9 billion on the prior year (2021-22 £514.5 billion). This included £9.4 billion in new additions and £77.5 billion in revaluation gains, offset by £23.7 billion of in-year and revaluation depreciation charges. The main contributor to the balance of infrastructure assets held under PFI contracts is the

strategic road network. Further details can be found in the Department of Transport's 2022-23 annual report and accounts. Further information on the valuation of infrastructure assets is included in the critical accounting estimates and judgements in Note 2.3. Further information on depreciation charges across the account is provided in Note 10.

Land and Buildings decreased by £7.6 billion during 2022-23. The Ministry of Defence experienced a £7.7 billion decrease in Land and Buildings, relating to transfers between asset classes because of first-time adoption of IFRS 16. Further details can be found in Note 16 of the Ministry of Defence annual report and accounts for 2022-23. The biggest holders of Land and Buildings are the Academies sector, the Department of Health and Social Care and the Ministry of Defence. The increases in the Academies sector of £3.8 billion, and the Department for Health and Social Care £3.5 billion, offset against decreases at the Ministry of Defence mentioned above, result in the £7.6bn decrease in Land and Buildings for 2022-23.

Assets under construction show no notable change compared to 2021-22. A large decrease for Transport for London (£15.8 billion) was offset by increases at the Ministry of Defence (£6.6 billion) and the Department for Transport (£6.8 billion).

Other assets consist of:

	Plant and machinery	Transport equipment	IT equipment	Furniture, fittings and other	Total other assets
	£bn	£bn	£bn	£bn	£bn
Carrying amount as at 31 March 2023	20.2	13.2	6.1	19.2	58.7
Carrying amount as at 31 March 2022	19.5	13.2	6.0	15.0	53.7

Some heritage assets are not recognized on the Statement of Financial Position or in this note because the cost of valuing these unique assets outweighs the benefits.

The **boundary adjustment** line above reflects a net decrease of £21.3 billion due to entities that submitted data to WGA in either the current or prior year, but not both. Several entities contributed a total of £51.3 billion to this note in 2021-22 but did not submit data to the WGA this year. Conversely, several entities contributed a total of £30.0 billion to this note this year but did not submit data in 2021-22.

Property, plant and equipment 2021-22

	Infrastructure assets	Land and buildings	Assets under construction	Military equipment	Other assets	Total
	£bn	£bn	£bn	£bn	£bn	£bn
Cost or valuation:						
At 1 April 2021	917.9	463.1	87.9	83.9	115.6	1,668.4
Boundary adjustment	(6.4)	(23.5)	(0.9)	(0.1)	(4.4)	(35.3)
Restatements	(1.6)	(0.3)	-	-	(0.4)	(2.3)
Additions	12.9	10.1	33.5	0.4	5.5	62.4
Revaluations	76.3	20.3	(0.1)	4.6	0.6	101.7
Impairments	(0.1)	(4.9)	(0.9)	(0.3)	0.2	(6.0)
Reclassifications and transfers	3.2	11.3	(22.2)	3.9	3.0	(0.8)
Disposals	(0.9)	(4.6)	(0.1)	(2.6)	(5.1)	(13.3)
At 31 March 2022	**1,001.3**	**471.5**	**97.2**	**89.8**	**115.0**	**1,774.8**
Depreciation:						
At 1 April 2021	(241.2)	(53.8)	-	(43.3)	(59.8)	(398.1)
Boundary adjustment	3.0	0.6	-	-	0.7	4.3
Restatements	1.9	0.1	-	-	0.2	2.2
Charged in year	(10.7)	(10.6)	-	(3.4)	(7.3)	(32.0)
Revaluations	(20.6)	0.3	-	(1.9)	0.3	(21.9)
Impairments	-	1.0	-	-	(0.3)	0.7
Reclassifications and transfers	0.1	0.5	-	0.3	0.4	1.3
Disposals	0.6	1.5	-	2.5	4.5	9.1
At 31 March 2022	**(266.9)**	**(60.4)**	**-**	**(45.8)**	**(61.3)**	**(434.4)**
Carrying amount at 31 March 2021	676.7	409.3	87.9	40.6	55.8	1,270.3

Carrying amount at 31 March 2022	**734.4**	**411.1**	**97.2**	**44.0**	**53.7**	**1,340.4**
Asset financing:						
Owned	697.1	368.6	94.7	44.0	46.1	1,250.5
Finance leased	-	13.0	2.5	-	4.3	19.8
PFI reversionary interest	-	1.2	-	-	0.1	1.3
On balance sheet PFI contracts	37.3	28.3	-	-	3.2	68.8
Carrying amount at 31 March 2022	**734.4**	**411.1**	**97.2**	**44.0**	**53.7**	**1,340.4**

Note 13. Right of use assets

	Land and buildings	Other assets	Total
	£bn	£bn	£bn
Cost or valuation:			
At 1 April 2022	-	-	-
Cumulative catch up	23.9	5.0	28.9
Additions	4.9	0.9	5.8
Revaluations and impairments	(2.3)	-	(2.3)
Reclassifications and transfers	0.8	0.8	1.6
Disposals	(1.2)	(0.2)	(1.4)
At 31 March 2023	**26.1**	**6.5**	**32.6**
Depreciation:			
At 1 April 2022	-	-	-
Charged in year	(2.0)	(1.3)	(3.3)
Revaluations and impairments	-	-	-
Reclassifications and transfers	(0.2)	(0.5)	(0.7)
Disposals	0.1	0.1	0.2
At 31 March 2023	**(2.1)**	**(1.7)**	**(3.8)**
Carrying amount at 31 March 2022	-	-	-
Carrying amount at 31 March 2023	**24.0**	**4.8**	**28.8**

As 2022-23 is the first year of IFRS 16 adoption for Whole of Government Accounts, opening balances for right of use assets are stated in the cumulative catch up line, and there are no prior year values.

Land and buildings include £10.6 billion of right of use assets held by the Ministry of Defence, including leased housing for Service personnel under a contract with Annington Homes; the liability for this contract is the Ministry of Defence's most significant lease and as at 31 March 2023 was £3.9 billion.

Other assets consist of:

	Transport equipment £bn	Plant and machinery £bn	IT equipment £bn	Furniture, fittings and other £bn	Total other assets £bn
Carrying amount at 31 March 2022	-	-	-	-	-
Carrying amount at 31 March 2023	2.5	1.5	0.1	0.7	4.8

Note 14. Investment properties

	2022-23 £bn	2021-22 £bn
As at 1 April 2022	14.8	16.5
Boundary adjustment	(0.6)	(3.0)
Restatements	-	0.2
Additions	0.5	0.4
Revaluations and impairments	(0.2)	1.0
Disposals	(0.3)	(0.3)
As at 31 March 2023	**14.2**	**14.8**

Investment properties are comprised mainly of land and buildings owned 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.

Of the £14.2 billion total balance (2021-22: £14.8 billion), £13.1 billion (2021-22: £13.9 billion) sits within the local government sector with the remaining £1.1 billion (2021-22: £0.8 billion) sitting in the central government sector.

The boundary adjustment line above represents the net decrease of £0.6 billion due to the effect of entities which made a data submission to WGA in only one of the current or prior years. A number of entities contributed to the note total through their data submissions in 2021-22 but did not make a submission to the WGA this year. These entities contributed a total of £2.5 billion to this note's total last year. Similarly, there were also a number of entities which made contributions to the note this year but did not make a submission in 2021-22. These entities contributed a total of £1.9 billion to the note this year.

Note 15. Intangible assets

Intangible assets 2022-23

	Military equipment	Development expenditure	Software	Licences and other	Total
	£bn	£bn	£bn	£bn	£bn
Cost or valuation:					
At 1 April 2022	39.6	13.0	14.3	13.3	80.2
Boundary Adjustment	-	-	-	(0.2)	(0.2)
Restatements	-	(0.1)	-	-	(0.1)
Additions	2.1	2.0	1.0	1.4	6.5
Revaluations and impairments	2.6	0.7	0.4	(0.2)	3.5
Reclassifications and transfers	0.1	(0.8)	1.4	0.1	0.8
Disposals	(0.7)	(0.3)	(0.7)	(0.8)	(2.5)
At 31 March 2023	**43.7**	**14.5**	**16.4**	**13.6**	**88.2**
Amortisation:					
At 1 April 2022	(12.9)	(6.2)	(9.2)	(8.2)	(36.5)
Boundary Adjustment	-	-	-	0.1	0.1
Restatements	-	-	-	0.1	0.1
Charged in year	(0.9)	(0.5)	(1.6)	(1.5)	(4.5)
Revaluations and impairments	(1.3)	(0.4)	(0.3)	-	(2.0)
Reclassifications and transfers	-	-	(0.1)	0.2	0.1
Disposals	0.7	0.3	0.7	0.7	2.4
At 31 March 2023	**(14.4)**	**(6.8)**	**(10.5)**	**(8.6)**	**(40.3)**
Carrying amount at 31 March 2022	26.7	6.8	5.1	5.1	43.7
Carrying amount at 31 March 2023	**29.3**	**7.7**	**5.9**	**5.0**	**47.9**

Intangible assets have risen by 9.6% (£4.2 billion), from £43.7 billion in 2021-22 to £47.9 billion in 2022-23. This growth is primarily due to a £2.6 billion increase in Military Equipment, along with additional increases of

£0.9 billion in Development Expenditure and £0.8 billion in Software, partially offset by decreases in other areas.

The military equipment balance of £29.3 billion (2021-22: £26.7 billion) relates to assets held within the Ministry of Defence and is made up of Single Use Military Equipment and Assets Under Construction (AUC) as per the Ministry of Defence published accounts (see Note 5 of Ministry of Defence 22-23 accounts).

Several entities contributed to the note total through their data submissions in 2021-22 but did not make a submission to the WGA this year, collectively adding £0.1 billion to last year's note total. Similarly, several entities made contributions to the note this year but did not submit data in 2021-22, also contributing £0.1 billion to this year's note total. As a result, there was no net movement between the years due to the missing data.

Intangible assets 2021-22

	Military equipment £bn	Development expenditure £bn	Software £bn	Licences and other £bn	Total £bn
Cost or valuation:					
At 1 April 2021	38.0	13.8	12.5	12.5	76.8
Boundary Adjustment	-	-	0.2	(0.1)	0.1
Restatements	-	(0.1)	-	0.4	0.3
Additions	2.2	1.7	1.1	1.5	6.5
Revaluations and impairments	(0.5)	(0.3)	0.2	-	(0.6)
Reclassifications and transfers	0.1	(1.1)	1.0	0.2	0.2
Disposals	(0.2)	(1.0)	(0.7)	(1.2)	(3.1)
At 31 March 2022	**39.6**	**13.0**	**14.3**	**13.3**	**80.2**
Amortisation:					
At 1 April 2021	(12.4)	(6.9)	(8.6)	(7.9)	(35.8)
Boundary Adjustment	-	-	-	(0.1)	(0.1)
Restatements	-	0.1	-	(0.3)	(0.2)
Charged in year	(0.9)	(0.5)	(1.2)	(1.1)	(3.7)
Revaluations and impairments	0.2	0.1	(0.2)	-	0.1
Reclassifications and transfers	-	0.1	0.1	-	0.2
Disposals	0.2	0.9	0.7	1.2	3.0
At 31 March 2022	**(12.9)**	**(6.2)**	**(9.2)**	**(8.2)**	**(36.5)**
Carrying amount at 31 March 2021	25.6	6.9	3.9	4.6	41.0
Carrying amount at 31 March 2022	**26.7**	**6.8**	**5.1**	**5.1**	**43.7**

Note 16. Trade and other receivables

	2022-23 £bn	2021-22 £bn
Non-current:		
Taxation and duties due	4.0	4.2
Trade receivables	1.3	1.5
Other receivables	10.2	8.2
EU receivables	4.0	4.6
Prepayments and accrued revenue	1.2	1.4
Welfare overpayments	3.6	3.1
Contract assets	1.2	3.2
Total before impairment	25.5	26.2
Less: provision for impairment of receivables	(2.8)	(3.8)
Total non-current trade and other receivables	**22.7**	**22.4**
Current:		
Accrued tax revenue receivable	132.6	122.6
Taxation and duties receivable	56.6	49.6
Trade receivables	11.7	9.9
Other receivables	17.2	17.5
EU Receivables	0.7	-
Prepayments and accrued revenue	13.1	13.2
Welfare overpayments	1.0	0.6
Court fines	4.1	3.8
Contract assets	5.5	3.9
Total before impairment	242.5	221.1
Less: provision for impairment of receivables	(32.3)	(27.9)
Total current trade and other receivables	**210.2**	**193.2**
Total trade and other receivables	**232.9**	**215.6**

Non-current

There was a £0.3 billion increase in total non-current receivables in 2022-23 compared to the prior year. The area that experienced the largest increase was 'Other Receivables', with an increase of £2.0 billion. This was largely driven by a change in the EU financial settlement within HM Treasury's accounts. This increase was largely offset by a £2.0 billion decrease in the value of contract assets, driven largely by the Nuclear Decommissioning Authority (NDA). These are commercial agreements under which a portion of expenditure required to settle elements of the nuclear provision are recoverable from third parties.

There were a number of entities which contributed to the non-current receivables total through their data submissions in 2021-22, but which did not make a submission to the WGA this year. These entities contributed a total of £2.7 billion to the total last year. Similarly, there were also a number of entities which made contributions to the total this year but did not make a submission in 2021-22. These entities contributed a total of £1.7 billion of non-current receivables to the note this year, giving a net decrease of £1.0 billion due to missing data.

Current

The £17.0 billion increases in total current receivables is primarily the result of two elements. Accrued tax revenue receivable increased by £10.0 billion compared to the prior year, driven by an £8.3 billion increase in accrued revenue receivable from income tax. This was mainly due to the strength of employee earnings as well as frozen tax thresholds. Similarly, taxation and duties receivable increased by £7.0 billion, primarily driven by VAT receivable, due to relatively high inflation during the period.

There were a number of entities which contributed to the current receivables total through their data submissions in 2021-22, but which did not make a submission to the WGA this year. These entities contributed a total of £0.8 billion to the total last year. Similarly, there were also a number of entities which made contributions to the total this year but did not make a submission in 2021-22. These entities contributed a total of £0.9 billion of non-current receivables to the note this year, giving a net increase of £0.0 billion due to rounding, as a result of missing data.

Accrued tax revenue receivable represents amounts of taxes and duties relating to 2022-23 that were not yet due or received from taxpayers at year end, where these have not been included in taxation and duties due and collection is reasonably certain. This figure is an estimated valuation, supported by tax returns received after the year end.

Taxation and duties receivable represents all taxpayer liabilities that have been established, irrespective of whether due or overdue, for which payments have not been received by HMRC.

The provision for impairment of receivables is analysed below:

	Current £bn	Non-current £bn	2022-23 £bn	2021-22 £bn
Taxation and duties due	21.2	1.0	22.2	18.0
Welfare payments	0.2	1.5	1.7	3.1
Court fines	3.5	-	3.5	3.2
Other trade and other receivables	7.4	0.3	7.7	7.4
Total provision for impairment of receivables	**32.3**	**2.8**	**35.1**	**31.7**

Note 17. Other financial assets

	2022-23 £bn	2021-22 £bn
Non-current:		
Loans and deposits	236.4	234.3
Student loans	150.2	107.7
Equity investments	45.8	45.0
IMF quota subscription	21.9	21.2
Derivatives and other financial assets	50.8	48.7
Total non-current other financial assets	**505.1**	**456.9**
Current:		
Debt securities	97.6	112.9
Loans and deposits	63.5	107.9
Student loans	4.3	3.9
Equity investments	1.6	1.4
IMF Special drawing rights	36.4	33.8
Derivatives and other financial assets	12.6	8.0
Total current other financial assets	**216.0**	**267.9**
Total other financial assets	**721.1**	**724.8**

Non-current Loans and deposits increased by £2.1 billion mainly due to a £9.7 billion increase in loans advanced by the Public Works Loans Board offset by a reduction in the Term Funding Scheme with additional incentives for SMEs (TFSME). The TFSME was launched in March 2020, the Bank of England's Policy Committees announced a comprehensive package of measures to help UK businesses and households manage the economic disruption caused by Covid-19 and ran until 31 October 2021.

The balance fell by £11.9 billion during 2022-23 to £180.5 billion (2021-22: £192.4 billion).

Current loans and deposits decreased by £44.4 billion during 2022-23, due to a decrease of £40.7 billion in reverse sale and repurchase agreements held within the Debt Management Account; these agreements are funds advanced to banks under reverse repurchase agreements, where securities are held as collateral and returned when the funds are repaid. The value of loans and deposits lent by the Bank of England increased by £1.4 billion and the value of reverse repurchase agreements with the Exchange Equalisation Account fell by £0.1 billion.

Loans and deposits comprise:

	Non-current £bn	Current £bn	2022-23 £bn	2021-22 £bn
Loans	232.1	5.8	237.9	237.2
Deposits	4.3	10.5	14.8	15.9
Repurchase agreements	-	47.2	47.2	89.0
Total loans and deposits	**236.4**	**63.5**	**299.9**	**342.1**

Deposits include those made by local government at commercial banks of £10.2 billion (2021-22: £13.6 billion).

Repurchase agreements are funds advanced to banks under reverse repurchase agreements, where securities are held as collateral and returned when the funds are repaid.

Student loans. A summary of changes for 2022-23 is shown below:

	2022-23 £bn	2021-22 £bn
As at 1 April	111.6	87.8
New loans issued (net of impairment)	22.2	22.0
Repayments	(4.3)	(3.5)
Fair value movement	24.4	5.3
Impairment adjustments	0.6	-
Fair value movement as at 31 March	**154.5**	**111.6**

Student Loans have increased by £42.9 billion of which £39.4 billion is for post 2012 loans to full time undergraduates. Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, a discounted cash flow model has been used (see table below) which includes all expected cash flows, including the interest that is expected

to be received. As a result, a single fair value movement is recognised in the statement of revenue and expenditure and the Department for Education's statement of comprehensive net expenditure.

	2022-23 £bn	2021-22 £bn
Deferral of the difference in fair value and amount advanced to students on new loans	(5.5)	(8.6)
Changes made to student loan valuation model	22.4	11.5
Interest	14.2	6.8
Operational costs	(0.6)	0.4
Other fair value movement	(6.7)	(6.3)
As at 31 March	**23.8**	**3.8**

The **equity investments** held by the government comprise:

	2022-23 £bn	2021-22 £bn
NatWest (formerly RBS)	10.5	11.0
Other	36.9	35.4
Total equity investments	**47.4**	**46.4**

Equity investments has risen to £47.4 billion (2021-22: £46.4 billion) whilst there was a £0.5 billion fall in the value of NatWest (formerly Royal Bank of Scotland). On 12 August 2021, HM Treasury began a 12-month trading plan to continue the sale of NatWest shares. The trading plan involves selling shares in the market through an appointed broker in an orderly way at market prices over the duration of the plan. Due to the success of the trading plan in selling down the shareholding, the trading plan was extended for a second time and will run up to 11 August 2025 As a result of these sales, the shareholding of HM Treasury has reduced from 5,109 million shares representing 48.0% of the ordinary share capital of NatWest Group at 31 March 2022, to 3,983 million shares, representing approximately 41.5% of the ordinary share capital at 31 March 2023. The three largest contributors to 'Other' equity include: Foreign and Commonwealth Development Office investment portfolio £5.0 billion (2021-22: £4.2 billion), Pension Protection Fund £4.4 billion (2021-22: £6.4 billion) and Commonwealth Development Corporation equity investment which is increased by £0.5 billion at £5.1 billion (2021-22: £4.6 billion).

The IMF quota subscription and Special Drawing Rights (SDRs) relate to the UK's investments in the IMF. On becoming a member of IMF in 1944, the UK was required to pay a quota subscription to the IMF in a mixture of SDRs, the IMF's unit of account, and other widely accepted currencies. The UK's quota subscription of 20.2 billion SDRs was equivalent to £21.9 billion at 31 March 2023, an increase of £0.7 billion compared to the prior year. The SDRs increased by £2.6 billion. SDR holdings may include SDR denominated promissory notes issued by the IMF in return for the advance of SDRs via the Poverty Reduction and Growth Trust facility. At 31 March 2023 £3,050 million worth of such notes were held by the EEA (2021-22: £2,782 million). During 2022-23, the EEA purchased £1,342 million (net) worth of SDRs (2021-22: purchased £829 million).

The fall in **debt securities** of £15.3 billion primarily relates to the value of debt securities issued by government and other public sectors. Most of the fall is due to a reduction of £11.1 billion in the value of Corporate Bond Purchase Scheme (CBPS). The CBPS was set up to purchase high-quality private sector assets financed by the creation of central bank reserves. As at 28 February 2023, the Bank of England Asset Purchasing Facility held corporate bonds with a fair value of £6.5 billion (2021-22: £17.6billion). The reduction was driven by the decision of the Monetary Policy Committee (MPC) to unwind fully the stock of corporate bonds by a programme of sales. The MPC decided, on 2 February 2022, to reduce the stock of sterling non-financial investment-grade corporate bond purchases by ceasing to reinvest the proceeds of maturing assets and to unwind fully the stock of corporate bonds by a programme of sales. Sales via auction began on 27 September 2022.

The overall value of **derivatives and other financial assets** £63.4 billion (2021-22: £56.7 billion) has increased by £6.7 billion.

Several entities that contributed to the note total through their data submissions in 2021-22 did not make a submission to the WGA this year. These entities accounted for £3.5 billion of the note's total last year. Conversely, some entities made contributions this year but did not submit data last year, contributing £2.3 billion to the note this year. This results in a net decrease of £1.2 billion due to missing data.

Note 18. Inventories

	Raw materials and consumables	Other	2022-23 Total	2021-22 Total
	£bn	£bn	£bn	£bn
As at 1 April	8.5	5.0	13.5	15.3
Additions	19.1	6.0	25.1	28.9
Disposals	(16.2)	(5.6)	(21.8)	(27.5)
Write on / (offs)	(3.3)	(0.2)	(3.5)	(3.0)
Revaluation and reclassification	(0.2)	0.1	(0.1)	(0.2)
As at 31 March	**7.9**	**5.3**	**13.2**	**13.5**

The bulk of raw materials and consumables are managed by two government departments: the Department of Health and Social Care (DHSC) and the Ministry of Defence (MoD). DHSC holds inventories valued at £2.5 billion (2021-22: £3.6 billion), primarily related to consumables, adult and childhood vaccines, drugs and Covid-19 related stock.

The MoD's figure of £4.1 billion (2021-22: £3.8 billion) primarily comprises engineering and technical stock (£2.4 billion) and munitions (£1.0 billion). A substantial portion of these supplies and spare parts are logged in the inventory accounting systems, encompassing over 640,000 different types and more than 740 million items. This diverse inventory includes items such as Guided Weapons, Missiles and Bombs (GWMB), significant equipment spares (e.g., engines), as well as Raw Materials and Consumables (RMC).

The Other inventories of £5.3 billion (2021-22: £5.0 billion) encompass a diverse array of stocks and supplies across the public sector. The most substantial portion consists of assets in property and development land held by the Department for Levelling Up, Housing and Communities totalling £1.5 billion (2021-22: £1.5 billion) and programme-related assets by the British Broadcasting Corporation (BBC) of £1.0 billion (2021-22: £1.1 billion).

There is no impact on the note total from entities which made data submissions in 2021-22, but which did not make a submission to the WGA this year, and also no impact from entities which submitted this year but not in 2021-22.

Note 19. Cash and cash equivalents

	2022-23 £bn	2021-22 £bn
Balance at 1 April	45.6	39.6
Boundary adjustment	(0.2)	(1.7)
Change in cash and cash equivalent balances	(1.5)	7.7
Balance at 31 March	**43.9**	**45.6**
The following balances at 31 March were held at:		
Government Banking Service	(5.0)	(5.1)
Commercial banks and cash in hand	22.5	22.6
Short term investments	26.4	28.1
Balance at 31 March	**43.9**	**45.6**

Cash and Cash Equivalents decreased by £1.7 billion (3.7%) to £43.9 billion (2021-22: £45.6 billion). Cash held by commercial banks decreased by £0.1 billion (0.4%) to £22.5 billion (2021-22: £22.6 billion).

There was a £1.7 billion (6.0%) decrease in short-term investments held by various public sector bodies including an increase in deposits from the Bank of England of £3.7 billion, which was offset by a decrease from the Exchange Equalisation Account of £4.1 billion.

Cash held at the Government Banking Service shows a balance of (£5.0) billion (2021-22: (£5.1) billion). This is a combination of positive balances held by government departments as part of the Government Banking Scheme, offset by a negative balance of £41.0 billion (2021-22: (£54.3) billion) held by the National Loans Fund. The National Loans Fund cash balance held with the Government Banking Service (GBS) decreased by £13.3 billion (25%). The overall balance is negative due to the government's cash management practices.

HMRC saw a substantial decrease of £4.6 billion in cash balances held with the GBS. This reduction was due to funds being withdrawn to finance Covid-19 support scheme payments and for 'business as usual' (BAU) expenses.

The Exchange Equalisation Fund saw its liquid assets decrease from £7.4 billion in 2021-22 to £3.3 billion in 2022-23, a decrease of £4.1 billion. Money market instruments consisting of commercial paper dropped to £1.3 billion (2021-22: £6.0 billion) whilst Treasury bills rose to £5.0 billion (2021-22: £4.0 billion). The concentration of EEA money market instruments by geographical region has changed in recent years, with £5.0 billion,

accounting for 79% of the total of EEA money market instruments held in Europe in 2022-23 compared to £9.6 billion or 94% of the total in 2021-22.

The Bank of England saw an increase in cash and cash equivalents driven by a £3.7 billion increase in Liquid Deposits. This increase includes a £5.7 billion rise in cash and balances with other central banks, which was partially offset by a £2.0 billion decrease in securities held at fair value through profit and loss.

There were a number of entities which contributed to the note total through data submissions in 2021-22 but not in 2022-23. These entities contributed a total of £1.8 billion to this note's total last year. The value of entities contributions to the note in 2022-23 but not in 2021-22 is £1.6 billion. This gives a net decrease of £0.2 billion due to missing data.

Note 20. Trade and other payables

	2022-23 £bn	2021-22 £bn
Non-current:		
Trade and other payables	7.2	6.8
Accruals and deferred income	12.0	11.3
Imputed finance lease element of on-balance sheet PFI contracts	25.5	28.7
Obligations under finance leases	1.2	3.3
Contract liabilities	1.8	1.7
Total non-current trade and other payables	**47.7**	**51.8**
Current:		
Trade and other payables	37.6	37.8
Accruals and deferred income	81.8	76.3
Refunds of taxation and duties payable	44.6	42.0
Imputed finance lease element of on-balance sheet PFI contracts	1.4	1.5
Obligations under finance leases	0.2	0.2
Contract liabilities	3.0	3.0
Total current trade and other payables	**168.6**	**160.8**
Total trade and other payables	**216.3**	**212.6**

Total trade and other payables has increased by £3.7 billion year on year. This is the net impact of an increase of £7.8 billion in current trade and other payables, partly offset by a decrease of £4.1 billion in the non-current category.

The main element of the increase in **current** trade and other payables was a £5.5 billion increase in 'accruals and deferred income'. £2.9 billion of this increase relates to the Department for Science, Innovation and Technology, caused by the impacts of the Energy Price Guarantee (£1.0 billion) and the Energy Bill Relief Scheme (£1.9 billion). There was also a £1.5 billion year on year increase in current accrued expenses at the Ministry of Defence.

'Refunds of taxation and duties payable', as reported by HMRC, also increased by £2.5 billion. (Smaller amounts are also reported by other

entities, so this amount is slightly different to the overall movement on this line shown above).

The main elements of the decrease in **non-current** trade and other payables were reductions in amounts reported for ‘Imputed finance lease element of on-balance sheet PFI contracts’ (£3.2 billion) and ‘Obligations under finance leases’ (£2.1 billion). The former was split across a large number of entities, including 15 individual entities reporting increases of £100m or more. The decrease in amounts reported under ‘Obligations under finance leases’ is due to the adoption of IFRS 16 in the WGA in 2022-23. For Central Government entities (and a small number of other early adopting entities) related amounts will now be reported under IFRS 16 and are included in Note 22 to the WGA.

Please note that these amounts may not always be exactly the same as shown in individual entity accounts due to eliminations of intra-government balances as part of the WGA accounts production process.

There were also a number of entities which contributed to the note total through their DCT submissions in 2021-22, but which did not make DCT submissions to the WGA this year. These entities contributed a total of £8.5 billion to this note’s total last year.

Contrary to the above, there were also a number of entities which made contributions to the note this year but did not make DCT submissions last year. These entities contributed a total of £4.0 billion to the note this year.

Trade and other payables, accruals, and **deferred income** are 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 payable relates mainly to council tax and business rates owed to the taxpayer, amounts due to VAT traders where their claim was received after the end of the year and amounts in respect of Corporation Tax, Income Tax and other small taxes expected to be repayable by HMRC pending finalisation of taxpayer liabilities.

Contract liabilities are recognised where an entity has received consideration from a customer prior to the transfer of goods and services. The largest individual entity contribution to contract liabilities are the sums received on account by the Nuclear Decommissioning Authority relating to income from long term contracts. This accounts for £2.2 billion of the overall total (2021-22: £2.3 billion).

Further information on **obligations under finance leases** can be found in Note 27, while further information on PFI commitments can be found in Note 28.

Note 21. Government borrowings

	2022-23 £bn	2021-22 £bn
Non-Current:		
Gilts	1,382.1	1,235.7
Total non-current government borrowings	**1,382.1**	**1,235.7**
Current:		
National Savings and Investment products (NS&I)	218.0	207.6
Treasury bills	63.1	36.1
Gilts	90.8	96.3
Total current government borrowings	**371.9**	**340.0**
Total government borrowings	**1,754.0**	**1,575.7**

The government borrows to make up the shortfall between income and expenditure (including any capital expenditure). The National Accounts show a clearer picture of government borrowing used for the financing of deficits, and more detail on this can be found in Chapter 1.

National Savings and Investments (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. In 2022-23, the NS&I liability increased by £10.4 billion to £218.0 billion (2021-22: £207.6 billion) due to significant inflows from Premium bonds and Direct saver accounts, partly offset by net outflows on guaranteed bonds and income bonds products. Further information on these products can be found on the NS&I website and in NS&I's 2022-23 accounts.

Treasury bills are issued by the Debt Management Office (DMO) and, along with other money market operations, are used by the DMO to meet the government's daily cash requirements. For 2022-23, the carrying value of Treasury bills in issue was £63.1 billion (2021-22: £36.1 billion). The £27.0 billion increase was a result of numerous revisions in the DMO's financing remit during 2022-23 following the Government's Growth Plan 2022 in September 2022 resulting in planned increases and a reversal in November 2022 alongside the publication of the Office of Budget Responsibility's Economic and Fiscal Outlook as updated data on the UK economy emerged. Further information on these operations can be found in the Debt Management Report 2022-23.

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 (RPI). As the government's debt manager, the 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, except for gilts held by funded public sector pension schemes, which are not eliminated on consolidation because funded public sector schemes are disclosed in the WGA as a single net liability figure. IAS 19 Employee Benefits states that plan assets exclude non-transferable financial instruments issued; therefore, it is permissible to include gilts and other transferable financial instruments issued. Further information regarding funded public sector pension schemes is provided in Note 25 Public Sector Pensions.

The government sought to meet the additional financing requirements announced as part of the plans highlighted in the Spring Statement of 2022-23. This initially involved DMO planning gilt sales of £124.7 billion which was increased by £6.8 billion because of the outturn of the Central Government Net Cash Requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail) on 26th of April 2022. During September 2022 DMO's financing requirement increased by £72.4 billion as part of the new Government Growth plan that was announced resulting in additional gilt sales of £62.4 billion. A portion of this was reversed on 17th of November 2022 alongside the publication of the Office of Budget Responsibility's Economic and Fiscal Outlook which resulted in gilt sales falling by £24.4 billion. Increases in the RPI has also resulted in higher financing costs for index-linked gilts which has reflected in the overall increase of £140.9 billion (2021-22: £67.2 billion) in the total gilt liability across current and non-current gilts to £1,472.9 billion (2021-22: £1,332.0 billion). Further information regarding gilts is available in the 2022-23 Debt management report and the 2022-23 accounts of the National Loans Fund.

Further information on the government's financial risk, including liquidity and funding risk, is included in note 24.

There is no impact on the note total from entities that made data submissions in 2021-22 but did not submit to the WGA this year, nor from entities that submitted this year but not in 2021-22.

Note 22. Other financial liabilities

	2022-23 £bn	2021-22 £bn
Non-current:		
Deposits by banks	1.9	2.4
Bank and other borrowings	63.2	66.1
Debt securities	4.8	2.9
Derivatives	29.5	38.1
Financial guarantees	0.8	0.5
IFRS 16 Liabilities	21.2	-
Other financial liabilities	181.8	193.6
Total non-current other financial liabilities	**303.2**	**303.6**
Current:		
Banknotes in circulation	85.9	86.4
Bank and other borrowings	7.4	7.5
IMF Special Drawing Rights liability	32.1	30.9
Debt securities	7.6	4.0
Derivatives	1.8	1.5
Financial Guarantees	11.0	14.6
IFRS 16 Liabilities	3.1	-
Deposits by banks	799.1	885.5
Total current other financial liabilities	**948.0**	**1,030.4**
Total other financial liabilities	**1,251.2**	**1,334.0**

Banknotes are issued by the Bank of England. The value of 'Notes in Circulation' decreased by £0.5 billion.

Bank and other borrowings include loans and overdrafts. The largest element in this category is the £28.3 billion (2021-22: £25.0 billion) of Network Rail total outstanding debt as reported by the Department for Transport. Other material balances include £16.0 billion (2021-22: £15.5 billion) of non-interest-bearing securities in the National Loans Fund.

International Monetary Fund (IMF) Special Drawing Rights (SDRs) liability has increased to £32.1 billion (2021-22: £30.9 billion). A corresponding asset of £36.4 billion (2021-22: £33.8 billion) for the UK's actual holdings of SDRs is included in Note 17.

Debt securities comprise securitised notes and covered bonds issued by HM Treasury group and the Bank of England to securitise loans to customers and to raise unsecured medium-term funding.

Derivatives include the £19.6 billion (2021-22: £26.9 billion) liability held by the Department for Business, Energy, and Industrial Strategy (BEIS) relating to Contracts for Difference (CfD); these are a mechanism used to support investment in UK low carbon energy generation products. The decrease reflects the remeasurement in the fair value of CfD and was recognised in BEIS's accounts.

Other derivatives relate to the Pension Protection Fund of £9.3 billion (2021-22: £10.4 billion) which are interest rate swaps, options, credit default swaps and forward foreign exchange contracts to support liability-driven investment.

Financial guarantees of £11.8 billion (2021-22: £15.1 billion) relate to guarantee schemes established by BEIS in response to the Covid-19 pandemic; these include Bounce Back Loans Scheme (£9.7 billion), Coronavirus Business Interruption Loan Scheme (£1.1 billion), Recovery Loan Scheme (£0.4 billion) and Coronavirus Large Business Interruption Loan Scheme (£0.1 billion).

IFRS 16 Liabilities of £24.3 billion reflects the decision for central government to implement IFRS 16 with effect on 1 Apr 2022; this replaced IAS 17 (Leases). The modified retrospective approach was applied and therefore the comparative information was not restated. Material balances relate to the Department of Health and Social Care (£4.0 billion) and the Ministry of Defence (£6.1 billion).

Other Financial Liabilities total £181.8 billion (2021-22: £193.6 billion) of which £180.5 billion (2021-22: £192.4 billion) are a result of the Bank of England's Policy Committee's announcement in March 2020 of a comprehensive package of measures to help UK businesses and households manage economic disruption caused by the Covid virus. Part of the package involved the launch of the Term Funding Scheme with additional incentives for SMEs (TFSME). The drawdown ran until 31 October 2021.

Current Deposits by banks of £799.1 billion (2021-22: £885.5 billion) of which most are held by the Bank of England. These deposits, repayable on demand, are the reserve accounts held by the Bank and are how banks and building societies settle transactions. The reduction of £86.4 billion is mainly (£58.2 billion) due to a decrease in value of deposits by banks on Bank of England reserve accounts.

Several entities contributed to the note total through their data submissions in 2021-22 but did not make a submission to the WGA this year, contributing £2.8 billion to last year's total. Similarly, some entities made contributions to the note this year but did not submit last year, contributing £1.6 billion. This results in a net decrease of £1.2 billion due to the missing data.

Note 23. Provisions for liabilities and charges

	ND*	Clinical negligence	EU liabilities	PFF**	Other	2022-23 Total	2021-22 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
At 1 April	273.1	131.3	31.7	27.7	64.0	527.8	366.4
Boundary adjustments	-	-	-	-	(0.1)	(0.1)	-
Restatements	-	-	-	-	-	-	(0.5)
Provisions utilised in year	(4.0)	(2.9)	(9.5)	(1.2)	(8.8)	(26.4)	(25.2)
New provisions or increase in expected future pay-outs	3.1	22.9	2.3	(6.0)	16.7	39.0	45.0
Change in discount rate	(131.8)	(74.5)	-	-	(8.6)	(214.9)	137.4
Discount rate unwind	(2.8)	0.2	(5.3)	-	-	(7.9)	12.5
Provisions not required written back	9.0	(4.6)	-	-	(12.2)	(7.8)	(6.3)
Transfers to/from payables and other movements	0.3	-	-	-	(3.1)	(2.8)	(1.5)
At 31 March	**146.9**	**72.4**	**19.2**	**20.5**	**47.9**	**306.9**	**527.8**

*Nuclear Decommissioning
** Pension Protection Fund

Provisions movement

	2022-23 £bn	2021-22 £bn
Provision movement Amounts included in the Statement of Revenue and Expenditure:		
Increase in provisions	36.2	28.0
Provision expense in cost to public services	**36.2**	**28.0**
Discount rate changes	(214.9)	137.4
Discount rate unwind	(7.9)	12.5
Provision financing costs	**(222.8)**	**149.9**
Total expenditure recognised in the Statement of Revenue and Expenditure	**(186.6)**	**177.9**
Amounts included in the Statement of Financial Position	(7.9)	8.7
Pay-outs made in year	(26.4)	(25.2)
Total provision movement	**(220.9)**	**161.4**

Provision profile

	ND*	Clinical negligence	EU liabilities	PFF**	Other	2022-23 Total	2021-22 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Within one year	4.4	4.2	6.4	1.5	13.3	29.8	29.7
Between one and five years	20.2	13.6	5.7	4.8	16.4	60.7	67.8
Thereafter	122.3	54.6	7.1	14.2	18.2	216.4	430.3
Total provision liability	**146.9**	**72.4**	**19.2**	**20.5**	**47.9**	**306.9**	**527.8**
Current provisions	4.4	4.2	6.4	1.5	13.3	29.8	29.7
Non-current provisions	142.5	68.2	12.8	19.0	34.6	277.1	498.1

* Nuclear Decommissioning
** Pension Protection Fund

Provisions are recognised when an entity has a present legal or constructive obligation because of a past event, it is probable that the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, considering the risks and uncertainties.

The total provision liability decreased by £220.9 billion to £306.9 billion, as of 31 March 2023. £214.9 billion of this decrease is due to changes in the discount rate. The two largest WGA provisions, for nuclear decommissioning and clinical negligence, were most significantly impacted by these changes. Further detail on the main areas of provisions and the discount rate changes are provided below.

Impact of changes in discount rate

Some government priorities carry obligations that are very long term and will involve expenditure over decades to come. The eventual costs of these long-term projects are uncertain, but entities are required to present a single number in the annual accounts. This single number is based on best estimate of costs, technology, and other relevant factors, adjusted to reflect the changing value of money over time. The worth of future cash flows is calculated at present value in accordance with

accounting standards. Provision discount rates set by HM Treasury are updated annually and have a material effect on liabilities.

Previously HM Treasury issued real rates based upon the real yield of UK index-linked gilts. From 2018-19 onwards, HM Treasury has issued nominal rates that do not take account of inflation, unlike real rates. Using these nominal rates, the cash flows are inflated using inflation rates provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions.

The most significant movements in provisions are driven by changes to the interest rates used to discount future cash flows. When interest rates were increased in 2022-23 in response to the inflationary pressures of the Covid-19 pandemic, the discounting of future cash flows increased, leading to a significant reduction in reported provisions. It is, therefore, likely that provisions will significantly increase when the decision is taken to reduce interest rates.

Inflation assumptions

In using nominal rates there is a need to inflate cashflows as such rates do not take a measure of inflation into account unlike real discount rates. HM Treasury provides the Office for Budget Responsibility (OBR) Consumer Price Index (CPI) forecasted inflation rates to be employed to expected cash flows, except where an entity has judged there is a reasoned basis for alternative rates to be employed. They are based on what is judged to be the most statistically reliable measure of inflation.

Provision for nuclear decommissioning

Department for Business, Energy & Industrial Strategy (BEIS) £126.0 billion (2021-22: £238.3 billion)

The nuclear decommissioning provision represents the best estimate of the costs of decommissioning plant and equipment on each of the designated nuclear licensed sites in future. The Nuclear Decommissioning Authority (NDA) expect that the programme of decommissioning work will take until 2137.

The NDA's best estimate of the future costs of the estate is based on an assumed inventory of materials, using strategies for retrieval and disposal over several decades. The NDA also considers credible risks and opportunities which may increase or decrease the cost estimate, but which are deemed less probable than the best estimate. Each of these elements (quantity, method, and time to treat) is uncertain, as is the cost of developing the necessary technology and plans to deal with these activities. The quality of the forecast may become less certain with time and acceptable standards of clean-up and end states may change.

The decommissioning program is projected to extend until 2137. The estimate primarily focuses on the initial 20 years, constituting £62 billion of the overall £124 billion provision (2021-22: £73 billion out of £237 billion). The discounting of forward cash flow estimates to present value significantly influences the liability reflected in the Statement of Financial Position, amounting to £147 billion (2021-22: £237 billion). The

undiscounted equivalent of this reported liability stands at £173 billion (2021-22: £149 billion).

Summary table of general provisions discount rates applied for the last five years	2022-23 Nominal rate	2021-22 Nominal rate	2020-21 Nominal rate	2019-20 Nominal rate	2018-19 Nominal rate
Short-term	3.27%	0.47%	-0.02%	0.51%	0.76%
Medium-term	3.27%	0.47%	-0.02%	0.55%	1.14%
Long-term	3.20%	0.70%	0.18%	1.99%	1.99%
Very long-term	3.08%	0.71%	1.99%	1.99%	1.99%

The estimates are formulated based on assumptions regarding the anticipated processes and methods for fulfilling the obligations. They are informed by the most up-to-date technical knowledge, prevailing regulatory requirements, government policies, and commercial agreements. Due to the extensive timeframe and the intricacy of managing the plants and materials involved, there is significant uncertainty associated with the cost estimate, especially in the later years.

Sellafield remains the NDA's primary area of expenditure and has seen an increasing emphasis in recent years, as funding is channelled towards addressing the estate's highest hazards. Sellafield encompasses activities related to the operation of the site, reprocessing, eventual decommissioning, and includes all associated site overheads.

In the fiscal year 2022-23, general provisions were assessed using four distinct discount rates as specified by HM Treasury, aligned with the anticipated timing of cashflows.

Real Discount Rates	2022-23	2021-22	2020-21	Period from consolidated position
Short-term	-3.85%	-3.39%	-1.21%	0 to 5 years
Medium-term	1.58%	-1.64%	-1.88%	5 to 10 years
Long-term	1.18%	-1.27%	-1.78%	10 to 40 years
Very long-term	1.06%	-1.27%	-0.01%	Over 40 years

The impact of the change in the discounting approach is included in the "Change in discount rate" movement of provisions. Where expenditure in settlement of a provision is expected to be recovered from a third party, the recoverable amount is treated as a separate asset. Provision

charges in the Statement of Comprehensive Net Expenditure are shown net of changes in these recoverable amounts.

Ministry of Defence (MOD) £11.3 billion (2021-22: £25.0 billion)

Provisions have been allocated to cover the expenses associated with treating, storing, and disposing of nuclear materials, irradiated fuel, and radioactive waste stemming from the Defence Nuclear Programme. Additionally, provisions have been set up for the decommissioning of sites, facilities, and 27 submarines that are no longer in service, but for which the MOD bears ultimate responsibility.

The totality of nuclear provisions addresses a programme of work which is currently expected to extend over the next 116 years. In estimating the value of the provision required to settle the Department's obligations, there remains a significant degree of inherent uncertainty in the future cost estimates and the assumptions that underpin them. Should outcomes differ from assumptions in any of the following areas this may require material adjustments to the value of the nuclear decommissioning provisions and related assets and liabilities:

- The time over which the work will be delivered with the programme of work not scheduled to conclude until well into the next century;
- Interdependencies between programmes of work, for example, a Geological Disposal Facility (GDF) is assumed to be the end point for MOD's higher activity waste. If the assumptions underpinning a GDF were to change, this would have a direct impact on the provisions held by the Department;
- Uncertainty over future Government policy positions and potential regulatory changes;
- Possible technological advances which could impact the work to be undertaken to decommission and clean up the sites.

As of the conclusion of the fiscal year 2021-22, the discounted nuclear provision stood at £25.0 billion. Subsequently, there have been the following developments. Adjustments due to alterations in accounting estimates: £3.1 billion and impact of both unwinding and modifications to the existing discount rates applied to the provision on an annual basis: £15.7 billion. The adjustments made to the 2022-23 MOD estimate for nuclear decommissioning bring the discounted amount to £11.3 billion as of the balance sheet date.

Nuclear Liabilities Fund (NLF) £9.7 billion (2021-22: £9.9 billion)

The Nuclear Liabilities Fund Limited's primary objective is to receive, manage, and safeguard funds, investments, and various assets. This is done with the aim of ensuring adequate financial resources for fulfilling pertinent obligations associated with the decommissioning of eight nuclear power stations presently managed by Energy Nuclear Generation Limited. Additionally, the fund is responsible for making payments to EDF Energy in alignment with the stipulations outlined in the Nuclear Liabilities Funding Agreement.

The figure indicated in the relevant liabilities provision signifies the Fund's anticipated future obligation to the Licensee Energy Nuclear Generation Limited (EDF Energy) as of the financial position statement date. As per the Nuclear Liabilities Funding Agreement (NLFA) guidelines, the Fund's responsibility for these relevant liabilities will always be restricted to the assets it has at its disposal.

The Secretary of State for the Department for Business, Energy and Industrial Strategy has undertaken that HM Government will be responsible for meeting relevant liabilities to the extent that the Fund does not have sufficient assets available to it. Provisions is set so that the total provisions for relevant liabilities equal the total net assets less current liabilities and called up share capital of the Fund. The process by which EDF Energy determines its qualifying liabilities is prescribed by the NLFA. Under its terms, EDF Energy is required to prepare and update full life plans for decommissioning their power stations every five years, or three years prior to station closure, or in the event legislation or government policy changes, whichever occurs first. These plans are required to contain the most recent estimates of the costs of decommissioning.

Provision for clinical negligence

Department of Health and Social Care (DHSC) £69.3 billion (2021-22: £128.2 billion)

The Department of Health and Social Care provides for future costs in cases where it is the defendant in legal proceedings brought by claimants seeking damages for alleged clinical negligence. While NHS England, NHS Foundation Trusts, and NHS Trusts maintain legal responsibility for all liabilities covered by the Ex-Regional Health Authority Scheme (ex RHA), Existing Liabilities Scheme (ELS), and Clinical Negligence Scheme for Trusts (CNST), NHS Resolution (NHSR) manages the accounting for all the liabilities within these distinct schemes. Actuaries, appointed by NHSR, routinely review and assess movements in the anticipated future settlements' value under these schemes, which are documented in the NHS Resolution Annual Report and Accounts.

The provision also encompasses the following liabilities concerning General Practice:

- **Clinical Negligence Scheme for General Practice (CNSGP)**: This covers clinical negligence claims for incidents that occurred in general practice on or after 1 April 2019.
- **Existing Liabilities for General Practice (ELGP)**: This reflects the interim arrangements through which NHS Resolution manages the Secretary of State's oversight and governance responsibilities regarding existing liabilities agreed upon with the Medical Protection Society (MPS), a medical defence organization.
- **Existing Liabilities Scheme for General Practice (ELSGP)**: This encompasses claims for historical NHS clinical negligence and other tortious incidents involving GP members of participating medical

defence organizations occurring at any time before 1 April 2019. This scheme was extended to cover members of the Medical and Dental Defence Union of Scotland from 6 April 2020 and was further extended to include Medical Protection Society members from 1 April 2021.

Known reported claims are individually valued using likely costs to resolve the claim and probability factors to take account of the potential of a successful defence, while Incurred But Not Reported (IBNR) claims are valued using actuarial models to predict likely values. The value of the provision decreased by £58.9 billion in 2022-23 from £128.2 billion at 31 March 2022 to £69.3 billion at 31 March 2023.

The significant movements in the provisions over the year are outlined as follows:

A £74.5 billion decrease due to changes in the long-term and very long-term discount rates. The calculation of provisions relies significantly on a key assumption involving the utilization of discount rates to assign a present value to anticipated future cashflows.

Nominal Discount Rates	2022-23	2021-22	2020-21	2019-20
Short-term	3.27%	0.47%	-0.02%	0.51%
Medium-term	3.20%	0.70%	0.18%	0.55%
Long-term	3.51%	0.95%	1.99%	1.99%
Very long-term	3.00%	0.66%	1.99%	1.99%

The clinical negligence provision is notably sensitive to both long-term and very long-term discount rates. This responsiveness is a consequence of the enduring nature of the associated liabilities, influenced by reporting and settlement delays. Additionally, the prevalence of high-value claims settled through Periodical Payment Orders (PPO), with payments distributed over the claimant's remaining lifetime, contributes to this sensitivity.

In the 2022-23 financial year, there was a significant increase in all discount rates prescribed by HM Treasury. This increase resulted in a £74.5 billion decrease in the provision. Despite the impactful nature of this rate change on provision values, it does not directly impact the immediate cost of settling claims. Short-term settlement costs are primarily influenced by claim frequency, severity, and legal considerations, such as the personal injury discount rate.

Therefore, the £74.5 billion reduction in provisions should be interpreted as a shift in the valuation of liabilities, specifically

influenced by the altered discount rates, rather than a fundamental shift in the underlying liabilities themselves.

These provisions represent the English element of the clinical negligence provision and represent the current value, in today's prices, of the expenses associated with claims arising from harm occurring up to 31 March 2023.

For received claims, the total count of new clinical negligence claims and reported incidents reached 13,511 in 2022-23, marking a 10% decrease from the previous year. In 2020/21 and 2021/22 volume of new claims was high due to the bulk migration of responsibility for claims from the Medical Protection Society (MPS) and the Medical and Dental Defence Union of Scotland (MDDUS) as part of the establishment of our Existing Liabilities Scheme for General Practice (ELSGP). ELSGP claim numbers are expected to reduce over time as fewer new claims with incident dates before 1 April 2019 are reported.

The number of new claims added to the CNST portfolio, the largest provisions portfolio in the clinical negligence class, has increased by 3.3% on 2021-22. In 2022-23, new CNST claims totalled 10,567 (2021-22: 10,226). There was however a marked drop in clinical claims from 15,078 in 2021-22 to 13,511 in 2022-23.

All cash flows should be assumed to increase in line with the Office for Budget Responsibility (OBR) Consumer Price Index (CPI) inflation rates unless three specific conditions are met. NHS Resolution have determined that in relation to Clinical Negligence the three conditions have been met and have therefore used alternative inflation measures for the IBNR provision and settled Periodic payment Order (PPO) claims. Further information including additional detail regarding key assumptions and volume of cases closed with/without damages is available in NHSR's Annual Report and Accounts.

NHS Wales organisations, the Welsh Government and the Scottish Government also hold provisions for clinical negligence that are included in the figures at the start of the note.

Provision for EU Liabilities Funding

HM Treasury (HMT) £18.6 billion (2021-22: £31.1 billion)

EU Financial Settlement: Article 140 – Reste a Liquider (RAL)

Article 140 of the Withdrawal Agreement, titled "Outstanding Commitments," stipulates that the UK is accountable for its portion of EU Budget commitments made during its participation in the EU Budget for the 2014-20 Multiannual Financial Framework (ending in December 2020).

The RAL represents EU budgetary commitments that have been made and are anticipated to result in future payments by the EU. Commitments that are later decommitted, such as in cases where the associated programme does not proceed, are excluded from the RAL.

The UK is only obligated to cover a share of the RAL at the close of 2020 to the extent that it materializes as payments by the EU.

The UK's liability under Article 140 will be reduced by various factors, including net financial corrections, proceeds from any Member State Making Available Resources infringements, and adjustments related to Traditional Own Resources.

EU Financial Settlement: Article 142 – Union Liabilities at End 2020

Article 142 of the Withdrawal Agreement, titled "Union Liabilities at End 2020," outlines that the UK is responsible for a portion of the EU's expenditures related to employment and associated benefits accrued by EU employees up until the end of 2020. These benefits predominantly include pension schemes and the Joint Sickness Insurance Scheme (JSIS).

It's important to note that the UK was always obligated to cover these benefits. The expenditure to settle in-year benefits is undertaken by the EU, and consequently, by all Member States as part of their budgetary contributions. With the UK's departure from the EU, the Withdrawal Agreement essentially established a liability for the UK, necessitating HM Treasury to make provisions for future cash outflows.

PPF provision

Pension Protection Fund (PFF) £20.5 billion (2021-22: £27.7 billion)

This represents the sum held by the PPF in connection with its responsibilities for compensating members and addressing claims from pension schemes. The PPF retains control of the assets from the pension plans it intervenes in and generates investment growth to uphold the obligations it assumes.

Changes in discount rate are more intimately linked with changes to actuarial assumptions and in year utilisations/provisions. For this reason, it is difficult to split the impact of discount rate changes from the underlying changes in accounting judgement. However, a large proportion of the change in the above figures is closely linked to changes in discount rate.

The Pension Protection Fund received an Accounts Direction from the Secretary of State for Work and Pensions exempting from the use of HMT discount rates. PPF instead uses discount rates entirely informed by the Government Actuary Department (GAD). PPF discount rate is defined by their actuaries as a full curve of 75% of the gilt yield, plus 25% of the SONIA (Sterling Overnight Index Average, which is a risk-free modification of the LIBOR) swap yield, plus 10 basis points at each term. This method was also used in 2021-22.

Other provisions

Other provisions encompass a diverse range of allocations spread across the public sector. These encompass provisions pertaining to injury benefits, medical expenses, compensation for criminal injuries, legal costs, obligatory acquisitions, concessionary fuel allowances for former

miners, mine water treatment, public safety and subsidence, subsidence pumping stations, and tip management. They also cover claims relating to structural damage and depreciation in the value of properties affected by transportation projects, as well as compensation payouts for job terminations. The largest provision relates to oil and gas field decommissioning costs in HMRC.

Oil and gas field decommissioning costs £4.5 billion (2021-22: £10.4 billion)

Companies engaged in oil and gas exploration and production on the UK Continental Shelf (UKCS) face two taxes: Petroleum Revenue Tax (PRT) and offshore Corporation Tax (CT). The latter tax consists of two components: Ring-fenced Corporation Tax and Supplementary Charge.

Regarding the treatment of decommissioning costs, the Oil Taxation Act 1975 governs the handling of losses. Participators in an oil and gas field subject to PRT can carry-back decommissioning losses virtually indefinitely, offsetting them against profits previously generated from the field or profits made by previous participators. This provision may lead to the repayment of PRT.

In the case of offshore CT, the Corporation Tax Act 2010 permits a company's decommissioning loss to be carried back against its own historical profits dating back to April 2002. Once again, this provision has the potential to result in a repayment of offshore CT.

The provision is calculated as the appropriately discounted total of all projected decommissioning repayments expected to occur over the lifespan of the North Sea oil and gas fields. These repayment profiles are generated using HMRC's North Sea Forecasting Model, which is developed at both the individual company and field levels. There have been no significant alterations to the model since the previous year.

In 2022-23, a provision of £4.5 billion has been reported. This is based on HMRC's estimated tax repayments, which include £1.3 billion in Petroleum Revenue Tax (2021-22: £2.1 billion) and £3.2 billion in offshore Corporation Tax (2021-22: £8.3 billion), that will be disbursed to companies by HMRC up until 2065 due to losses from decommissioning expenses.

The primary factors influencing the provision estimate encompass future decommissioning costs from the North Sea Transition Authority's Asset Stewardship Survey, economic determinants (including oil and gas prices, production, and the US Dollar/Sterling exchange rate) from the Office for Budget Responsibility and the Department for Business, Energy and Industrial Strategy (to be replaced by the Department of Energy Security and Net Zero in 2023-24), as well as the discount rates provided by HM Treasury.

There has been a £5.9 billion decrease in the overall provision compared to 2021-22. This decrease is primarily attributed to lower-than-expected decommissioning expenditure in nominal terms, as well as alterations in discount rates. The provision utilised during the year pertains to the tax

repayments in 2022 to 2023, attributable to decommissioning expenditure.

Boundary adjustment

Several entities that submitted data in 2021-22 and contributed £0.4 billion to the total did not make a submission to the WGA this year. Conversely, a number of entities that did not contribute in 2021-22 made submissions this year, adding £0.3 billion to the total. This resulted in a net decrease of £0.1 billion due to missing data.

Note 24. Financial instruments

This financial instrument note comprises two sections. The initial section elucidates the impact of financial instruments on the government's balance sheet. The subsequent section delineates the nature and scope of risks stemming from financial instruments, along with the government's strategies for managing and alleviating these risks.

Financial assets by category 2022-23

	Note	Cash and cash equivalents	Amortised Cost	FVTPL*	FVTOCI*	2022-23 Total	2021-22 Total
		£bn	£bn	£bn	£bn	£bn	£bn
Cash and cash equivalents	19	43.9	-	-	-	43.9	45.6
Trade and other receivables	16	-	232.9	-	-	232.9	215.6
Debt securities	17	-	-	97.6	-	97.6	112.9
Loans and deposits (including REPOS)	17	-	277.8	17.3	4.8	299.9	342.2
Student loans	17	-	-	154.5	-	154.5	111.6
Equity investments	17	-	0.3	23.3	23.8	47.4	46.4
IMF quota subscription	17	-	-	21.9	-	21.9	21.2
IMF Special Drawing Rights	17	-	-	36.4	-	36.4	33.8
Other	17	-	5.3	57.1	1.0	63.4	56.7
Total financial assets		**43.9**	**516.3**	**408.1**	**29.6**	**997.9**	**986.0**

*FVTPL: Fair Value Through Profit or Loss

*FVTOCI: Fair Value Through Other Comprehensive Income

Most **debt securities** (£71.7 billion, 2021-22: £73.8 billion) are held in the EEA, and comprise the UK's official holding of international reserves. The government holds foreign currency reserves on a precautionary basis to meet current policy objectives to regulate the exchange value of sterling and any potential future changes in policy.

Balances with the IMF are made up of the IMF quota subscription (£21.9 billion, 2021-22: £21.2 billion) and IMF Special Drawing Rights (SDRs) (£36.4 billion, 2021-22: £33.8 billion). SDRs are an international reserve asset created by the IMF. SDRs represent a claim to currency held by IMF member countries for which they may be exchanged. The government's holdings result from SDR allocations made by the IMF, any subsequent purchases, and sales of SDRs from or to other IMF members and fair value changes.

A significant balance within **other financial instruments** is derivatives (£14.5 billion, 2021-22: £14.4 billion). Of the derivatives balance the largest individual material balances are with the Pension Protection Fund (PPF) (£7.8 billion, 2021-22: £10.6 billion), and EEA (£3.5 billion, 2021-22: £2.8 billion). The PPF manage the risks associated with this by using counterparties rated at least A- (or subject to increased collateral) and are subject to overall exposure limits. The EEA manage the risks associated with this by counterparty and issuer limits and collateralisation. Further details can be found in the PPF and EEA accounts. Other significant balances (£18.9 billion, 2021-22: £18.4 billion) include investments in Help to Buy; this represents an entitlement to future income from the assistance provided to homebuyers by Department for Levelling Up, Housing and Communities.

The government also has gold holdings which are treated as being like a financial asset and are reported at fair value based on the sterling equivalent of the dollar denominated spot bid price as at 31 March 2022. During 2022-23, the price of gold rose from £1,474 to £1,600 per ounce, an increase of 9% giving rise to a revaluation profit of £1.3 billion.

Financial liabilities by category 2022-23

	Note	Carried at amortised cost	FVTPL*	2022-23 Total	2021-22 Total
		£bn	£bn	£bn	£bn
Trade and other payables	20	216.3	-	216.3	212.6
Government borrowings	21	1,754.0	-	1,754.0	1,575.7
Deposits by banks	22	799.1	1.9	801.0	887.9
Banknotes in circulation	22	85.9	-	85.9	86.4
Bank and other borrowings	22	70.6	-	70.6	73.6
Derivatives	22	-	31.3	31.3	39.6
Debt securities	22	12.4	-	12.4	6.9
IMF Special Drawing Rights liability	22	-	32.1	32.1	30.9
Financial guarantees	22	11.3	0.5	11.8	15.1
IFRS 16 liabilities	22	24.3	-	24.3	-
Other	22	181.2	0.6	181.8	193.6
Total financial liabilities		**3,155.1**	**66.4**	**3,221.5**	**3,122.3**

*FVTPL: Fair Value Through Profit or Loss

In most cases the value of assets and liabilities shown on the statement of financial position either equals or is a reasonable approximation of fair value. The main exceptions are government borrowings and the Contracts for Differences (CfD) liability (included in derivatives in the table above). Gilt-edged securities have a carrying amount of £1,472.9 billion (2021-22: £1,333.4 billion) and a fair value of £1,314.4 billion (2021-22: £1,540.2 billion), reflecting the lower amount that investors are willing to pay in order to secure a certain level of interest payment. The CfD liability has a carrying value of £4.7 billion (2021-22: £16.4 billion) and a fair value of £27.5 billion (2021-22: £36.2 billion). All CfDs (incl Hinkley Point C (HPC)) are issued at £nil consideration through the CfD process, this being the deemed transaction price. The difference between fair value of the instrument at initial recognition (day one) and transaction price is deferred unless the fair value at initial recognition is based upon observable inputs (which is not currently the case). The decrease of £8.7 billion in fair value is mainly due to revisions to the wholesale price electricity forecasts that are expected to be achieved by generators and

payments made during the 2022-23 year. The best estimate of fair value as at 31 March 2023 for HPC liability is £59.6 billion (2021-22: £61.4 billion). Further details can be found in the Department for Business, Energy and Industry Strategy (BEIS) annual report and accounts, and in Note 2 of WGA. Other financial liabilities include £180.5 billion of TFSME funding.

Fair value hierarchy

Assets and liabilities carried at fair value are valued using a 'fair value hierarchy' which gives highest priority to quoted prices in active markets for identical instruments (level 1 inputs), second priority to valuation techniques based on observable inputs (level 2) and lowest priority to valuation techniques using unobservable inputs. Where valuation techniques are based on unobservable inputs (level 3) then the appropriate valuation technique is chosen, including use of discounting of future cash flows and the use of the net asset values underlying the unquoted equity investment.

The table below summarises asset and liability fair values based on the valuation technique used.

Fair value hierarchy 2022-23

	Level 1 £bn	Level 2 £bn	Level 3 £bn	2022-23 Total £bn	2021-22 Total £bn
Financial assets at fair value:					
Debt securities	83.3	10.6	3.7	97.6	112.9
Equity investments	23.2	5.8	18.1	47.1	45.8
IMF quota	-	21.9	-	21.9	21.2
IMF Special Drawing Rights	36.4	-	-	36.4	33.8
Loans and deposits (including REPO)	-	14.4	7.7	22.1	23.9
Student loans	-	-	154.5	154.5	111.6
Other	6.1	16.9	35.1	58.1	49.5
Financial liabilities at fair value:					
Deposits by banks	-	(1.9)	-	(1.9)	(50.4)
IMF SDR Allocation	(32.1)	-	-	(32.1)	(30.9)
Financial Guarantees	-	-	(0.5)	(0.5)	(0.2)
Derivatives and Other	(0.1)	(11.7)	(20.1)	(31.9)	(39.6)

The most significant individual level 3 assets balance is student loans which is not observable market data. Further details can be found in the annual report and accounts of the Department for Education. Second is the CfD contracts which use a discounted cash flow methodology, further details can be found in the annual report and accounts of BEIS.

The most significant level 1 asset within equity investments is in the NatWest (formerly Royal Bank of Scotland (RBS)) relating to HMT's holding of the NatWest ordinary shares. The valuation of this asset changes based on the movement of the market. Further details can be found in the accounts of HMT.

Liquidity risk

The government's objective when funding its activities is to minimise, over the long term, the costs of meeting the government's financing needs considering risk, while ensuring that debt management policy is consistent with the aims of monetary policy.

Each year, the government assesses the costs and risks associated with different possible patterns of debt issuance, considering the most up-to-date evidence and information about market conditions and demand for debt instruments. This information is used to set the Debt Management Office's (DMO's) financing remit which is published alongside the Budget and updated during the year to reflect changes to the government's cash requirements.

There is a risk that the government will need to roll over high levels of debt continuously, or redemptions will be concentrated in particular years; this risk is mitigated by taking decisions which spread gilt issuance along a maturity spectrum.

DMO's issuance profile used in 2022-23 is summarised below:

	Short conventional (0-7 years)	Medium conventional (7-15 years)	Long conventional (over 15 years)	Index linked	Unallocated
2022-23 debt issuance %	38%	27%	24%	11%	0%

Local authorities adopt independent liquidity 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 enough 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 or from the government's Public Works Loan Board. Balances between the Public Works Loan Board and local authorities are eliminated on consolidation within WGA.

Interest rate risk

At present, annual debt management decisions are made in the context of an elevated level of debt relative to gross domestic product (GDP) and high government borrowing. The government takes annual decisions that enhance fiscal decisions by a) mitigating refinancing risk, that is, the need to roll over high levels of debt continuously and to avoid concentrating redemptions in particular years, by taking decisions which spread gilt issuance along the maturity spectrum, b) encouraging the

liquidity and efficiency of the gilt market and c) maintaining a diversity of exposure, both real and nominal, across the maturity spectrum, reflecting its preference for a balanced portfolio. As a result, subject to cost-effective financing, the government has decided to maintain a relatively long average maturity in the debt portfolio to limit exposure to refinancing risk and has also issued an appropriate balance of conventional and index-linked gilts over a range of maturities, taking account of structural demand, the diversity of the investor base and the government's preferences for inflation exposure. The government is exposed to cash flow interest rate risk on its remaining floating-rate investments and borrowings.

The most significant floating rate investments and borrowings are index-linked gilts and National Savings & Investments (NS&I) products, debt issued by Network Rail and student loans. Other central government departments do not invest or access funds from commercial sources, so have negligible exposure to interest rate risk. Deposits from banks and other financial institutions held by the Bank of England was £913.2 billion (2021-22: £971.2 billion).

Index-linked gilts expose the government to both interest rate risk and inflation risk whereby interest and redemption amounts paid on index-linked gilts vary monthly in line with changes in RPI. If interest rates were to increase by 100 basis points, then this would increase the government's borrowing costs by £2.4 billion (2021-22: £2.3 billion) and if RPI were to increase by 100 basis points then the government's borrowing costs would rise by £6.3 billion (2021-22: £5.8 billion). An element of this would be eliminated within the government boundary.

Network Rail has a combination of fixed, floating and index-linked debt issuances. As with the government's gilt portfolio, this gives rise to interest rate risk and inflation risk. Considering the impact on fair-valued debt issuances and the derivatives Network Rail uses to manage interest rate risk, if interest rates were to increase by 100 basis points, then this would decrease Network Rail's net expenditure by £0.1 billion (2021-22: £0.2 billion decrease) and if the RPI were to increase by 100 basis points then Network Rail's net expenditure would increase by £0.2 billion (2021-22: £0.2 billion increase).

Student loans – RPI and Bank of England base rate

Sensitivity analysis of **RPI**:

	2022-23 £bn
Carrying value	**137.8**
Increase RPI by 1%	(23.1)
Decrease RPI by 1%	24.6
Increase RPI by 2%	(43.4)
Decrease RPI by 2%	49.9

*Department for Education – Students Loan only

RPI has changed significantly since the pandemic, after a period of being broadly stable (at between 2-4%) in the three years beforehand. The rate dipped to 0.5% in August 2020, and has been more than 5% since October 2021, rising to 13.5% at March 2023 and only dropping slightly in the months since.

An increase in RPI leads to:

- a higher discount rate, which will lower the carrying value of loan books.
- increased interest on borrowers' balances in the following year for Plan 2 and postgraduate Plan 3 loans
- increased interest for Plan 1 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate.
- increased repayment threshold for Plan 1 loans, which results in lower repayments.

The outturn for March 2023 RPI is 13.5% and is forecast to drop significantly in the year to March 2024, then stabilise at 2.0% in the long-term (2021-22: 9.0%, forecast to reduce to 2.9% over the long-term). Long-term is considered to be 30 years for these purposes. The table above shows the impact of a 1 or 2% change to each RPI forecast in each of the forecast cash flow years. An increase in RPI reduces the valuation of the loan book, and a decrease in RPI increases the valuation.

The amounts are significant because of the impact that RPI has on the discount rate; as explained above and as seen in 2022-23, changes to the discount rate applied can have a significant impact on the carrying value of the loan book.

The percentage movements above are not against the yearend RPI value. The +/- margins are against the OBR's central forecast of RPI which

was used in the year end valuation modelling across the full 30-year life of the loans.

Credit risk

The categories of financial assets with inherent significant credit risks are loans and deposits (£299.9 billion) and student loans (£154.5 billion).

New Term Funding scheme for small to medium enterprises Term Funding Scheme with additional incentives for SMEs was £180.5 billion (2021-22: £192.4 billion). In March 2020, the Bank's policy committees announced a comprehensive package of measures to help UK businesses and households manage the economic disruption caused by the Covid virus. Part of this package involved the launch of the Term Funding Scheme with additional incentives for SMEs (TFSME). The TFSME is designed to:

- help reinforce the transmission of the reduction in Bank Rate to the real economy to ensure that businesses and households benefit from the MPC's actions.
- provide participants with a cost-effective source of funding to support additional lending to the real economy, providing insurance against adverse conditions in bank funding markets;
- incentivise banks to provide credit to businesses and households to bridge through a period of economic disruption; and
- provide additional incentives for banks to support lending to SMEs that typically bear the brunt of contractions in the supply of credit during periods of heightened risk aversion and economic downturns.

The drawdown period ran until 31 October 2021, or 30 April 2021 for participants which opted out of the TFSME extension. The term of each transaction is for four years from the date of drawdown. Participants in a TFSME Group that contains one or more accredited lenders under the British Business Bank's Bounce Back Loan Scheme (BBLS) will be able to extend the term of some transactions to align with the term of loans made through the BBLS. Participants may terminate any transaction, in part or in full, before its maturity date. The Bank charges interest on TFSME transactions equal to Bank Rate plus a Scheme fee (TFSME Fee). The fee is determined based on the net lending of each participant over the reference period of the scheme. This fee ranges from 0 basis points to 25 basis points. The reference period ran from 31 December 2019 to 30 June 2021, or 31 December 2020 Bank of England Page 140 for participants which opted out of the TFSME extension. TFSME scheme fees arising on lending are recognised as income on an accruals basis. TFSME income reflects Bank Rate on TFSME loans and £1.4 million (2021-22: £5.5 million) scheme fees receivable in the year. TFSME scheme fees are retained by the Bank as income.

A further £47.2 billion (2021-22: £89.0 billion) of loans and deposits arise from reverse sale and repurchase agreements (REPOS). These agreements are mainly entered into by the Bank of England, DMA, and

EEA. Exposures to credit risk are fully collateralised and assets held as collateral are revalued daily. The government returns collateral to the provider of collateral, or requests additional collateral, depending on whether the value of collateral has risen or fallen. Details on collateral held under these agreements can be found in the accounts of the Bank of England, the DMA and the EEA.

Student loans are a source of a credit risk. Eligible students can get loans regardless of their credit rating 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 and there are other circumstances when the loan will be written off, for example based on the age of the student. Therefore, even though most repayments are collected by HMRC as part of the tax collection process, not all the loans will be repaid.

The total balance sheet value of student loans provided by government, including those via the devolved administrations, is £154.5 billion (2021-22: £111.6 billion). The Department for Education, representing English students, holds £137.8 billion (2021-22: £97.9 billion). The face value of the Department for Education's loan book was £203.3 billion (2021-22: £178.5 billion face value).

Changes in the modelling assumptions

During the year, the following changes in assumptions and modelling have had significant impacts on the fair value of student loans.

	2023	2022	Movement improvement /(worsening)
	£bn	£bn	£bn
Remeasurements to existing loans arising from changes to			
Modelling improvements			
Long-term earnings model	-	(12.7)	12.7
Repayments model	-	(0.2)	0.2
Other	(1.2)	0.4	(1.6)
HMT discount rate	1.7	19.8	(18.1)
Macroeconomic factors	2.2	4.5	(2.3)
Policy changes	21.8	1.5	20.3
New data/unwinding	(0.4)	(0.4)	-
Student number forecasts	(1.7)	(1.4)	(0.3)
Total loan remeasurement	**22.4**	**11.5**	**10.9**

Annex C of the DfE 2022-23 published accounts contains further quantified disclosures about the impact of modelling changes. This annex contains breakdowns of the overall student loan disclosures analysed across the different loan portfolios.

Changes in the categorisation of Student Loans

Loans for students in higher education and further education are originated and recognised by the Department. The Department's student loans can be split into different repayment plans depending upon which education sector the borrowers were members of and when the loans were taken out. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012 (previously called Pre-2012 loans)

- Plan 2 loans – loans taken out for undergraduate courses that started on or after 1 September 2012, including advanced learner loans

- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018.

The impact of credit risk and policy decisions on repayment conditions on all Department for Education student loans are shown by the following table of fair value assets:

	2022-23 Balance sheet value £bn	2022-23 Face Value £bn	2021-22 Balance sheet value £bn	2021-22 Face Value £bn
Undergraduate Plan 1	14.7	28.2	15.0	29.3
Undergraduate Plan 2	118.1	170.0	78.8	144.9
Postgraduate Plan 3	5.0	5.1	4.1	4.3
Total student loans held by Department for Education	**137.8**	**203.3**	**97.9**	**178.5**

Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, the Department has used a discounted cash flow model, and this includes all expected cash flows, including the interest that is expected to be received. As a result, a single fair value movement is recognised in the SoCNE. The face value is made up of the opening face value, plus additions and capitalised interest, and less repayments and write-offs. Face value excludes fair value adjustments.

Following the adoption of IFRS 9 **expected credit loss** (ECL) "forward-looking model", it is no longer necessary for a loss event to have occurred before credit losses are recognised. WGA entities are required to

recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to both debt instruments accounted for at amortised cost and at FVTOCI. The figures below do not include financial assets with an ECL of zero and therefore do not match those presented elsewhere in this note.

Expected Credit Loss for assets held at amortised cost						
Financial assets impaired	**Gross financial assets**	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified Impairment rule**	**Net financial assets**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Trade and other receivables	48.9	-	-	-	(35.1)	13.8
Loans held at amortised costs	238.0	0.5	-	-	-	238.5
Total financial assets	**286.9**	**0.5**	**-**	**-**	**(35.1)**	**252.3**

Stage 1: all ECLs relating to loans held at amortised cost (£0.6 billion) are classified as Stage 1 which means these assets have no significant increase in credit risk since the asset's origination.

Stage 2: assets for which there has been a significant increase in credit risk since the asset's origination the impairment provision reflected full lifetime ECL.

Stage 3: assets which are in default, interest income is recognised only in respect of the balance net of impairment.

The above table illustrates:

- The WGA note most affected by the changes to the impairment of financial assets, under IFRS 9, is Note 16 (Trade and other receivables).
- Entities should apply the simplified expected credit loss model approach to trade receivables. Contract assets and lease receivables, when they meet certain criteria, shall always measure the loss allowance at an amount equal to lifetime expected credit loss. WGA entities can select their own accounting policy for trade receivables, lease receivables and contract assets independently. In 2022-23, WGA entities have

£35.0 billion expected credit loss under trade and other receivables.

- Most of loans held at amortised cost consist of £180.5 billion for the new TFS for small and medium enterprises.
- The Bank of England manages credit risk associated with these loans by ensuring that exposures are fully backed by collateral.

Foreign currency assets inevitably carry some element of credit risk. To keep this risk at a low level, the government predominantly invests in securities issued, or guaranteed by, the national governments of the United States, Euro area countries and Japan. The EEA debt securities are held at an equivalent external rating of AA and above (£63.9 billion, 2021-22: £67.3 billion) and A to AA (£7.8 billion, 2021-22: £6.5 billion) and were held within Europe (£24.1 billion, 2021-22: £24.5 billion), North America (£39.5 billion, 2021-22: £44.0 billion), and Asia-Pacific (£8.4 billion, 2021-22: £5.3 billion). Further details on the government's credit risk management of foreign currency reserves can be found in the 2022-23 Exchange Equalisation Account.

Foreign exchange rate risk

The government is mainly exposed to foreign exchange risk on the UK's official holdings of international reserves ('the Official Reserves'). Foreign currency reserves are held on a precautionary basis that could be used, when necessary, to regulate the exchange value of sterling, and is the mechanism through which any UK government exchange rate intervention would be conducted, for example in the event of any unexpected shocks.

The **Official Reserves** comprise two components: reserves that are hedged for currency and interest rate risk ('the hedged reserves'), and the remaining reserves which are unhedged for currency and interest rate risk ('the unhedged reserves'). The Official Reserves comprises assets held by the Exchange Equalisation Account (EEA) consisting of the UK's reserves of gold, foreign currency assets, and IMF SDRs, and assets held in the National Loan Fund (NLF) comprising the UK's Reserve Tranche Position at the IMF and lending to the IMF.

The Treasury has appointed the Bank of England to act as its agent in the day-to-day management of the EEA in accordance with an agreed framework and to manage the foreign currency assets and liabilities associated with the reserves of the NLF. The Bank of England monitors and controls market risk primarily by using a Value at Risk (VaR) model. This estimates a loss level that will not be exceeded at a specified confidence level, over a defined period, so that losses will not exceed the VaR figure in 99 out of 100 two-week periods.

The Bank calculates the VaR on benchmark reserve on an annual basis. The values of the benchmark reserves are based on market-to-market prices at the end of the period.

Benchmark reserves

	2023 $ Million	2022 $ Million
Hedged reserves		
Value at Risk (VaR) as at 31 March	89	92
Unhedged Reserves		
Value at Risk (VaR) as at 31 March	3,309	2,608

In addition to foreign currency reserves, the government is exposed to foreign exchange risk through the UK's transactions with the 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.

In 2018-19, investments in financial institutions primarily related to the value of the UK's capital investment in the European Investment Bank (EIB) of £9.9 billion as based on the UK's share of the EIB's net assets in euros. Therefore, the government was exposed to foreign exchange rate risk on the fair value of this equity investment. On 31 January 2020 the UK left the EU under the terms of the Withdrawal Agreement. Article 150 of the Withdrawal Agreement provides for the return of the UK's paid-in capital in the EIB, as it stood at the point of withdrawal. The resulting asset is recognised as a receivable. As a result, the EIB asset has been reclassified from non-current investment to receivable. This has also led to a change in the measurement basis of the asset, reflecting that the UK 's interest is no longer in the performance of the net assets of the EIB but rather in the reimbursement of historic contributions.

Article 150 of the Withdrawal Agreement provides for the return of the UK's paid-in capital in the EIB, as it stood at the point of withdrawal. The first instalment (£272 million) one of twelve instalments was received in October 2020. In accordance with the clear line of sight principle, the EIB asset was transferred from the Consolidated Fund to HM Treasury in 2020-21 with the effective date of 31 March 2021. HM Treasury's estimate of the fair value of the receipts under Article 150 is £1.954 billion (2021-22: £2.062 billion).

Price risk

The government is exposed to price risk on its shareholding in NatWest. The fair value of these UK listed shares fluctuates because of changes in market prices. Market prices for a share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market. UK Government Investments (UKGI - a wholly

owned subsidiary of HM Treasury) is responsible for the development and execution of an investment strategy for disposing of the investments in NatWest in an orderly and active way, within the context of protecting and creating value for the taxpayer.

Note 25. Public sector pensions

Pension liabilities

The public sector pension liabilities are summarised in the following table with figures separated out for each of the workforces. The table also shows the percentage change in the net liabilities between 2021-22 and 2022-23.

	Scheme liabilities £bn	Scheme assets £bn	2022-23 Net liabilities £bn	2021-22 Net liabilities £bn	Change in Net scheme liabilities %
Unfunded schemes:					
NHS	535.0	-	535.0	1,004.9	(46.8)
Teachers	334.7	-	334.7	608.0	(45.0)
Civil Service	221.5	-	221.5	377.1	(41.3)
Armed Forces	156.5	-	156.5	279.1	(43.9)
Police	104.1	-	104.1	163.4	(36.3)
Royal Mail	29.9	-	29.9	50.9	(41.3)
Fire	22.6	-	22.6	33.9	(33.3)
Other unfunded	14.4	-	14.4	22.0	(34.5)
	1,418.7	-	**1,418.7**	**2,539.3**	**(44.1)**
Funded schemes:					
Local government	216.1	(219.4)	(3.3)	76.6	(104.3)
Other funded	87.7	(88.1)	(0.4)	23.2	(101.7)
	303.8	**(307.5)**	**(3.7)**	**99.8**	**(103.7)**
Total	**1,722.5**	**(307.5)**	**1,415.0**	**2,639.1**	**(46.4)**

The Local Government Pensions Scheme (LGPS) is the largest funded scheme. There are 100 LGPS funds across the UK with 87 funds in England and Wales, 12 in Scotland and 1 in Northern Ireland. The individual 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 above includes the

portion of the pension liability of the LGPS that was reported in the financial accounts of the individual local authority employers.

There were a number of entities which contributed to the note total through their data submissions in 2021-22, but which did not make a submission to the WGA this year. The impact of these entities on this note's closing balance was £48.8 billion. Of those entities, the most significant is the Northern Ireland Teachers Pension Scheme, which contributed £22.1 billion in net liabilities (all unfunded scheme liabilities) to the WGA last year. At the time of preparing this WGA the 2022-23 accounts for this entity have yet to be published. Other significant non-submitting entities in 2022-23 were the Lancashire Police and Crime Commissioner (2021-22: £4.5 billion), the Essex Police and Crime Commissioner (2021-22 : £3.5 billion), Birmingham City Council (2021-22 : £2.8 billion), and the Leicestershire Police and Crime Commissioner (2021-22 : £2.7 billion).

Similarly, there were also a number of entities which made contributions to the note this year but did not make a submission last year. In terms of the net impact on this note's opening balances, these entities contributed a total of £9.8 billion this year. The net impact of these entities on the note's closing balance was £3.8 billion, with the major contributors being the South Yorkshire Police and Crime Commissioner (£2.6 billion), and the Norfolk Police and Crime Commissioner (£1.4 billion), offset slightly by net asset contributions from other entities.

The net decrease in the closing balance as a result of missing data is therefore £45.0 billion.

For the note overall, there has been a year-on-year decrease in the net liability of £1,224.1 billion, which is the net effect of a decrease in total liabilities of £1,266.2 billion, partially offset by a decrease in assets of £42.1 billion.

The principal reason for the £1,224.1 billion decrease in net liabilities relates to changes in actuarial assumptions. The overall impact on liabilities from these was a £1,357.1 billion decrease. This is made up of reductions to liabilities values of unfunded schemes of £1,218.3 billion and funded schemes of £138.8 billion. At net liabilities level the impact of actuarial assumptions on liabilities is partially offset by decreases to the value of funded scheme assets. The primary drivers for the changes in actuarial assumptions are an increase in nominal discount rate, a decrease in the assumed rate of pension increases, and the decrease in the assumed rate of general pay increases. Please see the performance report from paragraph 1.148 for more detailed information on the impact of these factors.

The combined liabilities total for the **NHS Pension Schemes** has decreased by £469.9 billion. The main contributors to this decrease are the England/Wales NHS Pension Scheme (£409.2 billion decrease), the Scottish NHS Pension Scheme (£40.6 billion decrease), and the Health

and Social Care Pension Scheme in Northern Ireland (£20.0 billion decrease).

The combined liabilities total for the **Teachers' Pension Schemes** has decreased by £273.3 billion. The contributors to this decrease are the Teachers' Pension Scheme (England & Wales) (£229.1 billion decrease), the Scottish Teachers' Pension Scheme (£22.0 billion decrease), and the Northern Ireland Teachers' Superannuation Scheme (£22.2 billion decrease). The latter variance is due to the entity not making a WGA submission in 2022-23, and is part of the missing data total quoted above.

The combined liabilities total of the **Civil Service Pension Schemes** has fallen by £155.6 billion. The main contributor to the decrease is the Civil Service Pension Scheme (Great Britain) (£144.4 billion decrease). There is no significant impact from missing data in this category.

The liabilities total of the **Armed Forces Pension Scheme** has fallen by £122.6 billion. There is only one scheme in this category. £129.6 billion of decrease is due to an actuarial gain, partially offset by the net impact of in year costs and payments.

The combined liabilities total of the **Police Pension Schemes** has fallen by £59.3 billion. £11.8 billion of this decrease is due to four funds which submitted data for 2021-22 but did not submit this year, partially offset by two schemes which submitted in 2022-23 but not in 2021-22 (£4.0 billion increase). The two schemes with the most significant decreases are the Mayor's Office for Policing and Crime (Mayor of London, £13.6 billion decrease) and the Scottish Police Authority (£11.0 billion decrease). The remaining £26.9 billion decrease relates to the combined impact of a further 29 funds with smaller individual decreases.

Other unfunded schemes include schemes within the UK Atomic Energy Authority Pension Scheme of £5.8 billion (2021-22: £9.4 billion); and the Research Councils Pension Scheme (RCPS) of £4.4 billion (2021-22: £7.2 billion).

Other Funded schemes are made up of a number of schemes, with the largest net liabilities in 2022-23 being reported by Academy schools (£3.4 billion, 2021-22: £17.9 billion), and the Department for Transport, including Network Rail (£0.9 billion, 2021-22: £4.0 billion). It also includes other pension scheme liabilities for bodies within the WGA boundary which are not local authorities. Please note that the Academy Schools liabilities could be significantly different if the liability had been calculated as at 31 March 2023 instead of 31 August 2021.

There is an overall movement on net assets/liabilities on funded schemes of £103.5 billion, from a net liability of £99.8 billion in 2021-22 to a net asset of £3.7 billion this year. This is due the net effect of the value of scheme liabilities decreasing by £145.6 billion to £303.8 billion (2021-22: £449.4 billion) while the value of assets has fallen by £42.1 billion to £307.5 billion (2021-22: £349.6 billion).

In addition to updates provided in annual accounts, public sector pension schemes carry out periodic full actuarial valuations which are used to set employer contribution rates. The last full actuarial valuations for the unfunded pension schemes which contribute the majority of the total value as per the WGA were carried out as at 31 March 2023.

Decrease in pension liabilities

The table below breaks down the changes in the present value of gross scheme liabilities over the financial year.

	Unfunded	Funded	Total	Total
			2022-23	2021-22
	£bn	£bn	£bn	£bn
Gross liability at 1 April	2,539.3	449.4	2,988.7	2,646.9
Restatements	(34.7)	(1.1)	(35.8)	0.4
Boundary adjustment	(30.0)	(24.8)	(54.8)	86.2
Current service costs (net of participants' contribution)	101.1	15.5	116.6	105.5
Past service costs	0.0	0.1	0.1	0.5
Settlements/curtailments	0.0	(0.2)	(0.2)	0.1
Interest on scheme liabilities	40.5	10.8	51.3	39.0
Contribution by scheme participants	11.8	2.1	13.9	13.3
(Gains)/Losses on revaluation:				
Experience (gains) and losses arising on liabilities	58.8	1.0	59.8	(0.2)
Changes in assumptions underlying the value of liabilities	(1,218.3)	(138.8)	(1,357.1)	150.5
Benefits paid	(50.0)	(10.4)	(60.4)	(56.2)
Transfers in/(out)	0.2	0.2	0.4	2.7
Gross liability at 31 March	**1,418.7**	**303.8**	**1,722.5**	**2,988.7**

The boundary adjustment reflects the net impact of entities which submitted data for one but not both of 2022-23 and 2021-22, as referenced above.

Restatements primarily comprise:

£29.0 billion relating to the adjustment of 31 March 2022 pension liability balances for the National Health Service Pension Scheme, to bring them in line with updated assumptions (see SoCTE), arising from inconsistencies in the source data used to calculate the assumptions estimates.

- £5.4 billion relating to the adjustment of 31 March 2022 pension liability balances for the Royal Mail Pension Scheme, as a result of a revised understanding of underlying pensions data (see SoCTE).

Overall, the net public sector pension liability decreased by £1,224.1 billion during the year. This is broken down as follows:

	2022-23	2021-22
	£bn	£bn
Net liability at 1 April	2,639.1	2,306.2
Restatement	(35.2)	0.3
Boundary adjustment	(39.0)	106.8
Net (gains)/losses on revaluation	(1,269.0)	133.9
Current service costs (net of participants' contributions)	116.6	105.5
Net interest costs	47.7	28.3
Unfunded schemes benefits paid	(50.0)	(45.8)
Past service costs	0.1	0.5
Net settlements/curtailments	(0.2)	0.1
Contribution by unfunded scheme participants	11.8	11.3
Contribution by funded scheme employers	(7.5)	(7.5)
Net transfers in/(out)	0.6	(0.5)
Net liability at 31 March	**1,415.0**	**2,639.1**

As summarised in the above tables, the change in the net pension liability is largely dictated by four factors:

- the revaluation gain or loss, which at this year-end decreases the liability as a gain was recognised.
- the current service costs which increase the liability.
- the net interest costs which increase the liability.

- the benefits paid from the unfunded schemes which reduce the liability.

This volatility in the revaluation gain or loss is predominantly due to the change in assumptions, in particular the discount rate net of inflation and demographic assumptions. The discount rate for central government unfunded schemes is based on yields of high quality (AA) corporate bonds. The return on corporate bonds is only used to discount the future benefit payments to the present day, therefore whilst movement in the assumption has a significant impact on the liability figure in the accounts from year to year, as shown by the sensitivity analysis, it does not influence the level of benefits received by the members.

The key financial assumptions are shown in Note 2.6 and show that, for the central government unfunded schemes, the (net of CPI) discount rate increased from (1.3%) in 31 March 2022 to 1.7% in 31 March 2023. The increase in discount rate decreases the present value of liabilities. This actuarial gain from the discount rate is recognised in other comprehensive expenditure rather than against net income. The decrease in liability from the change in discount rate was accompanied by other changes in other assumptions, leading to an overall revaluation gain that decreased the liability.

The table below shows the approximate sensitivity of the **unfunded liability** to changes in key assumptions. Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability. The sensitivity will be similar for the gross liability of the funded schemes.

	% change in value of unfunded liability	£bn change in unfunded liability
Increasing the assumption by 0.5% a year:		
Discount rate	**(8.0%)**	(113.0)
Rate of increase in pensions	8.0%	113.0
Rate of increase in Salaries	1.0%	14.0
Increasing assumed life expectancy in retirement by 1 year	3.0%	43.0

The **current service cost** is an estimate made by scheme actuaries of the benefits earned by employees in the year.

The **net interest cost** reflects the increase in the present value of the pension liability during the year because the benefits are one period closer to settlement. The financing cost is based on the discount rate (including inflation) at the start of the year and is calculated on the net

liability. The expense from unwinding the discount rate is recognised against net expenditure.

Past service costs reflect changes in the present value of scheme liabilities related to employee service in prior periods that arise in the current period as a result of changes to retirement benefits.

Pension assets

Funded pension schemes hold the following assets:

	Local government £bn	Other funded £bn	2022-23 Total £bn	2021-22 Total £bn
Equity investments	125.7	30.1	155.8	178.6
Bonds	30.4	26.6	57.0	65.3
Other	63.3	31.4	94.7	105.7
Total market value	219.4	88.1	307.5	349.6

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.

Decrease in pension assets

The table below breaks down the increase in the fair value of funded scheme assets over the financial year.

	2022-23 £bn	2021-22 £bn
Gross assets at 1 April	349.6	340.7
Boundary Adjustment	(15.8)	(20.6)
Restatements	(0.5)	0.1
Interest on scheme assets	3.6	10.7
Actual return less interest on scheme assets	(28.4)	16.4
Contributions by employers	7.5	7.5
Contributions by scheme participants	2.1	2.0
Benefits paid	(10.4)	(10.4)
Transfers in/out	(0.2)	3.2
Gross assets at 31 March	**307.5**	**349.6**

Amounts recognised in the financial statements

Amounts recognised in the Statement of Revenue and Expenditure are as follows:

	Unfunded £bn	Funded (net) £bn	2022-23 Total £bn	2021-22 Total £bn
Current service cost	101.1	15.5	116.6	105.5
Past service cost	-	0.1	0.1	0.5
Settlements/ curtailments	-	(0.2)	(0.2)	0.1
Net financing cost	40.5	10.8	51.3	39.0
Total recognised in the Statement of Revenue and Expenditure	**141.6**	**26.2**	**167.8**	**145.1**

Note 26. Capital commitments

	2022-23 £bn	2021-22 £bn
Capital commitments at year end	60.4	53.3
Total capital commitments	**60.4**	**53.3**

Capital commitments represent forthcoming commitments to capital expenditure that have been contracted but are not yet reflected in the financial statements. For the fiscal year 2022-23, the total stood at £60.4 billion (2021-22: £53.3 billion), a £7.1bn increase on 2021-22.

The most notable capital commitments in 2022-23 were reported by the Ministry of Defence, amounting to £31.4 billion (2021-22: £24.4 billion), and the Department for Transport with £7.9 billion (2021-22: £6.7 billion). The most significant contributors to the increase in capital commitments were also the Ministry of Defence and the Department for Transport, contributing £7.0 billion and £1.2 billion increases in commitments respectively.

In the 2021-22 period, several entities contributed £1.7 billion to the note total through data submissions but did not submit to the WGA this year. Conversely, this year, other entities contributed £0.9 billion to the note but did not submit data in 2021-22, resulting in a net decrease of £0.8 billion.

Note 27. Commitments under leases

Operating leases

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

Non - IFRS 16 Operating leases

	2022-23 £bn	2021-22 £bn
Obligations under operating leases comprised:		
Total payments within one year	0.4	2.8
Total payments between one and five years	0.8	7.0
Total payments thereafter	2.9	16.4
Total future minimum lease payments under operating leases	4.1	26.2

There has been a £22.1 billion decrease in Non – IFRS 16 operating leases, from £26.2 billion in 2021-22 to £4.1 billion in 2022-23, mainly driven by the adoption of a new standard, IFRS Leases, which replaced IAS 17; this became effective from 1 April 2022 across central government and applied to all financial statements.

IFRS 16 - Operating leases as a lessor

	2022-23 £bn	2021-22 £bn
Future minimum lease payments under non-cancellable operating leases comprise:		
Total payments within one year	0.2	-
Total payments between one and five years	0.8	-
Total payments thereafter	1.7	-
Total future minimum lease payments under operating leases	2.7	-

The increase reflects the impact of adopting IFRS 16 Leases as the cumulative catch-up method, without restatement of prior year figures.

Most leases, previously treated as operating leases, were recognised on-balance sheet as right of use assets and lease liabilities. As a result, additional lease liabilities have been recognised.

Several entities contributed to the operating leases (Non IFRS 16) total through their data submissions in 2021-22 but did not make a submission to the WGA this year. These entities contributed £0.7 billion to this note's finance leases total last year. Similarly, some entities made contributions to the note this year but did not submit data in 2021-22. These entities contributed £0.7 billion to operating leases this year, resulting in a net zero movement.

Finance leases

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

Non - IFRS 16 - Finance leases

	2022-23 £bn	2021-22 £bn
Obligations under finance leases comprised:		
Total payments within one year	0.1	0.7
Total payments between one and five years	0.4	2.4
Total payments thereafter	1.8	19.3
Total	2.3	22.4
Less interest element	(0.7)	(15.1)
Total present value of obligations	1.6	7.3

The carrying amount of finance lease liabilities as of 1 April 2022 was the same as it was immediately before that date under IAS 17. With the application of IFRS 16 from 1 April 2022, these contracts have resulted in a £5.7 billion reduction.

IFRS 16 - Lease liabilities

	2022-23 £bn	2021-22 £bn
Lease liabilities - infrastructure		
Total payments within one year	0.2	-
Total payments between one and five years	0.4	-
Total payments thereafter	1.0	-
Total	**1.6**	**-**
Less interest element	(0.2)	-
Present value obligation	**1.4**	**-**
Lease liabilities – Land & Buildings		
Total payments within one year	2.6	-
Total payments between one and five years	7.6	-
Total payments thereafter	46.9	-
Total	**57.1**	**-**
Less interest element	(37.6)	-
Present value obligation	**19.5**	**-**
Lease liabilities - Other		
Total payments within one year	0.7	-
Total payments between one and five years	1.5	-
Total payments thereafter	2.2	-
Total	**4.4**	**-**
Less interest element	(1.0)	-
Present value obligation	**3.4**	**-**
Current (before interest deduction)	3.5	-
Non-current (before interest deduction)	59.6	-

Central government departments adopted IFRS 16: Leases for the first time from 1 April 2022 and, as permitted by HM Treasury, has applied the transitional arrangements without restating prior year figures. Most

leases recognised as operating leases until 31 March 2022 are now recognised as right-of-use lease assets together with their associated lease liabilities. The most significant balances are MOD (£40.8 billion) and the Department of Health and Social Care (£4.9 billion).

Several entities contributed to the finance leases (Non IFRS 16) total through their data submissions in 2021-22 but did not make a submission to the WGA this year. These entities contributed £0.2 billion to this note's finance leases total last year. Additionally, some entities made contributions to the note this year but did not submit data in 2021-22. These entities contributed £0.0 billion to finance leases this year, resulting in a net decrease of £0.2 billion.

Amounts recognised in the financial statements

Amounts recognised in the Statement of Revenue and Expenditure are as follows:

	2022-23 Total £bn	2021-22 Total £bn
IFRS 16 interest on lease liabilities – finance costs	0.5	-
Income of sub-leasing ROU assets	-	-
Expenses relating to short term liabilities	0.1	-
Expenses relating to leases of low-value assets, excluding short term leases of low-value assets	0.1	-
Variable lease payments not included in measurement of lease liabilities	-	-
Total	**0.7**	**-**

Note 28. Commitments under Private Finance Initiative (PFI) contracts

PFI contracts recognised on the Statement of Financial Position

The substance of PFI contracts is that they have three elements: repayments of capital and interest (together representing a finance lease liability), and annual service charges.

As of 2018 PFI contracts were discontinued leading to a decline in the number of contracts, and therefore a decline in obligation figures, as these contracts expire in future years. The net book value of PFI assets has also decreased as shown in Note 12.

During the 2022-23 financial year WGA adopted IFRS 16. Under the government Financial Reporting Manual PFI contracts will fall within scope of IFRS 16 from the 1st of April 2023, with no retrospective application. This would therefore have no impact on the figures during the 2022-23 financial year.

PFI assets are 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. The net book value of PFI assets included in the Statement of Financial Position was £65.5 billion (2021-22: £68.8 billion) as at 31 March 2023. The PFI liability for the present value of capital amounts payable was £26.9 billion (2021-22: £30.2 billion). The net present value of PFI obligations is recognised as a liability on the Statement of Financial Position as £26.9 billion whereas in the table below £26.8 billion has been reported. This is because interest charges and annual service charges are not recognised as liabilities in the Statement of Financial Position and are disclosed as commitments. These amounts will be recognised in the Statement of Revenue and Expenditure in the year they become due. The net present value of PFI obligations represents the liability for capital repayments. The most significant net present value of future finance lease obligations balance of £9.5 billion (2021-22: £9.9 billion) are held by the Department of Health and Social Care and £3.2 billion (2021-22: £3.6 billion) are held by the Ministry of Defence.

The overall service charge balance has increased by £0.7 billion with the most significant total annual service charge balance of £21.6 billion (2021-22: £21.0 billion) held by the Department of Health and Social Care, £9.9 billion (2021-22: £9.5 billion) held by the Ministry of Defence and £7.8 billion (2021-22: £6.8 billion) held by the Department for Transport. The Ministry of Justice showed the largest increase of £1.2 billion totalling £4.5 billion (2021-22: £3.3 billion) in service charges.

Details of the underlying finance lease liability are given in the table below:

	2022-23 £bn	2021-22 £bn
Obligations for future periods arise in the following periods:		
No later than one year	3.4	3.9
Later than one year and not later than five years	13.2	14.1
Later than five years	29.3	34.9
Gross present value of future finance lease obligations	**45.9**	**52.9**
Less interest charges allocated to future periods	(19.1)	(22.3)
Net present value of future finance lease obligations	**26.8**	**30.6**

Details of the minimum annual service charge are given in the table below:

	2022-23 £bn	2021-22 £bn
Obligations for future periods arise in the following periods:		
No later than one year	5.1	4.8
Later than one year and not later than five years	18.9	17.3
Later than five years	40.8	42.0
Total annual service charges	**64.8**	**64.1**

The PFI obligations by segment of government were:

	2022-23 £bn	2021-22 £bn
Central government departments and entities within the NHS	31.2	34.1
Local authorities	14.2	18.1
Public corporations	0.5	0.7
Gross present value of future finance lease obligations	**45.9**	**52.9**

Several entities that submitted data for this note in 2021-22 did not make a submission to the WGA this year. Last year, these entities contributed £2.4 billion in finance lease liabilities and £4.1 billion in annual service charge obligations. Conversely, some entities made contributions this year but did not submit data in 2021-22. This year, these entities contributed £0.5 billion in finance lease liabilities and £1.1 billion in annual service charge obligations. This results in a net decrease of £1.9 billion in finance lease liabilities and £3.0 billion in annual service charge obligations.

PFI contracts not recognised on the Statement of Financial Position

During the 2022-23 financial year, some WGA entities had PFI contracts which were not recognised on the Statement of Financial Position. This is because the private sector contractor was, on balance, considered to have greater control over the use of the asset.

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 the 2022-23 WGA that are not already consolidated.

Note 29. Other financial commitments

	2022-23 £bn	2021-22 £bn
Financial commitments expiring in future years:		
No later than one year	30.5	31.4
Later than one year and not later than five years	48.8	47.1
Later than five years	16.2	12.2
Total other financial commitments	**95.5**	**90.7**

Other Financial Commitments relate to non-cancellable contracts which are not leases, PFI contracts, or other service concession arrangements.

The year-on-year increase in other financial commitments is £4.8 billion. Various significant movements yield that total, most the result of prior year restatements. The Home Office commitments decreased by £11.4 billion as a result of testing which identified 95% of contracts included in 2021-22 that were cancellable. Similarly, the Department for Transport saw their 2021-22 figures restated upwards by £2.2 billion due to spend on a Search and Rescue Helicopter contract. Inclusion of new commitments also contributed to an increase. The Department for the Environment and Rural Affairs reported an increase of £2.0 billion, primarily due to the inclusion of Rural Payment Agency commitments. Despite this, their prior year figures were not restated.

There were a number of entities which contributed to the note total through their data submissions in 2021-22, but which did not make a submission to the WGA in 2022-23. These entities contributed a total of £0.4 billion to this note's total last year. Similarly, there were also a number of entities which made contributions to the note in 2022-23 year but did not make a submission in 2021-22. These entities contributed a total of £4.2 billion to the note, yielding a net increase of £3.8 billion.

Note 30. Contingent liabilities disclosed under IAS 37

Quantifiable contingent liabilities

Total quantifiable contingent liabilities disclosed under IAS 37 are as follows:

	2022-23 £bn	2021-22 £bn
Clinical negligence	33.4	75.2
Nuclear decommissioning	18.5	16.7
Taxes subject to challenge	4.1	3.2
FCDO contingencies for international events	3.3	2.5
Other	8.1	9.4
Total quantifiable contingent liabilities	**67.4**	**107.0**

The contingent liabilities total has decreased significantly, by £39.6 billion, from 2021-22 to 2022-23. The most significant contribution to this movement is a decrease in the clinical negligence total of £41.8 billion, reported by the Department of Health and Social Care (DHSC).

Individually significant contingent liabilities within the 'other' category were held by the following entities: Department of Work and Pensions (DWP) £2.3 billion (2021-22: £2.0 billion), Department for Transport (DfT) £1.5 billion (2021-22: £2.0 billion), and the Ministry of Defence (MoD) £1.3 billion (2021-22: £1.3 billion).

A significant amount of the change in clinical negligence contingent liabilities is due to changes in discount rates which bring future cash flows, in this case contingent, into present terms. Due to the long-term nature of some of the contingent liabilities, they are extremely sensitive to long term and very long-term interest rates. More detail on interest rates can be found in **Note 23: Provisions for Liabilities and Charges**.

One entity contributed to the note total through their data submissions in 2021-22 but did not submit to the WGA this year. Similarly, two entities contributed to the note this year but did not submit in 2021-22. In each case, these entities contributed less than £0.1 billion in their respective years, so the figures shown above are not affected by the missing data.

Individually significant quantifiable contingent liabilities are detailed below:

Clinical negligence £33.4bn (2021-22: £75.2bn)

Most of the clinical negligence contingent liabilities are reported by DHSC, which contributes £32.5 billion (2021-22: £73.4 billion) to the note total. The remainder of the balance is reported by the health bodies of the devolved administrations. Of the £32.5 billion (2021-22: £73.4 billion) reported by DHSC, £30.8 billion (2021-22: £70.8 billion) relates to the Clinical Negligence Scheme for Trusts (CNST) and would be expected to be met by payments by NHS providers.

The DHSC is the actual or potential defendant in a number of actions regarding alleged clinical negligence, liabilities relating to the NHS property or third parties. In some cases, costs have been provided for or otherwise charged to the accounts. In other cases, there is a large degree of uncertainty as to DHSC's liability and the amounts involved.

Although the change in discount rates prescribed by HM Treasury has a material effect on the value of the liabilities, it does not alter the cost of settling claims in the short term – which is driven by the frequency and severity of claims and the legal environment in which the claims are settled.

Nuclear decommissioning: £18.5bn (2021-22: £16.7bn)

On 23 June 2021, the Nuclear Decommissioning Authority (NDA), the Government, and EDF Energy, entered new decommissioning arrangements for seven Advanced Gas-cooled Reactor (AGR) stations in which the Government has directed NDA to take on the future ownership of the stations for decommissioning. The work will be undertaken by the NDA subsidiary Magnox Limited (now known as Nuclear Restoration Services Limited). The NDA will recognise the estimated future liability in its financial statements for each of the stations at the respective points at which NDA takes ownership. The Nuclear Liabilities Fund will meet the liability.

The completion and timing of the transfer of ownership is currently uncertain and contingent on the fulfilment of a number of conditions by the parties involved. The NDA therefore recognises a contingent liability for the future decommissioning costs of the stations. This has been estimated by the current owner of the stations at £18.5 billion (undiscounted) in its most recently published accounts.

Taxes subject to challenge: £4.1bn (2021-22: 3.2bn)

As at 31 March 2023, HMRC has 8 cases estimated to have a value of £4.1 billion (compared to 7 cases with an estimated value of £3.2 billion as at 31 March 2022) where the maximum potential tax repayment, before losses, capital allowances and other tax reliefs, is over £100 million. Each case may include a lead case with follower claimants and cover a range of heads of duty, including Corporation Tax, Income Tax and VAT.

Foreign, Commonwealth and Development Office: £3.3bn (2021-22: £2.5bn)

Contingent liabilities of £3.3 billion (2021-22: £2.3 billion) exist in respect of contributions due to International Financial Institutions (IFIs). Uncertainty exists as this is subject to certain future performance conditions, which have been subject to formal approval by Parliament but are not yet supported either by promissory notes or cash payments. The movement in the year is due to further replenishments to the IFIs which have been made in the year. The FCDO expects a high proportion of this amount to crystalise as a liability in the coming years.

Non-quantifiable contingent liabilities

Contingent liabilities may not be quantifiable due to a variety of reasons. This includes the possibility of multiple scenarios and permutations (potentially involving complex and changing technology), and the variety and the uncertainty surrounding the events that may lead to crystallisation of any obligation. In some scenarios objective evidence to support valuations of contingent liabilities is not available and hence they cannot be measured with sufficient reliability.

Individually significant unquantifiable contingent liabilities are detailed below:

Commitments in relation to pension scheme deficits

Non-quantifiable contingent liabilities have arisen because 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.

Ministry of Defence

The Ministry of Defence has several non-quantifiable contingent liabilities, including potential costs for decontamination work on various sites, liabilities arising from in-service mortality rates exceeding those covered by the Service Life Insurance scheme, and responsibilities related to environmental and safety concerns for numerous shipwrecks both in UK waters and globally. Additionally, there are potential losses or claims associated with the International Ocean Towage Agreement. More details on these non-quantifiable contingent liabilities can be found in the Ministry of Defence's 2022-23 Annual Report and Accounts.

Liabilities Related to the Covid-19 Vaccination Programme

DHSC holds contingent liabilities related to contracts with Pfizer/BioNTech and AstraZeneca/Oxford for Covid-19 vaccines. DHSC also faces additional contingent liabilities related to the Covid-19 vaccine programme, with some liabilities reported in 2021-22 having crystallized into provisions.

Legal Claims

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

Benefits underpayments

Separately from legal cases, the Department for Work and Pensions (DWP) recognizes that administrative errors (referred to as official errors) by its staff can lead to benefit underpayments. When underpayments due to official errors are identified, DWP promptly pays the arrears in full. Through its annual review of fraud and error statistics, DWP estimates the extent of official errors for both the current and previous years.

For 2022-23, DWP estimates that underpayments amount to £3.3 billion. These estimates are based on statistical samples, so DWP does not have a comprehensive list of all underpaid benefit cases that it can correct. Due to limitations in data, DWP cannot quantify the cumulative historic liability, leading to a contingent liability for underpayments that have not yet been identified and corrected. Currently, DWP lacks a mechanism to calculate the value of historic official errors corrected within the year to support an overall quantification of the outstanding liability. DWP plans to review processes and available data sources with the aim of quantifying this liability in the future.

Quantifiable Contingent Assets

IAS 37 – Provisions, contingent liabilities and contingent assets – requires the disclosure of contingent assets, defined as:

- A possible asset that arises from past events, and
- Whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within control of the entity.

Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable. Once the realisation of income is certain, the asset is no longer a contingent asset and is recognised at this time. As at 31 March 2023, total quantifiable contingent assets were reported of £1.8 (2021-22: £2.0 billion). The largest individual contingent asset was stated by HM Treasury of £1.5 billion (2021-22: £1.5 Billion).

HM Treasury - Article 141 Fine Income: £1.5bn (2021-22: £1.5bn)

Under Article 141 of the Withdrawal Agreement the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. A contingent asset is disclosed in relation to the fine income where the likelihood of cash inflow is dependent on the

EU successfully winning the case and this likelihood is assessed to be probable.

Following the end of the transition period the contingent assets under this article that are not the subject of ongoing litigation are no longer contingent and appear in Note 20 – Trade and other receivables. The value is estimated based on fines issued by the EU, but not yet definitive and adjusted for fines expected to be issued relating to the period based on past performance. HM Treasury's current best estimate of the contingent asset related to fine income is £1.5 billion (2021-22 £1.5 billion).

Note 31. Remote contingent liabilities reported to Parliament

In addition to the contingent liabilities reported in Note 30, government departments additionally disclose contingent liabilities where the risk of the liability crystallising is remote. These remote contingent liabilities are not required to be disclosed under accounting standards but are reported here on the basis that guarantees, indemnities and letters of comfort are a source of financial risk.

Quantifiable remote contingent liabilities

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

	1 April 2022 Total	Increase / (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2023 Total
	£bn	£bn	£bn	£bn	£bn
Pension Protection Fund (PPF) remote contingent liabilities	60.0	(16.9)	-	(37.1)	6.0
Guarantees (excluding European Investment Bank (EIB))	27.5	16.2	-	(0.3)	43.4
Indemnities	37.4	2.6	-	(0.3)	39.7
Letters of comfort	23.4	4.3	-	-	27.7
EIB Guarantees	30.7	1.5	-	-	32.2
Total remote contingent liabilities	**179.0**	**7.7**	**-**	**(37.7)**	**149.0**

The decrease of £30.0 billion in this note's total is largely due to the Pension Protection Funds (PPF) contingent liabilities decreasing by £54.0 billion year-on year. This was partially offset by an increase in Guarantees held by HM Treasury of £14.3 billion. Please see further details on the government's remote contingent liabilities in the sections below.

There is no impact to this note of entities which made submissions to the WGA in only one but not both of the 2022-23 and 2021-22 financial years.

Individually significant remote contingent liabilities are detailed below:

Non-quantifiable remote contingent liabilities

Remote contingent liabilities can also be unquantifiable. The most significant liabilities are detailed below:

EU Withdrawal Agreement

The United Kingdom officially exited the European Union on January 31, 2020. HM Treasury continues to manage the financial settlement as outlined in the Withdrawal Agreement. This settlement addresses the financial obligations between the UK and the EU, stemming from the UK's participation in the EU budget and other commitments from its former membership.

HM Treasury has disclosed quantifiable contingent liabilities related to the European Investment Bank (EIB). Additionally, it has noted an unquantifiable remote contingent liability for any other potential liabilities that may arise from the implementation of the Withdrawal Agreement.

Environmental clean-up– oil and gas industry

The government has established agreements with oil and gas companies to ensure the availability of tax relief for decommissioning activities. Under the terms of participating in a licence within the UK or UK Continental Shelf, companies are legally required to properly decommission their operations once oil and gas production ends.

These agreements, known as Deeds, have been signed by the government and eligible companies, providing greater certainty regarding decommissioning tax relief. This supports the government's goal of maximizing the economic production of oil and gas reserves in the UK Continental Shelf. The Deeds are designed to release capital that companies would otherwise reserve against potential changes in tax regulations.

As of March 31, 2023, 105 Deeds were in effect (2021-22: 101). These Deeds indemnify companies against changes in tax legislation or the default of joint-venture partners concerning their decommissioning activities. HM Treasury has not disclosed the potential financial value of these Deeds, as it is unquantifiable due to the lack of comparable data for calculation.

Environmental clean-up – Nuclear

The Department for Business, Energy and Industrial Strategy (BEIS) has the following remote contingent liabilities in place in relation to potential nuclear related environmental clean-up costs.

The Nuclear Liabilities Fund was established in 1996 to meet certain costs of decommissioning eight nuclear power plants in the UK that have been owned and operated by EDF Energy Nuclear Generation Limited since 2009. A constructive obligation was created in 2002 when the government undertook to underwrite the Fund in respect of these liabilities to the extent that the assets of the Fund might fall short; any

surplus generated by the Fund would be paid over to the government once the liabilities have been met. The total undiscounted estimated liability as at 31 March 2023 of £26.5 billion (2021- 22: £24.7 billion) has a present value of £19.0 billion (2021-22: £51.9 billion) which includes an allowance for future inflation. The value of the Fund as at 31 March 2023 is £20.5 billion (2021-22: £20.4 billion). It is not possible to quantify the extent to which the government may be obliged to contribute to the Fund, nor of any surplus that may arise, given the high level of uncertainty relating to estimation of decommissioning costs and investment returns on Fund assets over a future period exceeding 100 years.

Also, a contingent liability exists in relation to the costs of retrieving and disposing of sealed radioactive sources under the Environmental Permitting (England and Wales) Regulations 2016 in the event that a company keeping such sources becomes insolvent.

In addition to this, a contingent liability arises in relation to the remediation of land contaminated by a nuclear occurrence as it is deemed appropriate for BEIS to bear responsibility under section 9 of the Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245.

Other Nuclear

The Department for Business, Energy and Industrial Strategy (BEIS) has provided indemnities to the UK Atomic Energy Authority to cover indemnities given to carriers and British Nuclear Fuels plc against certain claims for damage caused by nuclear material during transportation. Additionally, BEIS holds statutory liability under the Nuclear Installations Act 1965 (as amended by the Nuclear Installations (Liability for Damage) Order 2016) for third-party claims exceeding the operator's liability in the event of a nuclear accident in the UK. BEIS also has a contingent liability for potential claims arising from exposure to ionising radiation due to the fusion activities of the UK Atomic Energy Authority. Furthermore, BEIS offers protections in specific scenarios where the Hinkley Point C nuclear plant is shut down due to political reasons or certain changes in law and insurance contracts.

Contingent liabilities for reinsurance arising from acts of terrorism

Pool Re and Pool Re (Nuclear) are mutual reinsurance companies providing terrorism cover for damage to industrial and commercial property or nuclear facilities and consequential business interruption in Great Britain who pay a portion of their income to HM Treasury. In the event of losses exceeding their available resources, HM Treasury would extend them a repayable loan.

The total reserves of Pool Re and of Pool Re (Nuclear) as at the date of their latest management accounts are £6.2 billion as at March 2023 (2021-22: £6.2 billion) and £32m as at December 2022 (December 2021: £32m) respectively. Pool Re has recently changed their annual accounting date to 31 March in anticipation of inclusion in WGA, and as a result prepared

a 15-month set of accounts to 31 March 2023. Pool Re Nuclear remains on a 31 December accounting year but is not material to WGA.

The maximum potential liabilities under this arrangement are deemed unquantifiable due to the lack of historical data for estimation and the unpredictable nature of potential terrorist incidents. It is also considered unlikely that circumstances would necessitate financial assistance from HM Treasury. These arrangements are authorized under the Reinsurance (Acts of Terrorism) Act 1993. For more details on terrorism reinsurance and the retrocession agreement between Pool Re and HM Treasury, please refer to the Pool Re Annual Report and Accounts.

Regional development banks and funds

The Foreign, Commonwealth and Development Office (FCDO) has assumed unquantifiable contingent liabilities to maintain the value of subscriptions paid to the capital stock of regional development banks and funds. However, the FCDO does not anticipate any liabilities arising from these contingent liabilities.

Department for Transport

The Department for Transport is part of a North Atlantic Treaty Organisation (NATO) agreement that involves indemnifying civil aircraft used for NATO tasks during crises and wars. Additionally, the department has a statutory responsibility for maintaining all railway structures. This contingent liability applies to legacy structures sold to and controlled by third parties. There have been no claims, and there is no reasonable basis to quantify this risk.

Student loan sales:

Each sale of student loans requires separate but similar warranties and indemnities to secure investor interest and ensure value for money in securitisation transactions. Each set of obligations is independent, meaning a failure in one sale does not trigger failures in others. Further details can be found in the Department for Education's accounts.

Schools and academies

Due to entering directly into a PFI arrangement for building schools (PF2), the Department for Education (DfE) has several contracts with clauses that could potentially create liabilities for the DfE. These are considered remote and unquantifiable as they relate to breaches of contractual conditions. Additionally, the DfE has contracts for academy and free school site purchases, including several overage clauses, which are also considered remote and unquantifiable due to potential breaches or changes in contractual conditions.

National Health Service

The Department of Health and Social Care (DHSC) has entered into several unquantifiable or unlimited contingent liabilities with various health bodies and private companies. As of 31 March 2023, entities within

the DHSC group reported a number of unquantifiable indemnities. However, none of these qualify as contingent liabilities under IAS 37, as the likelihood of an economic benefit transfer in settlement is considered too remote. Further details can be found in the DHSC accounts.

BAE Systems PLC

Under section 9 of the British Aerospace Act 1980, the government is responsible for discharging any outstanding liabilities of BAE Systems plc that vested in the company on 1 January 1981, should it be wound up for reasons other than reconstruction or amalgamation.

UK Space Agency

The UK Space Agency has an unquantifiable contingent liability arising from an international United Nations convention, which mandates that the UK government is ultimately liable for third-party costs resulting from accidental damage caused by UK space activities.

Ministry of Defence

Under contract terms, the Ministry of Defence (MOD) may indemnify or limit a contractor's liability in specific areas, including damage to government property, damage to issued property, default, deferment, termination, and indirect and consequential losses. Some of these liabilities are unquantifiable.

Indemnities have been provided to several companies for handling fissile materials, nuclear risks, and risks under the Nuclear Installations Act 1965. An unquantifiable indemnity has also been issued to Rolls-Royce Submarines for the non-insurance of the Rolls-Royce Core Manufacturing Facility and the Neptune Test Reactor facility, covering death and personal injury to third parties.

The MOD has other liabilities, details of which are not disclosed due to commercial and/or national security reasons. Some of these liabilities are unquantifiable.

Legal Claims

Non-quantifiable remote contingent liabilities have arisen from legal claims, compensation claims, and tribunal cases made against various WGA entities, for which no reliable estimate of liability could be made.

Note 32. Related party transactions

Related parties in the context of WGA are public sector entities that would ordinarily be consolidated into WGA but have not been consolidated into the 2022-23 WGA. Further information regarding non-consolidated entities can be found in Annex 2 (section 2) and Annex 3 to the account.

NatWest Group is the most significant WGA-related party. Although HM Treasury owns 41.5% of NatWest's share capital, it is not consolidated within WGA. Dividends and other income received from NatWest are recorded in the Statement of Revenue and Expenditure (SoRE). Throughout the period, HM Treasury received dividends totalling £1.4 billion (an interim dividend of 3.5p per share, a special dividend of 16.8p per share, and a final dividend of 10.0p per share). The final dividend, based on the government's shareholding as of 17 March 2023, was paid on 2 May 2023.

NatWest enters into transactions with many WGA bodies which include the payment of taxes – principally UK corporation tax and VAT, national insurance contributions, local authority rates, and regulatory fees and levies. For further details see the related parties note to the NatWest Group Annual Report and Accounts 2022. [Notes 1 and 2 set out the estimated effect of excluding NatWest from the WGA consolidation, including estimated elimination adjustments. The estimated adjustment to assets of £135.3 billion and liabilities of £124.3 billion largely relates to cash held at the Bank of England by NatWest, together with NatWest's holdings of Treasury bills and UK debt securities.]

In addition, during normal business, WGA entities entered arms-length banking transactions with NatWest, including loans, deposits, reimbursement of related expenses, payment of management fees, interest receipts and dividends. The volume and diversity of these transactions make comprehensive disclosure impractical.

Following on from the 2021-22 financial year 211 bodies did not submit their financial data for consolidation in time for WGA 2022-23, of which 198 were local authorities (see Notes 1 and 2 for details). As these bodies are part of the public sector but not consolidated into WGA they are considered to be related parties, and had transactions and balances with consolidated entities which are material in aggregate.

The most significant balance is loan liabilities between the missing local government entities and the Public Works Loan Board (PWLB), which is consolidated into WGA. These receivables totalled £37.6 billion as at 31 March 2023, with the largest balance of £2.5 billion relating to Birmingham City Council. As entities which do not submit DCTs are treated as external to WGA, the related assets held by PWLB are not eliminated and therefore remain in the reported WGA totals.
Aside from PWLB, other bodies consolidated into WGA reported assets of £3.4 billion, liabilities of £4.6 billion, income of £5.6 billion and expenditure of £45.0 billion where the counterparty did not submit data

and so is a related party of WGA. £40.2 billion of this expenditure consisted of grants to local government entities, with the largest contributors being Department for Education (£13.8 billion), Department for Levelling Up, Housing and Communities (£8.7 billion), and Department for Work and Pensions (£7.1 billion).

The English Further Education sector, which includes Further Education Colleges, Sixth Form Colleges, and Designated Institutions, was designated into the public sector by the Office for National Statistics in November 2022, effective retroactively. These entities are not consolidated into WGA for pragmatic reasons but will be included in WGA at a future date. The impact of their exclusion from WGA cannot be reliably estimated, though is likely to be material to the financial statements.

Local government entities consolidated into WGA 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.

The twelve **train operating companies** from the 1st of April 2020 were reclassified by the ONS to public corporations. This was in response to the impact of Covid-19 on public transport where DfT implemented Emergency Measures Agreements (EMAs), now Emergency Recovery Measure Agreements (ERMAs) since September 2020. Implementation of the EMAs/ERMAs passed substantially all cost and revenue risk from the train companies to DfT.

DfT also owns 100% of the shares in LNER and Northern Trains Ltd (NTL). Although LNER and NTL operate under different agreements with DfT, the transactions between DfT and these companies have also been significantly impacted by Covid-19 and are therefore included in the table below for reference. From 17th October 2021 the Government took responsibility of operating passenger services in London and the South East therefore SE Trains Limited were activated.

Contract type with DfT in 2022-23	Expenditure for 2022-23 (£bn)	Expenditure for 2021-22 (£bn)
EMA and ERMA	1.9	4.0
Services agreement	1.1	1.1
Total	**3.0**	**5.1**

The train operating companies under EMAs and ERMAs operate the following contracts:

Company name	Operating contract
The Chiltern Railway Company Limited	Chiltern
XC Trains Limited	Cross Country
Abellio East Anglia Limited	East Anglia
Abellio East Midlands Limited	East Midlands
Trenitalia c2c Limited	Essex Thameside
First Greater Western Limited	Great Western
London and South Eastern Railway Limited	South Eastern
First MTR South Western Trains Limited	South Western
Govia Thameslink Railway Limited	Thameslink, Southern and Great Northern
First TransPennine Express Limited	TransPennine Express
First Trenitalia West Coast Rail Limited	West Coast Partnership
West Midlands Trains Limited	West Midlands

The three State-owned rail companies operate the following contracts under services agreements:

Company name	Operating contract
Northern Trains Limited	Northern
LNER Limited	East Coast
SE Trains Limited	South East

Note 33. Events after the reporting period

The following events that have occurred after the reporting period have been identified as significant to WGA. The Government Financial Reporting Manual (the FReM) modifies financial reporting requirements for the purposes of WGA in that the requirement that the financial statements be adjusted for events that provide evidence of conditions that existed at the reporting date do not apply, and therefore all such events are non-adjusting.

Bank of England Asset Purchase Facility (BEAPFF)

On 30 April 2024 the Chancellor and the Governor of the Bank of England agreed to further reduce the authorised maximum size of the BEAPFF from £750.9bn to £704.2bn, entirely composed of government gilts. The reduction reflects the continuing reduction in assets supported by the BEAPFF as part of the Bank's continuing programme to unwind the BEAPFF.

NatWest Group

On 31 May 2024 HM Treasury sold £1.24bn of NatWest Group shares reducing the government's shareholding to 22.5%. As of 07 October 2024, it was confirmed the government's shareholding fell below 16%. On 21 August 2024, NatWest Group was reclassified to the private sector by the Office for National Statistics. This will take effect from 1 June 2024. This followed the reduction in HM Government's ownership of voting rights below 25%, as investors are no longer able to block special resolutions.

National Wealth Fund

On 9 July 2024, Chancellor Rachel Reeves instructed officials to begin work under a new National Wealth Fund to align the UK Infrastructure Bank and the British Business Bank, that will invest in the new industries of the future. Capitalised with an additional £7.3 billion, allocated through the UK Infrastructure Bank, the NWF will make investments across the country, focusing on priority sectors and catalysing private sector investment. The financial impact on the HM Treasury group will be dependent on the final design of the scheme.

Horizon Europe and Copernicus

On 7 September 2023, the UK government and European Commission concluded negotiations and reached an agreement in principle on the association of the UK to Horizon Europe and Copernicus under the Trade and Cooperation Agreement. Following the announcement, both parties are working together with the aim of promptly adopting the necessary legal instruments subject to prior approval by the Council of the European Union. It is estimated that the UK will contribute €2.6 billion per year on average for its participation in these programmes.

OneWeb

On 26 July 2022 Eutelsat Communications and OneWeb's leading shareholders signed a Memorandum of Understanding with a view to a business combination between the two companies via a share exchange transaction, aimed at creating a global leader in connectivity. The Extraordinary General Meeting of Eutelsat shareholders approved the combination on 28 September 2023, resulting in the successful completion of the transaction. Upon completion, HM Government took ownership of approximately 11% of Eutelsat Group's shares, which are listed on the Paris and London Stock Exchanges.

High Speed Two (HS2)

In October 2023, the Government published Network North, which announced the cancellation of HS2 Phases 2a and 2b and the redistribution of £36bn of funding released by this decision to other regional and local transport priorities principally in the North and Midlands. This was the most significant shift in transport investment priorities in many years. The resulting effort to wind down those Phases of HS2 and begin delivery of the new priorities including additional funding for local roads and bus services and development of a privately funded HS2 station at Euston was a major focus for the Department through the latter half of the year.

NHS Wales – Agenda for Pay

NHS Wales bodies were notified in a pay circular letter issued on 25 May 2023 by the Welsh Government, of the additional pay arrangements for employees covered by the Agenda for Change terms and conditions in Wales for 2022-23, which will be funded by the Welsh Government. NHS Wales bodies will make a one off non-consolidated, prorated "recovery payment" for staff employed on the Agenda for Change terms and conditions (this includes most NHS staff including nursing staff but excludes medical staff). These costs have not been recognised in the 2022-23 financial statements because the obligating event was the publication of the offer agreed with the Minister on 20 April 2023 and therefore post 31 March 2023. The costs will be accounted for in the 2023-24 Annual Accounts of NHS Wales bodies. The estimated cost is £95m.

Managing Reinforced Autoclaved Aerated Concrete (RAAC)

UK Governments have been aware of some of the vulnerabilities of RAAC since the 1990s. The Welsh Government has been working with the UK Government and other devolved governments since 2018 to consider the potential management implications for buildings with RAAC across the public sector estate. The UK Government (Department for Education) reported on 31 August 2023 that incidents had emerged over the summer period which raised concern over a potential higher safety risk.

In response, a cross-Welsh Government working group has been established to oversee the response to this fast-moving and complex issue. The Welsh

Government has commissioned and has requested other public sector building owners and/or estate owners and/or those responsible for managing premises to commission urgent new surveys of public sector buildings including schools. No presence of RAAC has been identified within the Welsh Government Administrative Estate. Premises at five schools, two universities and three Further Education colleges in Wales have been identified as having RAAC along with six sites within the NHS Wales Estate.

The risks and costs associated with RAAC rest with the building and/or estate owners, landlords and/or those responsible for managing the premises. This includes the costs associated with the identification and management of RAAC. The Welsh Government invests in the public estate through strategic capital investment programmes such as the Sustainable Communities for Learning Programme and the NHS All Wales capital programme. The Welsh Government has provided Hywel Dda University Health Board with £12.8m from the NHS All Wales capital budget to manage and remediate RAAC issues identified at Withybush Hospital, in Haverfordwest.

Settlement of Transport Scotland Legal Case

In July 2023, the settlement of a long running legal case was agreed within Transport Scotland; £35m (2021-22: £28m) including £5m relating to land & property acquisition (2021-22: £25m) and £6.5m (2021-22: £3m) relating to road claims.

Rwanda Asylum Plan

As at 31 March 2024 the Department had paid £240 million to the Government of Rwanda and paid a further £50 million in April 2024 in line with the contractual agreement. On 6 July 2024, the Prime Minister committed to the Labour Manifesto pledge to end the Migration and Economic Development Partnership (MEDP) with Rwanda.

World Bank of India

In mid-July 2023, the Foreign Commonwealth and Development Office (FCDO) will sign a guarantee of $1,000 million financing by the World Bank to the Government of India. This was previously announced at COP26 and a Written Ministerial Statement laid in Parliament in 2021.

Financial Support for Ukraine

On 21 June 2023, at the Ukraine Recovery Conference, the UK announced a landmark package of financial support for Ukraine. This includes the FCDO offering a further $3 billion of additional guarantees to unlock World Bank lending, expected to come in place over the next three years.

British Embassy Evacuation in Khartoum

In April 2023, the British Embassy in Khartoum suspended in-country operations, and evacuated FCDO staff because of escalating violence

and specific threats against foreign diplomats and Embassy properties. As at 31 March 2023 the Net Book Value of FCDO assets in Sudan was £21.5 million, largely in respect of property, armoured vehicles, equipment and building enhancements. Further work is under way to assess the potential financial impact for 2023-24.

Government Property Agency (GPA) – Property Sale

In April 2023 the GPA sold the freehold property at Peterborough, Aragon Court for £4.2m. The property value included with Assets Held for Sale as at 31 March 2023 was £3.6m.

GPA- Leases

In April 2023 the GPA onboarded the leased property at London, Caxton House from the Department for Work and Pensions (DWP). A lease liability of £28.5m was recognised from this date. A finance sublease with DWP commenced on the same date, resulting in recognition of a lease receivable asset of £28.5m

In May 2023, the GPA entered into a lease for a hub property at Croydon, Ruskin Square. This is a 26-year lease with a 12-month rent free period. A lease liability of £156.2m was recognised from this date. Clients are expected to occupy this building from mid-2024 following completion of fit-out.

In July 2023 the GPA onboarded the leased property at Nottingham, 1 Unity Square from HM Land Registry (HMLR). A lease liability of £7.2m was recognised from this date. A finance sublease with HMLR commenced on the same date, resulting in recognition of a lease receivable asset of £7.2m.

In July 2023 the GPA onboarded the freehold property at Swindon, The Engine House with a value of £2.8m. An operating sub-lease with Historic England commenced on the same date.

GPA - Whitehall Refurbishment

In April 2023 the GPA signed a contract with Tilbury Douglas Construction for the refurbishment of London, 22-26 and 3-8 Whitehall.

Peace Plus Programme

On 7 September 2020, the Prime Minister made a written statement in respect of a machinery of government change transferring responsibility for the PEACE PLUS Programme from the Department of Business, Energy and Industrial Strategy to the Northern Ireland Office (NIO) effective immediately. During the 2020-21 financial year, a public commitment was made to provide funding in excess of £500m to the programme. The UK (including match funding from the Northern Ireland Executive) confirmed a final contribution to the Programme on 4 September 2021. This confirmed contribution from the UK government

would be €681m from NIO and €170m from the Northern Ireland Executive.

During the 2022-23 financial year the Financing Agreement (an International Treaty) between the UK-EU was signed. The Parliamentary scrutiny process and legislative vehicle (SI) were also instigated during the 2022-23 financial year. Following completion of this process, the Financing Agreement required that the UK notify the European Commission and Ireland of the completion of its domestic procedures and the UK's consent to be bound by the terms of the Agreement. The UK sent that notification on 13 June 2023 as a Note Verbale via the Foreign, Commonwealth and Development Office (FCDO). The Agreement therefore came into effect on 14 June 2023. The Financing Agreement came into effect before the authorisation for issue of the 2022-23 accounts. This change has therefore been recorded as an adjusting event after the reporting period leading to a reclassification of this liability from provisions to other payables in the financial statements. As payment will be made over a 4-year period the commitment of €681m has been discounted to present value using rates outlined in PES (2022) 08 Discount Rates for General Provisions, Post Employment Benefits, Financial Instruments and Leases (under IFRS 16): Announcement of Rates. The discounted Euro (€) figure has then been translated to Sterling (£) using the Bank of England spot rate as at 31 March 2023 resulting in a closing payable balance of £563,353k.

Funding for the programme will be fully met via HMT Estimates processes as Annually Managed Expenditure funding. The recognition of this liability does not raise any uncertainty in relation to the department's going concern status.

Cost of Living Payments

As published on 13 March 2023, qualifying low-income households in England, Wales, Scotland and Northern Ireland will receive a Cost of Living Payment of £900. This will be paid in 3 instalments for most people on tax credits and no other low-income benefits. The initial instalment will be £301 paid between 2 and 9 May 2023, the second instalment of £300 will be paid during autumn 2023 and the third instalment of £299 will be paid during spring 2024. The payments are designed to be unequal to minimise fraud risks from those who may seek to exploit this system.

Machinery of Government (MoG) Changes

In a written Prime Ministerial Statement on 7 February 2023, the Prime minister announced the creation of four new Government Departments. They were the Department for Energy Security and Net Zero (DESNZ), the Department for Science, Innovation and Technology (DSIT), Department for Business and Trade (DBT) and a re-focused Department for Culture, Media and Sport (DCMS). As part of this announcement the following MoG transfers will impact the Cabinet Office in 2023-24. The Geospatial Commission and most of the Office for Science and

Technology Strategy will move into the new DSIT. The Brexit Opportunities team will move to the DBT. This supersedes the MoG announced for 2022-23 where the Brexit Opportunities team would have moved to the now former Department for Business, Energy and Industrial Strategy (BEIS). The National Security and Investment team previously in BEIS joins the Cabinet Office as part of the National Security Secretariat.

In a written Prime Ministerial Statement on 30 March 2023, the Prime minister announced that the Government Debt Management Function will move from the Cabinet Office to HM Treasury, to sit alongside the centre for the Government Finance Function. This will improve the management of debt owed to the government and provide strong expertise and leadership for the public servants in its profession.

In a written Prime Ministerial Statement on 23 May 2023, the Prime minister announced that the responsibility for the delivery of the Windsor Framework will be transferred from the Foreign, Commonwealth and Development Office to sit alongside the existing Northern Ireland Unit in the Cabinet Office. In the same statement the Prime Minister also announced that the UK Governance Group would formally move from the Cabinet Office into the Union and Devolution team in the Department for Levelling Up, Housing and Communities (DLUHC). This will consolidate matters relating to intergovernmental relations, including Common Frameworks, under the Secretary of State for Levelling Up, Housing and Communities as the Minister for Intergovernmental Relations. Both the Windsor Framework and Union teams in the Cabinet Office and DLUHC respectively will be brought together under a single official reporting structure to allow for more effective join-up across all union policy. These changes took effect immediately.

Budget responsibility relating to the Copernicus programme has been transferred to DSIT after the balance sheet date. There was no significant amount of expenditure on Copernicus (membership of the programme) in 2022-23. Though the UK government published Statements of Intent, they reserved the rights to not participate. Therefore, there is still no obligating event to any liabilities or provisions at this point. The MoG transfer to DSIT on 1 July 2023 was a full lift and shift. This transfer did not result in a change in any liabilities (or provisions) for the Department for Environment, Food and Rural Affairs, as there was no liability due to there being no obligating event (due to the rights reserved to not participate). In 2023-24, it was agreed that the UK would participate and going forward we have some shared costs with DSIT.

On 31 March 2023, BEIS entered into an agreement to transfer UK Climate Investments to the Foreign Commonwealth and Development Office. The transfer is planned to take place when the transfer price is known, which will be determined when the BEIS accounts are signed. The department has determined that the event is a non-adjusting subsequent event, accordingly the statement of financial position has not been adjusted.

Note 34. Gold holdings

	2022-23	2021-22
	£bn	£bn
Opening balance	14.7	12.3
Additions	-	-
Impairments	-	-
Revaluations	1.3	2.4
Disposals	-	-
Total gold	**16.0**	**14.7**

The Exchange Equalisation Account (EEA) is an account that holds the UK's reserves of gold, foreign currencies and IMF Special Drawing Rights. During the 2022-23 financial year, the price of gold rose from £1,474 to £1,600 per ounce, a 9% increase. This has in turn given rise to a £1.3 billion revaluation increase, raising the value of total gold holdings to £16.0 billion.

There is no impact on the note total from entities which made data submissions in 2021-22, but which did not make a submission to the WGA this year, and also no impact from entities which submitted this year but not in 2021-22.

Note 35. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's report.

Chapter 5

Certificate and Report of the Comptroller and Auditor General to the House of Commons

The Certificate of the Comptroller and Auditor General to the House of Commons

Disclaimed opinion on financial statements

I certify that I was appointed to audit the financial statements of the Whole of Government Accounts (WGA) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The financial statements comprise the consolidated:

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue and Expenditure, Statement of Comprehensive Income and Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I do not express an opinion on the financial statements of the WGA. Because of the significance of the matters described in the basis for Disclaimer of Opinions section of my certificate, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

I have been unable to obtain sufficient appropriate audit evidence in respect of material transactions and balances within the WGA owing to the following:

HM Treasury has included within the WGAs draft accounts data for 227 entities (211 entities in 2021-22). Due to the number of entities consolidated based upon unaudited data, the level of outstanding work from component auditors and the unconfirmed impact of uncorrected misstatements within this unaudited data, I am unable to determine whether the financial information provided by these entities is free from material misstatement to the WGA group. The majority of unaudited entities are English local government bodies.

HM Treasury have not consolidated 211 entities which they identified should have been consolidated but which did not submit data in 2022-23. There is an increasing level of non-submission each year (178 entities in 2021-22) which means that there are increasing significantly material balances missing from all sections of the accounts. Based on information available to us from the prior year financial statements and other sources, I expect that this will be material to the WGA but in the absence of submissions it is not possible to reach a conclusion on the non-consolidation of information from these entities. The majority of missing entities are English local government bodies.

The absence of consolidation data and completed component audits has meant that I was unable to obtain sufficient appropriate audit evidence that the financial statements are free from material misstatement. It was not practicable to obtain audit evidence from alternative sources.

Other matters which would have led to a modification to my opinion had it not been disclaimed

As per ISA (UK) 705 I am required to report any other matters of which I am aware that would have required a modification to the opinion, and the effects thereof. In my opinion, based on the work undertaken in the course of the audit, the following matters would have been raised:

- ***the definition and application of the accounting boundary:*** HM Treasury's accounting policy regarding the basis of consolidation has not been applied consistently in the WGA. Significant bodies, including NatWest Group plc, have not been included in the accounts, even though they are classified by the Office for National Statistics as being in the public sector. I consider that these bodies should be included in the accounts in line with applicable accounting standards.
- ***the inconsistent application of accounting policies:*** The financial reporting framework that the WGA must follow is set out in the Government Financial Reporting Manual which applies

International Accounting Standards (IAS), as adapted for the public sector context. However, a number of bodies consolidated in the WGA do not adopt the same framework. Accounting standards require that where the effect of such inconsistent accounting policies is material, adjustments should be made upon consolidation. HM Treasury has not provided a full analysis of these differences and has not been able to quantify fully the impact of the different accounting frameworks or accounting policies on the WGA, but that impact is known to be material. The most significant example is infrastructure assets held by local authorities.

- ***underlying qualifications within statutory audits:*** The external auditors of the financial statements of a number of bodies that are consolidated into the WGA qualified their audit opinions. Of these, one is significant to the WGA, the qualification of the accounts of the Department of Health and Social Care which impacts on the opening balances of the 2022-23 WGA and the comparative 2021-22 figures.
- ***the consolidation of components with non-coterminous year ends:*** International Financial Reporting Standard 10 'Consolidated financial statements' (IFRS 10) presumes that, in order to present a true and fair view, the accounting reference date for component bodies consolidated into group accounts should be no more than three months different from the date of the group accounts. HM Treasury has not complied with the requirements of IFRS 10 in consolidating the Academy Schools in 2022-23 or for the 2021-22 comparatives.

Matters on which I report by exception

In respect solely of the matters referred to in the Basis for Disclaimer of Opinions section above:

- I have not received all of the information and explanations I require for my audit;
- adequate accounting returns adequate for my audit have not been received

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the financial statements are not in agreement with the accounting records and returns; and
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the WGA from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the WGA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the WGA will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

I was appointed to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

I conducted my audit in accordance with International Standards on Auditing (UK), applicable law and Practice Note 10: Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom. However, because of the matters described in the Basis of Disclaimer of Opinion section of my certificate, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these financial statements.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of HM Treasury, the preparer of WGA, in accordance with the ethical requirements that are relevant to my audit of the financial statements in

the UK. In applying the Ethical Standards, I have considered the potential implications for my audit arising from entering into a loan staff arrangement with the Office of Value for Money within HM Treasury from September 2024. The loan staff arrangement concerns one of my directors and is for an initial period of 12 months. I am satisfied that appropriate safeguards have been implemented to protect my and the NAO team's independence and objectivity throughout the audit. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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Gareth Davies **22 November 2024**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Report of the Comptroller and Auditor General to the House of Commons

Introduction

1. In this report I set out my findings from my audit of the Whole of Government Accounts (WGA) 2022-23 Annual Report and Accounts and explain why I have disclaimed my opinion on the financial statements.

2. The WGA is prepared under the Government Resources and Accounts Act 2000. The financial reporting framework that has been applied is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

3. As set out in my certificate, I have been appointed to provide an opinion on whether the Whole of Government accounts as at 31 March 2023 give a true and fair view and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

4. During my audit, I have not been able to obtain sufficient, appropriate evidence upon which to form an opinion. It is possible that the impact of undetected misstatements is both material and pervasive to the financial statements. Accordingly, I have disclaimed my 'true and fair' opinion on the financial statements.

Missing and unaudited data submissions

5. The WGA is uniquely positioned to provide an overview of public spending and offers an important tool for taking a holistic view of public spending and public sector assets and liabilities, managing public finances and ensuring transparency and accountability. However, English local government statutory audits are increasingly delayed and whilst the WGA still contains useful information, the fall in data quality and completeness of returns has degraded the reliability of trend data and the insight the accounts can provide.

6. In 2021-22 I stated that there was a risk of my qualification worsening without additional corrective action and in 2022-23 a larger number of bodies have not submitted data to HM Treasury for inclusion in the WGA compared to previous years. When I qualified my opinion due to missing data in 2020-21 155 entities did not submit data for the WGA. In 2021-22 this increased to 178 entities and in 2022-23 this has increased again to 211 entities out of a total of 676 (31%). 187 out of 211 of those non-submissions relate to English Local Authorities, representing 89% of the missing bodies, and 37% of the Local Government sector.

7. HM Treasury estimates that the impact of this missing data on the accounts is that net liabilities are overstated by £31.7bn and net income

is overstated by £34.4bn. This estimate suggests the published net income position of £14.6bn per the Statement of Revenue and Expenditure would change to a net expenditure position had these missing entities been included in WGA. However, the financial impact of the omissions is an estimate based on each component's last data submission. As some components have not submitted data for several years this estimate has become less precise and is most likely an understatement of the true impact.

8. As such I have assessed the impact of missing data as being both material and pervasive to the 2022-23 financial statements.

9. The significant delays to local authority audited accounts also led to higher levels of unaudited data in the WGA. HM Treasury requests that component WGA submissions are based on audited statutory accounts. In 2021-22 I qualified my opinion for the third year in relation to the use of data submissions that were not based on audited accounts. In 2021-22, 211 bodies (2020-21: 120 bodies), largely within the English local government sector, were consolidated using data from draft accounts following delays in the audit of their underlying statutory accounts. In 2022-23 this number has increased to 227. I estimate this represents £35.1bn of total net expenditure and £93.6bn of total net assets.

10. I have therefore assessed the impact of unaudited data as also being both material and pervasive to the 2022-23 financial statements.

11. Overall, challenges with Local Government audited accounts have had an unprecedented impact on the WGA. Of the 426 English Local Authorities that should be consolidated into the 2022-23 WGA, 187 did not submit information and are therefore missing from the accounts, and an additional 196 are included but their information has not been audited.

12. The UK government tabled new legislation in Parliament on September 9, 2024. The Accounts and Audit (Amendment) Regulations 2024, in force from September 30, introduced measures aimed at clearing the audited accounts backlog and restoring timely financial reporting in England's local government sector. Statutory backstops should help resolve the missing data issue in future years, however if this leads to an increase in disclaimed statutory audit opinions in a significant proportion of Local Government components, it may lead to me again disclaiming my opinion on the WGA based on the level of disclaimed data used by HM Treasury to prepare the accounts.

Progress in addressing prior year qualifications

13. As per ISA (UK) 705 I am required to report any other matters of which I am aware that would have required a modification to the opinion, and the effects thereof. Based on the work undertaken in the course of my audit, the following matters would have been raised as a qualification had my opinion not already have been disclaimed on the two issues outlined above.

14. The most significant element of my qualification in 2021-22 relating to accounting boundaries was HM Treasury's decision not to consolidate NatWest Group plc. In line with government intention to dispose of all shares in NatWest by 2025-26, the government reduced its shareholding to less than 50% for the first time in 2021-22 holding 48.1% of the ordinary share capital and at 31 March 2023, the government held 41.5%. I have undertaken an IFRS 10 assessment based on the size of the government's holding of shares and voting rights relative to the size and dispersion of other shareholders for 2022-23. In my opinion the government currently still maintains control of NatWest under accounting standards, and therefore should be consolidated into the WGA.

15. My previous boundary qualification was also driven by the non-inclusion of English Further Education Institutions. Following the decision by the ONS to reclassify Further Education Institutions to the public sector, we are aware HM Treasury has been working with the Department for Education to identify a method and timetable to start consolidating these bodies in the WGA. However, they continue to be omitted from the 2022-23 WGA, with the estimated impact being a £13.3bn (2021-22: £13.6 billion) understatement of gross assets and £2.0bn (2021-22: £2.1 billion) understatement of gross liabilities.

16. The lack of progress on resolution of these longstanding issues means that I would have continued to raise the application of the accounting boundary as a qualification issue had my opinion not been disclaimed.

17. In 2021-22 I qualified my opinion due to qualifications in the underlying 2021-22 Department for Health and Social Care (DHSC) accounts which were material to WGA. In 2022-23 I confirmed this remained the only underlying component where my qualifications were material to WGA. The qualifications in DHSC's underlying accounts related to balances of the UK Health Security Agency (UKHSA) and the departments' opening balances of inventory. While these balances were not material for 2022-23 WGA figures, the combination would material materially misstate the opening balances of the 2022-23 accounts and comparative expenditure disclosures. Had I not disclaimed my opinion, this issue would have led to a qualification for WGA on those opening and comparative balances.

18. In 2021-22 I qualified my opinion due to inconsistent accounting policies, mainly relating to the valuation of infrastructure assets. The main cause of my qualification was inconsistent approaches to valuing infrastructure assets in central and local government. In 2022-23 this inconsistency remains, and I estimate the difference in valuation to be at least £97.8 billion. My qualification also includes the valuation of non-privatised water infrastructure in Scotland where the component values infrastructure assets on a historic cost basis whereas the WGA values infrastructure assets on a depreciated replacement cost basis. HM Treasury uses regulatory information to adjust the component valuation to depreciated replacement cost in the WGA but this information is produced with the express caveat that it is not suitable for audit. I can therefore place no reliance on this information.

19. In 2021-22 I raised concerns over differences in the timetable for implementation of the new accounting standard for leases, IFRS 16, between central and local government and that this might lead to greater inconsistency in accounting policies in 2022-23 if HM Treasury was unable to make an adjustment. Central government adopted the new standard in 2022-23, but local government will not adopt it until 2024-25, with early adoption permitted. HMT have been unable to calculate the impact for bodies which have not applied IFRS 16 and therefore has made no adjustments to their accounts to address the difference in accounting policies between the two sectors. Whilst it is not possible to estimate the impact of this inconsistency as HM Treasury has not requested the required information from the Local Government sector, it is highly likely to be significant to the WGA, and potentially material.

20**.** In 2021-22 I qualified my opinion on non-coterminous year ends and the misalignment which is not adjusted in WGA relating to the consolidation of the Academies' SARA. We remain unable to confirm the impact the SARA has arising from the misalignment with the WGA's reporting date however the extent of non-compliance is expected to be material. Since my previous report, HM Treasury and the Department for Education have made no significant progress towards resolving the consolidation of the Academies sector within WGA.

Conclusion

21. I am disclaiming the Whole of Government Accounts for the first time in 2022-23. I am independently and separately disclaiming on the basis of the level of data missing from the accounts and the level of unaudited data (both largely relating to English local authorities) that is included in the accounts. On both counts, I have not been able to obtain sufficient, appropriate evidence upon which to form an opinion. It is possible that the impact of undetected misstatements is both

material and pervasive to the financial statements which has caused me to disclaim my ‘true and fair’ opinion on the financial statements.

22. I believe that the WGA is a vital tool for the management of public finances, and therefore the government should ensure that the action it is taking to restore timely and robust audited accounts for local authorities in England is effective.

23. I therefore make the following recommendations which would support HM Treasury increase the level of assurance I can provide to Parliament for future WGA publications:

- HMT must work closely with the Ministry of Housing, Communities and Local Government to ensure that the steps being taken to restore timely and robust audits of local authority accounts are effective.
- HMT must drive financial accountability within government to reduce the number of missing and unaudited entities. This includes clearly outlining expectations and introducing consequences for failing to meet deadlines. This will ensure that the WGA is a more complete and accurate consolidation which can provide more insight and be better utilised as a fiscal tool.
- HMT should continue to work with the Department of Education to bring Further Education Institutions into the WGA and resolve the historic qualification issue relating to the Sector Academy Report and Accounts.
- HMT should continue to promote the use of WGA across government and seek out opportunities to use it to inform decision-making.

Gareth Davies **22 November 2024**

Comptroller and Auditor General

National Audit Office

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Annex A
Comparison to the National Accounts

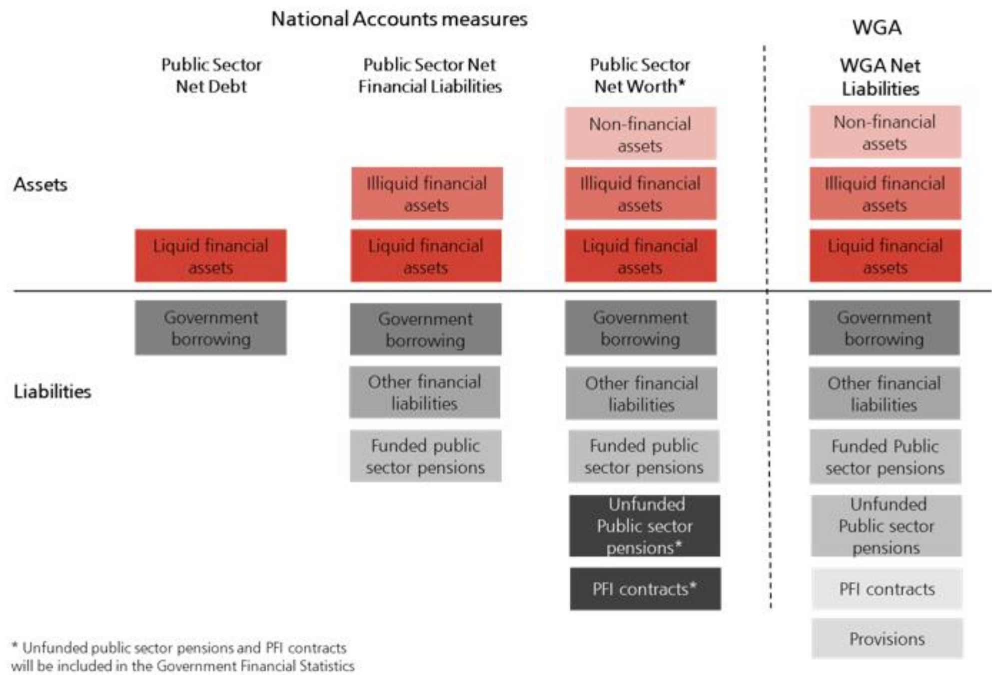
WGA and the National Accounts

5.1 While WGA offers a comprehensive overview, it is not without its limitations. The box on Page 17 elaborates on elements excluded from WGA. A significant issue is that financial statements, including WGA, are not released promptly enough for effective day-to-day management of public finances. To address this issue and ensure timely control, the government relies on National Accounts - a set of statistical measures. Although National Accounts may lack the full spectrum of assets and liabilities covered by WGA, they provide more timely insights.

5.2 When assessing the fiscal landscape, the National Accounts offer various statistical measures that provide a supplementary perspective on the government's financial standing. Public Sector Net Debt (PSND) is calculated by subtracting liquid financial assets (e.g., bank deposits and foreign exchange reserves) from government borrowings. PSND, excluding public sector banks, is a reliable metric for fiscal health, aligning with the internationally agreed National Accounts framework.

5.3 Public Sector Net Financial Liabilities go beyond PSND, encompassing all financial assets like loans, derivatives, and equity investments. The most comprehensive gauge derived from the National Accounts is Public Sector Net Worth, which compares the government's debt with all its assets. This includes physical assets used for service delivery, such as infrastructure, offices, hospitals, and schools.

Chart 5.A: Comparison of National Accounts and WGA measures

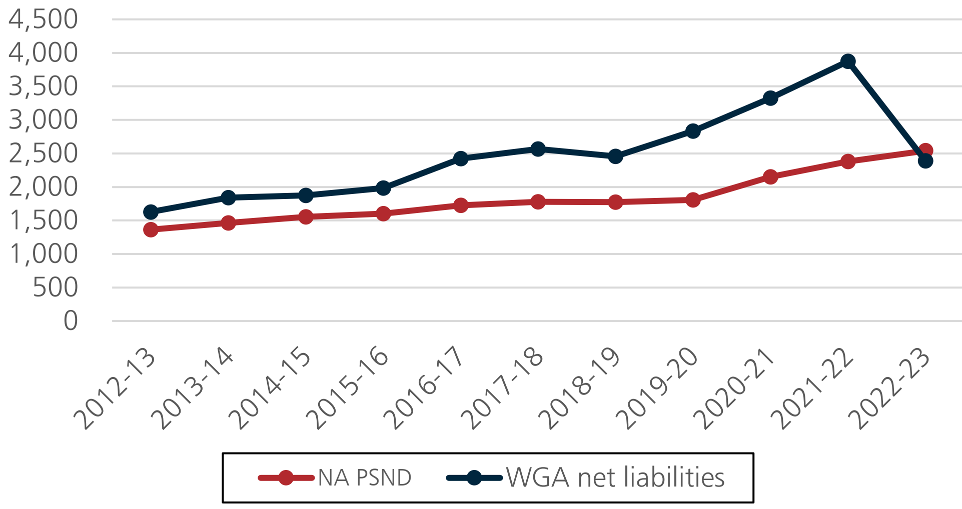


Unfunded public sector pensions and PFI contracts will be included in the Government Financial Statistics Manual measure of PSNW, but not in the European Statistics Agency 2010 based measure.

Source: HM Treasury

Note - WGA Net Liabilities surpass the scope of Public Sector Net Debt by incorporating non-financial assets, public sector pension liabilities, provisions, and PFI contracts. Additional insights into the distinctions between WGA and National Accounts will be provided later in this annex.

Chart 5.B: National Accounts (NA) PSND and WGA net liabilities



Source: HM Treasury and ONS data

5.4 Over the 14-year period since the inception of the Whole of Government Accounts (WGA), both National Accounts Public Sector Net Debt (PSND) and WGA net liabilities have generally moved in tandem, reflecting the broader fiscal environment and government borrowing patterns. This parallel trajectory highlights the close relationship between the two measures, as both capture the impact of government spending, borrowing, and liabilities on public finances.

5.5 However, a notable deviation occurred during the fiscal years 2016-17 and 2017-18. While PSND continued to follow its established pattern, there was a significant rise in WGA net liabilities, driven primarily by an increase in public sector pension liabilities. Pension liabilities are not included in the National Accounts measure of PSND, which explains why this divergence appeared only in the WGA accounts. These pension liabilities are long-term obligations, often unfunded, and are accounted for in WGA as part of the broader public sector financial position. The rise in pension liabilities during this period contributed to a widening gap between the two measures, underscoring how WGA provides a more comprehensive picture of the government's total financial commitments.

5.6 **Recovery and Deficit Reduction:** In the fiscal year 2018-19, there was a significant fiscal improvement, with National Accounts reporting the lowest annual deficit since 2001. This achievement came at a time of stronger economic growth and a period of fiscal tightening, as the government sought to reduce borrowing and stabilize public finances. The reduction in the deficit helped to curb the growth of PSND, reflecting improved public sector balance sheets.

5.7 **Impact of Discount Rate Adjustment:** In the same period, 2018-19, a key technical adjustment in the WGA calculations had a major impact on the reported figures. A shift in the discount rate applied to long-term provisions (such as nuclear decommissioning and pension

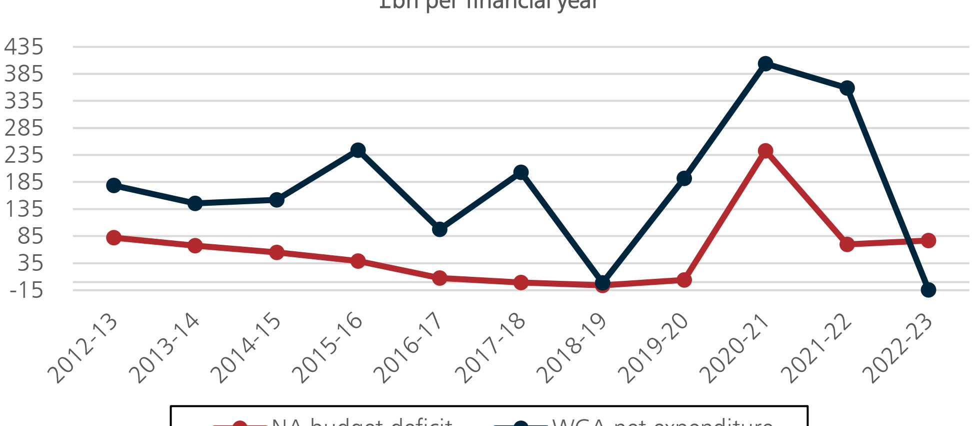
liabilities) led to a reversal of the sharp increase in provisions that had been recorded in previous years. The discount rate change, which reduces the present value of future liabilities, effectively reduced the recorded size of these obligations. As a result, WGA net expenditure swung dramatically from a large accounting loss to a modest surplus. This shift highlights how changes in assumptions around long-term liabilities can cause substantial swings in reported figures, even without major changes in underlying economic conditions.

5.8 However, while PSND and WGA net liabilities generally follow a similar trajectory, reflecting government borrowing and spending patterns, the WGA's inclusion of long-term liabilities such as pensions can lead to deviations, as seen in 2016-17 and 2017-18. The 2018-19 fiscal year marked a period of stabilization for both measures, aided by a discount rate adjustment that had a significant accounting impact on WGA figures. These nuances underscore the broader scope of WGA in capturing the full financial position of the government, including both short-term debt and long-term commitments.

5.9 Over the last five years, both PSND and WGA net liabilities have seen substantial increases, driven largely by pandemic-related spending, long-term liabilities, and economic pressures such as inflation. While the rate of increase has slowed, both measures remain elevated and will require long-term fiscal planning to manage effectively.

5.10 PSND reflects current debt levels and is highly sensitive to government borrowing and economic output, whereas WGA net liabilities capture a broader spectrum of financial obligations, particularly long-term commitments. PSND rose sharply during 2020 and 2021 due to pandemic-related spending, but has shown signs of stabilizing, albeit at a high level. WGA net liabilities also grew significantly in the same period, with pension liabilities being a persistent source of upward pressure. Even as the direct COVID-19 costs subsided, long-term obligations kept net liabilities elevated. 2022-2023 saw some stabilization in PSND but little relief in WGA net liabilities, highlighting the difference in how immediate government spending versus long-term obligations impact public sector finances. The change in the discount rate in 2022-23 led to significant decreases in liabilities, particularly within the WGA framework. This adjustment reduced the present value of long-term commitments, such as pension liabilities, resulting in a notable accounting impact. The decrease in liabilities due to the higher discount rate offered some respite to the overall financial outlook, although the underlying long-term obligations remain a critical consideration for future fiscal planning.

Chart 5.C: National Accounts (NA) Public Sector current budget deficit and WGA net expenditure



Source: HM Treasury and ONS data

5.11 The National Accounts and WGA present distinct perspectives on the balance sheet, with notable disparities in net expenditure. While the National Account current budget deficit has steadily decreased over the past 13 years, the WGA net expenditure series for the same period exhibits greater volatility. This volatility is primarily attributed to expenditures for financing the government's long-term liabilities, a factor included in the WGA but not in the National Accounts.

5.12 The financing costs associated with long-term liabilities are notably influenced by changes in discount rates used to discount future cash flows. This influence was particularly pronounced in the fiscal years 2015-16 and 2017-18, marked by alterations in discount rates for specific provisions that impacted financing costs in WGA but did not affect the National Accounts deficit. For the fiscal year 2022-23, the impact of changes in the discount rate has had significant implications for WGA net expenditure. The adjustment in the discount rate led to a substantial decrease in the present value of long-term liabilities, such as pension obligations. This reduction in the present value of future cash flows resulted in lower financing costs being recorded in the WGA, offering some relief to the overall financial outlook. The change in the discount rate effectively reduced the accounting cost of these long-term commitments, highlighting the sensitivity of WGA figures to such actuarial assumptions. Although this provided a temporary improvement in the net expenditure reported in the WGA, it is essential to recognise that the underlying long-term liabilities remain substantial and will continue to influence future fiscal planning.

5.13 Certain government priorities entail long-term obligations that span decades, requiring sustained expenditure. While the ultimate costs of these enduring projects remain uncertain, accounting standards necessitate the presentation of a single figure in annual accounts. This figure is derived from the best estimate of costs, technology considerations, and other pertinent factors, adjusted to account for the evolving value of money over time. The valuation of future cash flows is determined through present value calculations in accordance with

accounting standards. The discount rates for provisions, established by HM Treasury, undergo annual updates, and wield a significant impact on liabilities.

5.14 In the past, HM Treasury issued real rates based on the real yield of UK index-linked gilts. However, starting from the fiscal year 2018-19, HM Treasury introduced nominal rates that do not incorporate inflation, diverging from real rates. When utilizing these nominal rates, cash flows are inflated using inflation rates provided by HM Treasury, unless a more fitting forecast has been identified for specific provisions.

5.15 The Public Sector Current Budget Deficit measures the shortfall between government revenues—primarily taxes—and the government's day-to-day spending, excluding capital investment. In recent years, the deficit has been largely driven by the pandemic response. Key contributing factors include:

Economic contraction and recovery: The sharp GDP decline in 2020-21, followed by a slow recovery, significantly reduced government revenues.
Inflation: Post-2022 inflation increased government spending on benefits and subsidies and led to higher interest payments on index-linked debt

5.16 WGA net expenditure covers a broader scope than the current budget deficit. In addition to day-to-day spending, WGA includes public sector pension liabilities, provisions for future costs (such as nuclear decommissioning), and other long-term obligations. As such, WGA provides a more comprehensive picture of the government's financial obligations, combining both financial and non-financial assets. The most significant driver of the deficit in the last five years include:

Pension liabilities: A significant and growing component of WGA net expenditure.

Long-term provisions: Provisions for future costs, including public sector guarantees, energy subsidies, and environmental liabilities, added significantly to net expenditure.

COVID-19 and post-pandemic recovery: Immediate costs in 2020-21 drove WGA figures upward, while long-term provisions for pandemic-related liabilities continued to keep net expenditure elevated.

5.17 Pre-pandemic (2018-19): Both the Public Sector current budget deficit and WGA net expenditure were at historically low levels, reflecting fiscal consolidation and robust economic performance. Pandemic years (2020-21): Both measures saw sharp increases due to the COVID-19 pandemic. The current budget deficit and WGA net expenditure rose dramatically, driven by immediate spending needs and long-term financial obligations arising from the pandemic. Post-pandemic (2021-

23): The current budget deficit began to narrow as the economy recovered, but inflation, rising interest rates, and ongoing support measures kept both the deficit and WGA net expenditure at elevated levels. WGA net expenditure continued to reflect growing pension liabilities and other long-term provisions; even as immediate fiscal pressures started to ease.

5.18 For the fiscal year 2022-23, the impact of changes in the discount rate has had significant implications for WGA net expenditure. The adjustment in the discount rate led to a substantial decrease in the present value of long-term liabilities, such as pension obligations. This reduction in the present value of future cash flows resulted in lower financing costs being recorded in the WGA, offering some relief to the overall financial outlook. The change in the discount rate effectively reduced the accounting cost of these long-term commitments, highlighting the sensitivity of WGA figures to such actuarial assumptions. Although this provided a temporary improvement in the net expenditure reported in the WGA, it is essential to recognise that the underlying long-term liabilities remain substantial and will continue to influence future fiscal planning.

5.19 In summary, while the National Accounts focus on short-term fiscal performance, the WGA provides a broader view by incorporating long-term liabilities and their associated financing costs. The 2022-23 fiscal year underscored the significant impact of discount rate changes, showcasing both the volatility and the comprehensive nature of the WGA framework in capturing the government's financial obligations. The significant decrease in WGA net expenditure in 2022-23 highlights the temporary relief provided by such actuarial adjustments, despite the continuing long-term liabilities.

Why does the government use National Accounts?

5.20 The UK government relies on **National Accounts** for several important purposes that are crucial for economic management, policymaking, and international comparisons. National Accounts offer a structured and comprehensive system to assess economic activity across the entire economy. They serve the following functions:

Economic Measurement and Monitoring

Fiscal Policy and Budgeting

Compliance with International Standards

Monetary Policy Support

Economic Forecasting and Analysis

Public Accountability and Transparency

5.21 WGA is prepared in accordance with International Financial Reporting Standards (IFRS). While these standards are interpreted and adjusted to suit the public sector context, WGA is fundamentally prepared on a basis like that of the private sector. It undergoes independent auditing by the National Audit Office (NAO). WGA's advantages lie in offering a comprehensive view of the government's financial standing, revealing the future implications of decisions already made and financial commitments undertaken, such as pensions and PFI projects.

5.22 In the realm of public finances, internationally agreed standards are applied, following the rules of National Accounts (European System of National and Regional Accounts) for measuring economic activity. The Office for National Statistics, operating independently, conducts the reporting. The notable benefit of National Accounts is their availability within a much shorter timeframe compared to WGA.

5.23 While there are more similarities than differences between the two frameworks—both employing accruals accounting concepts, generating balance sheets, and producing analyses of income and expenditure - they can be harmoniously integrated. The UK takes an additional step by reconciling WGA with the National Accounts, enhancing transparency.

5.24 The government's preferred metric for Public Sector Net Debt excludes public sector banks and is calculated as external borrowings less liquid financial assets.

5.25 The remaining portion of this chapter delineates variances between accounting standards and National Accounts rules, followed by a detailed reconciliation from WGA to the National Accounts.

Comparison between accounting standards and National Accounts

5.26 The UK government prepares its financial reports using two different frameworks depending on the context: Whole of Government Accounts (WGA) adheres to International Financial Reporting Standards (IFRS), commonly used by businesses and public sector bodies for detailed financial reporting, while the National Accounts follow the European System of Accounts (ESA), which sets statistical rules designed for economic analysis and international comparability. Despite serving distinct purposes—IFRS focusing on financial transparency and accountability, and ESA on economic measurement and policy—the two frameworks share several core features:

Accruals basis**:** Both frameworks are prepared on an accruals basis, meaning they recognize economic events when they occur rather than when cash transactions take place. This approach

offers a more accurate picture of financial and economic activity over time.

Financial statements: Each framework produces key financial documents, including a statement of financial position, an analysis of income and expenditure, and reports on other significant changes in assets and liabilities, ensuring a comprehensive view of financial performance.

Exclusions of future obligations: Both frameworks exclude future tax revenue, as well as anticipated assets and liabilities that will be incurred in the future. For example, they do not account for future benefit payments or state pension obligations, which are significant in long-term government liabilities but do not meet the criteria for recognition in the current accounting period.

5.27 These similarities help ensure consistency across different reporting methods, while their unique approaches allow the government to meet both accounting and economic analysis needs.

Comparing WGA expenditure to the Public Sector current budget deficit

5.28 The Public Sector Current Budget Deficit is a key component of the UK government's fiscal framework. It reflects the difference between the government's accrued current revenue (primarily taxes) and current expenditure (day-to-day spending, excluding capital investments) during a given financial year, as reported in the National Accounts.

5.29 A significant difference between the current budget deficit in the National Accounts and total expenditure in the Whole of Government Accounts (WGA) is how long-term liabilities are treated. National Accounts do not include the financing costs of long-term liabilities, such as pension obligations and other future commitments. These costs are only recognized in the National Accounts when the liabilities become due for payment. In contrast, WGA provides a more comprehensive view by accounting for the costs of long-term obligations upfront, reflecting a broader picture of the government's financial commitments over time.

5.30 This distinction highlights the complementary roles of National Accounts and WGA—while the National Accounts focus on the government's short-term fiscal position, WGA offers a more holistic view of its long-term financial obligations.

Comparison to Public Sector Net Debt

5.31 Public Sector Net Debt (PSND) is defined as the total gross debt of the public sector, minus liquidable assets that can be easily converted into cash, as outlined in the National Accounts. This measure provides a clear view of the government's financial position by focusing on its obligations after accounting for available resources.

5.32 Variations between the measures of net debt and net liabilities reported in the National Accounts and Whole of Government Accounts (WGA) largely stem from their different methodologies in accounting for specific liabilities and assets. For example:

Public Sector Pension Liabilities: The treatment of pension obligations can differ significantly between the two frameworks. National Accounts typically recognize pension liabilities based on expected future payments, while WGA may incorporate a more comprehensive assessment of these liabilities, including assumptions about longevity and funding status.

Property, Plant, and Equipment: The valuation and depreciation of government assets such as infrastructure and buildings can vary between the two systems, impacting the net debt calculations. WGA often provides a more detailed and asset-oriented approach, considering the condition and usage of these assets.

Provisions for Future Costs: Both frameworks address provisions for future expenditures, such as environmental liabilities or legal obligations, but they may do so using different criteria and accounting treatments. This can lead to discrepancies in the reported figures for net liabilities.

5.33 Thus, while both PSND and net liabilities serve important roles in fiscal analysis, their distinct methodologies reflect differing priorities in financial reporting and economic assessment.

Differences between WGA and National Accounts

5.34 The distinctions between IFRS and ESA in terms of how they recognize, and value specific assets, liabilities, and expenditures are outlined as follows:

Differences between WGA (IFRS) and National Accounts (ESA)

Area	WGA treatment	National Accounts treatment
Grants to fund capital expenditure	Is recognised as an expense in-year as it does not result in an asset for government	Is always capitalised on the basis that it results in an asset in the wider economy
Research and development expenditure	Can be capitalised if it is likely to result in an asset but is frequently recognised as an expense in-year	Is capitalised more frequently on the basis that it is an investment lasting for more than one year
PFI	Most PFI assets and liabilities are recognised on balance sheet after assessing control of the assets. PFI payments are apportioned between repaying debt, paying interest and paying for services	Most PFI assets and liabilities are not recognised on the balance sheet after assessing risks and rewards. Payments under PFI contracts are recognised as a current expense in-year for off balance sheet schemes and a capital expense in-year for on balance sheet schemes.
Depreciation of assets	Is calculated for each asset individually based on its estimated useful economic life and residual value	Is calculated using standard statistical models, high level data and asset life assumptions.
Revaluation and impairment of assets	Assets are revalued as set out in Note 1 of the WGA. Assets are assessed annually for impairment compared to their carrying value	Assets are recognised at cost less depreciation and are not revalued. Only impairments caused by obsolescence or accidental damage are recognised
Profit or loss on sale of assets	Recognised as income or expenditure	Proceeds of sale are recognised but not the profit or loss
Gilts	WGA bodies hold gilts at fair value, these are eliminated on consolidation and all the remaining gilts are held at amortised cost	Gilts are included based on their redemption price
Public sector pensions	Recognises expenditure when rights accrue to employees, even though payment is not due. Pension Assets are recognised when employees and/or employers make contributions into the pension fund.	Recognises expenditure as it is paid to retirees. The future liability for current employees is not recognized. Pension entitlements in national accounts are measured on a gross basis; entitlements are not netted against expected revenue of government or expected household social contributions.

Provisions	Recognises expenditure when it becomes probable that a payment will be needed because of past events	Recognises provisions only when they are settled (i.e., there are actual payments). Amounts expected to be paid out in future because of past events are not recognised
Effects of discounting future liabilities	Future cash flows are discounted to estimate the value of the liability. Changes to the cash flows and discount rate are recognised in-year	Not included
Transactions within government	Transactions are eliminated entity-by-entity in a process that takes several months. The residual elimination error is quantified and subject to audit	Transactions are eliminated using a quicker and higher-level approach. The residual elimination error can't be quantified
Asset Purchase Facility	Shows gilt purchases at fair value	Records the gilt purchases at nominal value
UK Asset Resolution (UKAR)	Includes both the liabilities and the assets.	Includes UKAR's own debts to the private sector and excludes their non-liquid financial and other assets
Housing associations	Not included within the WGA boundary	Housing Associations used to be included in the National Accounts but are now not.

Reconciliation to Public Sector Net Debt

5.35 Public Sector Net Debt is a measure that is calculated from the National Accounts. The same figures can be compiled from WGA, but the total net liabilities recognised within WGA are more extensive than those recognised in Public Sector Net Debt. This is partly because Public Sector Net Debt is only part of the National Accounts balance sheet and partly because WGA recognises additional assets and liabilities which are not included on the National Accounts balance sheet.

Public Sector Net Debt compared to total WGA net liabilities

5.36 The reconciling amounts included on the adjustment line in the table below are calculated as the difference between the value of a balance in WGA and the value of the same balance in the National Accounts These amounts are therefore not directly comparable to the amounts included in the Financial Statements in Chapter 4.

Public Sector Net Debt compared to total WGA net liabilities

	2022-23 £bn	2021-22 restated £bn	2020-21 restated £bn
Public Sector Net Debt (National Accounts)	**2,540**	**2,381**	**2,152**
Add liabilities not recognised in National Accounts:			
Net public sector pensions liability	1,415	2,639	2,306
Provisions	307	528	366
PFI contracts	23	24	27
Adjust assets measured differently in national accounts:			
Asset Purchase Facility including Term Funding Schemes	(293)	(324)	(237)
Unamortised premia on gilts	(58)	84	62
UK Asset Resolution (UKAR) net impact on net debt	-	-	5
Add assets and liabilities excluded from measure of PSND:			
Property, plant and equipment	(1,435)	(1,340)	(1,270)
Right of Use Assets	(29)	-	-
Investment property	(14)	(15)	(17)
Intangible assets	(48)	(44)	(41)
Trade and other receivables	(45)	(41)	(43)
Prepayments and accrued income	(112)	(106)	(79)
Inventories	(13)	(14)	(15)
Investments	(43)	(42)	(41)
Trade and other payables	43	42	44
Accruals and deferred income	94	88	81
Deduct liabilities not yet recognised in WGA			
Housing associations	-	-	-
Other adjustments including eliminations	57	15	26
Net liabilities (WGA)	**2,389**	**3,875**	**3,326**

Reconciliation to Public Sector Current Budget Deficit

5.37 Public Sector Current Budget Deficit is also calculated from the National Accounts and the government's preferred measure excludes public sector banks. Total net expenditure in WGA is higher than the Public Sector Current Budget Deficit primarily because it includes expenditure on long-term liabilities.

Public sector current budget deficit

	2022-23 £bn	2021-22 restated £bn	2020-21 restated £bn
Public sector current budget deficit (National Accounts)	**77**	**70**	**243**
Add expenditure on liabilities excluded from National Accounts:			
Increase in provisions	10	3	32
Adjust expenditure calculated differently from National Accounts:			
Public sector pensions	-	-	-
Depreciation and amortisation	(25)	(25)	(16)
Impairments and revaluations of assets	13	12	27
Net (gains)/Losses on sale of assets	2	1	1
Capital grants	44	57	42
Research and development	3	2	2
Other adjustments including eliminations	35	43	1
Net expenditure on public services (WGA)	**159**	**163**	**332**
Financing costs of long-term liabilities, including discounting	(142)	197	55
Revaluation of financial assets and liabilities	(32)	-	17
Total net (income) / expenditure (WGA)	**(15)**	**360**	**404**

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