HM Treasury

Whole of Government Accounts

year ended 31 March 2024

HC 917

July 2025

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

Ordered by the House of Commons to be printed on 17 July 2025

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This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-5286-5772-3

E-Number: E03322881

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

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Performance Report

Foreword from the Accounting Officer

Welcome to the 2023-24 Whole of Government Accounts (WGA). This is the 15th WGA that has been published, and my fourth as Accounting Officer.

The Performance Report for this 15th edition will be a retrospective on WGA as a whole. It has a greater focus on long term trends going back to the original WGA wherever possible. The analysis of these trends has identified some of the longer term systemic drivers behind the government balance sheet. These include factors that previous Performance Reports will have addressed, including discount rates, demographic factors and the response to events such as EU exit and Covid. A longer term view may provide some useful context for these trends, and for the wider state of the public balance sheet. There have been some significant changes to accounting standards and the WGA boundary which mean that some numbers are not directly comparable over a 15 year period. Where this occurs, we have provided an explainer of these changes and their impact on the trends being presented.

WGA is a product of the UK's financial reporting framework, and is only possible with the support of thousands of dedicated, skilled and hard-working finance professionals. The UK is world leading and unique in terms of the scale and number of entities consolidated. The continued value of WGA through the various challenges it has faced is a testament to them.

The most significant of these challenges in the near term is the current state of the Local Authority audit market. This is the second year that WGA has received a disclaimer from the Comptroller and Auditor General. This disclaimer arises from both local authority data that is missing from WGA, and data that is not backed up by an underlying statutory audit opinion. In 2022-23, 211 bodies did not submit data, with 201 bodies not submitting data for 2023-24.

Despite these serious issues I believe WGA remains a useful document. Disclaimers should be rare and serious, and in this case the C&AG has highlighted serious issues in the delivery of independent scrutiny to the accounts of local authorities.

The government has acted decisively to clear the backlog of unaudited local authority accounts and put the local audit system on a more sustainable footing. In autumn 2024, legislation was introduced setting a series of statutory backstop deadlines for the publication of audited accounts. Following the first backstop of 13 December 2024, approximately 95% of local authorities have now published their accounts for financial years up to and including 2022-23. In 2023-24, 48% of local authority accounts were disclaimed due to the backstop. In April 2025, the government announced £49 million in funding to help local authorities affected by these measures with the cost of rebuilding assurance. Local bodies, unless exempt, were required to publish audited accounts for the financial year 2023-24 by 28 February 2025. MHCLG figures show that as of 20 May 2025, over 92% of bodies had published audited accounts for this period, but 48% were disclaimed.

Currently, powers and responsibilities relating to local audit are spread across multiple partners. To streamline and simplify the system, the government intends to consolidate these through the establishment of the Local Audit Office in autumn 2026. This will create a local audit system that delivers value for money, enhances transparency, and ensures timely and accurate financial reporting.

The roots of WGA were set out in 1998. As part of this retrospective we have looked at the original aims from the scoping study that set out its original parameters. We have assessed whether those aims have been met, and where work remains to be done to meet those original goals.

WGA has evolved significantly from its first publication. It now contains far more useful information on the broader fiscal picture, increased use of infographics and a greater understanding of what drives the underlying numbers. At the same time government has become more sophisticated in managing the government balance sheet. Improved controls over contingent liabilities, and the new investment rule are only possible because of the strength of the financial reporting framework in the UK.

WGA has further to go. The first priority will be returning to stable, timely production. We remain on course to deliver WGA in line with the original recovery plan as agreed by the Public Accounts Committee. Once WGA has recovered to reliable pre-recess publication there will be opportunities to either try and make further timeliness improvements, or invest in improving the usability and comprehensiveness of WGA.

Despite the current challenges, the future of WGA is bright. We will set out some potential avenues for WGA in the future.

I hope you will continue to find WGA an interesting and informative product.

Conrad Smewing

Accounting Officer - Whole of Government Accounts

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. 2023-24 is the fifteenth year of publication and an opportunity to reflect on the achievements of WGA, its future development and the long term trends that it shows.

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 2023-24 show the changes since WGA began:

£ billion	First WGA 2009-10	Mid-point 2016-17	This WGA 2023-24
Income	582.0	720.8	**1,019.9**
Expenditure	665.7	760.7	**1,076.3**
Total assets	1,207.5	1,903.0	**2,651.3**
Total liabilities	2,419.3	4,323.7	**5,024.5**

1.4 The 2023-24 WGA figures are shown in comparison to the first WGA and the mid-point. 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 long term trends in public sector finances.

1.5 This publication presents the financial statements for the 2023-24 financial year as well as information on more recent events which are useful to the reader and an analysis of long term trends over the 15 year history of WGA. While WGA is prepared centrally by HM Treasury (HMT), 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 prepared in line with International Financial Reporting Standards, as interpreted for the public sector context and independently audited by the National Audit Office (NAO).

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. It also attracts academic and expert analysis.

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. This means that the WGA Statement of Financial Position includes some aspects of future expenditure (e.g. provisions) but does not include the future tax revenue that would fund them.

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 2023-24

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. In 2023-24, the trend stopped worsening; 201 bodies did not submit data for consolidation. 52 bodies did not submit in 2022-23 but then returned data for 2023-24, however 53 bodies submitted in 2022-23 but did not submit in 2023-24. There were two new entities that did not submit in 2023-24 and 13 entities who were no longer required to submit data in 2023-24. Information relating to missing data is available in the missing data section below.

Some areas of WGA 2023-24 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 1.6.

15 years at a glance

2009-10: The first WGA was welcomed by a number of external stakeholders and by Parliament as a potentially powerful tool to improve the management of public resources.

2010-11: The second WGA builds on the first set of accounts by including comparative figures. This sets a baseline against which the future financial position and performance of the public sector can be measured.

2011-12: The WGA adds more comprehensive coverage of academies and minor bodies.

2012-14: The timeliness of WGA improves. The WGA 2012-13 was published 15 months after the financial year to which it related. The 2013-14 WGA was published 12 months after the reporting date. This compares to 20 months for the 2009-10 WGA, as a result of improved eliminations processes.

2014-15: Network Rail added to WGA, the main boundary change that has occurred during WGA's lifespan.

2015-16: The change in discount rates has a significant impact on WGA long term liabilities.

2016-19: WGA reaches maturity and the majority of accounts are available on time for publication. Audit qualification on eliminations removed as WGA systems improve.

2019-22: The Covid pandemic increases government spending and launches new balance sheet interventions. WGA 2019-20 was published 27 months after year end and 2020-21 28 months after year end. A recovery plan was put in place.

2022-23: NAO disclaims audit opinion for the first time due to missing English local authority data. MHCLG, HMT and other partners are working to address the backlog of local authority accounts and audit.

2023-24: We celebrate 15 years of WGA with a retrospective review of what WGA has shown so far and a view on the future development of WGA.

Data missing from WGA 2023-24

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, and 211 bodies did not submit in 2022-23. This was primarily due to local authority reporting and audit issues. Six small English central government bodies did not submit this year but no recurring problems are expected with their 2024-25 returns.

1.7 For 2023-24, 201 bodies did not submit data. 52 bodies did not submit in 2022-23 but then returned data for 2023-24, however 53 bodies submitted in 2022-23 but did not submit in 2023-24. There were two new entities that did not submit in 2023-24 and 13 entities who were no longer required to submit data in 2023-24. Due to the absence of data, it is not possible to calculate the exact amount missing from 2023-24, but the most recent submissions from those missing bodies can be used as a proxy. The table below shows the totals for WGA 2023-24 alongside an estimate of the value of the missing data for those bodies which didn't submit in 2023-24. This estimate may be from either WGA 2022-23, 2021-22, 2020-21 or 2019-20 data, depending on when each entity last submitted a return. 15 small bodies have not submitted data since 2018-19 or earlier and these are not included in the estimates of missing data as below:

Disclaimed accounts years 2023-24 and 2022-23

	WGA 2023-24 (£bn)	Estimated missing data (£bn)	Percentage of total (%)	WGA 2022-23 (£bn)	Estimated missing data (£bn)	Percentage of total (%)
Assets	2,651.3	185.9	7.0%	2,554.3	172.0	6.7%
Liabilities	(5,024.5)	(135.3)	2.7%	(4,943.4)	(140.3)	2.8%
Net liabilities	**(2,373.2)**	**50.6**	**(2.1%)**	**(2,389.1)**	**31.7**	**(1.3%)**
Income	(1,019.9)	(48.0)	4.7%	(974.5)	(40.8)	4.2%
Expenditure	1,166.5	85.7	7.3%	959.9	75.2	7.8%
Net (income) / expenditure	**146.6**	**37.7**	**25.7%**	**(14.6)**	**34.4**	**235.6%**

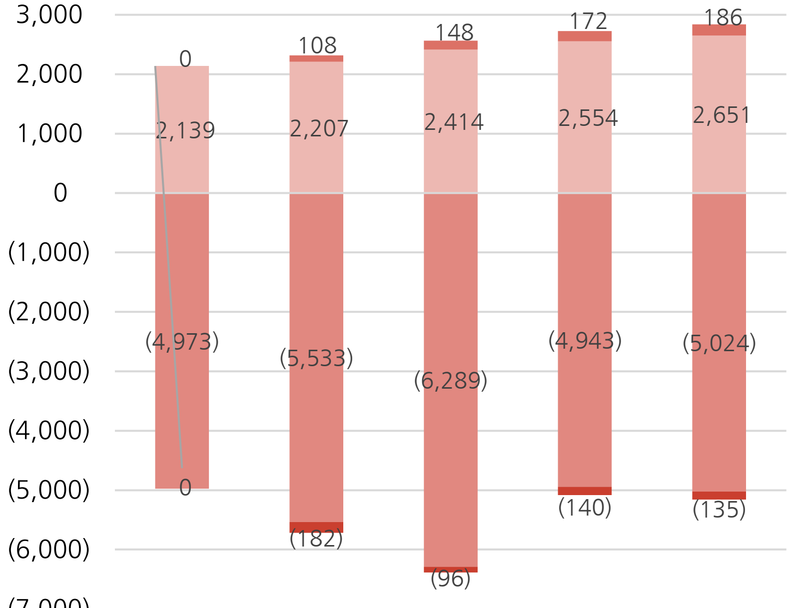
Qualified accounts years 2021-22 and 2020-21

	WGA 2021-22 (£bn)	Estimated missing data (£bn)	Percentage of total (%)	WGA 2020-21 (£bn)	Estimated missing data (£bn)	Percentage of total (%)
Assets	2,414.3	148.0	6.1%	2,206.7	108.0	4.9%
Liabilities	(6,289.2)	(95.9)	1.5%	(5,533.0)	(182.3)	3.3%
Net liabilities	**(3,874.9)**	**52.1**	**(1.3%)**	**(3,326.3)**	**(74.3)**	**2.2%**
Income	(881.6)	(35.6)	4.0%	(731.5)	(29.2)	4.0%
Expenditure	1,241.2	64.4	5.2%	1,135.9	55.3	4.9%
Net (income) / expenditure	**359.6**	**28.8**	**8.0%**	**404.4**	**26.1**	**6.5%**

1.8 The tables above demonstrate that despite being material, the missing data is a low proportion of key totals in percentage terms in 2023-24, as it was in the previous years. WGA is a substantially complete set of accounts with over 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. 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 2023-24 Statement of Revenue and Expenditure and Statement of Financial Position, showing which areas of the accounts are particularly affected, is presented below from paragraph 1.23.

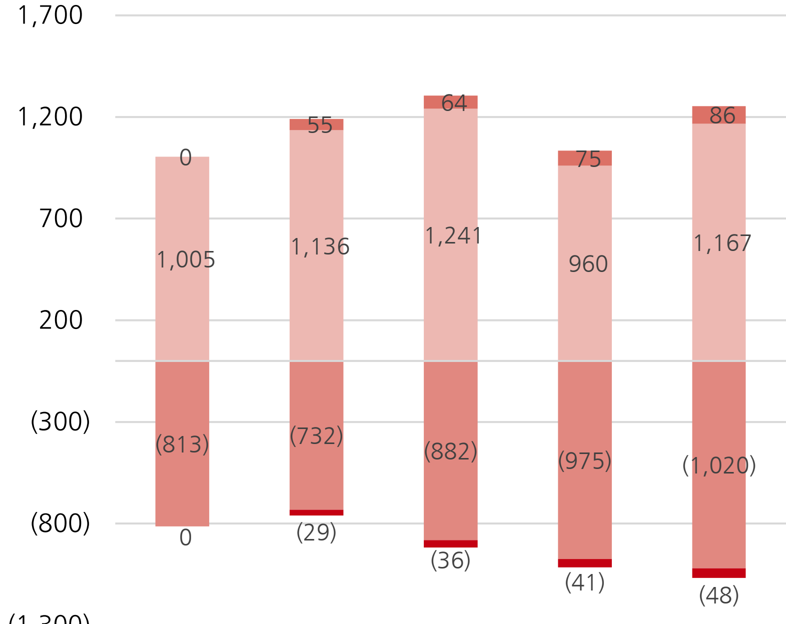
1.9 The charts below show these estimates of missing data for 2023-24, 2022-23, 2021-22 and 2020-21 in the context of the overall trend in movement of these key totals over the last five years.

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



	2019-20	2020-21	2021-22	2022-23	2023-24
Estimated missing liabilities	0	(182)	(96)	(140)	(135)
Liabilities	(4,973)	(5,533)	(6,289)	(4,943)	(5,024)
Estimated missing assets	0	108	148	172	186
Assets	2,139	2,207	2,414	2,554	2,651

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



	2019-20	2020-21	2021-22	2022-23	2023-24
Estimated missing expenditure	0	55	64	75	86
Expenditure	1,005	1,136	1,241	960	1,167
Estimated missing revenue	0	(29)	(36)	(41)	(48)
Revenue	(813)	(732)	(882)	(975)	(1,020)

Impact on consolidation process

1.10 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, 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 assets 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, 2022-23 and 2023-24 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. A significant number of English local government bodies did not submit consolidation data in 2023-24. 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, therefore, the bottom line of WGA is not as significantly impacted, but the nature of the expenditure shifts from one category to another.

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 2023-24 is as follows:

Sector	Missing Data TREND	Number of entities 2023-24	Number of entities 2022-23	Number of entities 2021-22	Number of entities 2020-21
UK central government		6	0	0	3
Scottish central government		5	10	14	17
Northern Ireland central government		1	1	0	0
Total central government		**12**	**11**	**14**	**20**
English local government		167	187	146	118
Scottish local government		12	10	10	9
Welsh local government		7	1	1	1
Total local government		**186**	**198**	**157**	**128**
Public corporations		**3**	**2**	**7**	**7**
Total		**201**	**211**	**178**	**155**

TREND KEY:

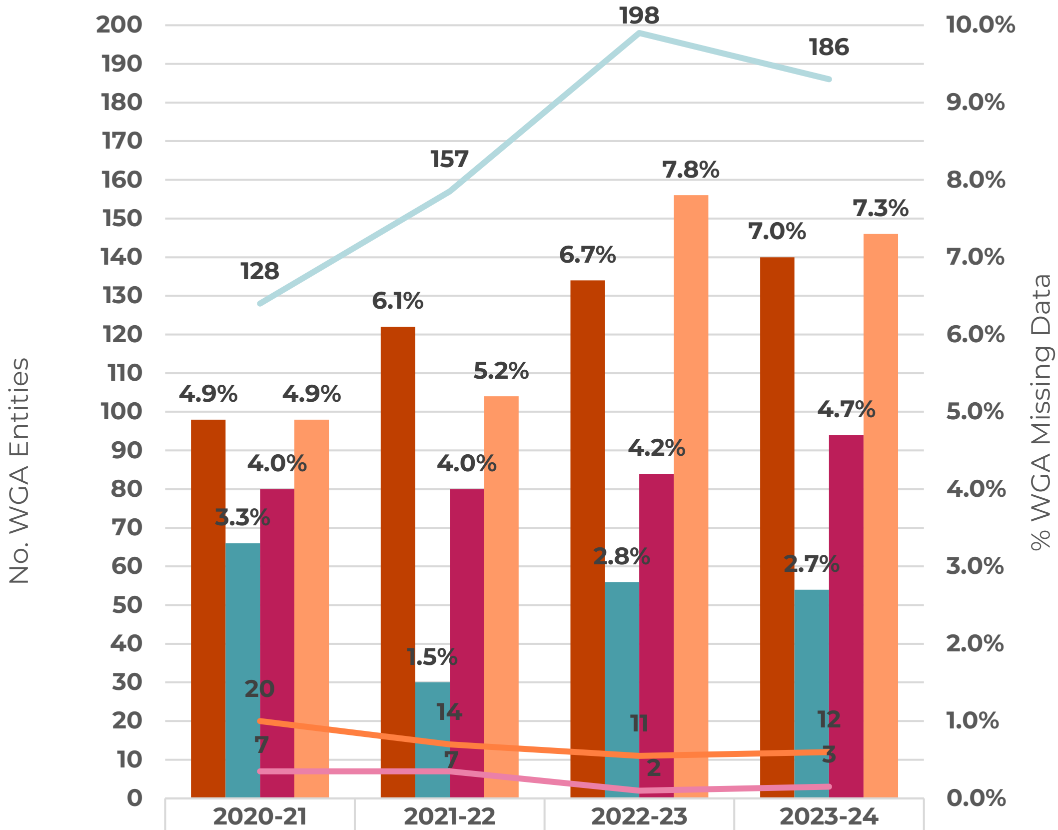
-Positive downward trend on Missing Entities Submitted Data to WGA

-Negative upward trend on Missing Entities Submitted Data to WGA

1.16 The missing data trend has shown slight improvement, notably in English Local Government, taking into account 13 entities that were no longer required to submit consolidation data in 2023-24, this still showed a reduction of seven entities from 2022-23 to 2023-24. Continued engagement with Scottish Government has resulted in lower levels of missing returns for Central Government. There was a sharp increase in UK Central Government returns missing but this should reduce in future years.

1.17 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	2023-24
Assets	4.9%	6.1%	6.7%	7.0%
Liabilities	3.3%	1.5%	2.8%	2.7%
Income	4.0%	4.0%	4.2%	4.7%
Expenditure	4.9%	5.2%	7.8%	7.3%
Central Government	20	14	11	12
Local Government	128	157	198	186
Public Corporations	7	7	2	3

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

Reasons for non-submission

1.19 Data submissions for WGA 2023-24 opened on 17 June 2024. The submission deadlines set by HM Treasury were:

- 16 August 2024: Cycle 1 return of unaudited data
- 13 September 2024: 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)

1.20 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.

1.21 Local bodies, unless exempt, were required to publish audited accounts for the financial year 2023-24 by 28 February 2025, the backstop date. MHCLG figures show that as of 20 May 2025, over 92% of bodies had published accounts for this period. Audit outcomes[1] for the 462 bodies subject to external audit for 2023-24 as of 20 May 2025 are summarised as follows:

- Unmodified: 189 (41%)
- Disclaimed due to the backstop date in para 1.21 above: 224 (48%)
- Qualified due to the backstop date: 8 (2%)
- Qualified or disclaimed for other reasons: 6 (1%)
- Yet to publish (including exempt bodies): 35 (8%)

1.22 An audit opinion for 2023-24 being outstanding would not necessarily prevent the entity from submitting draft WGA data for that year. However, if an audit from 2022-23 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 2023-24 data submission deadlines. Backstop dates and creation of the Local Audit Office will result in less missing data in future years, and the reduced missing numbers for LG Returns in 2023-24 suggest the problem has peaked. Hence, we will continue to see a reduction in missing data numbers (although they will move to unaudited). This will take a number of years to flow through and we still expect the disclaimed opinion for several years.

Estimate of data missing from WGA 2023-24

1.23 The tables below show the Statement of Revenue and Expenditure and Statement of Financial Position for 2023-24, together with an estimate of the impact of missing data on each line of these statements.

1.24 In the absence of data for 2023-24, the most recent data submitted by the missing entities has been used as a proxy for the impact they would have had on 2023-24. This data may be from either WGA 2022-23, 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

[1] Addressing the local audit backlog in England: Non-compliance lists - GOV.UK

in the local government sector and the Northern Ireland Teachers Superannuation Scheme.

Statement of Revenue and Expenditure – Disclaimed accounts years

	Note	WGA 2023-24 £bn	Estimate of missing data £bn	WGA 2022-23 £bn	Estimate of missing data £bn
Taxation revenue	4	(888.8)	(17.9)	(857.7)	(16.7)
Other revenue	5	(131.1)	(30.1)	(116.8)	(24.1)
Total public services revenue		**(1,019.9)**	**(48.0)**	**(974.5)**	**(40.8)**
Social security benefits	6	311.4	8.4	276.1	8.9
Staff costs	7	240.5	29.6	306.7	25.8
Purchase of goods and services	8	263.7	38.2	254.3	31.3
Grants and subsidies	9	104.1	0.1	122.4	1.4
Depreciation and impairment	10	64.2	5.5	52.8	4.3
Interest costs on government borrowing	11	63.4	-	85.1	-
Increase/(decrease) in provisions	23	29.0	0.2	36.2	0.2
Total expenditure on public services		**1,076.3**	**82.0**	**1,133.6**	**71.9**
Net expenditure on public services		**56.4**	**34.0**	**159.1**	**31.1**
Financing costs of long-term liabilities, including discounting	11	82.9	3.5	(141.9)	3.3
Revaluation of financial assets and liabilities		7.3	0.2	(31.8)	-
Net (income)/expenditure for the year		**146.6**	**37.7**	**(14.6)**	**34.4**

Taxation revenue missing data mainly comprises Council Tax. Other revenue missing data mainly comprises sales of goods and services (excluding NHS). Social Security benefits missing data mainly comprises housing benefits.

Statement of Financial Position – Disclaimed accounts years

	Note	WGA 2023-24 £bn	Estimate of missing data £bn	WGA 2022-23 £bn	Estimate of missing data £bn
Non-current assets					
Property, plant and equipment	12	1,539.1	145.0	1,435.3	133.6
Right of use assets	13	28.0	0.3	28.8	-
Investment properties	14	14.3	10.0	14.2	11.0
Intangible assets	15	52.1	1.5	47.9	0.4
Trade and other receivables	16	21.4	3.3	22.7	3.0
Other financial assets	17	470.0	2.9	505.1	2.9
		2,124.9	**163.0**	**2,054.0**	**150.9**
Current assets					
Inventories	18	13.2	0.4	13.2	0.3
Trade and other receivables	16	217.7	7.8	210.2	6.7
Other financial assets	17	237.6	7.8	216.0	7.8
Cash and cash equivalents	19	39.5	6.4	43.9	5.7
Gold holdings	34	17.5	-	16.0	-
Assets held for sale		0.9	0.5	1.0	0.6
		526.4	**22.9**	**500.3**	**21.1**
Total assets		**2,651.3**	**185.9**	**2,554.3**	**172.0**
Current liabilities					
Trade and other payables	20	(175.0)	(12.0)	(168.6)	(13.9)
Government borrowings	21	(407.0)	-	(371.9)	-
Other financial liabilities	22	(868.5)	(6.1)	(948.0)	(2.7)
Provisions	23	(22.2)	-	(29.8)	-
		(1,472.7)	**(18.1)**	**(1,518.3)**	**(16.6)**
Non-current liabilities					
Trade and other payables	20	(53.3)	(9.6)	(47.7)	(9.7)
Government borrowings	21	(1,613.0)	-	(1,382.1)	-

Other financial liabilities	22	(333.6)	(7.7)	(303.2)	(7.9)
Provisions	23	(240.0)	(1.6)	(277.1)	(1.5)
Net public sector pension liability	25	(1,311.9)	(98.3)	(1,415.0)	(104.6)
Total non-current liabilities		**(3,551.8)**	**(117.2)**	**(3,425.1)**	**(123.7)**
Total liabilities		**(5,024.5)**	**(135.3)**	**(4,943.4)**	**(140.3)**
Net liabilities		**(2,373.2)**	**50.6**	**(2,389.1)**	**31.7**
Financed by taxpayers' equity:					
General reserve		(3,229.0)	50.6	(3,154.0)	31.7
Revaluation reserve		849.9	-	759.7	-
Other reserves		5.9	-	5.2	-
Total liabilities to be funded by future revenues		**(2,373.2)**	**50.6**	**(2,389.1)**	**31.7**

Note – the tables for the Qualified accounts years 2021-22 and 2020-21 have been included in the published Whole of Government accounts 2022-23.

Property, plant and equipment missing data mainly comprises Land and Buildings. Net public sector pension liability missing data comprises both funded and unfunded schemes. In particular, the main elements are the NI Teachers Superannuation Scheme (£22.1 billion), and Greater Manchester Combined Authority (£9.6 billion). Both entities have unfunded schemes.

1.25 The estimated impact figures above are taken from data submitted by component entities in 2022-23, 2021-22, 2020-21 or 2019-20, adjusted for WGA consolidation adjustments made at an individual entity level. There are other consolidation adjustments that are not attributable to individual entities but do relate to their transactions. 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.

1.26 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 2022-23, 2021-22, 2020-21 or 2019-20 for the 201 entities which submitted data for those years but not for 2023-24. The boundary adjustment and restatement 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. 16 entities are not included in the data due to their last submission being too long ago.

1.27 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.

Usefulness of WGA

1.28 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.

1.29 Noting that the C&AG has previously qualified the WGA accounts on the material levels of missing entity and unaudited data in WGA (up to and including 2021-22), 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 and 201 in 2023-24. 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.

1.30 WGA is a unique product among G7 nations. 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. Improvements achieved in financial management across entities have also strengthened the position in financial reporting across government.

1.31 MHCLG has strengthened its approach to identifying local authorities under financial pressure in recent years. The Department uses modelling[2] to understand the overall financial resilience of the sector, as well as the relative position of individual local authorities from a finance and governance perspective, in line with other publicly available risk tools – such as CIPFA's financial resilience index and the

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[2] Local government financial sustainability - NAO report

Local Government Association's (LGA) LG Inform. This is combined with regular qualitative engagement with the sector.

1.32 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.

Unaudited data in WGA 2023-24

1.33 The significant delays to local authority audited accounts also led to higher levels of unaudited data in WGA. HM Treasury requests that component WGA submissions are based on audited statutory accounts. In 2023-24, a significant number of entities, largely within the English Local Government sector, were consolidated using data from draft accounts following delays in the audit of their underlying statutory accounts. 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. More information is provided in the C&AG's report on the accounts in Chapter 5.

1.34 Data is classified as audited for WGA consolidation purposes if either of the following conditions are met:

- Evidence received from independent third party (auditor) that the Data Collection Tool Return (DCT) (entity submission) has been audited is confirmation that the data itself is audited.
- Audited accounts are available and were published before the latest DCT was submitted.

1.35 The table below shows the numbers of unaudited returns received for the years 2020-21, 2021-22, 2022-23 and 2023-24.

Sector	Number of returns 2023-24	Number of returns 2022-23	Number of returns 2021-22	Number of returns 2020-21
UK central government	9	3	0	1
Scottish central government	10	4	0	5
Welsh central government	3	1	1	11
Northern Ireland central government	1	1	10	1
Total central government	**23**	**9**	**11**	**18**
English local government	224	196	192	97
Scottish local government	10	4	0	3
Welsh local government	13	11	7	0
Northern Ireland local government	2	0	0	0
Total local government	**249**	**211**	**199**	**100**
Public corporations	**8**	**7**	**1**	**2**
Total	**280**	**227**	**211**	**120**
Total population	**456**	**465**	**523**	**552**
% of total population	**61%**	**49%**	**40%**	**22%**

1.36 As missing data numbers have peaked, it is likely that we will see an increase in unaudited data numbers in future years if English local authorities produce accounts but receive disclaimed audit opinions or do not obtain audit opinions in time for WGA. WGA will, as a result, probably have a disclaimed opinion due to the high levels of unaudited data for several years. Unaudited data is preferable to missing data as it provides indicative information and has been subject to some internal control and sign off, even where external audit is not available.

1.37 The following table shows the impact of unaudited data on WGA by values for each of the years. The values for 2022-23 and prior years are base data from DCT Returns submitted by entities before elimination adjustments. 2023-24 figures are shown post elimination adjustments.

Years for which accounts were disclaimed due to unaudited data - 2023-24 and 2022-23

	WGA 2023-24 (£bn)	Estimated unaudited data (£bn)	Percentage of total (%)	WGA 2022-23 (£bn)	Estimated unaudited data (£bn)	Percentage of total (%)
Assets	2,651.3	482.3	18.2%	2,554.3	231.5	9.1%
Liabilities	(5,024.5)	(613.6)	12.2%	(4,943.4)	(173.3)	3.5%
Net liabilities	**(2,373.2)**	**(131.3)**	**5.5%**	**(2,389.1)**	**58.2**	**(2.4%)**
Income	(1,019.9)	(140.5)	13.8%	(974.5)	(114.2)	11.7%
Expenditure	1,166.5	213.7	18.3%	959.9	123.6	12.9%
Net (income) / expenditure	**146.6**	**73.2**	**49.9%**	**(14.6)**	**9.4**	**(64.4%)**

Years for which accounts were qualified due to unaudited data - 2021-22 and 2020-21

	WGA 2021-22 (£bn)	Estimated unaudited data (£bn)	Percentage of total (%)	WGA 2020-21 (£bn)	Estimated unaudited data (£bn)	Percentage of total (%)
Assets	2,414.3	229.8	9.5%	2,206.7	141.3	6.4%
Liabilities	(6,289.2)	(253.4)	4.0%	(5,533.0)	(146.9)	2.7%
Net liabilities	**(3,874.9)**	**(23.6)**	**0.6%**	**(3,326.3)**	**(5.6)**	**0.2%**
Income	(881.6)	(109.4)	12.4%	(731.5)	(62.7)	8.6%
Expenditure	1,241.2	114.9	9.3%	1,135.9	64.1	5.6%
Net (income) / expenditure	**359.6**	**5.5**	**1.5%**	**404.4**	**1.4**	**0.3%**

In the tables above, the biggest categories of unaudited data were Property, Plant and Equipment included in assets (2023-24: £350.8 billion, 2022-23: £173.4 billion, 2021-22: £175.3 billion, 2020-21: £110.6 billion), and Pension liabilities included in liabilities (2023-24: £302.6 billion, 2022-23: £93.0 billion, 2021-22: £166.3 billion, 2020-21: £93.1 billion).

Fiscal risk management framework

Economic and Fiscal Context

1.38 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 March 2025 Economic and Fiscal Outlook (EFO).

Economic Outlook

1.39 The sharp increase in global economic policy uncertainty has, and will continue to have, huge implications for the world economy. As an open economy the UK is not immune to these impacts.

1.40 Low and stable inflation is essential for long-term economic growth. The independent Monetary Policy Committee (MPC) of the Bank of England has cut Bank Rate four times since August as underlying inflationary pressure has eased. The OBR forecasts that inflation will peak at 3.8% in July 2025, before falling close to the 2% target from Q2 2026 until the end of the forecast period. The government continues to support the MPC as it acts to return inflation sustainably to target.

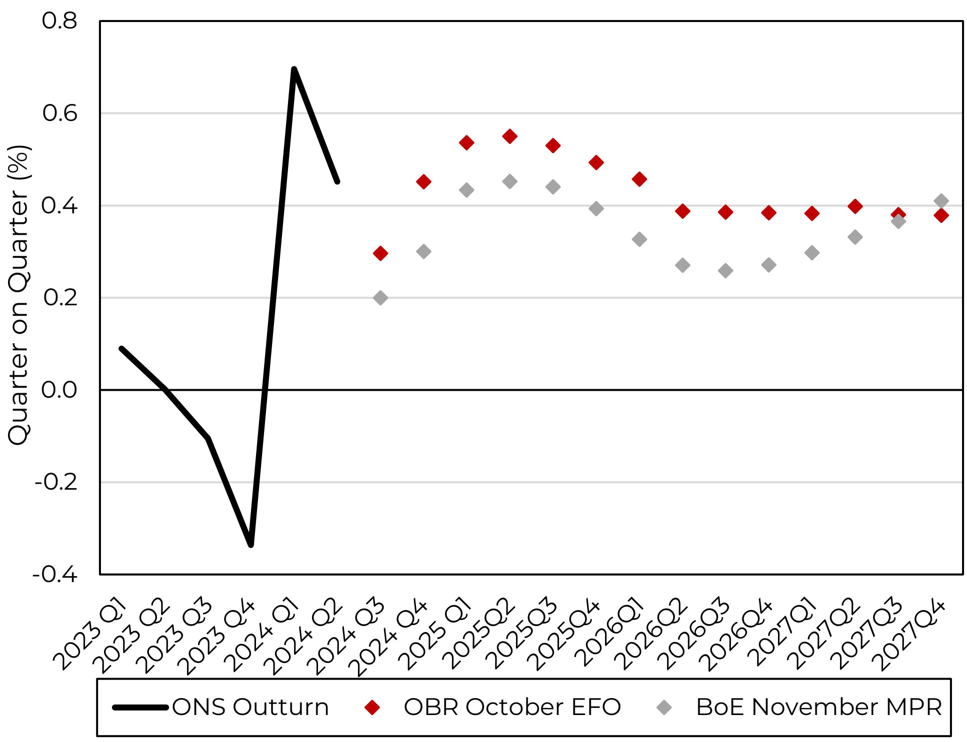
1.41 Elevated nominal wage growth has contributed to inflationary pressure. The OBR continue to expect the near-term outlook for pay growth to remain strong at 4.3% in 2025 before easing to 2.5% by the end of the forecast period in 2029. In recent years, we have seen high pay growth alongside a tight labour market, although more recent data has pointed towards a continued loosening, with employee levels, vacancies falling and pay growth easing in early 2025.

1.42 Rising unemployment also shows tentative signs of a wider easing of the labour market. Unemployment rose by 0.2ppts on the quarter to 4.6% in the three months to April 2025, . Youth unemployment remains elevated at 14.3% in the three months to April 2025. The OBR forecasted the unemployment rate to peak at 4.5% in 2025 and to fall to 4.1% in 2028.

1.43 Growth was strong at the beginning of 2024 but weakened in the latter half of the year. ONS quarterly national accounts, showed annual 2024 GDP growth was 1.1%. UK GDP has since had a dynamic start to 2025. First Quarterly estimate GDP grew by 0.7% in Q1 2025, driven by 0.5% and 0.2% growth in February and March respectively. Prior to the US tariff announcements, the OBR revised down their growth forecast for 2025 from 2% in the autumn to 1%. Growth is then forecast to accelerate to 1.9% in 2026, and average 1.8% across the forecast to 2029. Since then tariff announcements have affected forecasts. The Bank of England's May Monetary Policy Report upgraded the UK's growth forecast for 2025 to 1.0% and forecast growth to be 1.25% in 2026 and 1.5% in 2027, compared to 1.5% in both years in the February MPR, and the IMF upgraded the UK's growth forecast for 2025 to 1.2% (+0.1 ppts from April 2025 World Economic Outlook forecast) and1.4% in 2026 (unchanged from April). The UK is well-positioned to respond to this challenge. We are the world's sixth-largest economy and one of its most globally connected, with world-class research institutions and innovative firms, a highly skilled workforce and huge potential in our cities, regions and nations. Further, the UK has signed landmark trade deals with the US, India and the EU, protecting key industries, increasing access to markets, and boosting UK growth.

1.44 At the Budget last autumn, the government increased public investment by £100 billion, which the OBR said, if sustained, would raise the level of GDP by over 0.4% after 10 years and by 1.4% in the long run. In spring the government is increasing this by a further £13 billion over the Parliament. Wide-ranging reforms to the National Planning Policy Framework are expected to add an additional 0.2% to the economy by 2029-30 (£6.8bn in 2025 prices), growing to over 0.4% by 2034-35. Cumulatively, policies announced so far this Parliament are expected to raise the level of output by 0.6% by 2034-35.

Figure A.4 Quarterly Real GDP Growth Forecast



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

Fiscal Outlook

1.45 At the Budget last autumn, the government fundamentally reformed the fiscal framework by introducing fiscal rules that keep the public finances on a sustainable path while supporting a step change in investment for infrastructure and growth. The Charter for Budget Responsibility, which sets out the government's fiscal rules, was published on 30 October 2024 and approved by the House of Commons on 29 January 2025.[3] The changes in the Charter further strengthen the UK's fiscal framework, reflecting recommendations from organisations including the IMF and the OECD. The IMF welcomed these "Important reforms to strengthen the fiscal framework".

1.46 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, 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.

1.47 Balancing the current budget means that the government's day-to-day spending is met by revenues and so ensures that, over the medium term, borrowing is only for investment. This means future generations will not be burdened with the costs of public services today. The transition to targeting the third year of the forecast will provide a strong anchor for fiscal sustainability, while providing the necessary flexibility to respond to macroeconomic shocks.

1.48 The government's fiscal mandate is supplemented by a target to ensure debt, defined as public sector net financial liabilities (PSNFL or net financial debt for short), is falling as a share of the economy by 2029-30, until 2029-30 becomes the third year of the forecast period. Debt should then fall by the third year of the rolling forecast period. Targeting net financial debt allows the government to deliver a step change in investment spending, while maintaining a strong fiscal anchor.

1.49 To support economic and fiscal stability, the government also confirmed a set of responsible reforms to the fiscal framework that improve certainty, transparency and accountability. This includes:

- **Confirming the detail of the fiscal lock as legislated for in the Budget Responsibility Act 2024.** This means that every fiscally significant change to tax and spending will be subject to scrutiny by the independent OBR.
- **Improving spending transparency.** The Treasury shall provide the OBR with regular information about spending pressures and formalise its power to forecast overspends against Department Expenditure Limits.
- **Requiring the OBR to analyse and report on long-term impacts of capital investments and other policies at each forecast.** This analysis will help demonstrate how the health of

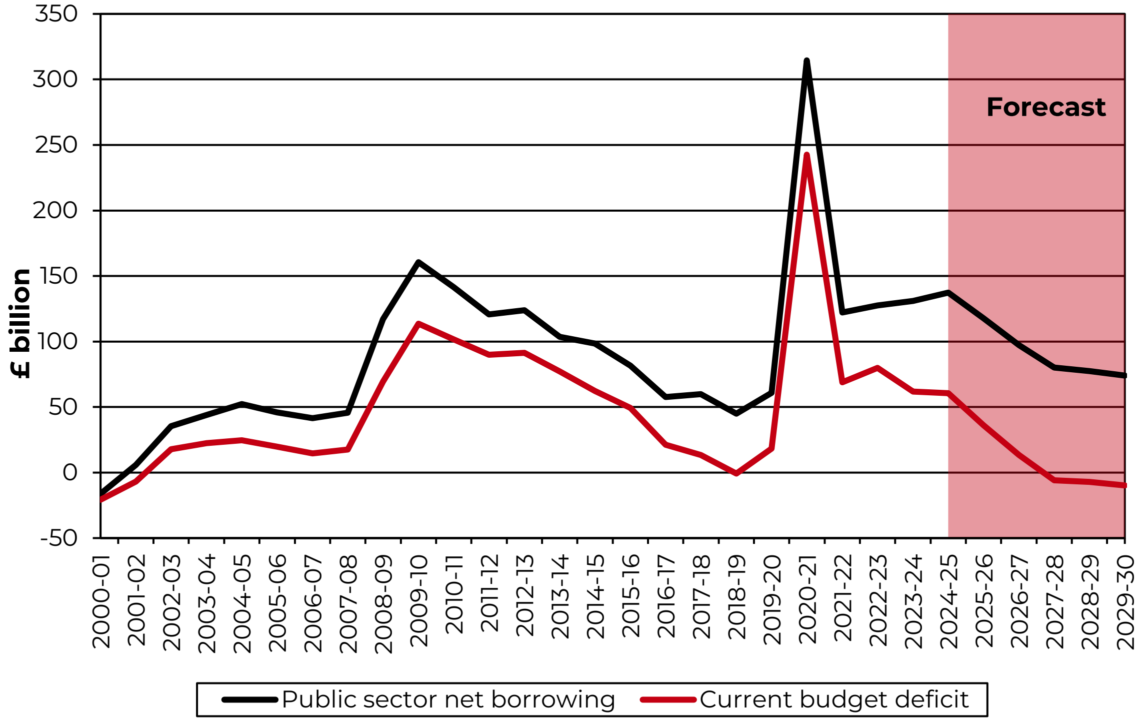
[3] Charter for Budget Responsibility: Autumn 2024, HM Treasury, October 2024.

the public sector balance sheet is bolstered by good investment decisions.

- **Requiring annual reporting on government's contingent liabilities and financial investments.** Contingent liabilities are uncertain in timing or cost and don't appear on most measures of the balance sheet. The OECD recommends regular disclosure as "scrutiny that comes with disclosure" helps to "ensure that risks are identified, estimated, and managed".

1.49.1 The OBR's March 2025 forecast confirmed that the government is on track to meet its stability and investment rules. The current budget is in surplus of £9.9 billion in the target year. Net financial debt falls in the final year of the forecast with a £15.1 billion buffer. Both rules continue to be met two years early.

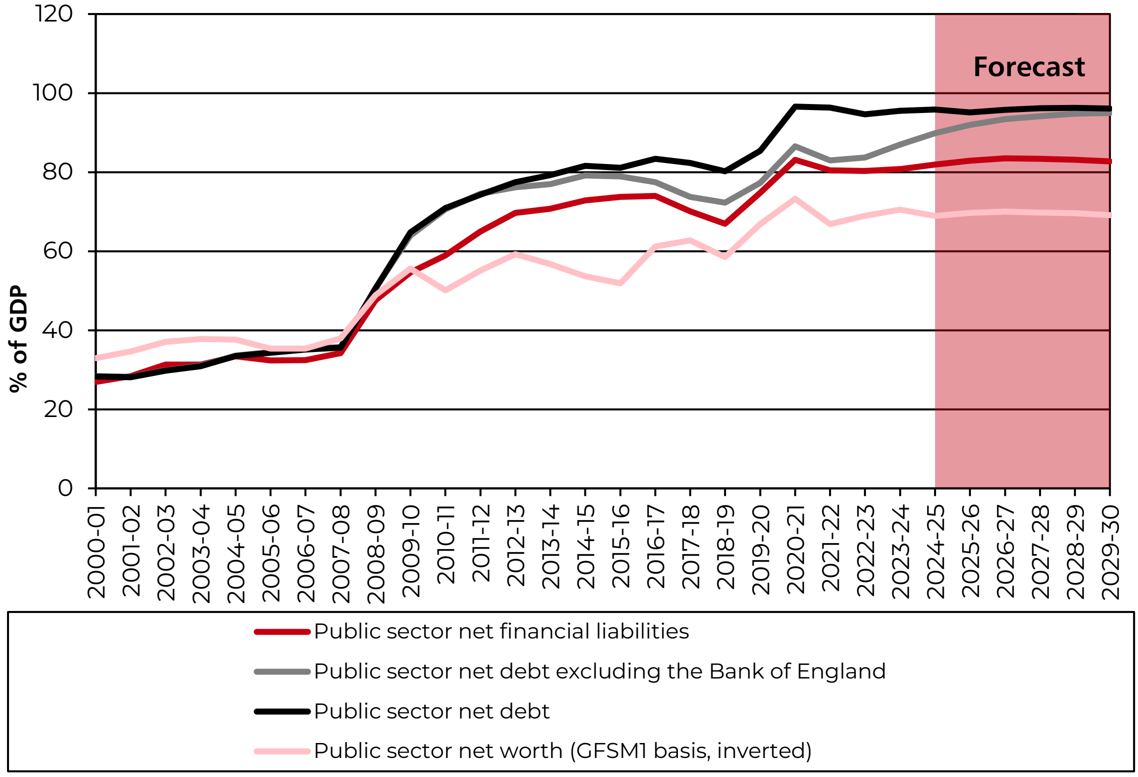
Figure A.5 Public Sector Net Borrowing and Current Budget Deficit



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

1.50 In addition to meeting its fiscal rules, the government considers a wide range of metrics to inform a full assessment of the sustainability of the public finances. Public sector net debt as a share of GDP is forecast to fall in the final year of the forecast, from 96.3% of GDP in 2028-29 to 96.1% of GDP in 2029-30. Public sector net worth – the difference between the value of all public sector assets (financial and non-financial) and liabilities – is expected to strengthen from -70.0% of GDP in 2026-27 to -69.1% of GDP in 2029-30.

Figure A.6 Four Measures of the Public Sector Balance Sheet



[1]Government Finance Statistics Manual.

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

The role of WGA in financial reporting and management

1.51 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. 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.

Use of WGA

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

1.53 Over the years, HM Treasury has used WGA for a range of purposes.

- The 'managing fiscal risk' report for 2017[4], 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.

1.54 Examples of external WGA users are the following:

- The Office for National Statistics (ONS). They produce one- off articles using 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.
- UK Government Investments have used WGA for contingent liability reports.[5]

[4] Managing fiscal risks: government response to the 2017 Fiscal risks report - GOV.UK

[5] Financial Instruments and Transactions - UK Government Investments (UKGI)

- 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.

Analysis of WGA Financial Statements

The original intention of the Whole of Government Accounts

The feasibility study

1.55 In 1995[6] the Public Accounts Committee indicated that there was 'public and Parliamentary interest' in a Whole of Government Accounts (WGA) that bought together income, expenditure, assets and liabilities of central government.

1.56 The main users identified by the report were as follows, and an assessment of whether, in retrospect, those users are being well served by the current WGA:

a. Parliament - a Whole of Government Accounts was thought to help with improved financial reporting, improved public accounting and transparency. With the benefit of 15 years of published WGAs this objective has been largely met. The Public Accounts Committee regularly uses WGA to hold government to account, and developments to WGA (particularly the inclusion of more information in the Performance Report that is more up to date than the balance sheet date) have made it more useful. HMT has provided some training but more needs to be done for wider groups of MPs to provide briefing on WGA and public sector accounting and how it applies to their role. PAC have recommended the creation of a pocket guide for MPs. HMT is also considering briefing for Parliamentary staff to promote the information available and how it can be used.

b. Government - a Whole of Government Accounts was thought to help with fiscal decision making. With the benefit of 15 years of published WGAs there have been some successes here but more work needs to be done. The timeliness of WGA is a key issue, where fiscal decisions need to be taken quickly and with the most up to date data possible. However, as WGA has developed

[6] Committee of Public Accounts Resource Accounting and Budgeting in Government, Fifteenth Report 1994-95, HC 407 Session 1994-95

the framework for the management of public spending has matured alongside it. One significant example is that Contingent Liabilities are now far better understood, controlled and monitored than before. Another example is the increased scope of fiscal statistics to capture wider aspects of the balance sheet, such as the development of Public Sector Net Financial Liabilities (PSNFL). A significant step forward in fiscal decision making was undertaken with the implementation of Clear Line of Sight reforms[7] for the 2011-12 financial year. This aligned Parliamentary Estimates used to allocate spending, Treasury Budgets to manage spending and Annual Accounts to report spending. This created greater clarity for government and a more coherent framework for fiscal decisions. This was not implemented as a direct result of Whole of Government Accounts, but the improvements in capability, frameworks and capacity to implement Clear Line of Sight also facilitated improvements to WGA. A more mature understanding of risk transfer and the impacts on budgets and accounts supported more options to deliver the government's priorities, while being mindful of the risk being taken onto the public purse. Improved accounting for departments (which then feeds into WGA) allows for more focus to be put on significant liabilities, such as nuclear decommissioning and clinical negligence. Under a cash accounting framework these would simply be recorded as payments when made. A mature accruals accounting regime based on International Financial Reporting Standards has allowed for a fuller assessment of the estimated total liability, the impact of the time value of money (and therefore the impact of policy decisions that bring forward or push back spending within the same overall envelope) and the implementation of new policies-such as dealing with decommissioning costs for new nuclear power stations:

i. In the early decades of the UK's nuclear programme, particularly during the 1960s, nuclear power stations were built without clear plans or funding their eventual decommissioning, leaving a legacy of costly liabilities. This began to change in the 1990s with the creation of the Nuclear Liabilities Fund (NLF), initially endowed with £260 million to cover decommissioning costs for British Energy's stations.
ii. The 2008 Energy Act introduced the Funded Decommissioning Programme (FDP), which put in place the mechanisms to protect future taxpayers from decommissioning costs. This required developers of new

[7] HM Treasury Alignment (clear line of sight) project March 2009 - GOV.UK

nuclear power stations to submit and maintain a Decommissioning and Waste Management Plan (DWMP) and Funding Arrangements Plan (FAP). Projects like Hinkley Point C and any future new power stations will have these programmes in place.

iii. The Nuclear Decommissioning Authority (NDA) was created in 2005, under the Energy Act 2004, and is the strategic non-departmental public body (NDPB) responsible for the clean-up of the UK's nuclear legacy at 17 sites. In doing so, it changed how sites were managed from being operated by private sector consortia to direct public sector ownership, saving c. £140 million per annum. The NDA uses Government funding and the revenue it generates to deliver safe, secure, sustainable solutions to the challenge of nuclear clean-up and waste management.

Further work needs to be done to make WGA more useful to government, and some potential avenues for future development are explored on paragraph 1.234 - future of WGA.

c. Taxpayers - Whole of Government Accounts was thought to help with improved understanding of financial affairs and results, alongside scrutiny of government policy. With the benefit of 15 years of published WGAs there is more work that can be done here. There are a number of interested external stakeholders in WGA. In particular, WGA is seen as an international exemplar, and other administrations have developed their own versions. WGA is also useful to academics and commentators. However, more work needs to be done to make WGA more accessible, understandable, useful and impactful to the public. A number of potential ideas for future development are explored on paragraph 1.234 future of WGA.

1.57 The report identified a number of potential practical issues with WGA. These are summarised below, alongside an assessment of how those issues were addressed:

a. **Different accounting policies in government** - the difference in valuation methodology between central and local government was highlighted in the original feasibility study, and is still a qualification to WGA. This long running issue would incur significant cost to correct, and require significant effort from accounts preparers and auditors. In preparing WGA the Accounting Officer must assess the value for money in making significant changes to the accounting framework and their utility beyond WGA. In this specific instance it is not considered value for money to implement this change at this time. In recent years a further element of this qualification has been introduced as central government has implemented the new IFRS 16 - Leases standard in 2022-23 but local government will not until 2024-25 (unless early adopting). This time limited qualification should be resolved in due course as the Local Government sector introduces the same standard. The nature of this qualification will fluctuate, but the key risk is ensuring that new standards are implemented across the whole public sector comprehensively. Future qualifications may be unavoidable as new standards come in and are implemented in different sectors at different times. However the gaps between implementation in different sectors should be minimised as much as possible.

b. **3G and 4G licences** - The treatment of 3G and 4G licences demonstrate how improvement and alignment of budgeting and accounting standards can resolve financial reporting issues. In April 2000, £22.5 billion was received from the sale of licences for the electromagnetic spectrum for third generation mobile phone services, with a further £2.4 billion in February 2013 from the sale of fourth generation services. HMT accounted for these on a cash basis in the opinion that there were no additional performance obligations from the provision of the licence but NAO qualified the WGA audit opinion, stating that the licence income should be spread over the life of the licence. Under historical budgeting standards (ESA95), government sale of mobile phone licenses was treated as a one-off receipt. With the introduction of ESA10, the cash proceeds from the license sale were then treated as rental income, with annual payments accrued over the life of the lease. This aligned the budgeting and accounting standards. Clarifications in financial reporting also contributed to the resolution of the issue. In 2014-15, HMT reviewed the income against the incoming IFRS 15 Revenue accounting standard (applicable from 2017-18) and, based on the clarifications proposed by the new accounting standard, posted an £8.8 billion adjustment to recognise the provision of the licence as a performance obligation, which lifted the qualification.

c. **Identifying and eliminating intragovernment balances.** WGA was qualified on lack of evidence supporting intragovernment eliminations until the 31 March 2016 balance sheet. However, since then this qualification has not returned. Improvements in the accounts production process have led to the level of elimination uncertainty (See paragraph 3.15 for more information on how WGA is produced including management of elimination uncertainty) being more effectively managed. Preventing this qualification from returning is one the key risks the WGA Accounting Officer manages.

d. **Practicalities of gathering information from entities** - the original scoping study identified that obtaining information from entities would be a 'major task'. WGA continues to be a significant undertaking, with hundreds of returns encompassing thousands of entities. The Clear Line of Sight reforms implemented in 2011-12 accounts were a significant step forwards as these implemented departmental groups. This meant that a single return from the departmental group could encompass both the core department and its designated Arm's Length Bodies (ALBs). This significantly reduced the number of returns that needed to be consolidated for WGA. This also had an added benefit of reducing the number of intragovernment transactions that had to be eliminated centrally, as transactions between ALBs and their parent department would already be eliminated as part of the preparation of group accounts. Subsequent improvements were then made in the implementation of the OSCAR system that allowed more visibility of draft data. The process previous to the 2019-20 cycle was heavily reliant on spreadsheets being emailed into a central inbox, which meant there was no visibility of data in the draft phase. Improving the use of draft data as part of the accounts preparation process is a key driver to making future improvements to WGA. In recent years there have been growing issues obtaining information from English Local Government bodies, which eventually led to the 2022-23 and this 2023-24 WGA being disclaimed by the Comptroller and Auditor General on the basis of missing and unaudited data. Further information on this issue is included in paragraph 1.6 - Missing Data.

e. **Public sector boundary and non co-terminous year ends** – the original report suggested a central government consolidation so did not anticipate the complexities of defining the public sector boundary or consolidating non co-terminous year ends which represent a significant judgements under the GRAA.

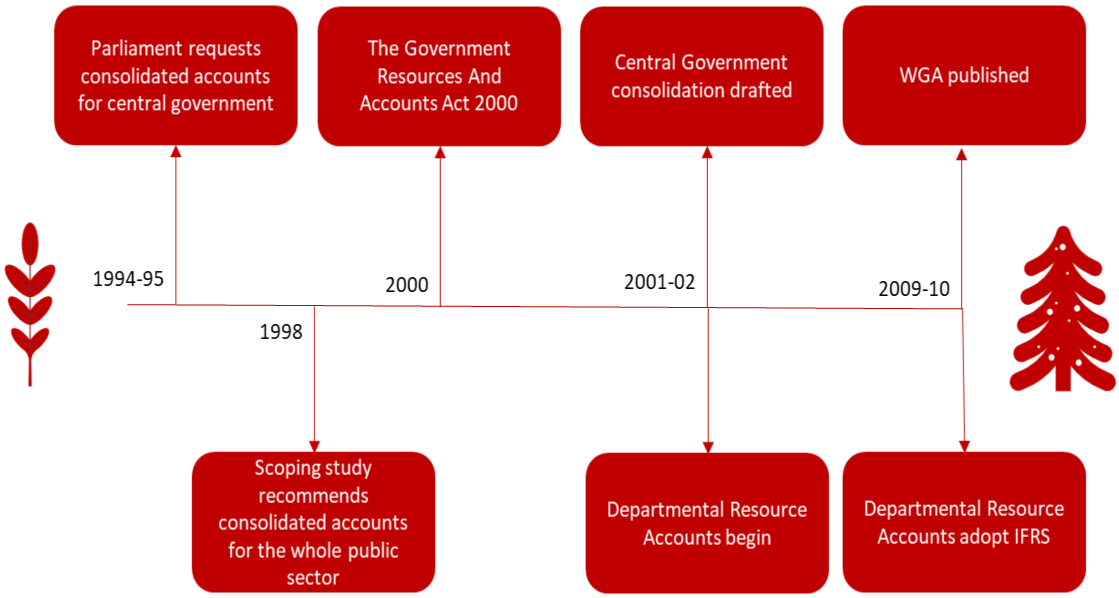
1.58 The report noted that it might be possible or desirable to publish an interim report based only on central government data with the full WGA published afterwards. While this was not done, the issue of interim reporting remains worthy of consideration. There are two ways in which interim reporting could be achieved:

a. As envisaged by the feasibility study - a quicker, less comprehensive report (perhaps on a more limited scope than the full WGA) followed by the full WGA thereafter. However, this is deemed to be inefficient as preparing the interim document for publication (even if unaudited) would significantly slow down the preparation of the full WGA.

b. Improving publication and transparency of data, where certain elements of WGA could be made available ahead of publication (but after the underlying statutory account has been published). The greater use of digital platforms to improve transparency of public spending is a valuable area for consideration. Further options that could be explored are set out in paragraph 1.234 - future of WGA.

1.59 A Whole of Government Account was proposed in a very different environment to the current one. Since the original proposal there has been the implementation of resource accounting, a transition from UK Generally Accepted Accounting Practice to International Financial Reporting Standards, the implementation of Clear Line of Sight and a wide range of external uncertainties and challenges. Despite these challenges, the original aims as set out in the feasibility study are still important today. WGA has largely met these aims, providing a credible and holistic view of the public finances and enhancing scrutiny. Further work remains to be done to make WGA relevant and useful to the taxpayer, and improvements to technology appear to be key in realising this ambition.

A History of WGA



1.60 The history of WGA can be divided up into four rough phases:

1.61 Dry run- up to 2009-10: Prior to the first publication of WGA there were a number of 'dry run' cycles. These were done to test out the consolidation process, develop the tools, skills and structures needed to deliver WGA and for the NAO to build their audit programme. These dry run accounts were not published.

1.62 Early years 2009-10 to 2015-16: These were the earliest WGA to be published. This era is characterised by the reliance on Excel spreadsheets to collect data, and significant manual work required to complete the accounts. WGA published in this era were qualified on the basis of their intragovernment eliminations, and during this period removing this qualification was the top priority for WGA

1.63 Maturity 2016-17 to 2018-19: These are the WGA cycles where departments and local bodies reliably published their accounts in a timely fashion. The WGA process was still spreadsheet based, but largely mature and efficient. This era is characterised by the removal of the qualification on intragovernment eliminations and was the period prior to significant levels of missing local government data. During this period other products were developed such as the Fiscal Risks Report and Fiscal Sustainability report.

1.64 Covid and recovery 2019-20 to present: During the Covid pandemic the decision was made to redirect resources into urgent priorities. This meant significant delays to central government accounts. At the same time, due to a combination of factors explored more from paragraph 1.19, local government accounts became significantly delayed. The impact of Covid has created a significant delay to WGA, and as such a recovery plan was put in place to return to normal publication timetables.

Long Term Trend Analysis of WGA Financial Statements

1.65 WGA has now been published for 15 years allowing for an analysis of the public sector's income, expenditure, assets and liabilities over a period of time, providing an insight into the trends and strategic direction of financial performance. Sometimes older numbers are updated in a more recent edition of WGA; where this is the case, the most recent, restated numbers have been used in this analysis; e.g. 2009-10 numbers are as restated in the 2010-11 WGA. Reasons for restatements are explained in the WGA for each year[8].

Factors impacting on the analysis of trends

1.66 Since WGA began, the number of entities included has increased as more entities have been brought into the WGA boundary.

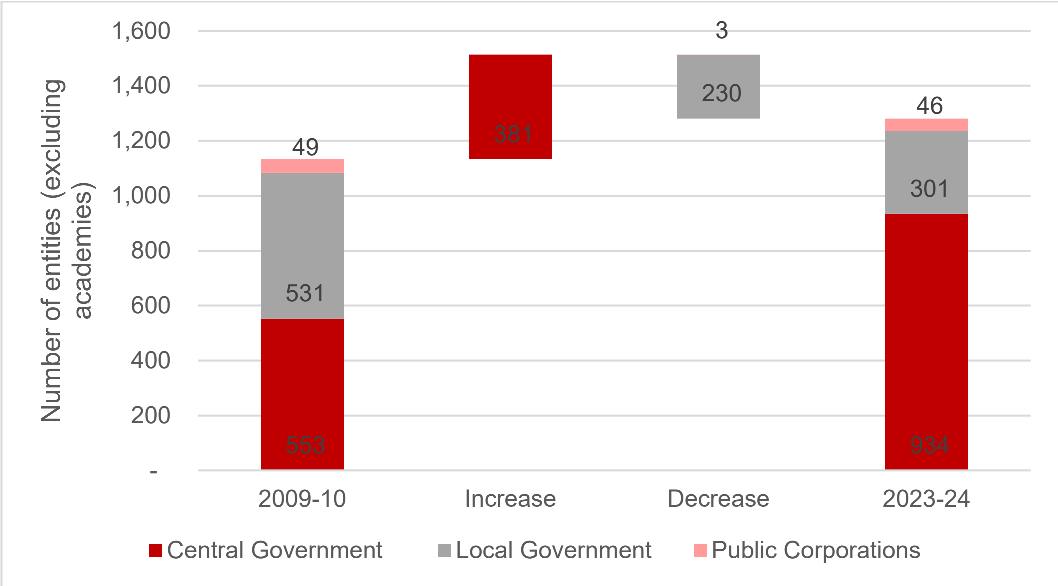
1.67 There have been changes to the classification of entities (e.g. due to Machinery of Government (MOG) changes) and the addition of academies absorbing schools from local authorities, and these move the composition of assets and liabilities within government rather than increasing them.

1.68 The wide boundary of WGA has increased transparency over public sector finances as a whole by showing the complete picture of government financial position and performance, regardless of how activities are structured between different entities within the public sector (machinery of government changes (MOGs)).

1.69 The most significant boundary change was the addition of Network Rail in 2014-15.

[8] Whole of Government Accounts - GOV.UK

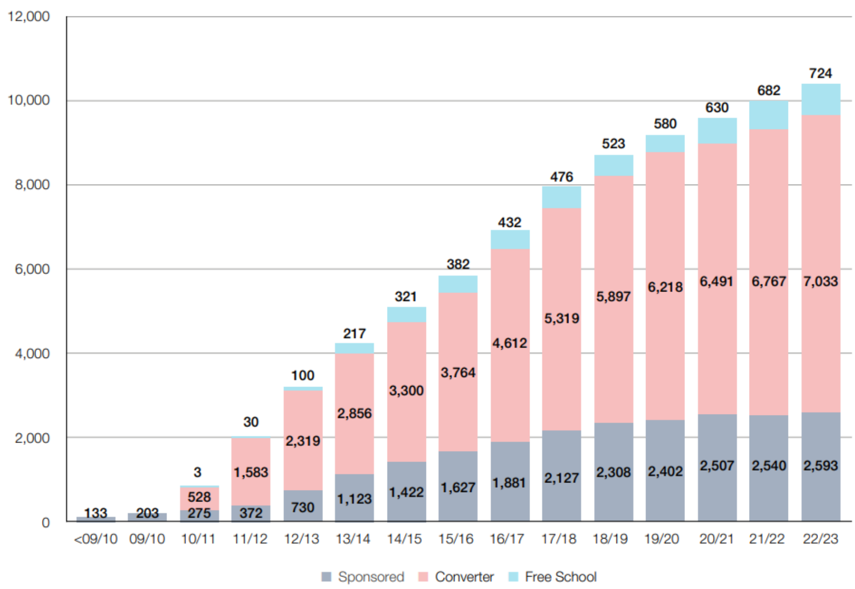
Figure A.7 Changes to the number of bodies within the WGA boundary, excluding academies



Source: WGA Annexes.

The number of central government entities included in WGA, excluding academies, has increased by 381 whilst the number of public corporations has reduced by 3. The number of local government entities has reduced by 230 of which 191 is due to missing data and 39 is a reduction in the number of local government bodies.

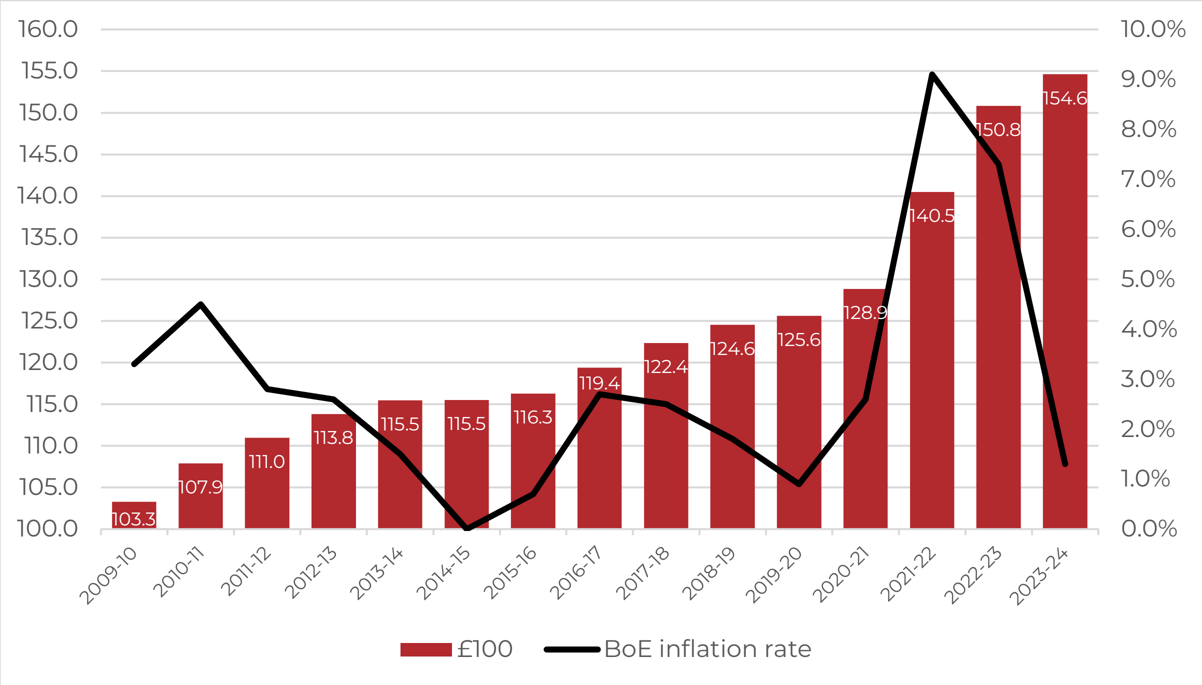
Figure A.8 Changes in number of academies included in WGA



Source: Academies Sector Annual Report and Accounts 2022-23

1.70 Inflation increases the value of everything in WGA, including income and expenditure, assets and liabilities. Figures in the Performance Report have not been adjusted for inflation to ensure comparability and traceability to previous years' publications. The majority of charts show an increase over time which is primarily attributable to inflation. The commentary in the long term trend analysis highlights movements that are not attributable to these general increases.

Figure A.9 15 year trend of inflation



Source: BoE inflation calculator

Report on Assets and Liabilities

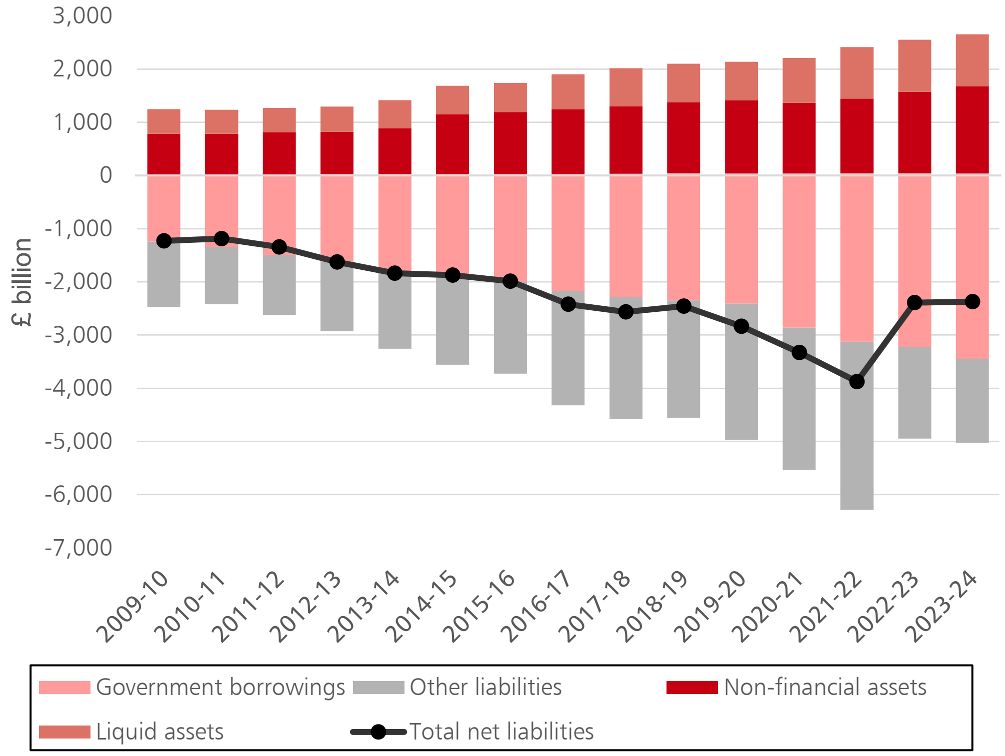
Statement of Financial Position

1.71 The purpose of a Statement of Financial Position (also known as a balance sheet) is to show the financial status of an entity or group of entities at a specific point in time. The WGA Statement of Financial Position shows what the UK public sector owns (its assets) and how much it owes (its liabilities).

1.72 Assets and liabilities arise as the government works to deliver public services (e.g. it invests in schools and hospitals), to deliver policies (e.g. it provides affordable housing), to encourage growth (e.g. it supports business and industry with loans and guarantees), and to respond to specific crises (e.g. Covid loans). These are managed by central government departments, local authorities and other specialised public bodies.

1.73 As at 31 March 2024, there are £2,651 billion of assets and £5,024 billion of liabilities, resulting in £2,373 billion net liabilities. The net liability position is reflective of the fact that WGA includes a current balance for future commitments to spend (e.g. provisions) but not the future income that will meet that commitment (e.g. future tax income).

Figure A.10 **15 year trend on assets and liabilities**

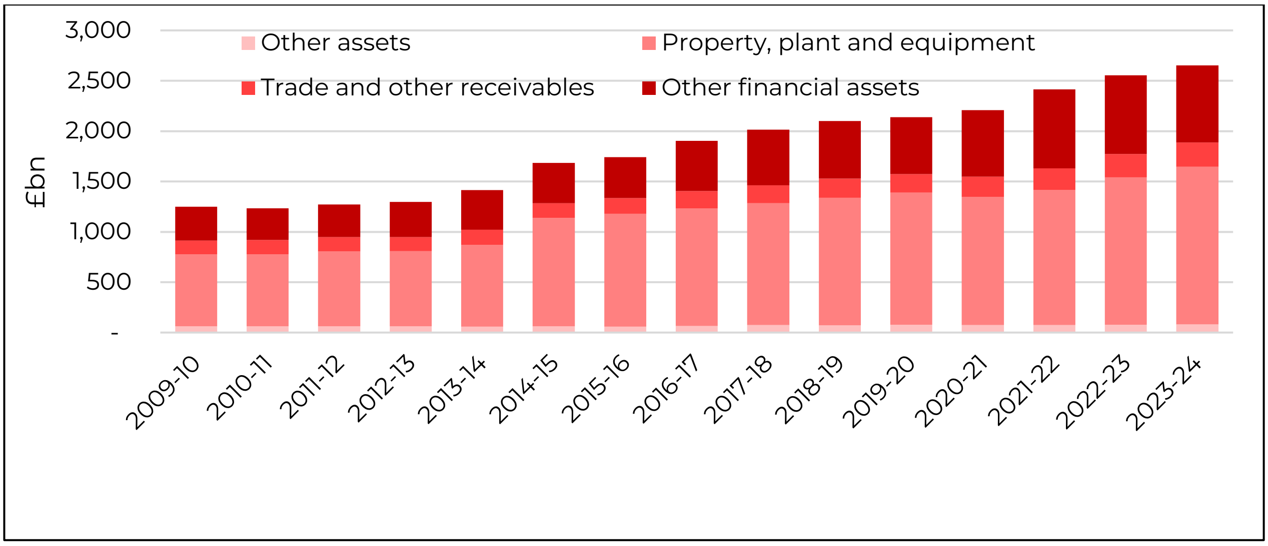


1.74 Over the 15-year period from 2009-10 to 2023-24, the total size of both public sector assets and liabilities increased, and the net liabilities have continued to increase over the 15 years. The chart above shows the assets above the line increasing steadily and the liabilities below the line much larger than assets in size and increase. The black trendline shows the net liability position increasing over time from about 50% of GDP to 86% of GDP.

1.75 Total assets increased steadily from £1,250 billion to £2,651 billion. This increase of £1,401 billion was more than offset by total liabilities growing by £2,548 billion, rising from £2,477 billion in 2009-10 to £5,025 billion in 2023-24, doubling over the period.

1.76 This reflects the public sector's steady increase in investments, such as the term funding scheme and student loans, and sharp increases in liabilities due to government interventions in response to financial crises and the Covid-19 pandemic. Longer term liabilities, such as public section pensions, have also increased steadily over the last 15 years as a result of a variety of factors, including a general decline in discount rates.

Figure A.11 Assets (£2,651 billion)



1.77 As shown in the chart above, the public sector's total assets have more than doubled in the last 15 years, from £1,208 billion as at 31 March 2010 to £2,651 billion as at 31 March 2024, increasing by £1,443 billion.

1.78 This section looks at this in more detail, focussing on: property, plant and equipment, which includes infrastructure and land and buildings; other financial assets, which includes loans and deposits, student loans and equity investments, and intangible assets.

1.79 All assets increased in the last 15 years. The assets experiencing the largest growth were property plant and equipment (including infrastructure) which increased by £859 billion and other financial assets (such as equity and loans) which increased by £453 billion.

Figure A.12 Property, plant and equipment (£1,539 billion)

1.80 The largest group of assets owned by the public sector is property, plant and equipment (PPE) which includes land and buildings, infrastructure, and military equipment. PPE accounted for £1,539 billion as at 31 March 2024, or about 60% of the total assets.

1.81 There are also Right of Use assets or PPE that is leased of £28.0 billion which is included elsewhere on the balance sheet. There was an additional £112.2 billion of value as at 31 December 2023 in relation to local roads that is recognised in the UK National Accounts[9] but is not currently reflected in the WGA value due to local authority accounting policies which is therefore understated.

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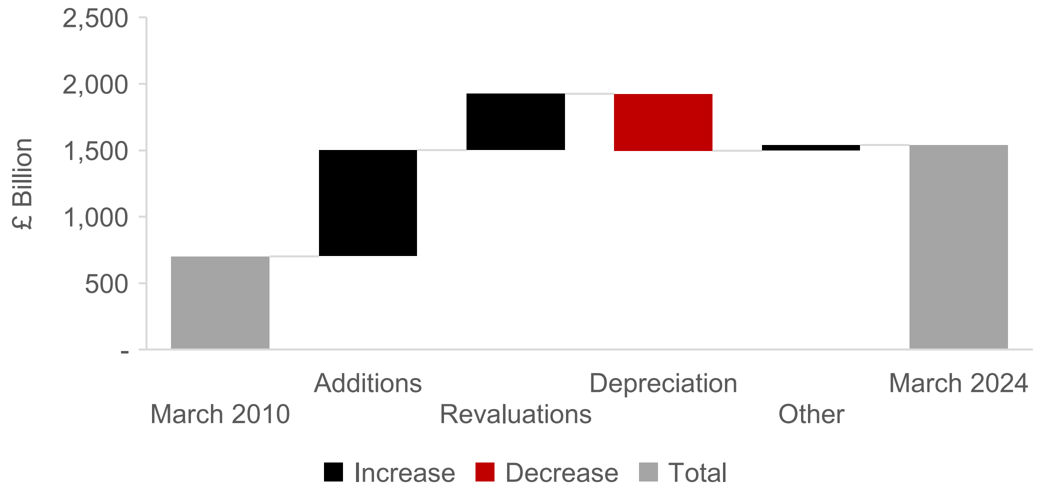
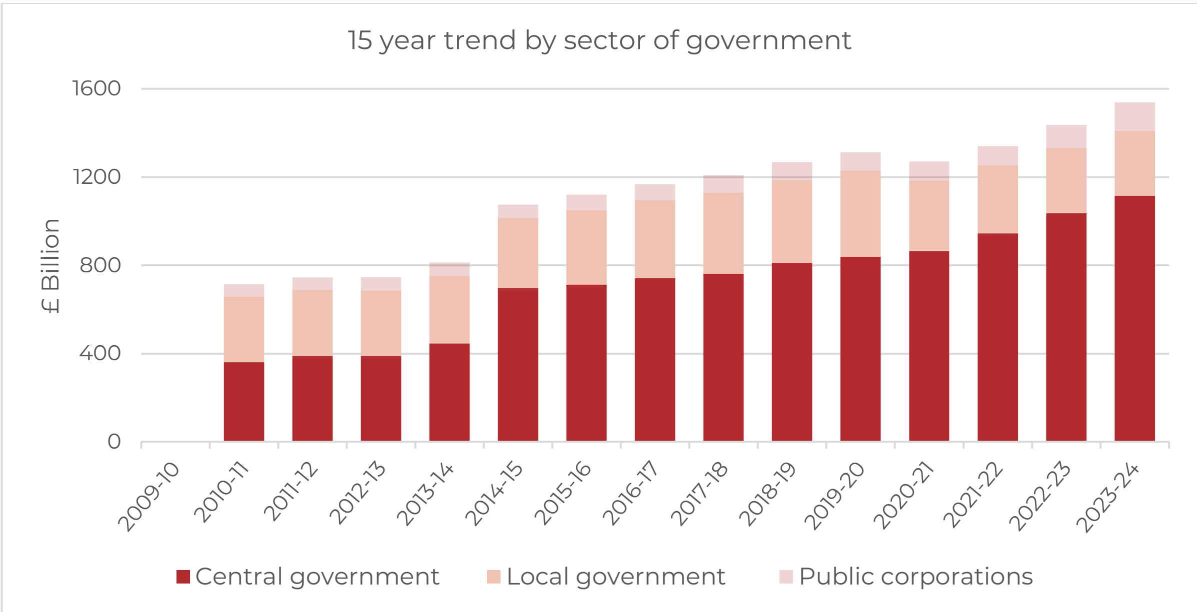
[9] National balance sheet: Local government Table 9.9a Produced non-financial assets: Fixed assets: Other buildings and structures: Other structures https://www.ons.gov.uk/file?uri=/economy/grossdomesticproductgdp/compendium/unitedkingdomnationalaccountsthebluebook/2024/supplementarytables/bb242.xlsx

Figure A.13 Property, plant and equipment: analysis of the change

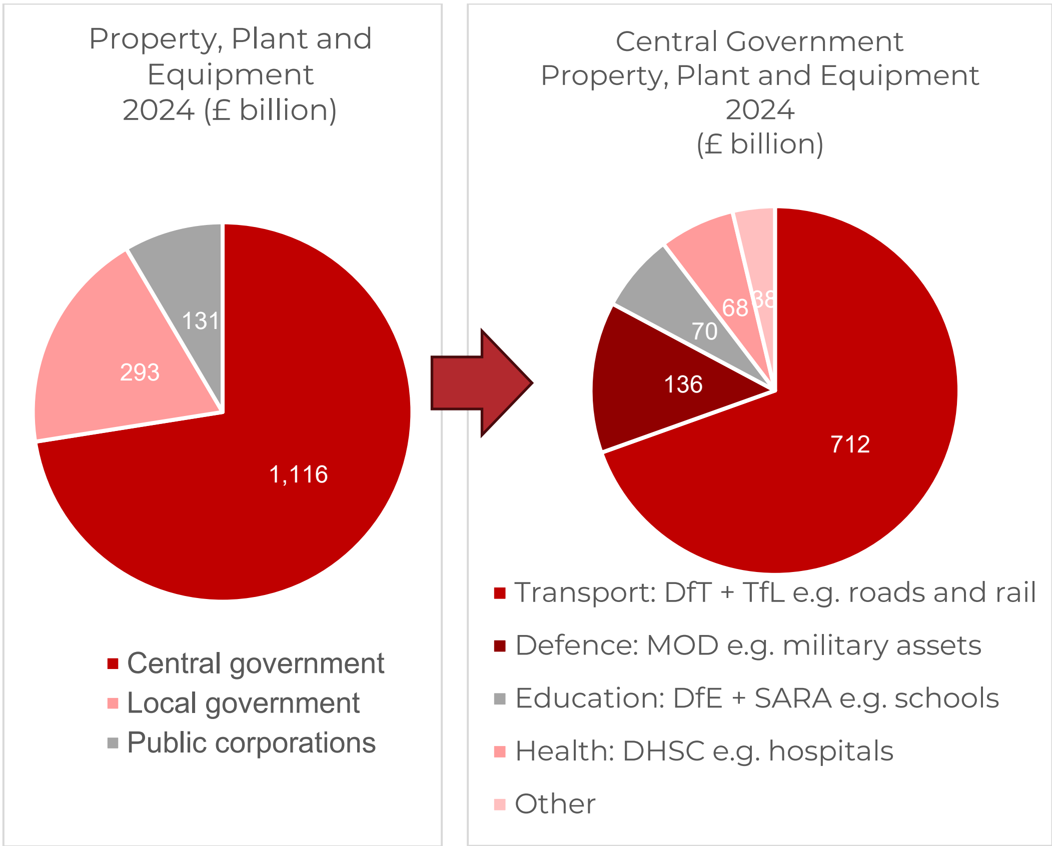


1.82 In the last 15 years, as shown in the chart above, PPE increased by £859 billion or about 220%. Of this, £798.4 billion was due to additional investment in these assets and £424.2 billion was due to revaluations. More detail is provided below about the movements in the biggest components of PPE.

Figure A.14 Property, plant and equipment by sector



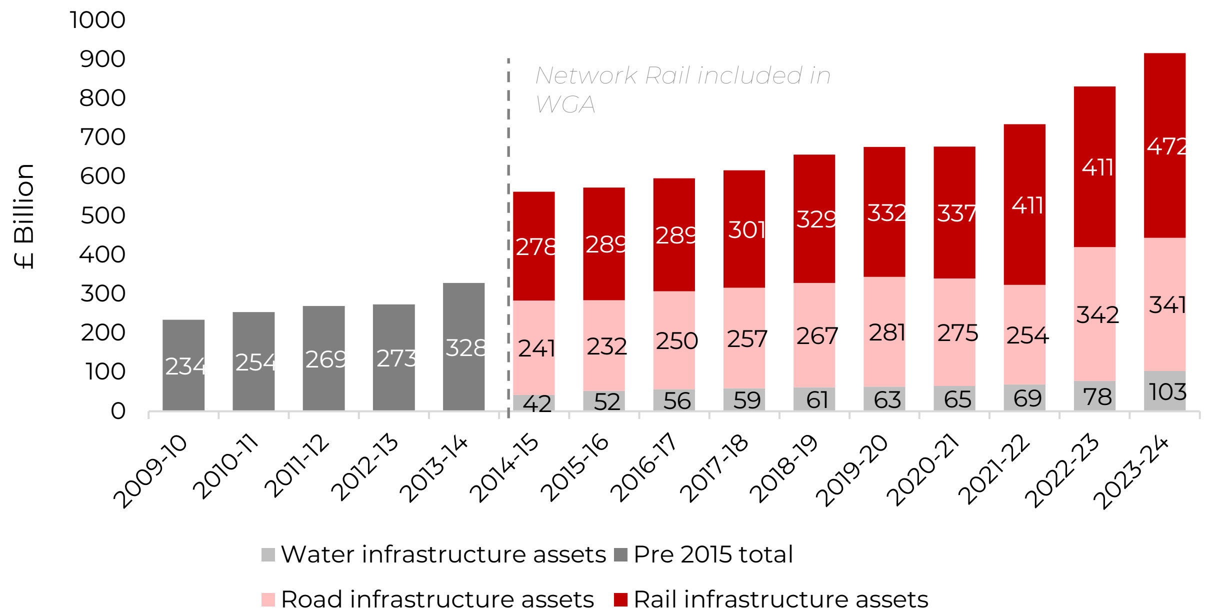
No segmental data is available for 2009-10



1.83 The majority of PPE is held by central government which has doubled in size in the last 15 years, primarily due to the inclusion of rail infrastructure owned by Network Rail which was consolidated for the first time into WGA in 2014-15. Local government has a smaller portion of PPE which has stayed broadly flat in the last 15 years, in part because local roads, which make up a significant portion, are valued at historic cost.

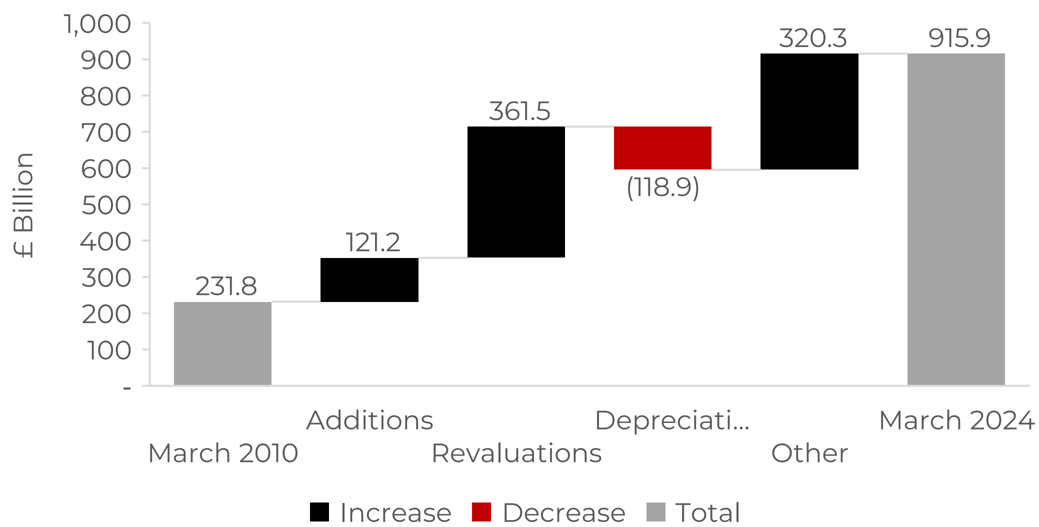
1.84 Of PPE owned by central government, transport infrastructure comprises by far the largest portion, over 60%. The second largest component is defence assets such as military equipment and housing for the armed forces. Less than 20% of PPE owned by central government comprises the rest, including hospitals, schools, courts and prisons.

Figure A.15 Infrastructure Assets (£916 billion)



1.85 Infrastructure assets include the rail and road networks in the UK which provide a key public service that underpins daily life and economic growth, as well as public water infrastructure in Scotland and Northern Ireland.

Figure A.16 Infrastructure assets: analysis of the change



1.86 In the last 15 years, infrastructure assets consistently increased from £233 billion to £915.9 billion, in total by £682.9 billion. They increased from making up 33% of PPE to 58%. The increase is mostly driven by valuation increases and also reflects the government's continuing investment in its infrastructure.

1.87 In addition, assets under construction of £114 billion are reflected elsewhere on the balance sheet of which a significant portion relates to infrastructure assets. For example, there is £30.8 billion of assets under construction incurred for preparatory work for the construction of HS2 Phase One.

1.88 Rail infrastructure has consistently comprised about 15,800km of route available on the mainland of Great Britain over the last 15 years.[10] Meanwhile, passenger rail journeys almost doubled in the 20 years before the Covid-19 pandemic, reaching a record 1.8 billion journeys in 2018-2019. In 2023-2024, there were 1.6 billion rail passenger journeys, accounting for 2% of all trips made and 8% of distance travelled in England (car travel represents the biggest share for each case).[11]

1.89 In 2024, there were 246,500 miles of road in Great Britain. This was 5,600 more miles than in 2004 (a 2.3% increase), primarily due to increased minor or local road lengths.[12]

Rail infrastructure (£472 billion)

1.90 In 2014-15, there was a large increase in the value of rail infrastructure in WGA when Network Rail was consolidated for the first time following its reclassification to the public sector. The impact on 2014-15 was an increase in total assets of £93.6 billion. During 2023-24, the rail network managed by Network Rail increased from £411 billion by £61 billion. This included £62 billion in revaluations and £7 billion in new additions, offset by £8 billion of in-year depreciation charges.

1.91 *Revaluations*: The road and railway networks are valued using a depreciated replacement cost (DRC) valuation methodology. This aims to reflect the cost in today's money of constructing a new network capable of delivering the same service capacity as the existing asset. The revaluation gains represent inflationary increases in the estimated cost of constructing a modern equivalent infrastructure asset and a general increase in land values has a significant impact on the valuation.

1.92 *Additions*: These reflect continued delivery of the Network Rail enhancements programme and construction of HS2 between London and Birmingham. Alongside these, the government has continued to invest at a local level, including in projects to decarbonise the transport system – such as cycling and walking infrastructure, Zero Emission Buses, and electric vehicle infrastructure.

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[10] Table 6320 - Infrastructure on the mainline | ORR Data Portal

[11] Rail factsheet: 2024 - GOV.UK

[12] Road lengths in Great Britain: 2024 - GOV.UK

Strategic Road Network managed by National Highways (£160 billion)

1.93 The Strategic Road Network (SRN) accounts for around 2% of the road network in England but carries approximately 34% of all traffic. The value of the SRN has steadily increased, almost doubling over 15 years, from £86.7 billion as at 31 March 2010 to £159.7 billion as at 31 March 2024, as has the road network in Scotland, Wales and Northern Ireland. The increase reflects additional capital investment in the existing SRN and major projects such as the M5 Oldbury waterproofing works and the A11 concrete roads reconstruction, alongside the rising cost of replacement materials as the SRN is valued at depreciated replacement cost. Additions reflect continued delivery of the Road Investment Strategy by National Highways.

Local government roads (£40 billion)

1.94 The value of the local authority networked assets is £77.8 billion as at 31 March 2024 (2022-23: £79.1 billion) of which local government roads comprised £40.3 billion (2022-23: £41.1 billion) and Transport for London comprising £37.5 billion (2022-23: £38.0 billion).

1.95 Over the last 15 years the value of local government roads was broadly flat, gradually increasing from £49.1 billion as at 31 March 2009 to £56.1 billion as at 31 March 2020, a 14% increase over a decade, reflecting the more static extent of the local road network and that they are valued at historic cost (an accounting policy difference from central government). In 2021, the value recorded in WGA decreased significantly to £44.7 billion and has continued to decrease to £40.3 billion, driven by missing local government data.

1.96 While central government uses depreciated replacement cost, local authorities continue to value their roads at historic cost for pragmatic and value for money reasons. For WGA purposes, the differing road valuation methods create inconsistency and a potential understatement of the size of infrastructure assets, giving rise to audit qualifications on the matter.

1.97 Maintenance on local roads, e.g. money spent on potholes, does not necessarily increase the value recognised under accounting standards of roads because spend must enhance or extend the useful life of an asset to be recognised as a capital asset, rather than just maintaining the existing asset value. For example, the value would not include £2.7 billion committed in the 2021 Spending Review for local highways maintenance funding between tax years 2022 and 2025 to local authorities outside of London and the eight largest city regions or the additional £0.2 billion for the potholes fund announced in Budget 2023.[13]

1.98 ONS fiscal statistics provide an estimate of how English local authority networked assets would be valued in WGA if English local

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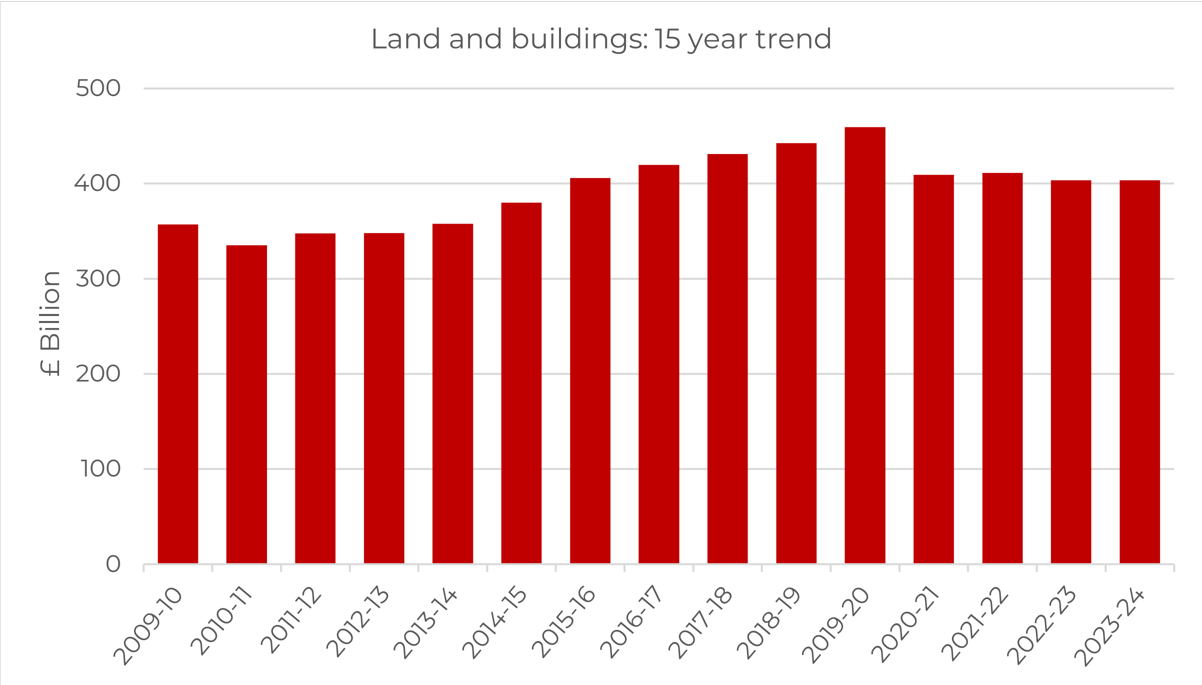
[13] Additional Budget 2023 highways maintenance and pothole repair funding, 2023 to 2024

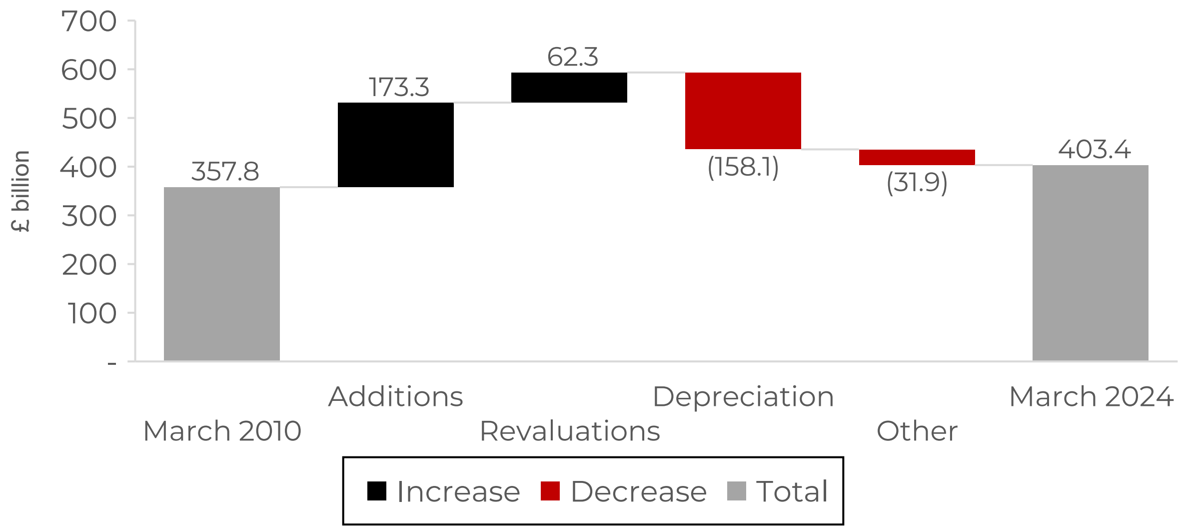
authority accounting policies were consistent with other parts of the public sector instead of being based on historical cost as a proxy for fair value. The value of the local authority networked assets of £77.8 billion as at 31 March 2024 compares to the ONS proxy for the depreciated replacement cost of these networked assets of £190.0 billion as at 31 December 2023 (2022-23: £176.9 billion). It should be noted, however, that ONS valuations now exclude land, so the difference only relates to the structures. Infrastructure assets shown in WGA are therefore likely to be understated by at least £112.2 billion (2022-23: £97.8 billion). The value of local roads recognised in the UK National Accounts has doubled in the last fifteen years, from £87.9 billion in 2009-10 to £190.0 billion in 2023-24.[14] The WGA trends would probably show a greater increase in local authority networked assets over time if they were not recognised at historical cost.

Figure A.17 Land and buildings (£404 billion)



14 National balance sheet: Local government Table 9.9a Produced non-financial assets: Fixed assets: Other buildings and structures: Other structures https://www.ons.gov.uk/file?uri=/economy/grossdomesticproductgdp/compendium/unitedkingdomnationalaccountsthebluebook/2024/supplementarytables/bb242.xlsx

Figure A.18 Land and Buildings – analysis of change

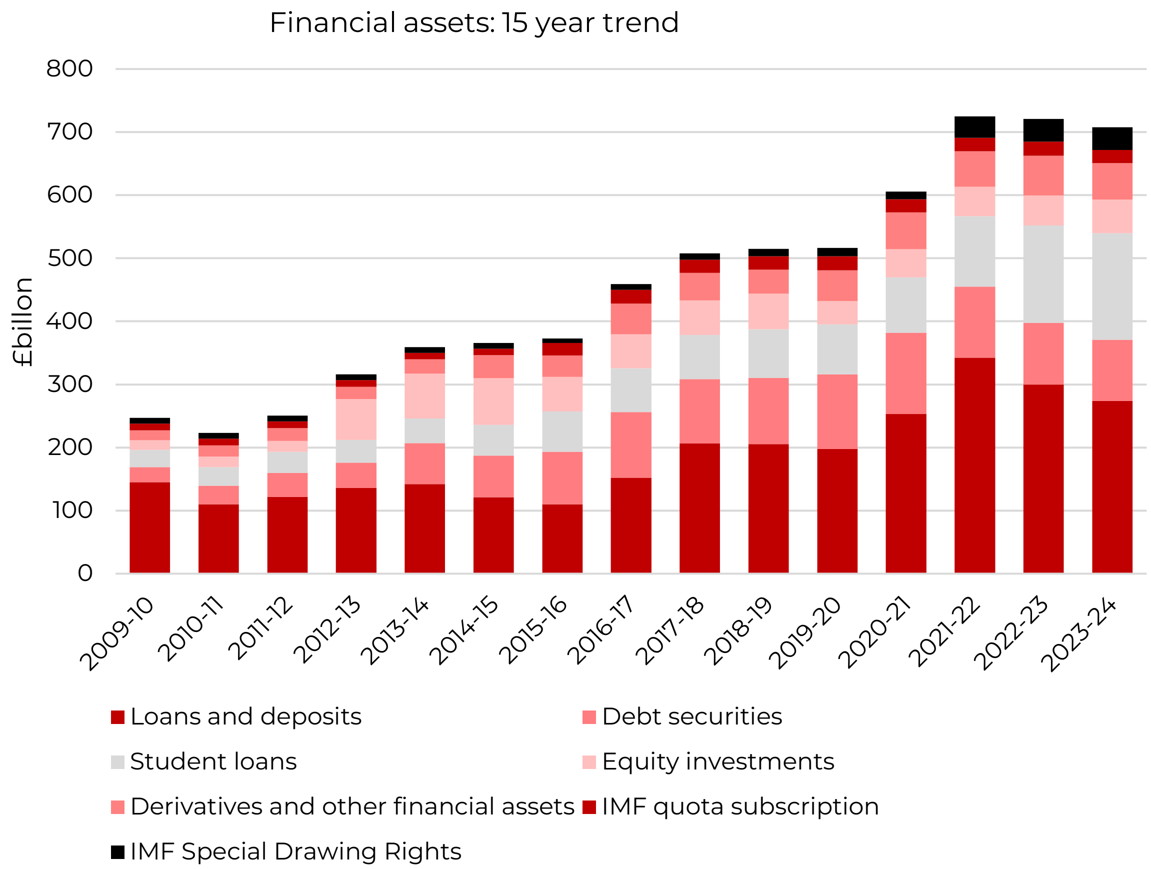


1.99 In the last 15 years, the value of land and buildings typically had small annual increases, increasing from £357 billion to £404 billion over time. If right of use/leased assets were included, the value for 2023-24 would be £432.3 billion, reflecting an increase over 15 years of £75 billion, or about 20%. The increase has largely been driven by capital investment in land and buildings, such as the School Rebuilding Programme, which is rebuilding or refurbishing 518 schools and sixth form colleges across England, and the New Hospital Programme (NHP), which pledged 40 new hospitals including Greater Manchester Major Trauma Hospital and Northern Centre for Cancer Care.

1.100 The chart shows the impact of missing local government data where the value of land and buildings has flattened in recent years whereas the trend would indicate a continuing rise otherwise. In 2020-21, the value of land, buildings and dwellings reported in WGA decreased by £49.9 billion or 10.9%. The decrease reflects the impact of local government entities which contributed to the 2019-20 total but which did not submit data to WGA in 2020-21, falling from £259.7 billion to £203.3 billion, more than £50 billion. The issue with missing data has continued to affect the value of land and buildings.

1.101 Since 2019-20, value has also been transferred from land and buildings to right of use or leased assets following the adoption of IFRS 16, a new accounting standard for leases. IFRS 16 was adopted by Transport for London in 2019-20, by central government in 2022-23, and will be adopted by local government in 2024-25. As at 31 March 2024, there were Right of Use assets of £28.0 billion included elsewhere on the balance sheet.

Figure A.19 Other financial assets (£708 billion)



1.102 Other financial assets include loans and deposits to business, student loans, equity investments and debt securities.

1.103 In the last 15 years, as shown in the chart above, other financial assets have increased from £247 billion to £708 billion.[15] More detail is provided below about the movements in the biggest components of financial assets:

- Loans and deposits – increased by financial stability interventions and the Term Funding Scheme;
- Student loans increased – increased due to new loans issued; and
- Equity investments initially increased due to public sector investments in banks, which have subsequently been reduced.

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[15] The 2009-10 numbers given above include student loans. In the published 2009-10 WGA, student loans were included in other trade and other receivables.

Loans and deposits (£274 billion)

1.104 The composition of loans and deposits has changed over time to reflect different times that government has supported business and the economy in response to different economic disruptions. In the last 15 years the total loans and deposits have increased from £125.2 billion to £274.1 billion, reflecting the increased support government is providing.

1.105 **Financial stability interventions**: Loans and deposits in 2010 of £125.2 billion included £57.5 billion of loans and advances to banks and other financial services entities such as Northern Rock (£23.0 billion), the Financial Services Compensation Scheme (£19.3 billion), and Bradford and Bingley (£10.7 billion). These arose from financial stability interventions in 2008 and 2009 that the government made to assist financial institutions and support the economy. Over time these have been repaid.

1.106 **Supporting monetary policy**: The **Term Funding Scheme (TFS)** was part of a comprehensive package of easing measures announced in August 2016 to provide additional support to growth by reinforcing the transmission of Bank Rate cuts to the wider economy and return inflation to the 2% target. Under the TFS, participating banks and building societies were able to borrow funds from the Bank of England at a rate close to Bank Rate for up to four years. The TFS closed to new lending in February 2018, having made £127 billion of loans. The existing TFS loans fell to nil as the scheme fully matured in February 2022.

Book value (£ billion)	19-20	20-21	21-22	22-23	23-24
TFSME loans[16]	**-**	**75.4**	**192.4**	**180.5**	**151.3**

1.107 **Response to Covid-19**: Loans and deposits in 2024 of £274.1 billion included £151.3 billion of Covid-19 loans (see table above). To respond to the economic shock from Covid-19, the government launched a package of measures to support businesses and households. The **Term Funding Scheme for SMEs (TFSME**) was announced on 11 March 2020 and ran until 31 October 2021 as a package of Bank of England measures. 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. Uptake peaked in 2021-22 to £192.4

[16] Page 115, Note 8 of Bank of England Annual Report and Accounts 1 March 2020-28 February 2021, and Page 137, Note 8 of Bank of England Annual Report and Accounts 1 March 2022-28 February 2023

billion (2020-21: £75.4 billion) and has been gradually reducing to £151.3 billion as at 31 March 2024.

Figure A.20 Student loans (£169 billion)

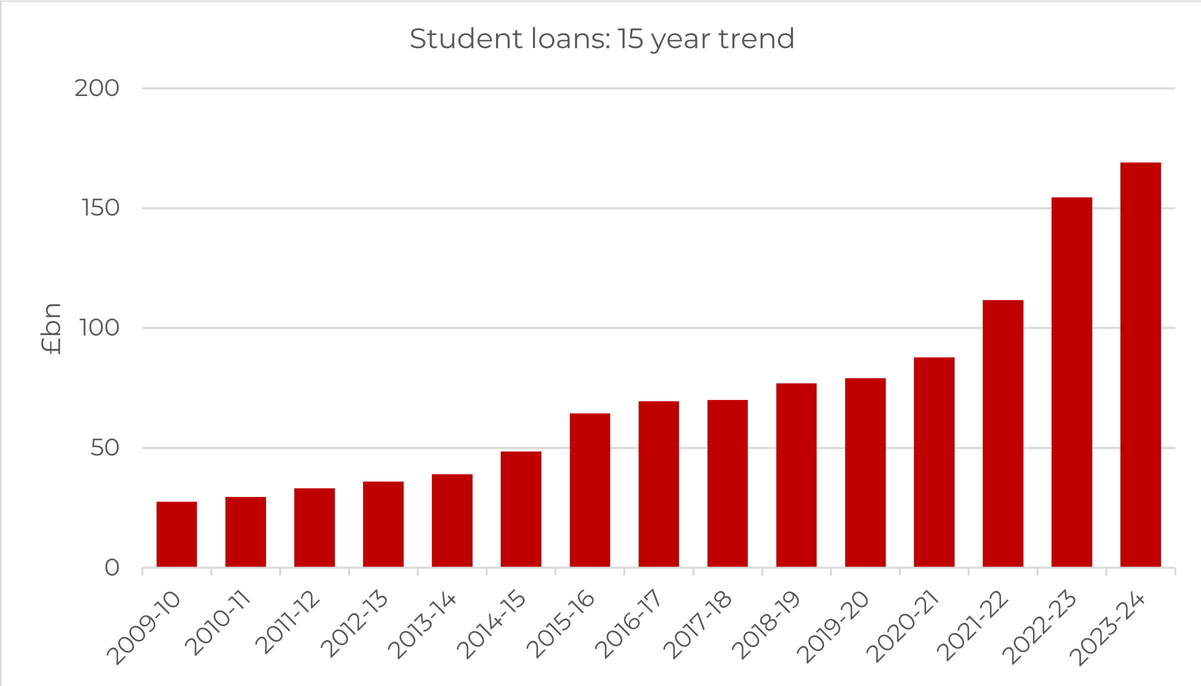
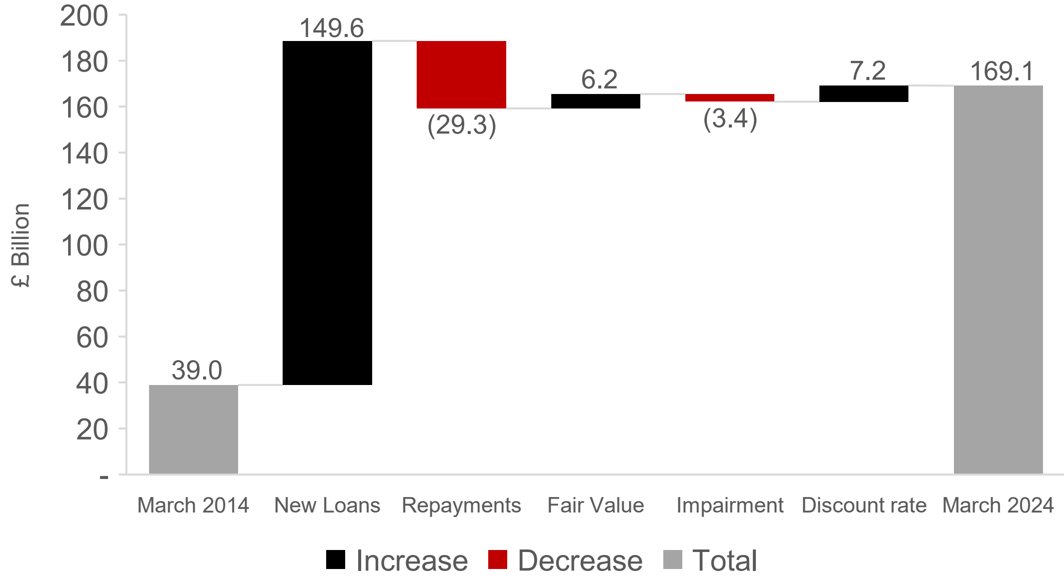


Figure A.21 Student loans: analysis of the change over 10 years



1.108 Student loans are provided by the government to support access to education by helping students with the cost of tuition fees and maintenance costs. In the last 15 years the loans that government has provided to students has increased from £27.9 billion in 2010 to £169.1 billion in 2024.

1.109 Up to 2017-18 student loans were held at amortised cost as required by IAS 39. In 2018-19, under IFRS 9, student loans are recognised at fair value and so are affected by fair value movements.

1.110 In the last 15 years, as shown in the chart above, the value of student loans assets has increased year on year, with the increase accelerating more recently. Further analysis of this is below. The total value over this time has been driven by new loans issued by large part as well as fair value moments.

1.111 The trend is driven in part by fair value movements because under IFRS 9 student loans are recognised at fair value and this can be volatile. Calculating student loan valuations is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are sensitive to economic conditions such as employment levels, RPI and salary growth all of which drive expected repayments. In addition, the size of the portfolio means that even minor movements of a valuation input can generate extremely large movements to the student loan carrying value recognised.

1.112 Up to 2015-16, student loans initially increased annually by an average of around 10% or less. In 2015-16, the carrying value of student loans held by government increased by £15.9 billion or 33%. Of this, £10.2 billion was attributable to net new lending as a result of higher student numbers. A further £3.7 billion was due to impairment adjustments as result of a change in HM Treasury's long term discount rate and changes to the repayment threshold for post-2012 loans.

1.113 From 2016-17, loans replaced maintenance grants for all new students, but the growth rate in loans slowed to around 1%, signalling a period of slower loan accumulation. This was largely due to a falling UK youth population, from which the majority of higher education entrants are drawn. Also, lower longer-term economic forecasts depressed the carrying value of student loans through the impact on graduate employment prospects and earning potential. The growth rate in the loan value gradually increased to between 3% to 11%, until 2020-21.

1.114 Up to 2017-2018, tranches of student loans have been sold to the private sector. Three separate loan sales to private investors took place between 1998 and 2013. Further tranches of income-contingent loans were sold in 2017 and 2018, realising £3.6 billion. In 2020, the government announced it would end the sales programme due to their impact on borrowing and net investment.

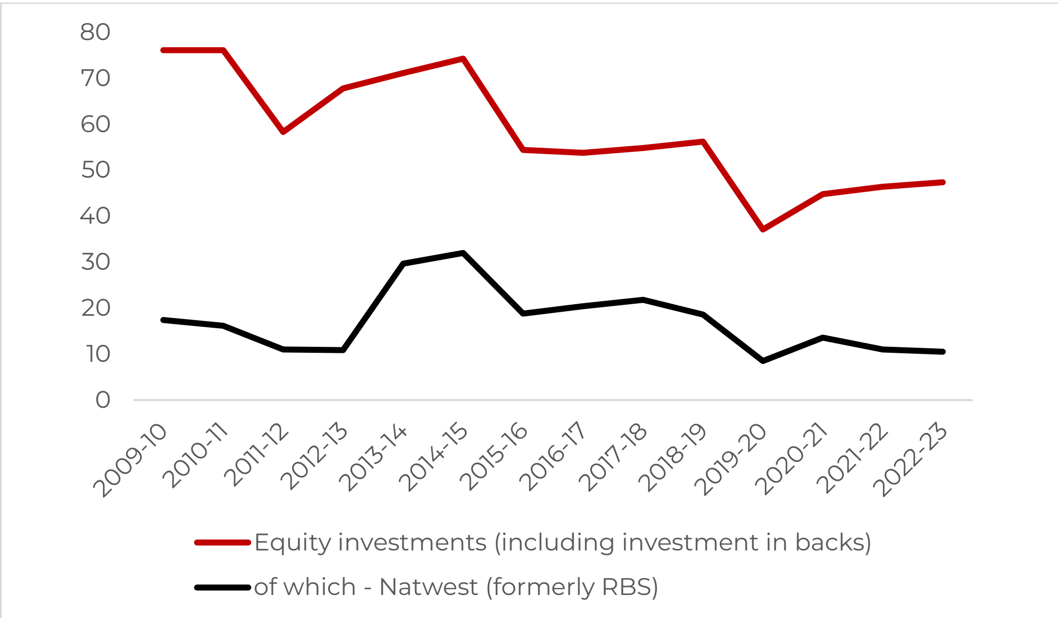
1.115 Since 2020-21, there have been £20 billion to £22 billion of new loans issued each year, to around 1.5 million higher education students in England. The loan balance has grown year-on-year as new lending and interest added to existing balances outweighed repayments and write-offs.

1.116 In 2020-21 the amount awarded in student support increased by a significant 10.7% to £20.3 billion. This reflected a notable 28.4% increase in postgraduate funding which is thought to be a result of the perceived reduced employment opportunity due to the Covid-19 pandemic, encouraging new students to pursue higher education and current students to continue their education.[17]

1.117 In 2022-23 there was an additional £24.4 billion fair value revaluation due to changes made to student loan valuation model. Key assumptions that drive the fair value movements include the discount rate and assumptions about when cashflows will occur e.g. earnings growth increases repayments. Policy decisions have a material impact on discounted future repayments, e.g. a 1% increase in the interest rate applied to student loans could result in a 5% increase in the carrying value of the loan book in 2023-24. In 2022-23, borrowers took out loans under new repayment terms which increased the loan book. Due to policy changes, the percentage of new full-time undergraduate higher education borrowers who were expected to repay their loan in full increased from 27 per cent in 2022/23 to 61 per cent of loans issued from 2023/24.

1.118 Earnings growth in the last four years to 2023-24 increased to between 4%-7% after a period of lower growth at around 2%-3% previously. Higher earnings growth leads to increased repayments for all loan books, as repayments are linked to earnings, and increased interest applied to students' loan accounts.

Figure A.22 Equity Investments (£53 billion)



[17] Student support for higher education in England 2024, GOV.UK

1.119 The government has acquired equity investments in the financial sector in response to financial crises, such as its holding in NatWest (formerly Royal Bank of Scotland, or RBS) of £6.8 billion (2022-23: £10.5 billion), which it is gradually divesting, as explained in more detail below. It also holds other equity, including: Scottish Government £7.8 billion (2022-23: £5.0 billion), Commonwealth Development Corporation equity investment at £5.3 billion (2022-23: £5.1 billion), and Foreign and Commonwealth Development Office investment portfolio at £5.2 billion (2022-23: £5.0 billion).

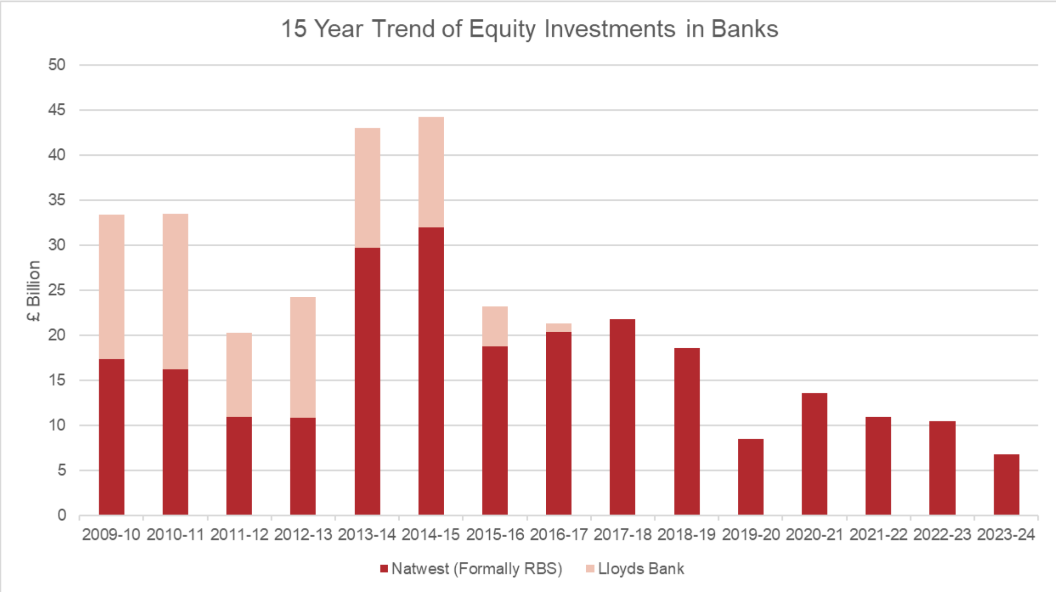
1.120 In the last 15 years, as the chart above shows, the government's stake in equity investments has declined, although there have been some fluctuations over the years, particularly with major growth in the early years, such as in 2012-13, and notable declines in 2015-16 and 2019-20. These fluctuations reflect changes in investment strategy and market conditions. More recently, equity investments have grown at a steadier pace, with modest annual increases.

1.121 In 2011-12, equity investments decreased from £76.1 billion to £58.3 billion, a decrease of £17.8 billion due to downward revaluations in the NatWest shares (formerly RBS) and Lloyds shares.

1.122 In 2015-16, again the drop in equity investments reflected market devaluations of £10.6 billion in those shares as well as sales. The decrease also reflected, in relation to NatWest shares and Lloyds Banking Group ordinary shares, net sales of £3.3 billion and £7.1 billion respectively.

1.123 In 2019-20, the value of equity investments decreased by £10.1 billion in relation to further devaluation of NatWest shares and by £9.9 billion as a result of reclassifying the European Investment Bank (EIB) investment after the UK left the EU. The Withdrawal Agreement provided for the return of the UK's paid-in capital in the EIB, which was consequently recognised as a receivable. This led to a change in the measurement basis of the asset, reflecting that the government's interest was no longer in the performance of the net assets of the EIB but rather in the reimbursement of historic contributions. The loss of £7.3 billion was expensed as a decrease in fair value in 'financial assets held at fair value through the Statement of Comprehensive Income'.

Figure A.23 Equity investment in NatWest (£7 billion)



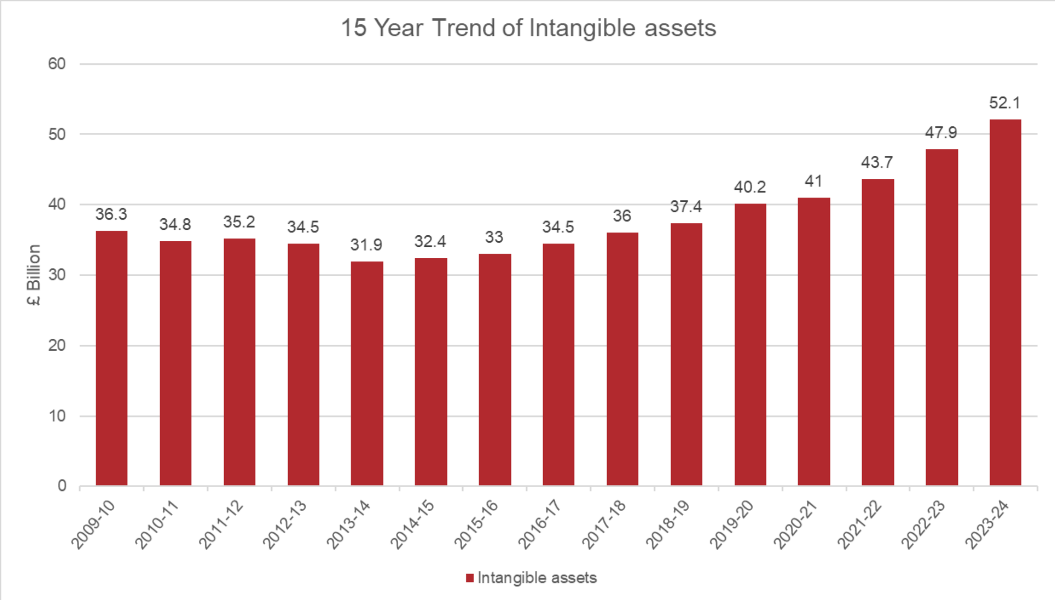
1.124 The government's equity investments in banks such as NatWest (previously known as RBS), Lloyds, Northern Rock, and others were part of efforts to stabilise the financial sector following the 2008 financial crisis. The government remains committed to returning these assets, taken on in the financial crisis, to the private sector in a way that will maximise value for money for the taxpayer.

1.125 In the last 15 years, the trend in the government's equity investments in NatWest and Lloyds Bank shows an overall decrease, reflecting a targeted reduction in government equity holdings in these banks, as well as fair value fluctuations (primarily market devaluations as noted above). These investments are valued at fair value, meaning they are subject to fluctuations in value closely tied to market performance. In 2017-18, HM Treasury sold its remaining Lloyds Banking Group ordinary shares, fully returning Lloyds Bank to the private sector.

1.126 NatWest is recognised as an investment of government rather than being consolidated. This is accounted for as an equity investment, and further details can be found in notes 2 and 17 of the financial statements.

1.127 Showing NatWest in this way has been a consistent policy applied since the government took its holding. This is on the basis that the scale of NatWest's assets and liabilities would have dwarfed other aspects of WGA, distorting the accounts and making it difficult to determine trends. Disclosures would be further complicated given the differences in accounting policies and year end. It would have impaired transparency and the accessibility of insights that WGA provides. It also recognises that the government does not intend to hold NatWest's shares permanently, and continues to sell them while ensuring value for money to the taxpayer. In previous years, the C&AG has qualified the audit opinion in respect of this.

Figure A.24 Intangible assets (£52 billion)



1.128 Digital Infrastructure is a core component of modern public services. From registering to vote, to data solutions for the NHS and laptops for our schools, delivering and maintaining excellent and secure digital products and services is critical for the public services that we all rely on. It comprises IT equipment which is included in PPE as well as intangible assets.

1.129 An intangible asset is an identifiable non-monetary asset without physical substance. Examples of intangible assets include computer software, licences and development, including development of military equipment.

1.130 The biggest intangible asset that government holds is intangible military equipment comprising £31.0 billion of the £52.1 billion balance as at 31 March 2024. Military intangible assets primarily covers the development of new assets and the improvement of the effectiveness and capability of existing military assets by the Ministry of Defence, for example ongoing development costs for the Typhoon Airframe and the Type 45 Destroyer.

1.131 In the last 15 years, as shown in the chart above, intangible assets have gradually increased over time from £36.3 billion to £52.1 billion, driven by continuous increased capital investment. In addition to the military investments described above, additions include software such as HMRC's Customs Declaration Service, licences and other items.

1.132 More recently, the government's investment in digital infrastructure may not be reflected in the value of assets as it is increasingly being financed and funded through the use of IT licenses and reflected in the accounts as an expense rather than an asset. Government is looking to pursue a transition to the cloud[18].

Knowledge assets

1.133 There is a broader definition of intangible assets which encompasses data, intellectual property, knowledge, techniques and know how, and which supports broader consideration of public value. They often arise from innovation programmes, examples of which might include new IT software developed by departments or new scientific knowledge. These are sometimes referred to as **knowledge assets**.

1.134 Many of them are not included in the government's balance sheet as they do not meet the asset recognition requirements of the accounting standards, but they are valuable public assets, critical to the effective delivery of public services. These assets have an estimated value of **£150 billion**.[19]

1.135 The Government Office of Technology Transfer (GOTT) was established in 2022 to leverage the potential social, economic and value of knowledge assets owned by the public sector and support high potential opportunities. It publishes guidance for how government should manage its knowledge assets, in particular the Rose Book[20], and provides practical support and grant funding to support the development of these assets.

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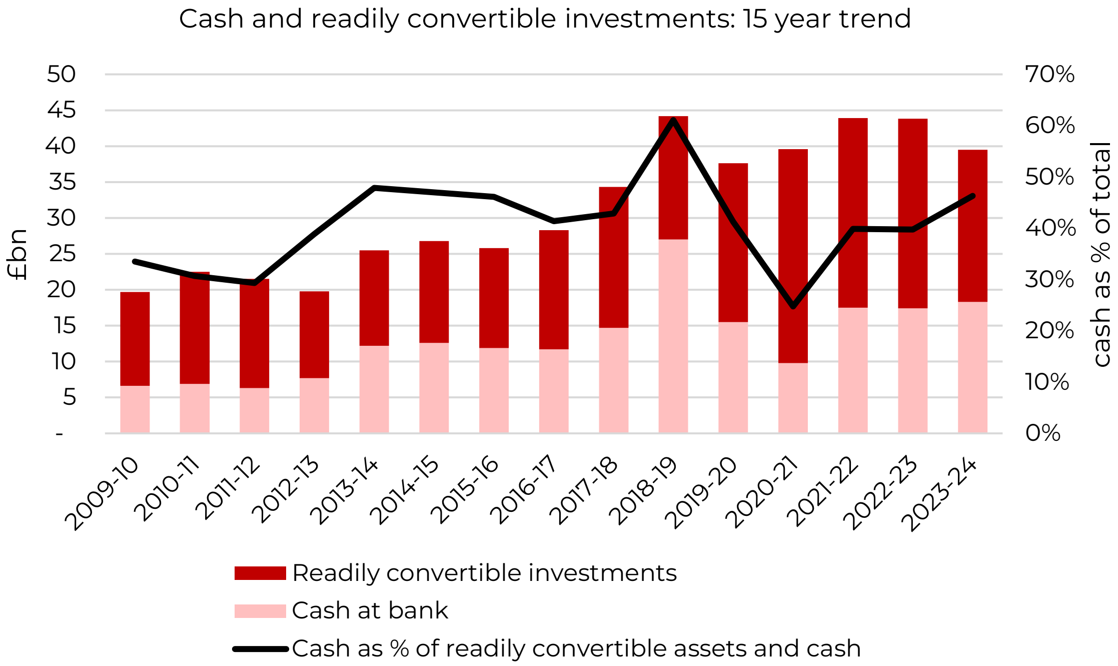
[18] Government Cloud First policy - GOV.UK

[19] Getting smart about intellectual property and intangible assets, 2018

[20] The Rose Book: Knowledge asset management in government,2021, updated 2024

Figure A.25 Cash (£40 billion)



1.136 Cash and cash equivalents comprise cash held at the Government Banking Service (GBS), cash held in commercial banks and short term investments. It is the most liquid of assets that government holds. Entities generally retain cash to cover upcoming or urgent obligations. The Government Banking service is a mechanism by which cash is managed across central government bodies.

1.137 Cash balances fluctuate significantly during each year. Cash balances held in government accounts at the Bank of England at the end of every business day are channelled into the main central government accounts, in an arrangement of accounts known as the Exchequer Pyramid. This minimises the government's cash borrowing needs.

1.138 As at 31 March 2024, cash and cash equivalents totalled £39.5 billion, of which about half was cash and half was short term investments. In the last 15 years, cash has typically been 20% to 40% of the total.

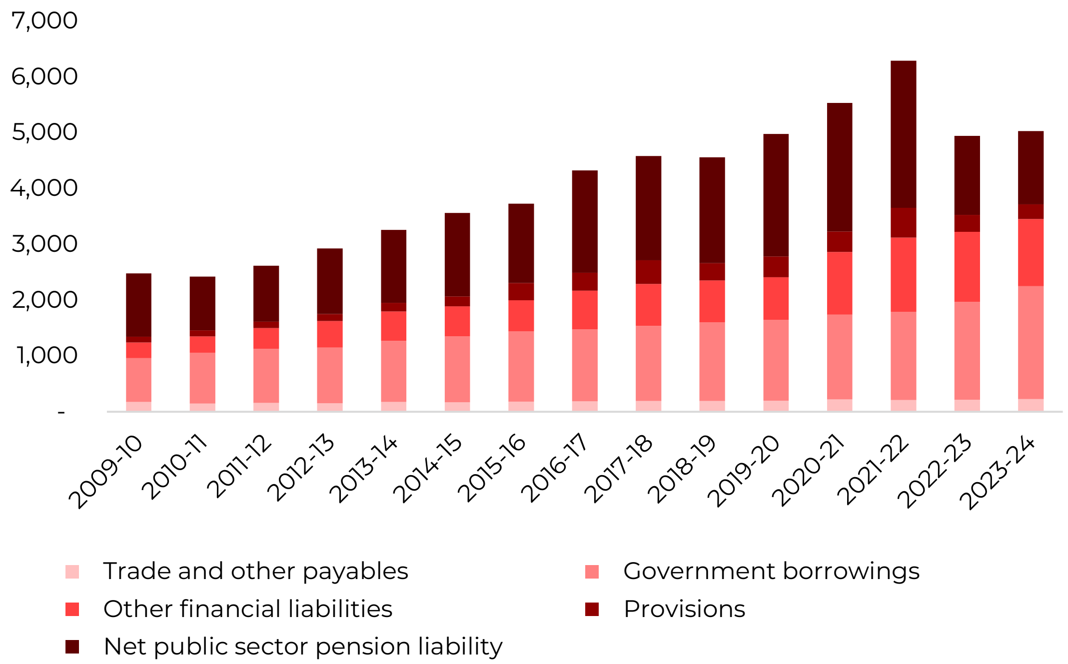
1.139 Over the last 15 years, as shown in the chart above, the total value has steadily increased from about £20 billion, more than doubling in that time. In 2018-19, there was a small spike as a result of economic conditions. Both cash and short term investments increased in that time. Almost half (more than £8 billion) of the increase relates to the Nuclear Liabilities Fund which has increased revenue-generating investments to match the increase in its funding needs.

1.140 The largest holder of **cash held at the GBS** was the health sector including the Department of Health and Social Care, NHS Trusts, and NHS Foundation Trusts, which held £13.9 billion (34% of the total held by departmental bodies) as at 31 March 2024. The largest holder of **cash in**

commercial and other bank accounts was the Academies sector which held £6.9 billion (31% of the total) as at 31 March 2024. They had £3.2 billion as at 31 August 2016. The increase in this sector is driven by the increasing number of academies.

1.141 The largest holder of **short term investments** is the Nuclear Liabilities Fund, with £16.8 billion of the £21.2 billion as at 31 March 2024. This has increased from £8 billion in 2014. It holds these investments to earn income to provide funding for discharging certain liabilities related to the decommissioning of nuclear power stations in the UK.

Figure A.26 Liabilities (£5,024 billion)

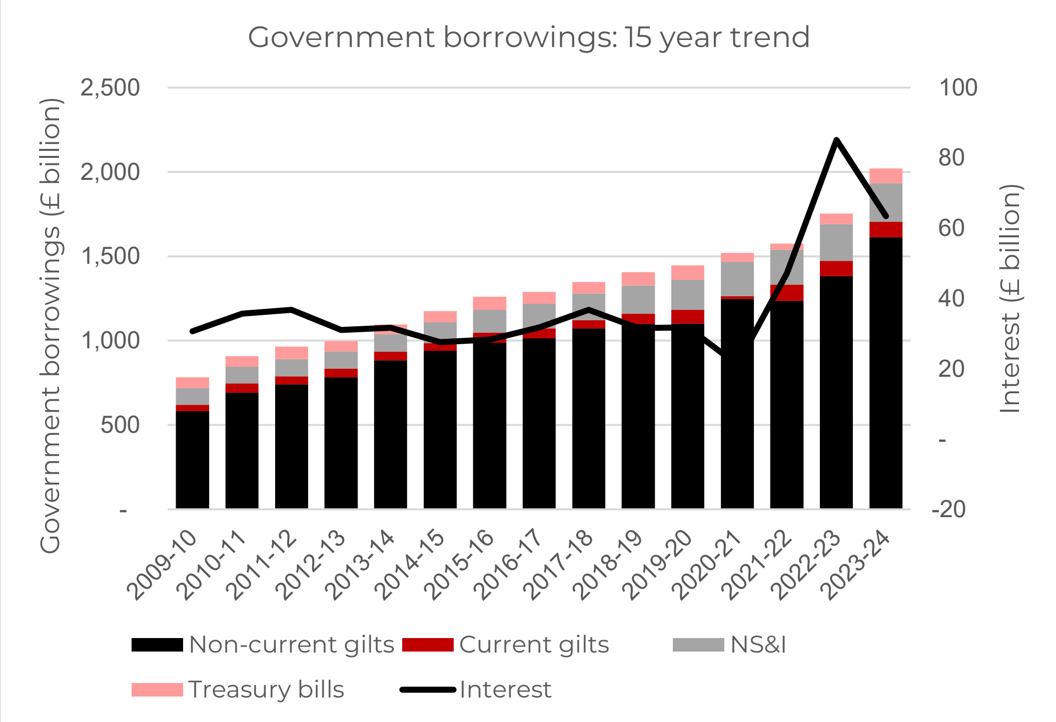


1.142 In the last 15 years, as shown in the chart above, the public sector's total liabilities have doubled, increasing from £2,477 billion as at 31 March 2010 to £5,024 billion as at 31 March 2024, increasing by £2,547 billion.

1.143 This section looks at this in more detail, focussing on significant liabilities: public sector pension liabilities, government borrowing, deposits by banks included in other financial liabilities, provisions and contingent liabilities. In summary:

- The largest absolute increase in liabilities relates to government borrowings which have increased by £1.2 trillion (158%).
- The largest percentage increase in liabilities relates to financial liabilities which have increased £0.9 trillion (327%) e.g. an increase in balance sheet based government policy measures.

Figure A.27 Government borrowings (£2,020 billion)



1.144 The government borrows to make up the shortfall between income and expenditure (including any capital expenditure). Government borrowing is achieved through the issuance of gilts and Treasury bills. It makes up the largest liability on the balance sheet, accounting for 40% of total liabilities, with the total nominal value of central government wholesale debt (excluding government holdings) of £2,020 billion at 31 March 2024 (2022-23: £1,754.0 billion).

1.145 In the last 15 years, as shown in the chart above, government borrowing has steadily increased by £1,238 billion, a 158% increase from £782 billion as at 31 March 2010. Interest costs in that time remained fairly flat while RPI and interest rates remained low until 2021-22 when there were higher financing costs on gilts following market disruptions in September and October 2022.

1.146 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.

1.147 Gilts are the primary form of government debt. Some gilts are due for redemption as far in the future as the 2070s, but the bulk are due for redemption before 2050. They are 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.

1.148 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. 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. Since then, the government has reduced inflation exposure in relative terms. Index-linked gilt issuance has accounted for around 14% (unweighted) of annual gilt issuance on average over the last six years (including 2023-24). For 2024-25, planned index-linked gilt issuance accounts for 10.9% of total gilt issuance.[21]

21 https://assets.publishing.service.gov.uk/media/65e759a9ce8540001c12c412/Debt_Management_Report.pdf

Discounting cash flows

Liabilities that reflect future cash flows, like the pension liability, provisions or contingent liabilities, are sensitive to changes in discount rates. These changes can result in large variances on the value of these items.

What is discounting and why do we do it?

The value of a cash payment in the future is not the same as the value if you paid or received it today.

A discount rate is used to bring future cash flows into a present value. The aim is to reflect how much a future cash flow is worth today, considering potential uses for the cash in the meantime. Discount rates are closely linked to interest rates, gilt yields, and inflation.

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%.

What is the impact of discounting?

When a cash flow is many years in the future, the discount would be more. If the discount rate being used is relatively large, the present value of the cash flow can significantly shrink.

Long term liabilities are more sensitive to changes in the discount rate.

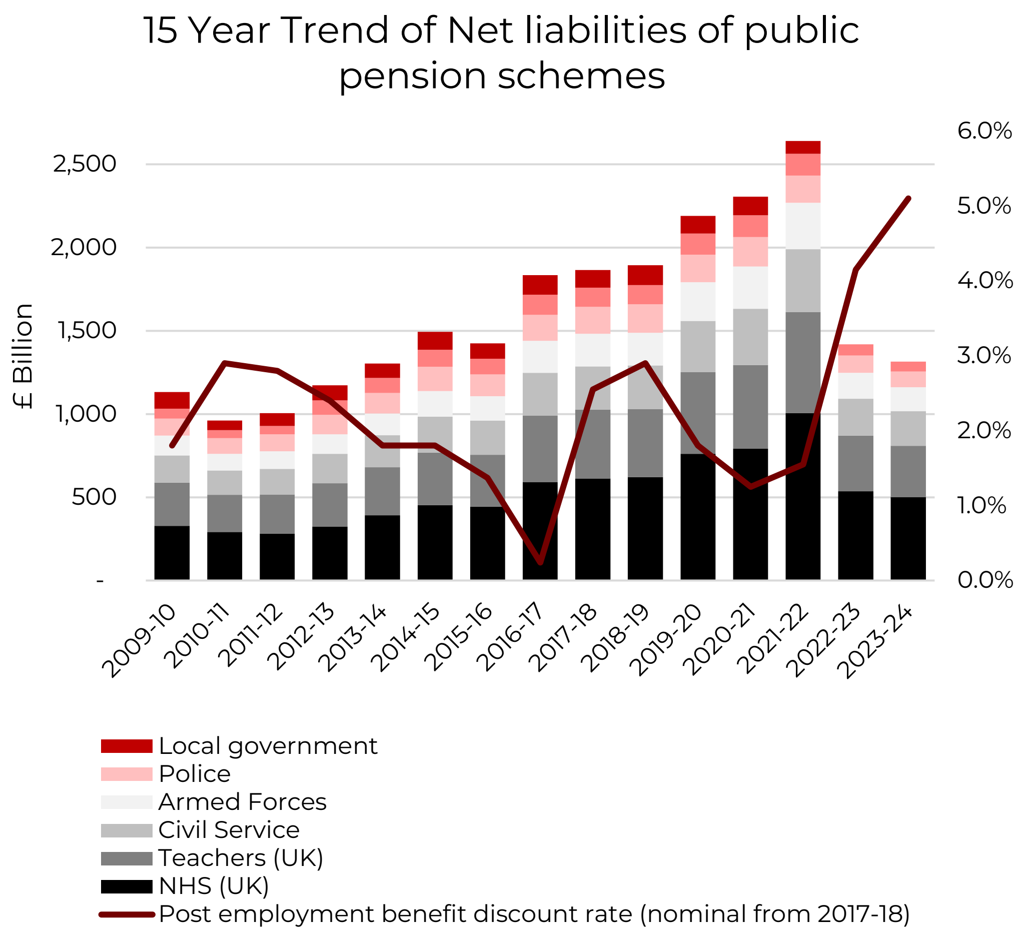
When a change in the assessment of a discount rate occurs, a previously assessed present value must be restated to reflect this change.

Large variances in the present value of assets/liabilities can occur without any change of the underlying undiscounted amount.

How have discount rates changed?

Discount rates are closely linked to interest rates, gilt yields, and inflation. HM Treasury sets the discount rate used by central government based on real yields for high quality corporate bonds on an annual basis. These have been low for some years but have increased recently, having a larger impact on the value of long term balances.

Figure A.28 Public sector pensions (£1,312 billion)



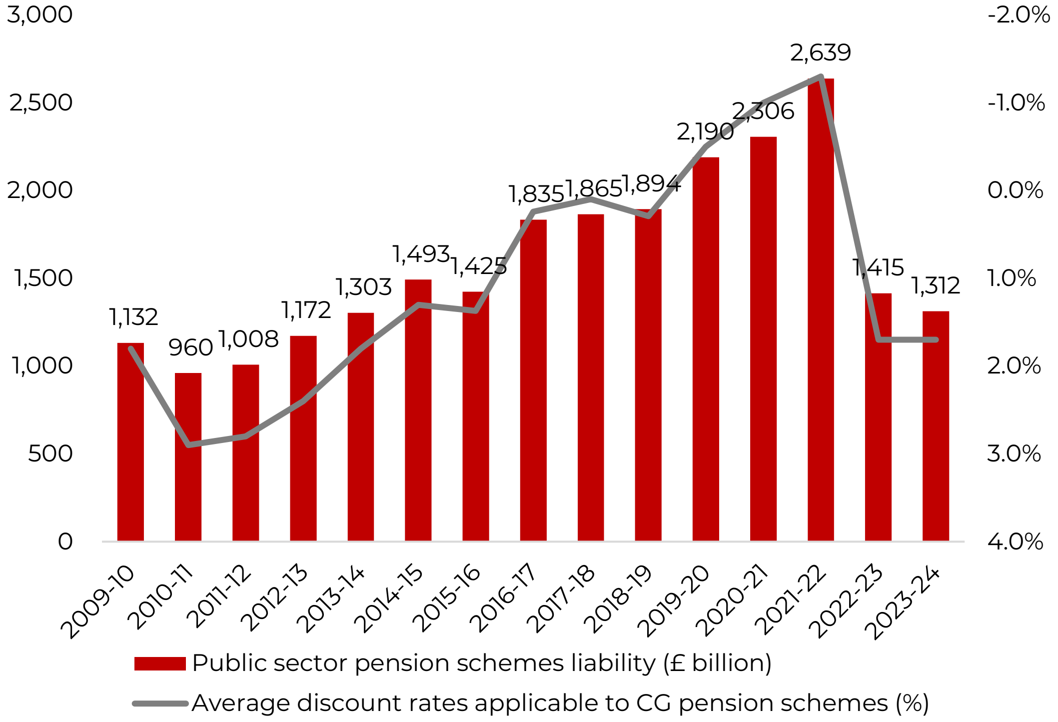
1.149 Public sector pensions are typically the largest or one of the largest liabilities within WGA. It includes pension schemes for NHS employees, teachers, civil servants, police, and armed forces. It does not include the state pension. The liability reflects the net present value of the total amounts owed to current pensioners on the schemes, deferred pensioners on the schemes who are no longer in employment but are waiting to receive a pension when they reach retirement age, and current employees who will receive a pension on retirement discounted to reflect their present value.

1.150 In the last 15 years, as shown in the chart above, the pension liability has steadily increased from £1,132.3 billion as at 31 March 2010 until it peaked in 2021-22 to £2,639.1 billion. It has since decreased to £1,311.9 billion as at March 2024, largely due to changes in the discount rate.

1.151 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. The main driver of changes in the liability to pay these pensions in the future is the annual change in the discount rate used to measure it as a present day value. When the discount rate decreases, it leads to an increase in pension liabilities. While the discount rate has fluctuated since 2010-11, overall it has fallen. This, amongst other factors, led to an increase in pension liabilities of 58% of GDP (£961.0 billion) to 107% of GDP (£2,639.1 billion) in 2021-22. Since then, as interest rates increased, this led to a decrease in the pension liability.

1.152 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. 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.

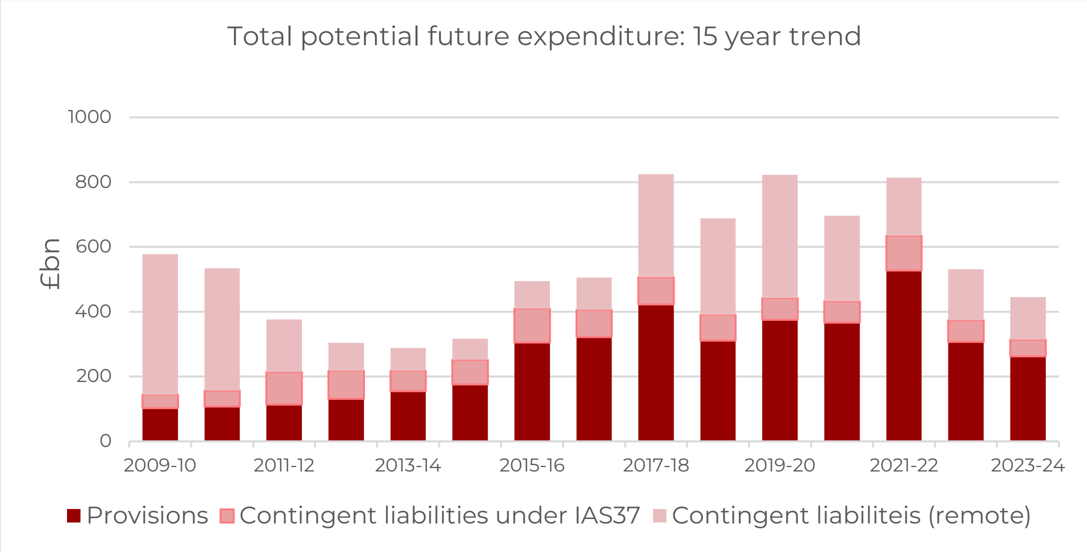
Figure A.29 Interactions between pension liabilities and discount rates



1.153 The Government has taken significant steps to control the long-term cost of public service pensions. Notably, following recommendations from the Independent Public Service Pensions Commission (Hutton Report), reforms were implemented to public service pensions that included a switch from final salary to career average revalued earnings (CARE) scheme design, an increase in the Normal Pension Age to a member's State Pension age for most schemes and to 60 for the uniformed services, and increases in member contribution rates.

1.154 Further details on the pension liability is in Note 25 to the accounts.

Figure A.30 Potential future expenditure: provisions and contingent liabilities (£446 billion)



1.155 The government is exposed to total potential future expenditure of £445.7 billion as at 31 March 2024 (2022-23: £531.6 billion). This includes:

- provisions - where the possibility of future expenditure is more probable than not (£262.2 billion)
- contingent liabilities - that are less likely but more than a remote possibility (£52.0 billion), and
- remote contingent liabilities - with little likelihood of crystallisation (£131.5 billion).

1.156 Only provisions are recognised as a liability in the financial accounts, as they meet the recognition criteria under accounting standards. This means that, of £445.7 billion total potential future expenditure, £262.2 billion is reflected in WGA's net liability position.

1.157 In the last 15 years, the estimates of exposure to potential future expenditure has grown, reflecting an increase in forecast costs. Increasingly, the potential liabilities are becoming more likely to crystallise. In the last two years, there has been a decrease due to a change in the discount rates. However, excluding the impact of changes in discount rates, the underlying cost of provisions has increased since 2011.

1.158 The government looks to manage this risk through the establishment of the Financial Instruments and Transactions Advisory Group which evaluates the risks of potential future expenditure and produces an annual report on their findings to inform government policy and fiscal decisions.[22]

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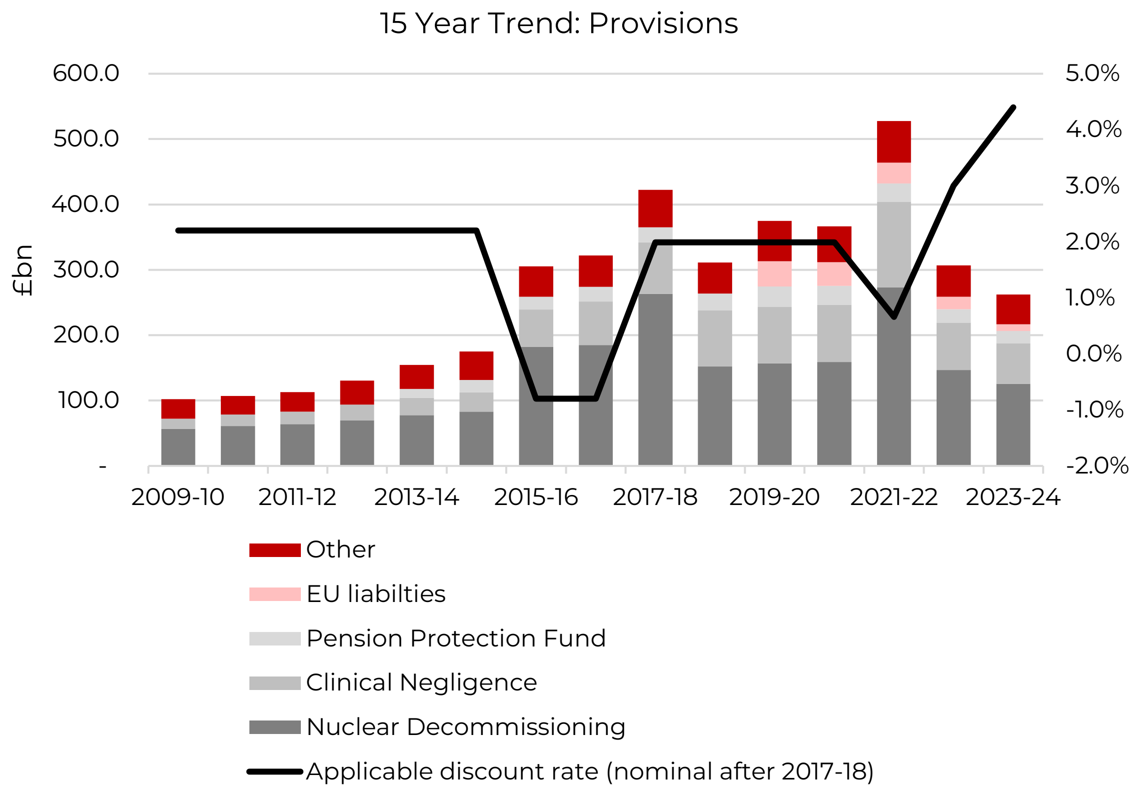
[22] The latest publication: Annual Report on the UK Government's Contingent Liabilities 2025 - UK Government Investments (UKGI)

1.159 This section focuses on each element in turn: provisions, contingent liabilities and remote contingent liabilities. It also looks at nuclear decommissioning and clinical negligence which represent c.70% of the expected cost of the whole portfolio.

Figure A.31 Provisions (£262 billion)

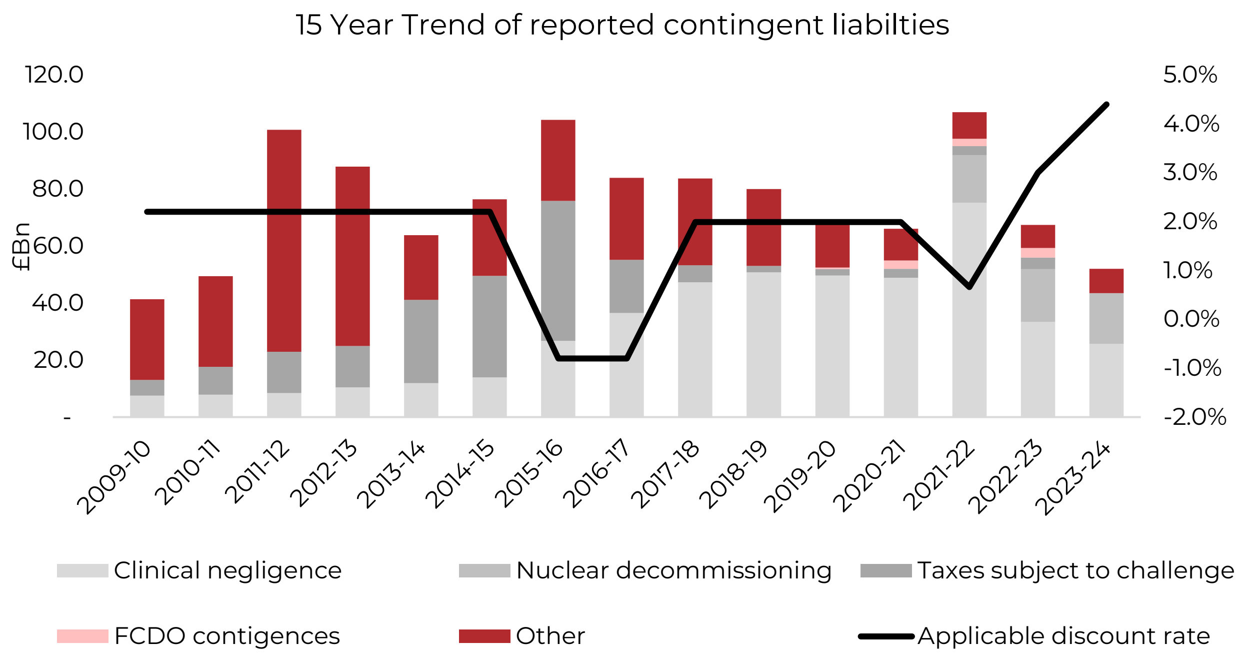


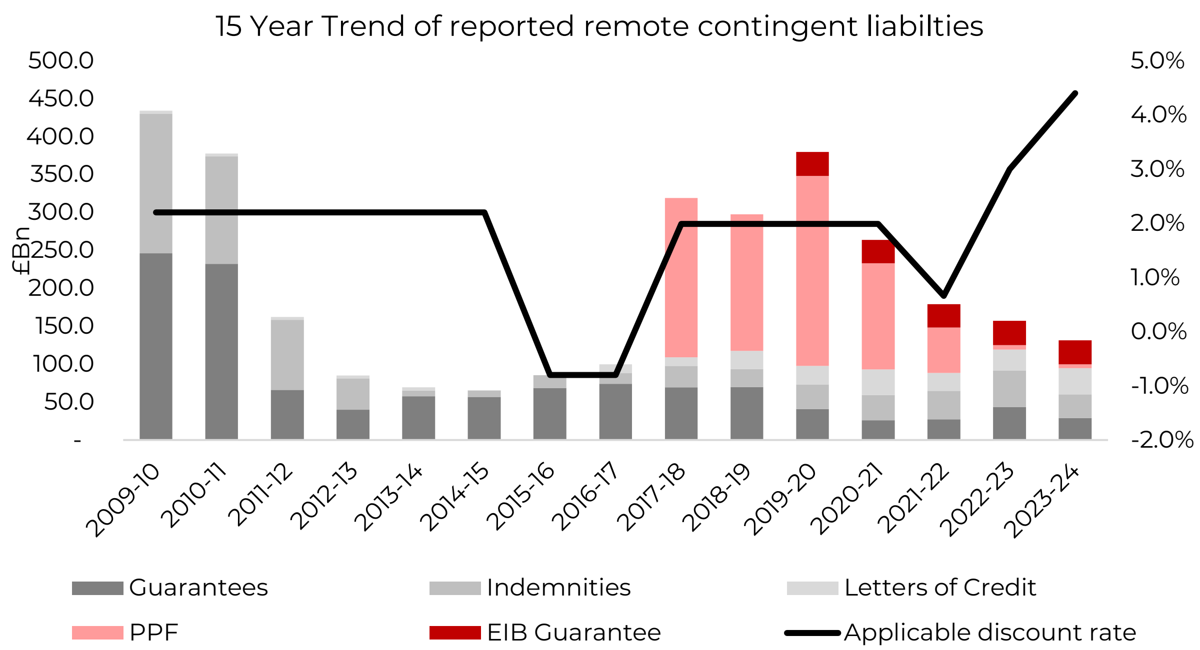
1.160 Provisions are recognised when the government has a present obligation as a result of a past event and it is probable that the government will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the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

1.161 In the last 15 years, as shown in the chart above, provisions have increased significantly, from £102.2 billion to £262.2 billion.

1.162 The analysis of total provisions from 2009-10 to 2022-23 reveals significant fluctuations over the years. Initially, total provisions increased gradually from £102.2 billion in 2009-10 to £175.3 billion in 2014-15. The most notable rise occurred between 2014-15 and 2015-16, when provisions surged to £305.5 billion. Following this spike, total provisions continued to grow, peaking at £527.8 billion in 2021-22. However, in 2022-23, provisions decreased significantly to £306.9 billion. 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).

Figure A.32 Contingent liabilities (£52 billion)





1.163 Contingent liabilities represent a risk that the government is exposed to future expenditure. There are ones recognised under accounting standards or IFRS (specifically IAS37) that are less likely to crystallise than not, but are more than a remote possibility. These amounted as at 31 March 2024 to £52.0 billion.

1.164 There is another type of contingent liability that is remote with little likelihood of crystallisation. These remote contingent liabilities are not required to be disclosed under accounting standards but are reported and monitored for transparency and fiscal risk management. The potential costs from these liabilities as at 31 March 2024 were £131.5 billion.

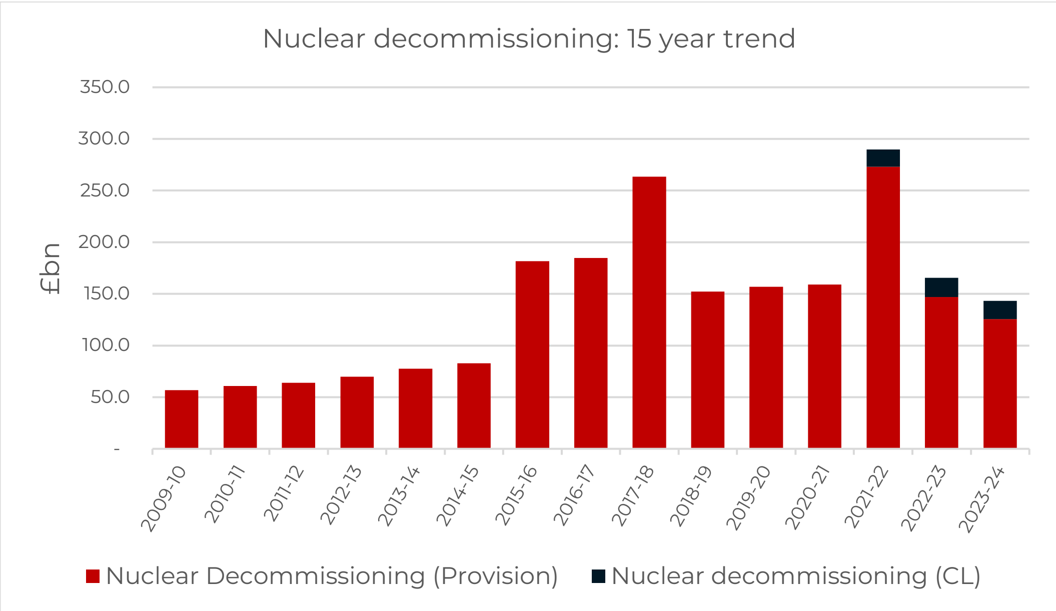
1.165 Altogether contingent liabilities added up to a total as at 31 March 2024 of £183.5 billion.

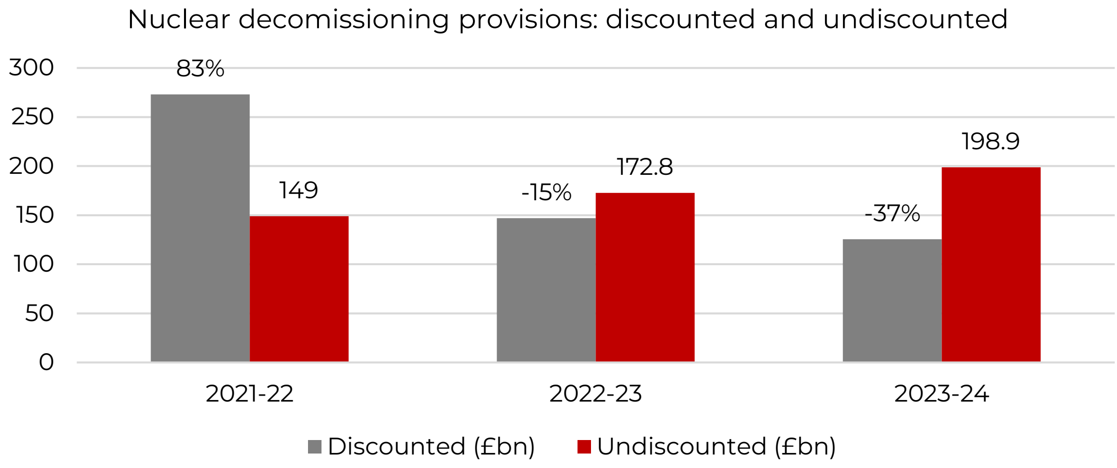
1.166 The trend in contingent liabilities shows clearly how government takes on risk to achieve specific policy objectives. Generally, contingent liabilities recognised under IFRS have decreased over time, as shown by the trend in 'other' category, while remote contingent liabilities have fluctuated in response to policy needs.

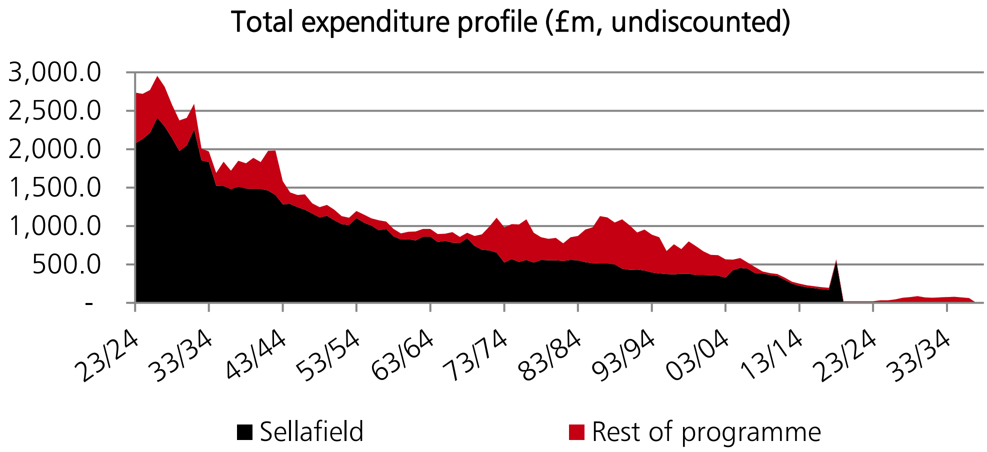
1.167 Taxes subject to challenge grew and peaked in 2015-16 before falling away gradually. The contingent liability reflects the potential claims by taxpayers against HMRC in a number of legal and other disputes, including on Corporation Tax and VAT.

1.168 Clinical negligence has grown significantly, and this is looked at in more detail below.

Figure A.33 Nuclear decommissioning







1.169 The provision for nuclear decommissioning represents the best estimate of the costs of decommissioning plant and equipment on designated nuclear licenced sites, returning them to pre-agreed end states with the programme of work expected to take until the year 2137. The length of time, and complexity of the materials involved, results in uncertainty in cost estimates in later years.

1.170 Decommissioning of these nuclear 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.

1.171 As the total liability is a large amount representing forecast future payments over a very long period of time, the liability recognised in WGA is largely impacted by discounting and this can make it difficult to see the trend in the underlying amount. As the chart above shows, the value of nuclear decommissioning provision has decreased in recent years, while the real cost has increased.

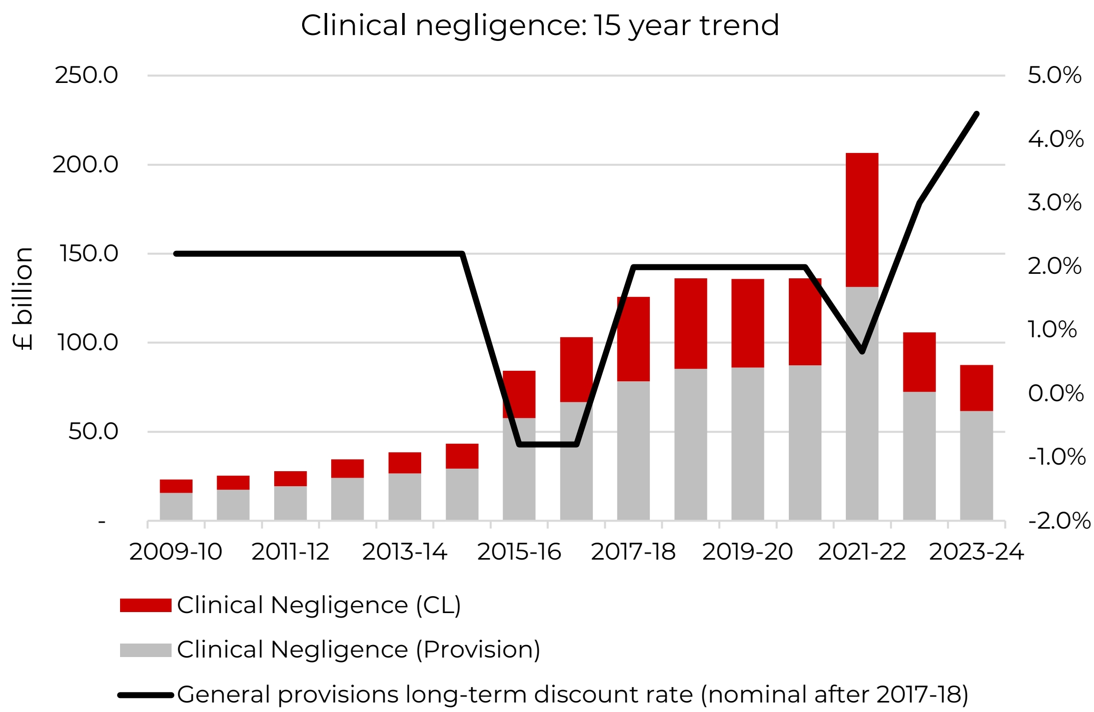
1.172 The nuclear decommissioning liability increased in 2015-16 when the long-term discount rate decreased significantly from 2.2% to negative 0.8%, reflecting decreases in government's borrowing costs over the last 10 or so years. The change in discount rate had a very significant impact on how future cash flows are converted to today's prices, particularly on the nuclear decommissioning liability provision due to its size and long-term nature.

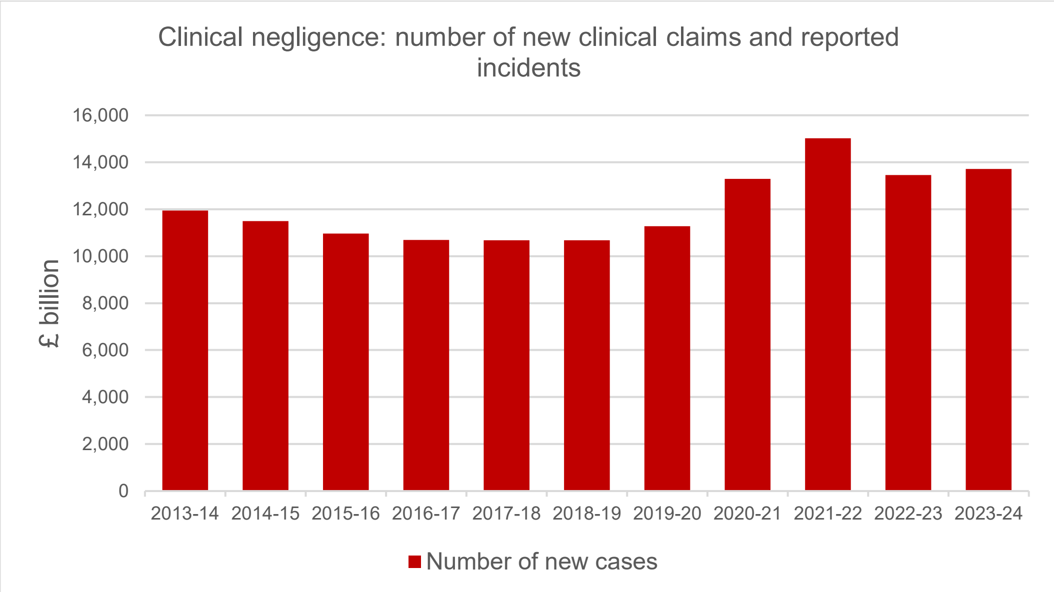
1.173 From 2021-22 to 2023-24, the undiscounted cost increased by £50 billion, around 30%. This was largely driven by cost estimate changes.

1.174 The basis of determining the cost of each performance obligation requires significant judgement on future cost forecasts over a long future period of time. The nuclear provision represents the best estimate of the costs of delivering the objective of decommissioning the plant and equipment on each of the designated nuclear licensed sites and returning the sites to preagreed end states in accordance with the published strategy. This programme of work will take until 2137. The estimates are necessarily based on assumptions of the processes and methods likely to be used to discharge the obligations, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years. This results in cost estimate changes to the provision.

1.175 The third graph above shows the undiscounted expenditure profile as at 31 March 2024 for future years (excluding administrative and other non-programme costs, and some commercial costs) from lifetime cost projections.

Figure A.34 Clinical negligence





1.176 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.

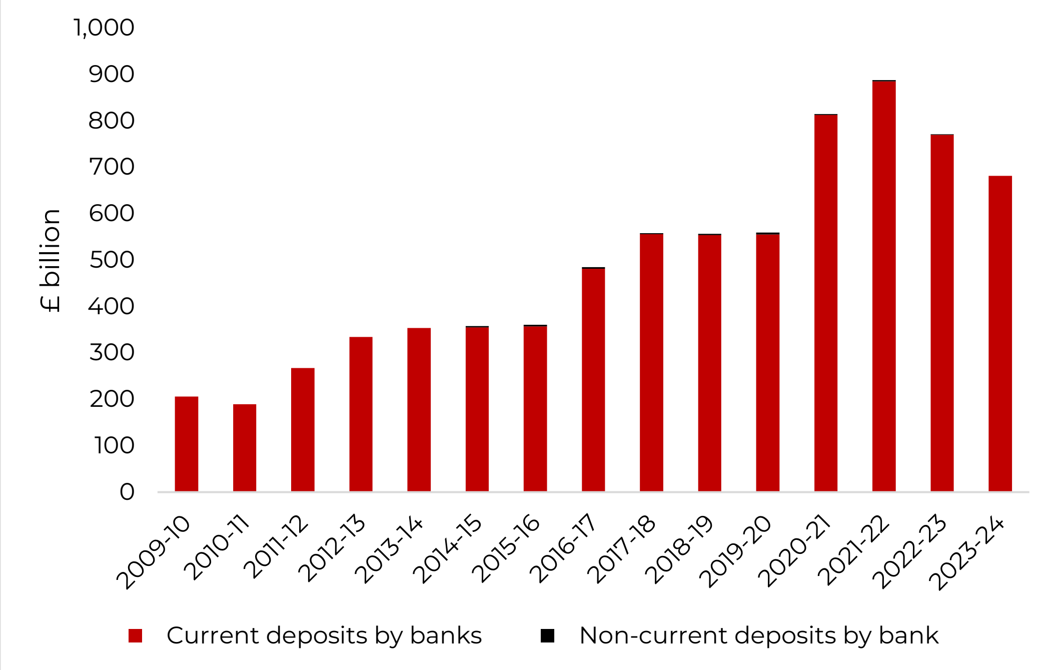
1.177 Clinical negligence provision payments are dependent on the outcome of legal processes. Claims for seriously injured patients are usually paid as a lump sum up front and annual payments for the rest of the claimant's life. This means some elements of the liability will last several decades.

1.178 The chart above shows a significantly increasing clinical negligence provision and contingent liability over the last 15 years. 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. The liability has declined in recent years, impacted by changes in discount rates.

1.179 In 2009-10, clinical negligence liabilities stood at £7.5 billion and gradually grew, reaching £14.0 billion by 2014-15. In 2015-16 there was a significant increase, in large part due to the decrease in the long-term discount rate from 2.2% to negative 0.8%. The change in discount rate has a very significant impact on how future cash flows are converted to today's prices, including on the clinical negligence liability.

1.180 In 2021-22, there was another large increase driven by new provisions and increases in expected future pay-outs. Since then, the number of new clinical negligence claims and reported incidents have increased slightly while the liability has decreased, in large part due to the changes in discount rates.

Figure A.35 Deposits by banks (£682 billion)



1.181 Deposits by banks mainly comprise current accounts which banks and building societies hold at the Bank of England. As at 31 March 2024, there were deposits by banks at the Bank of £682.2 billion.

1.182 In the last 15 years, as shown in the chart above, total deposits continued to increase from £206.3 billion (restated) as at 31 March 2010, an increase of £475.9 billion.

1.183 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. 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.

1.184 QE has led to sharp increases in deposits by banks over the last 15 years. There have been rounds of QE each resulting in an increase: in 2009 in response to the financial crisis; in 2012 in response to the Eurozone debt crisis; in 2016 in response to the response to the Brexit referendum result; and in 2020 in response to Covid-19.

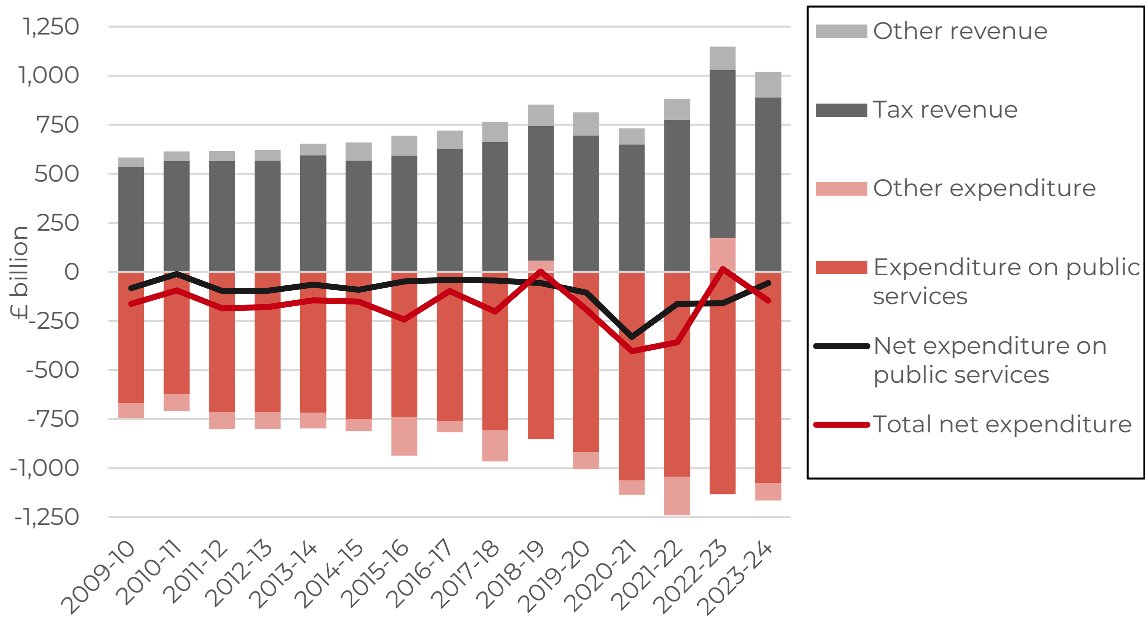
Report on Income and Expenditure

Statement of Revenue and Expenditure

1.185 The purpose of the Statement of Revenue and Expenditure is to show the financial performance of an entity over the year. In WGA, the Statement of Revenue and Expenditure shows what the UK public sector has received (revenue) and spent (expenditure) over the financial year. This information is more valuable when several consecutive periods are grouped together, so that trends in the different items can be viewed.

Figure A.36 15-year trend on income and expenditure

1.186 Over the last 15 years the net expenditure on public services shown by the black line in chart below, has averaged £96.7 billion per year, with a range from £10.9 billion (2010-11) to £331.5 billion (2020-21). The greatest increase in expenditure on public services occurred in 2020-21, a response to the Covid-19 pandemic. In 2023-24, net expenditure on public services was £56.4 billion.



Source: Whole of Government Accounts

1.187 The black trendline excludes other expenditure such as financing costs and revaluation of financial assets and liabilities, which results in a more stable level as it is not so affected by volatility in discount rates. The red trendline includes other expenditure, which includes changes in discount rate. The red 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. Further information on income and expenditure is included from paragraph 1.185.

Other sources of information relating to government income and expenditure

Public Expenditure Statistical Analyses (PESA)

1.188 The Government publishes a wide range of statistics and information relating to government income and expenditure. An analysis of long term trend data relating to tax income is provided on paragraph 1.198 of the performance report.

1.189 HMT publishes the Public Expenditure Statistical Analyses (PESA) [23] National Statistics release. This provides budgets and outturns against the functions of government (e.g. education, health or defence) and by Economic category (e.g. pay or procurement). PESA uses National Accounts definitions. It is not audited, and it is published to a faster timetable than WGA. PESA also contains data that has been adjusted to exclude the effect of general inflation, using a measure known as the GDP deflator[24].

What is a GDP deflator?

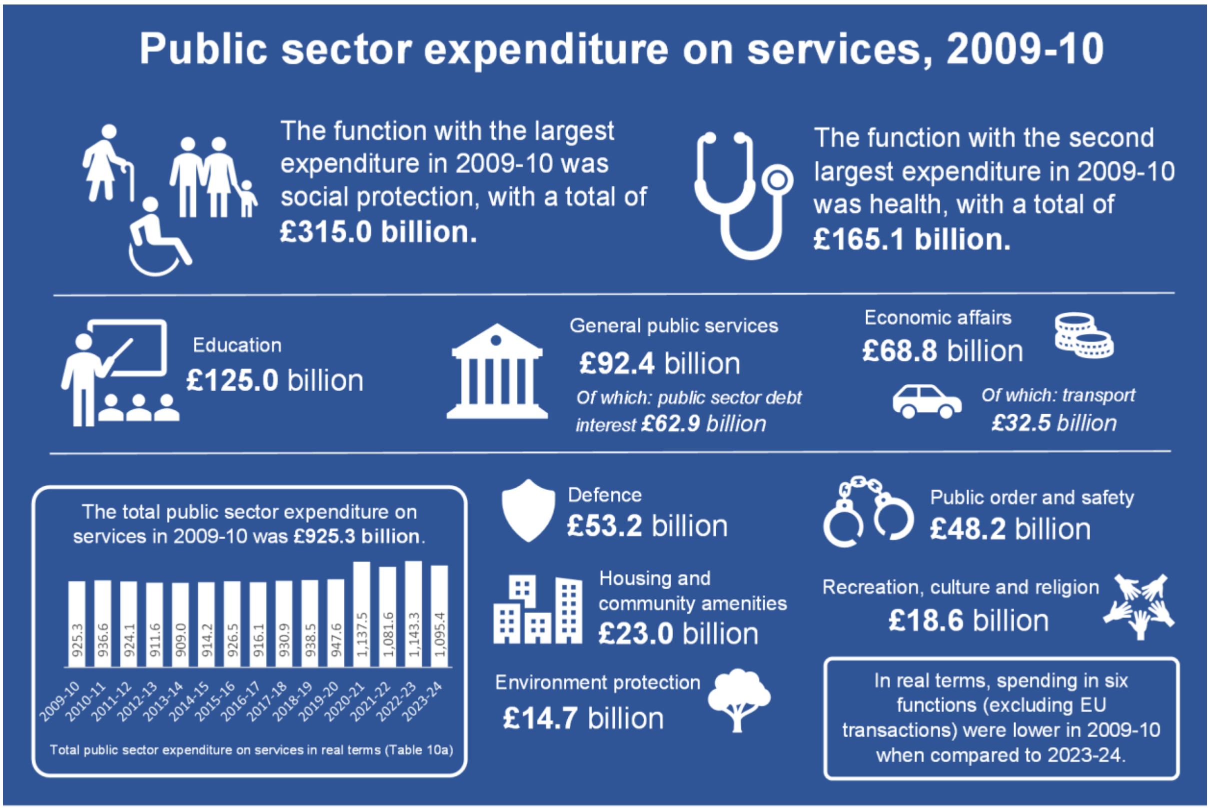
The GDP deflator can be viewed as a measure of general inflation in the domestic economy. Inflation can be described as a measure of price changes over time. The deflator is usually expressed in terms of an index, i.e. a time series of index numbers. Percentage changes on the previous year are also shown. The GDP deflator reflects movements of hundreds of separate deflators for the individual expenditure components of GDP. These components include expenditure on such items as bread, investment in computers, imports of aircraft, and exports of consultancy services.

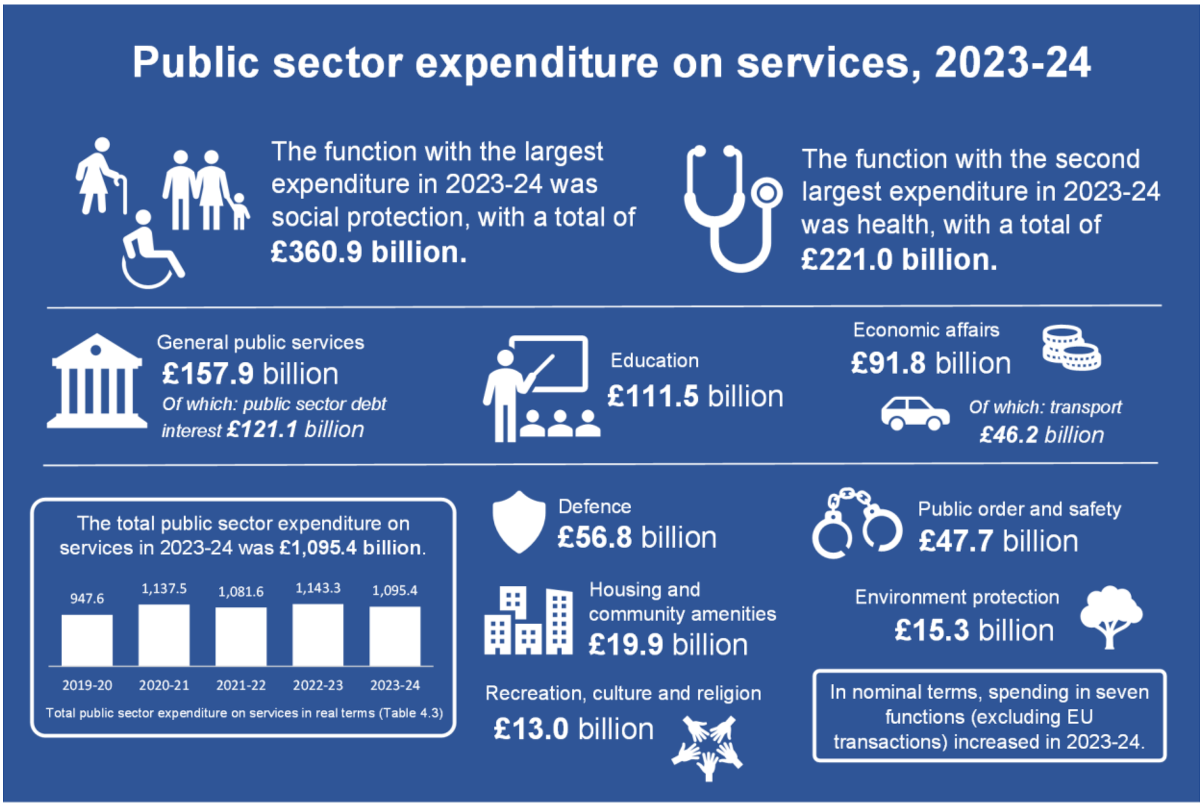
1.190 The PESA data provides context to the WGA expenditure data, showing that whilst there have been some changes in the sector of expenditure by function, the regional split of spending has been similar over the 15 year WGA period. This is illustrated below.

[23] HMT Public Expenditure Statistical Analyses (PESA) - GOV.UK

[24] GDP deflators: user guide - GOV.UK

Changes in public sector expenditure by function of government since the start of WGA

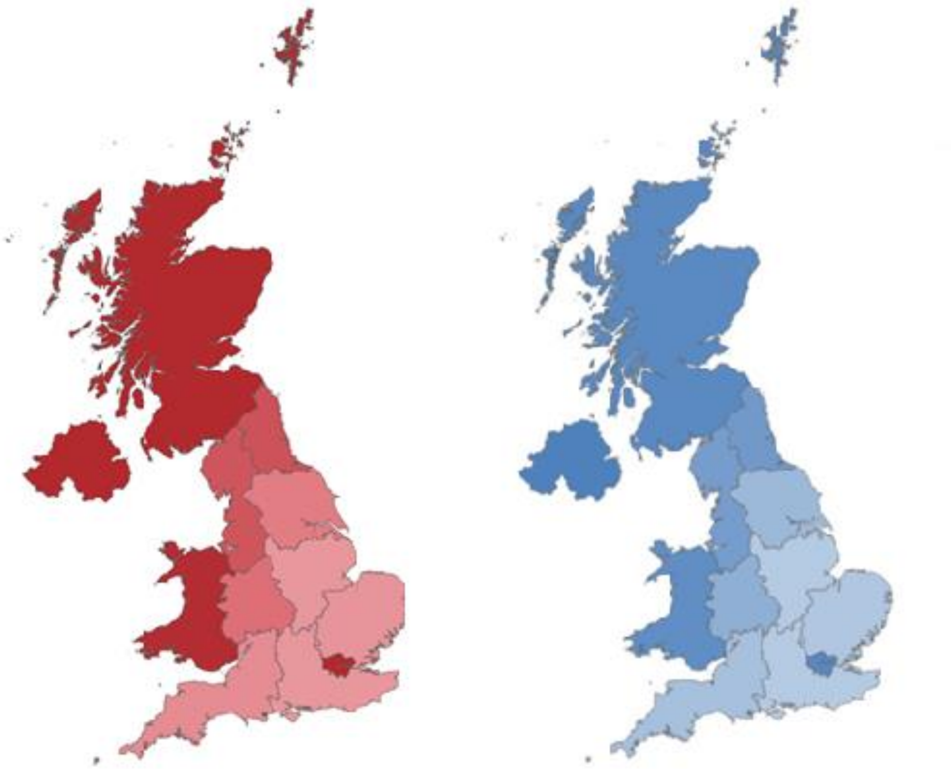




Country and regional analysis

1.191 PESA also includes a breakdown of spending on a geographical basis from the Country and Regional Analysis.25 The regional pattern of spending has been similar across the WGA timespan.

Total UK identifiable expenditure on services, per head, 2009-10 compared to 2023-24



2009-10 2023-24

Key: The darker the chart, the higher the spend per head, ranked from highest to lowest.

1.192 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. The pattern is consistent between first and most recent year of WGA.

[25] Country and regional analysis: November 2024 - GOV.UK

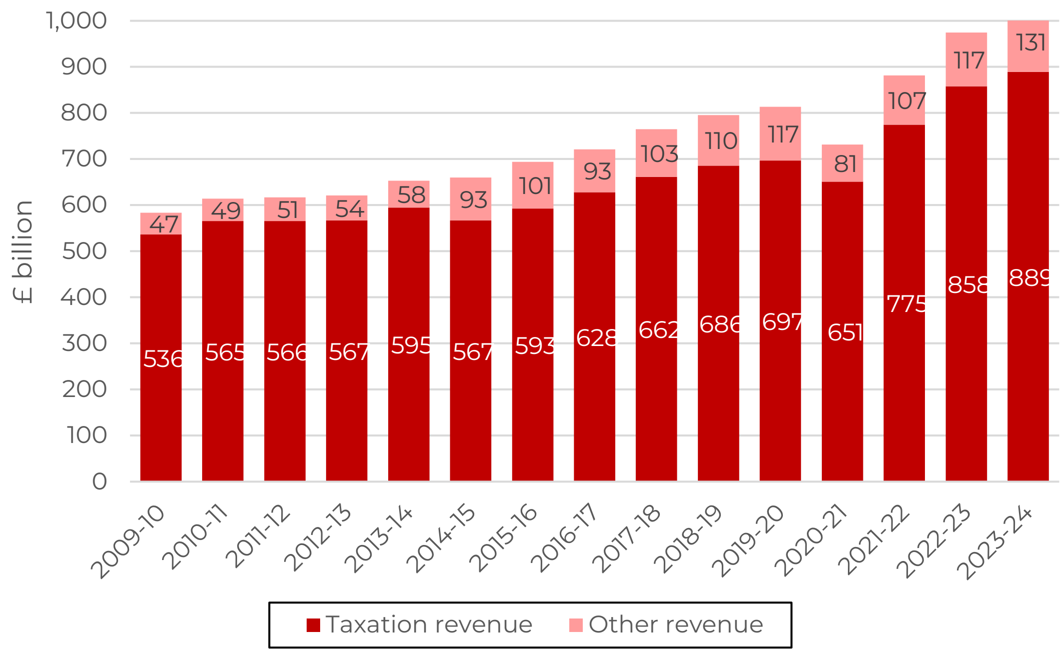
Income

The government received £1,019.9 billion in income

1.193 Taxation revenue makes up 87% (£888.8 billion) of total income, 94% 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.

1.194 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.

Figure A.37 15 year trend – Income



Source: Whole of Government Accounts. This is different from HMRC accounts and statistics as public sector taxes are eliminated in WGA. WGA shows taxes collected from the private sector and individuals. Taxes are recorded in WGA on an accruals basis, as explained in Note 1 of the Financial Statements.

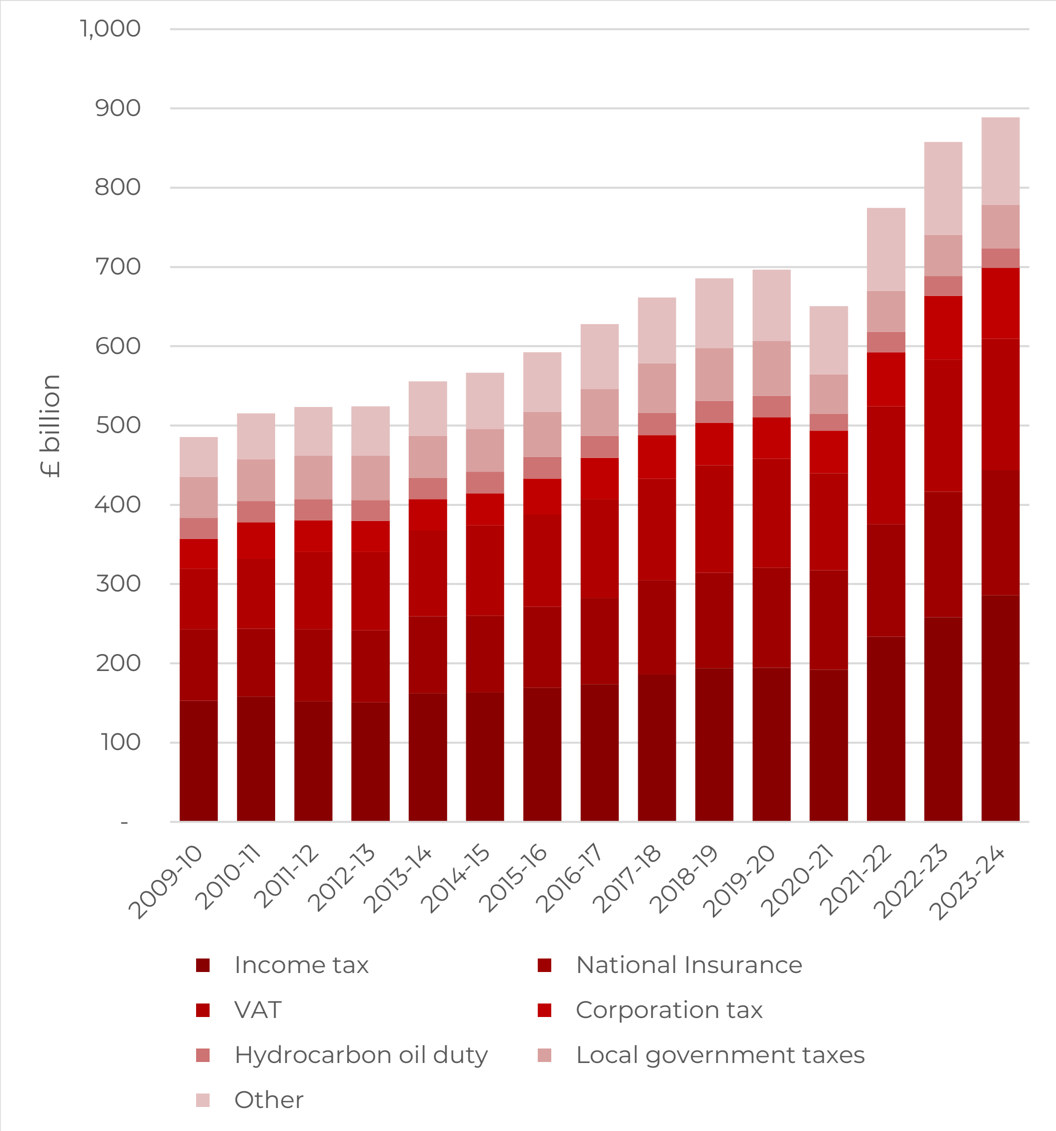
1.195 Overall, in the last 15 years from 2009–10 to 2023–24, taxation revenue rose from £536.3 billion to £888.8 billion, reflecting steady long-term growth with some fluctuations. The early years showed modest increases, followed by a slight dip in 2014–15 (4.72%). Revenue then grew steadily until 2019–20, with annual gains between 1.60% and 5.98%.

1.196 In 2020–21, revenue fell by 6.60%, likely due to the economic impact of the Covid-19 pandemic. This was followed by a strong recovery in 2021–22, with a 19.05% increase, the highest growth in the period. Growth remained strong in 2022–23 at 10.70%, continuing the post-pandemic rebound.

1.197 Changes in taxation policy will also have driven changes over time.

Figure A.38 Taxation Revenue by Type over time (£ billion)

1.198 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.



Source: This chart shows WGA data. This is different from HMRC accounts and statistics as public sector taxes are eliminated in WGA. WGA shows taxes collected from the private sector and individuals. Taxes are recorded in WGA on an accruals basis, as explained in Note 1 of the Financial Statements.

The Future of the Tax Base

The Office for Budget Responsibility (OBR) produce an economic and fiscal outlook twice per year, which includes a forecast for tax receipts over a five-year horizon. The OBR's March 2025 publication states that the tax-to-GDP ratio is forecast to increase by 2.1 percentage points over the forecast period, from 35.5% in 2023-24 to 37.7% of GDP in 2027-28 before stabilising at 37.5% in the final two years of the forecast.

The OBR forecast that there will be some changes to the composition of tax take over the next five years. Between 2023-24 and 2029-30, the following taxes are forecast to represent a larger share of the overall tax take: Income tax and National Insurance Contributions (+1.2% of GDP), Onshore Corporation Tax (+0.2% of GDP), Capital Gains Tax (+0.2% of GDP). Revenues from other, smaller taxes are forecast to increase by 0.8% of GDP between 2023-24 and 2029-30. Receipts that are forecast to represent a smaller share of the tax take in 2029-30 relative to 2023-24 include: fuel duty (-0.1% of GDP) and oil and gas (-0.1% of GDP).

Over the longer-term, we expect the composition of the tax take to change with any future policy changes, and due to exogenous factors (e.g. taxpayer behaviour change). There is a high degree of uncertainty here – the OBR have stated in their most recent Fiscal Risks and Sustainability report that over the next 50 years we could expect revenues from emissions taxes and tobacco duty to fall as we transition to net zero and the number of smokers reduce over time.

Snapshot – total revenue by type of tax

1.199 This table shows HMRC Annual Report and Accounts data which breaks down "other" taxes into further detail than shown in WGA. The nature of tax revenue is explained in the table, with the 15 year movement in tax revenue by source. Changes in taxation policy, wages will have driven changes over time.

Tax revenue source	2009-10 (£ billion)	2023-24 (£ billion)	15 year change (%)
Income Tax The taxable event for Income Tax is the earning of assessable income during the taxation period by the taxpayer.	150.0	286.2	91%
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.	99.0	177.0	79%
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.	77.1	165.5	115%
Corporation Tax The taxable event for Corporation Tax is the earning of assessable profit during the taxation period by the taxpaying company	37.9	89.6	136%
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	26.3	24.9	-5%
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.	8.1	15.0	85%
Capital Gains Tax The taxable event for Capital Gains Tax (CGT) is the disposal of a chargeable asset leading to a taxable gain.	1.9	14.3	653%
Alcohol Duties	9.2	12.5	36%
Tobacco Duties	9.4	9	-4%
Insurance Premium Tax	2.2	8.1	268%
Inheritance Tax	2.5	7.4	196%
Air Passenger Duties	1.9	3.9	105%
A number of other taxes, including customs duties, apprenticeship levy and betting and gaming duties, account for the remaining revenue.			

Source: HMRC Annual Report and Accounts 2023-24 [26]and 2009-10[27]. HMRC Annual Report and Accounts data is different from WGA because it includes amounts collected from the public sector which are eliminated in WGA. Both datasets are prepared on an accruals basis, as explained in Note 1 of the Financial Statements.

[26] HMRC annual report and accounts: 2023 to 2024 - GOV.UK

[27] HM Revenue & Customs Departmental Accounts 2009-10 HC 299

Taxation Revenue as a proportion of GDP - 20 year trend

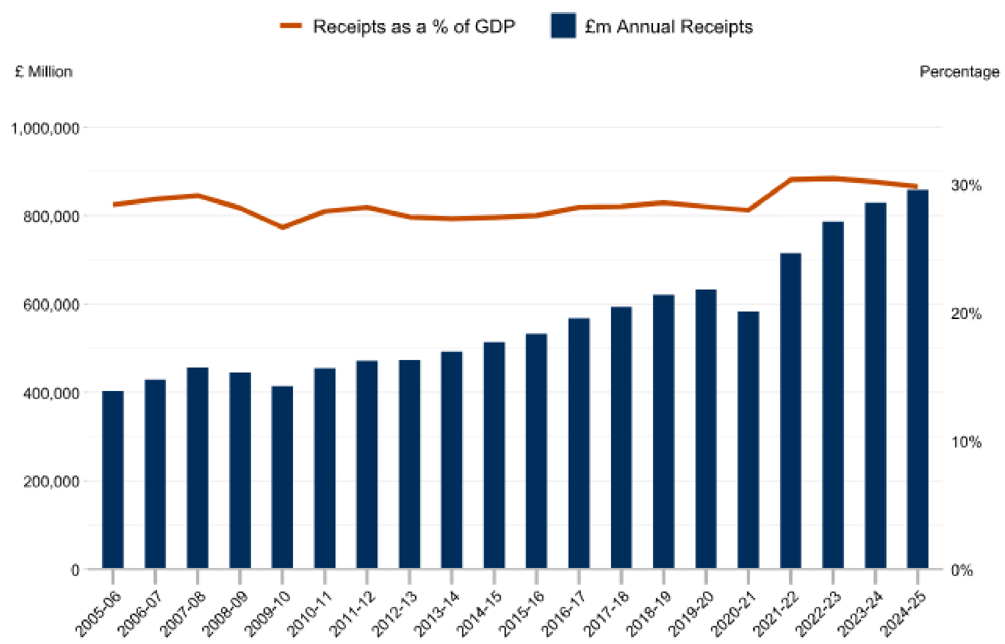
1.200 The figures reflected in WGA are nominal, and therefore over a 15 year time period inflation will have a significant impact. The government publishes a time series of data on annual receipts as a proportion of GDP. Figure 1 from the May 2025 release of this time series is reproduced below.

1.201 These statistics show tax relative to the general level of economic activity and inflation over time. These statistics provide context to the increase in taxes shown in WGA. However, these statistics are different from WGA because they don't include eliminations (so both private and public sector taxes are shown) and cash is recorded when received rather than being accrued as explained with Note 1 to the WGA Financial Statements (so the timing of income recognition may vary).

Figure A.39 Total annual receipts in the tax year 2024 to 2025

HMRC Figure 1. Total annual receipts, and receipts as a proportion of GDP

Source: HMRC tax receipts and National Insurance contributions for the UK (annual bulletin) 2023-24



(Source – HMRC statistics) [28]

1.202 This shows a time series back to 2005-06, before WGA was published. Over this time series tax revenues as a proportion of GDP

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28 https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin

have remained largely stable at around 30% of GDP. There was a reduction in receipts during the period 2008-10 due to economic circumstances, and a further reduction in 2020-21 due to the Covid-19 pandemic.

Figure A.40 Income Tax, Capital Gains Tax and National Insurance contributions

1.203 Over this time series however, the composition of taxes has changed. National insurance, income tax and capital gains comprise the largest source of receipts and these have increased as a proportion of GDP from 15.8% in 2005-6 to 17.1% in 2023-24. There was a fall from 16.4% in 2007-8 to 15.4% in 2019-20 and this can be partly attributed to structural changes such as above inflation increases in the personal allowance. The large increase in 2021-22 is partly due to deferred payments of tax as a result of policy over the Covid-19 pandemic. Receipts since 2021-22 have been particularly impacted by changes to thresholds and rates.

HMRC Figure 2. Annual receipts and receipts as a proportion of GDP

Source: HMRC tax receipts and National Insurance contributions for the UK (annual bulletin) 2023-24

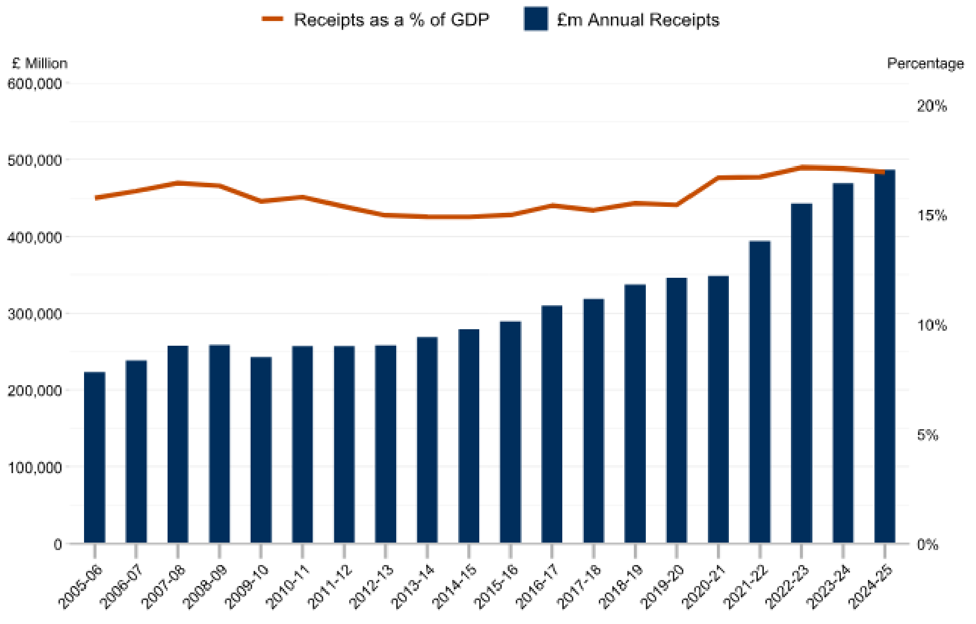


Figure A.41 Value Added Tax (VAT)

1.204 VAT has shown more volatility over the time series with signifcant drops reflective of the economic uncertainty around 2009-10 and 2020-21. VAT receipts as a proportion of GDP have increased from 4.5% of GDP in 2009-10 to 6.1% in 2023-24

HMRC Figure 3. Annual receipts and receipts as a proportion of GDP
Source: HMRC tax receipts and National Insurance contributions for the UK (annual bulletin) 2023-24

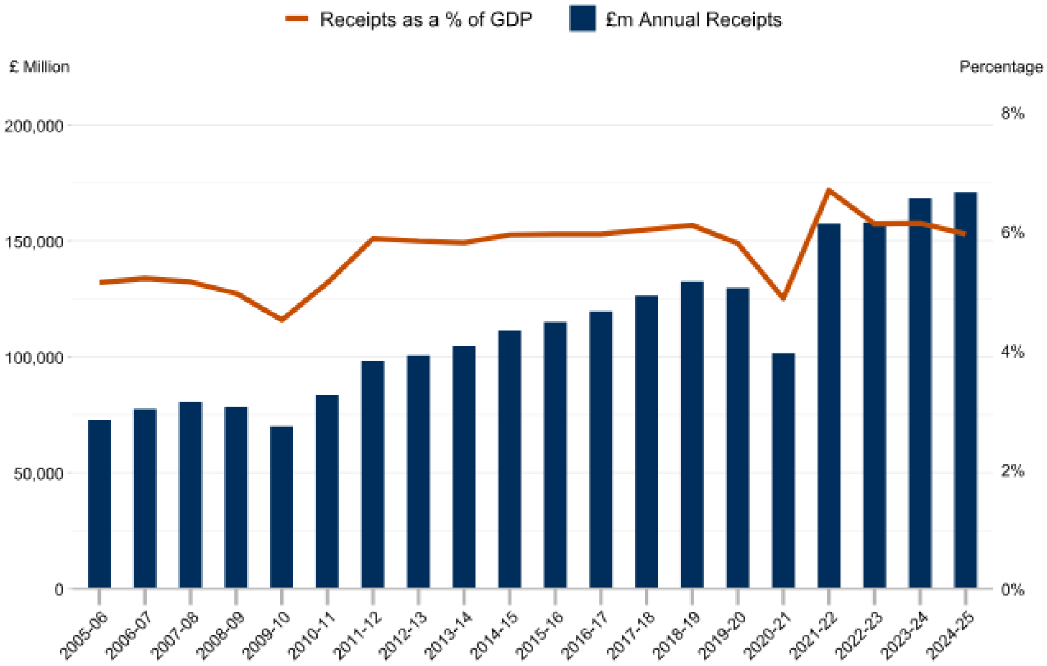
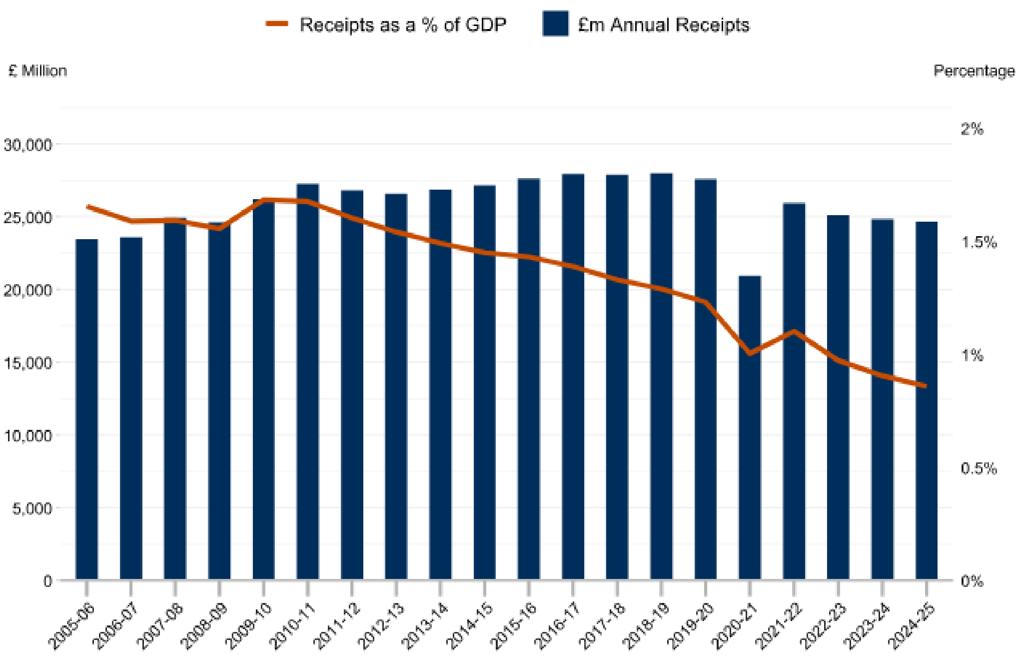


Figure A.42 Hydrocarbon Oil (fuel duty)

1.205 Fuel duty is one of the smaller taxes but has shown a downward trend as a proportion of GDP over the time series. This is similar to the trends in the HMRC Annual Report and Accounts table in paragraph 1.199 which shows more variable trends in smaller taxes.

HMRC Figure 6. Annual receipts and receipts as a proportion of GDP

Source: HMRC tax receipts and National Insurance contributions for the UK (annual bulletin) 2023-24



1.206 Since 2005-06 this has dropped from 1.7% of GDP to 0.9% of GDP in 2023-24. From 2023-24, the decrease in receipts is primarily driven by a fall in diesel receipts due to a general move away from diesel towards alternative fuelled vehicles, including electric and hybrid electric vehicles.

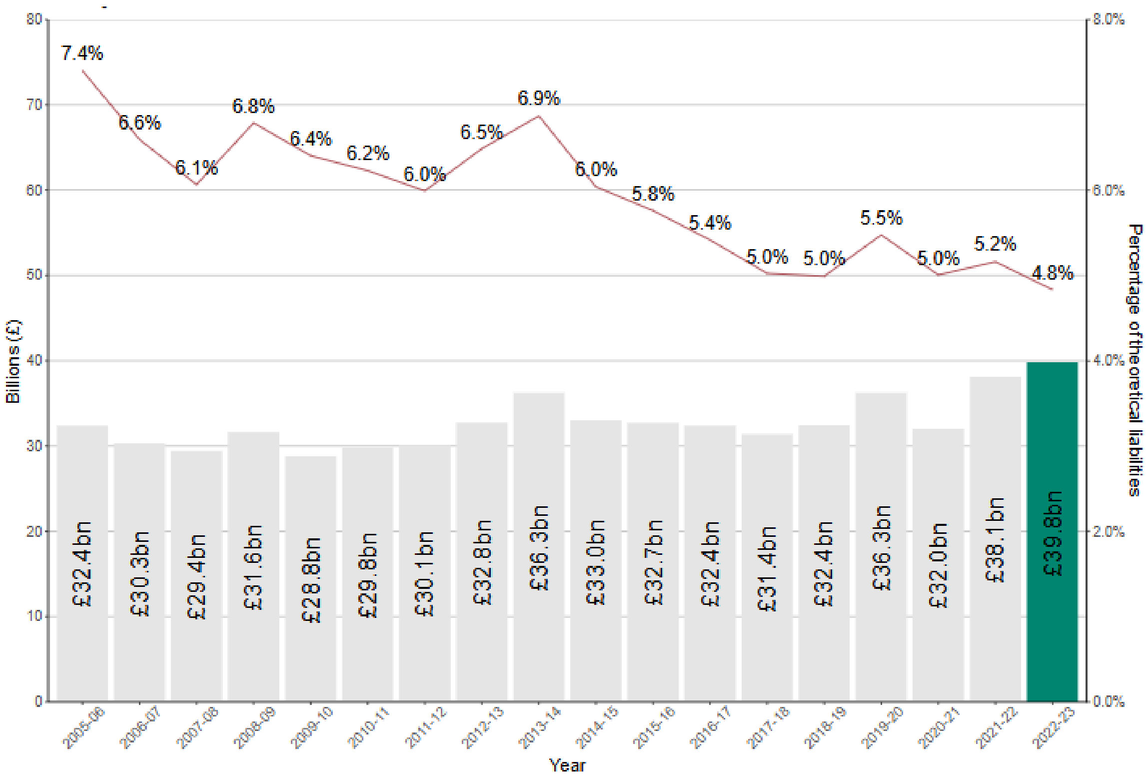
Managing the Tax Gap

The tax gap is the difference between the tax which should be paid and what's actually paid. In 2022-23 the tax gap is estimated to be 4.8% of total theoretical tax liabilities, or £39.8 billion in absolute terms, which means HMRC collected 95.2% of all tax due. There has been a long-term reduction in the tax gap as a proportion of theoretical liabilities, from 7.4% in 2005-06.

The largest components of the tax gap by tax are the **Corporation Tax gap and the "Income Tax, NICs and Capital Gains" Tax gap**, each representing 34% of the total tax gap, followed by the VAT gap with a 20% share. By taxpayer type, 60% of the tax gap comes from **small business taxpayers.**

It is the government's longer-term ambition to close the tax gap and design out non-compliance. At the Budget last Autumn, the Government announced the most ambitious package ever to close the tax gap, raising £6.5 billion in additional tax revenue per year by 2029-30. The government built on this work at Spring Statement, announcing a package of measures to further close the tax gap and raise over £1 billion in additional gross tax revenue per year by 2029-30.

Figure A.43 Tax gap by value and as a percentage of theoretical tax liabilities, 2005 to 2006 up to 2022 to 2023



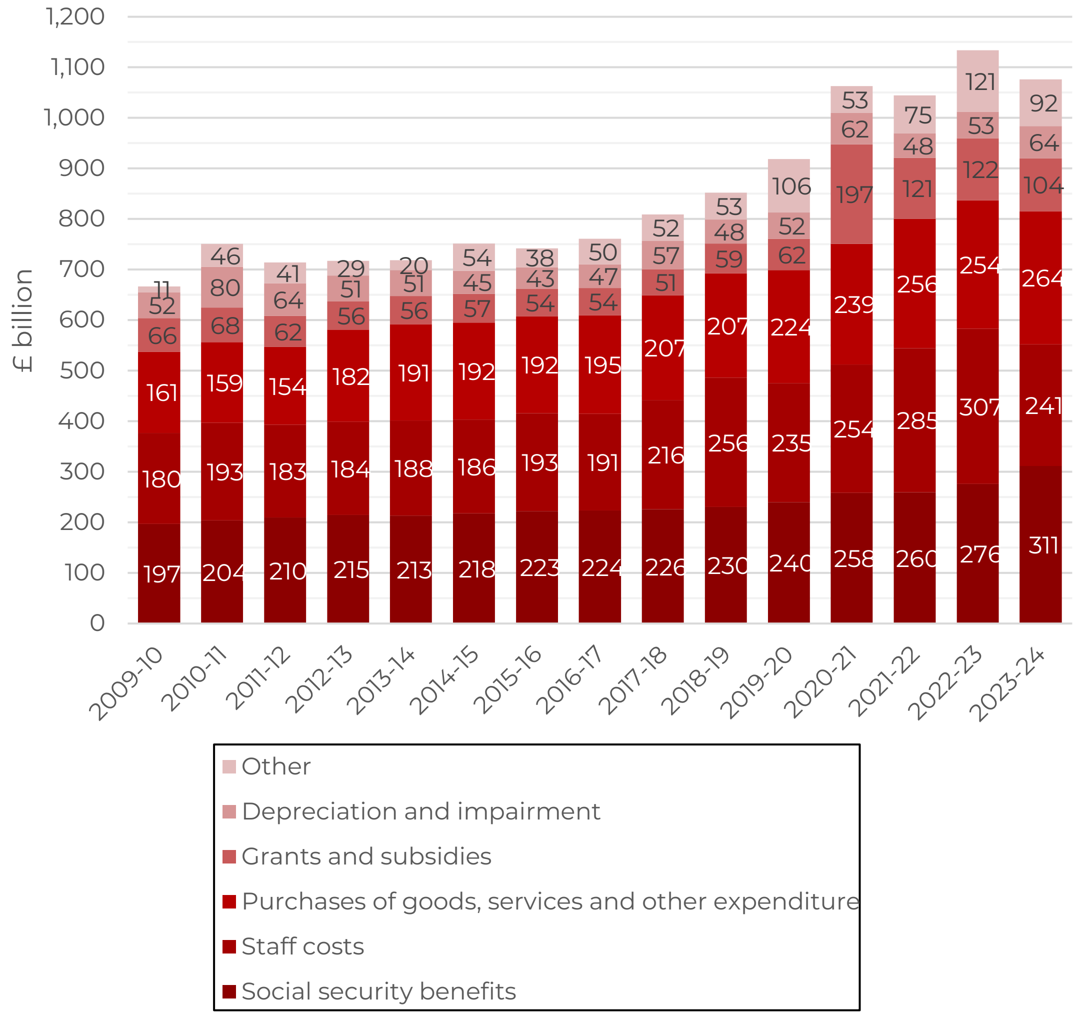
1. Tax gaps: Summary - GOV.UK

Expenditure

Total expenditure on public services is £1,076.3 billion (2023-24)

1.207 The government spent £1,076.3 billion on public services. The most significant elements were **social security benefits** of £311.4 billion (2022-23: £276.1 billion), **staff costs** of £240.5 billion (2022-23: £306.7 billion) and **purchase of goods and services** of £263.7 billion (2022-23: £254.3 billion), each of which is explored in more detail in the following sections.

Figure A.44 15 year trend - Expenditure on public services

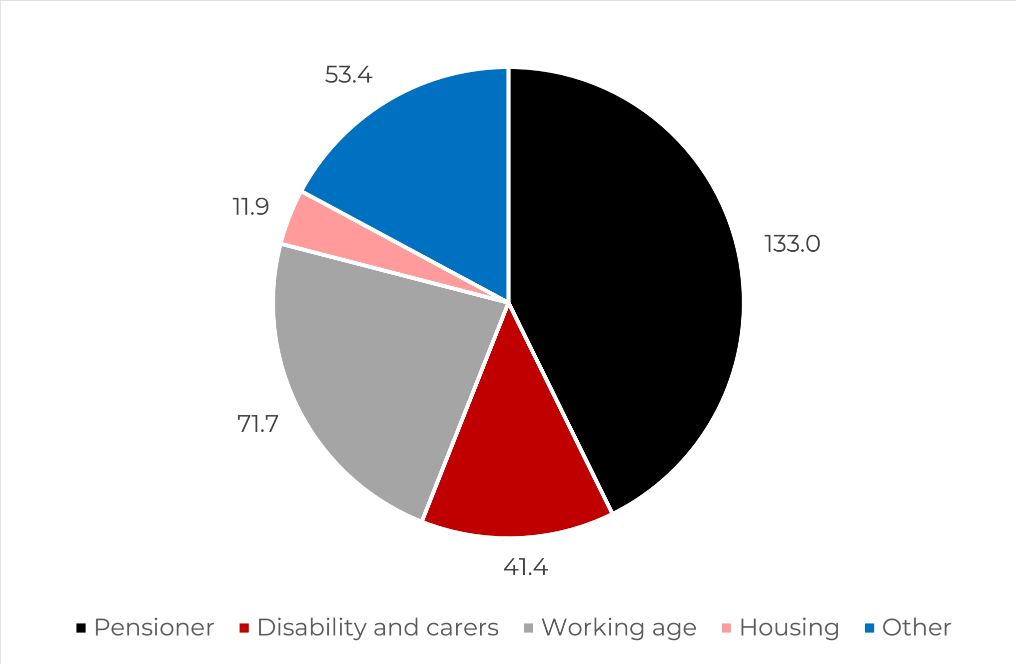


1.208 Overall, total expenditure on public services has increased by 61% over the last 15 years. Purchase of goods and services has increased 64% whilst social security benefits have increased 58%. Staff costs have increased 33%. The largest change was from 2019-20 to 2020-21, a 16% increase. This was driven by a 68% increase in grants and subsidies due to the Covid pandemic.

Social security benefits totalled £311.4 billion (2023-24)

1.209 Government spending on social security benefits increased by £35.3 billion (13%) in 2023-24 compared with 2022-23. It has increased by £114 billion over the last fifteen years (58%), slightly above inflation. The largest element of social security benefits is the state pension at £127.3 billion.

Figure A.45 Breakdown of social benefit payments (£ billion)



Social security benefits over time (£ billion)

1.210 Social security benefits have increased from £197.1 billion in 2009-10 to £311.4 billion in 2023-24.

Figure A.46 15 year trend – Social Security Benefits

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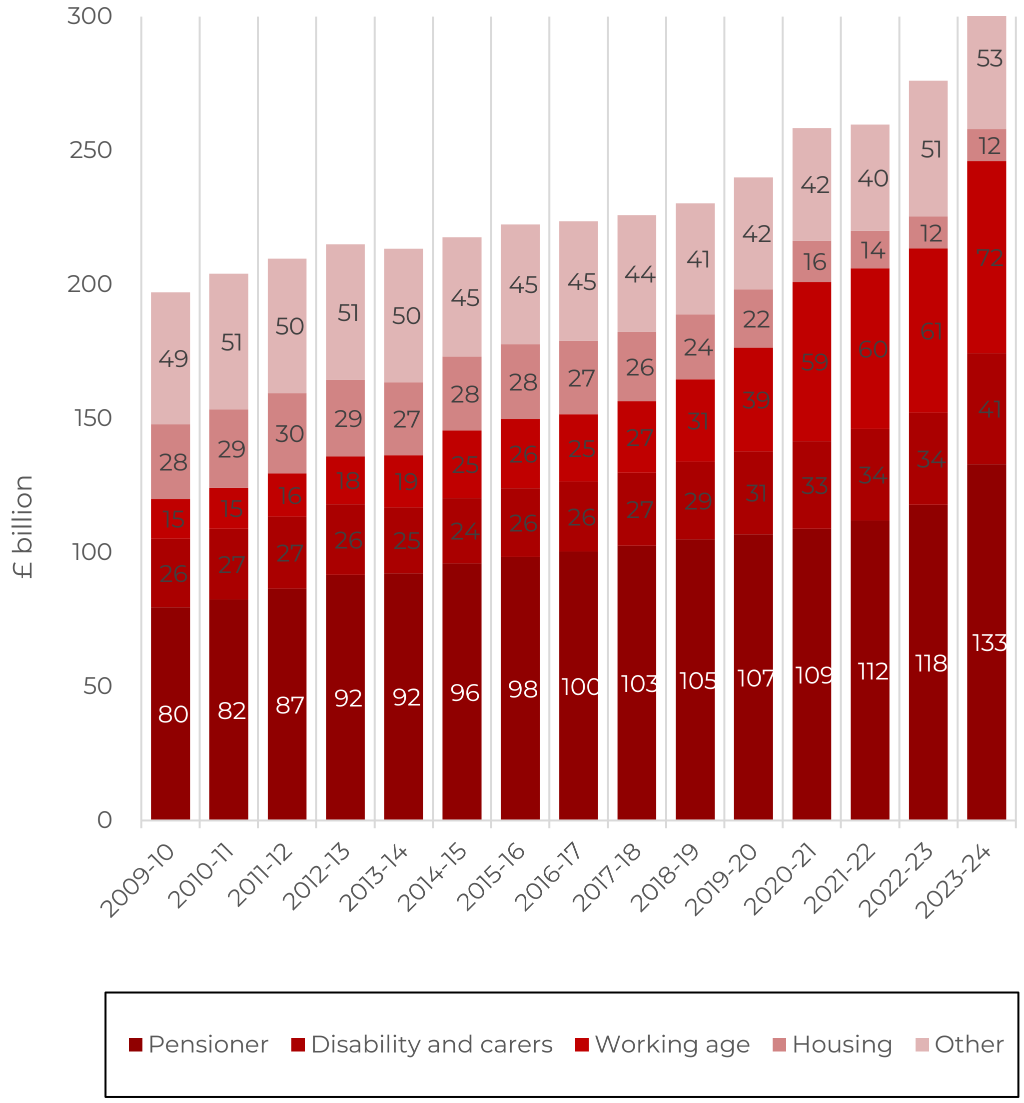


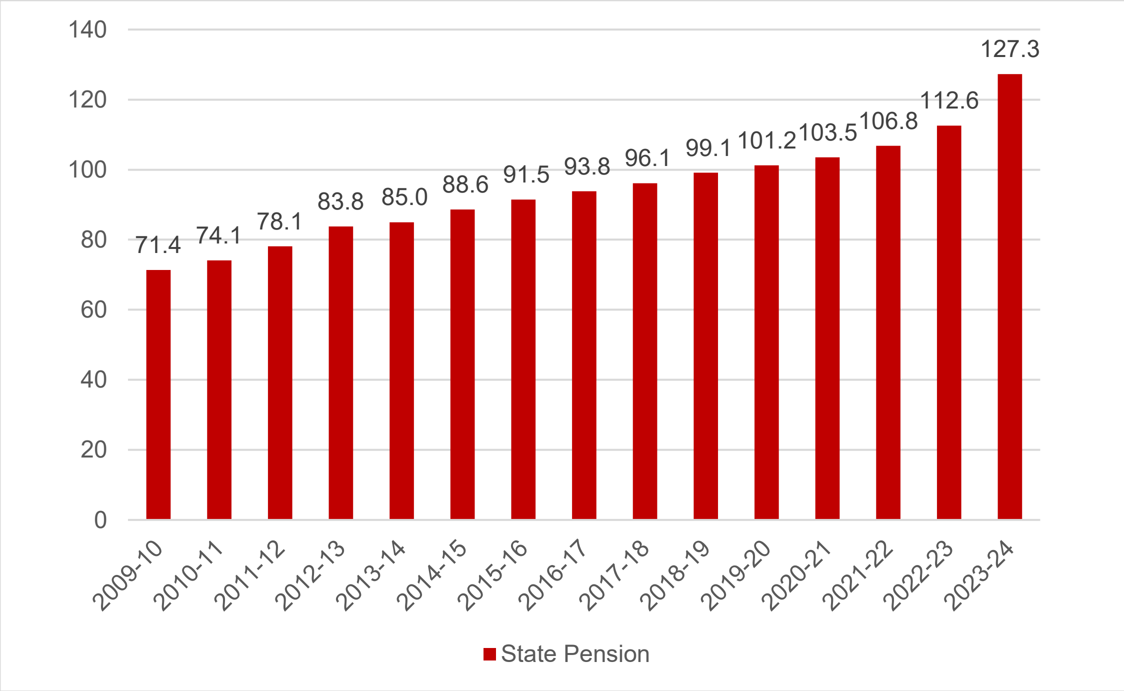
1.211 Throughout the last 15 years, working age benefits saw the biggest change, increasing by 384% (£15 billion to £72 billion), the majority of which was reported by the Department for Work and Pensions (DWP). There is not a simple linear relationship between the claimant count and the working age benefits spend; this is explained in more detail in the section below. All other social security benefits underwent growth throughout the 15 year period, with the exception of housing benefit, which contracted by 57% (£28 billion to £12 billion)]. However, housing benefit is particularly impacted by missing data.

15 year trend – State pension

Figure A.47 State pension: £127.3 billion

1.212 The State Pension for 2023-24, at £127.3 billion, is the largest benefit paid, accounting for 41% of the benefit spending total.

1.213 State pension have increased by £14.7 billion (13%) relative to the prior year, see chart below.



1.214 The State Pension expenditure has shown consistent growth from 2009-10 to 2023-24, with a steady annual increase each year. In 2009-10, the State Pension was £71.4 billion and has grown significantly since then. By 2023-24, it had reached £127.3 billion, reflecting a rise of £55.9 billion (78%) over the 15-year period.

1.215 The growth is steady but more pronounced in the last decade. In 2013-14, the expenditure was £85.0 billion, and by 2021-22, it had risen to £106.8 billion. The most recent year saw an increase of 13% (£14.7 billion), as inflationary increases are required by the "triple lock" and the number of claimants is increasing. The "triple lock" is a government commitment to uprate the basic and new State Pension every year by the highest of earnings growth, inflation, or 2.5%.

Figure A.48 15 year trend – Disability Benefits

1.216 Disability benefits have increased from £26 billion in 2009-10 to £ 41 billion in 2023-24 (+62%) which compares with a 22% increase in caseload.

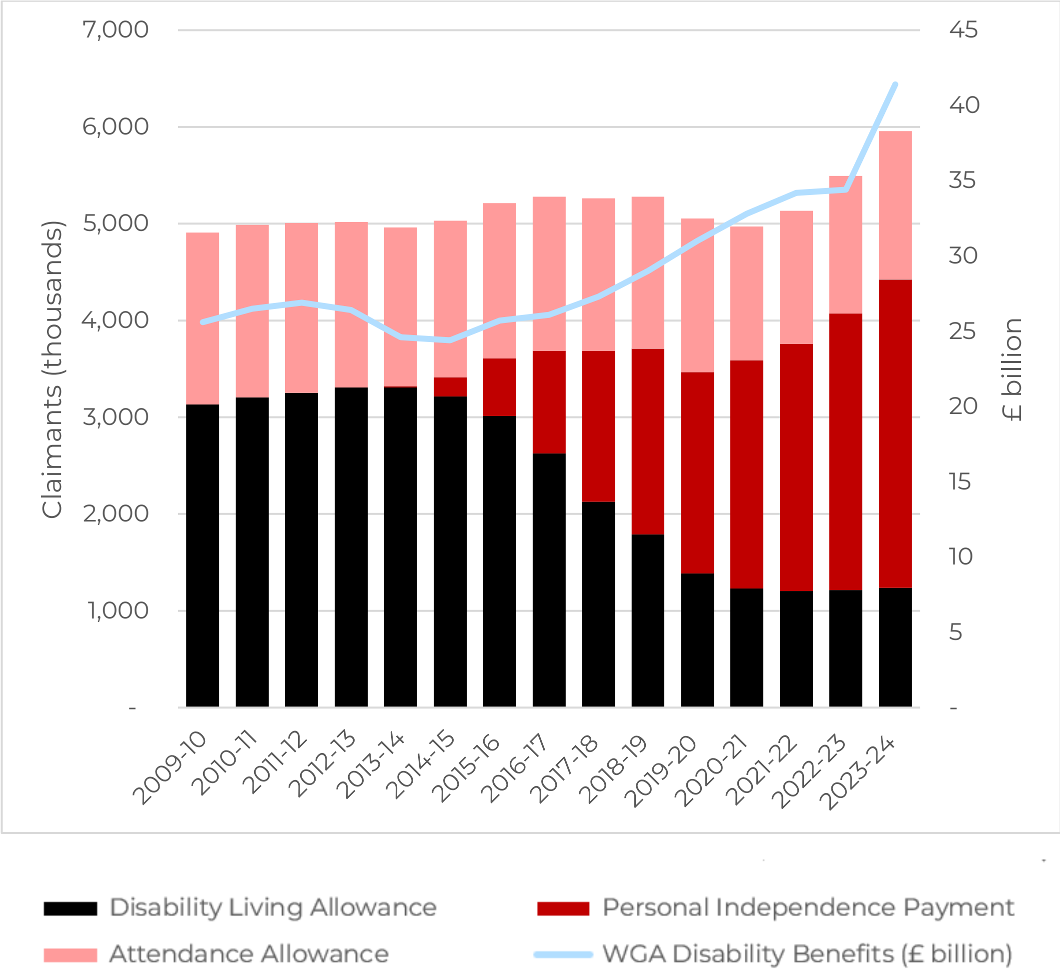
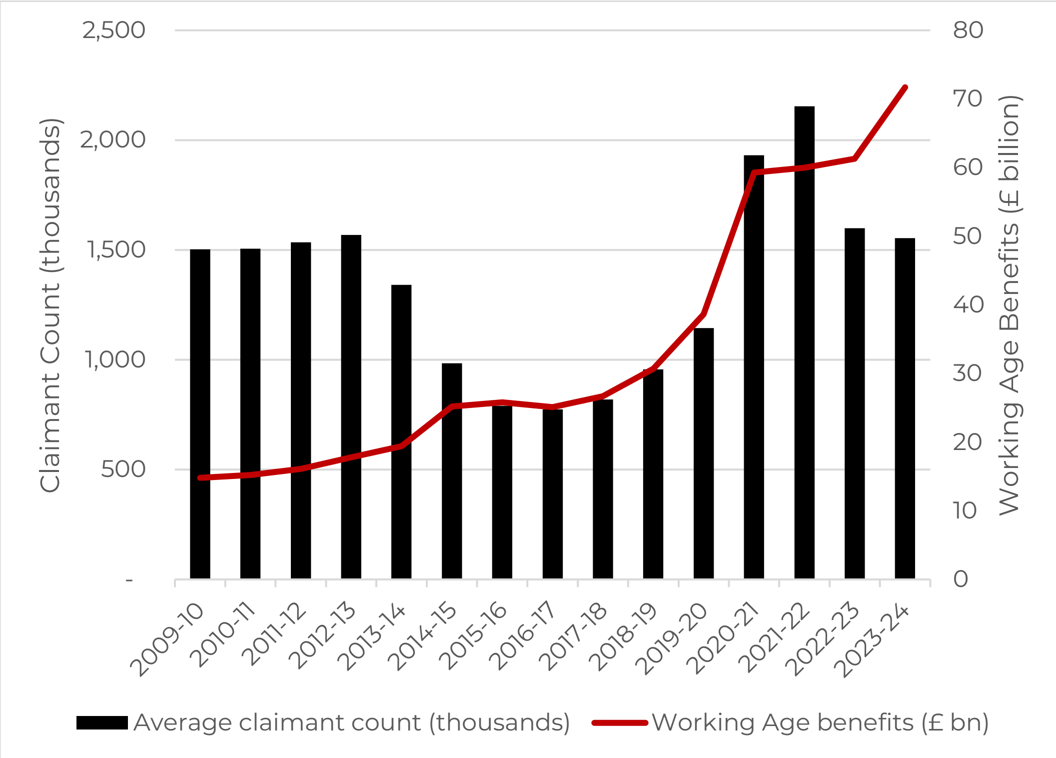


Figure A.49 15 year trend – Working Age Benefits

1.217 From 2009-10 to 2011-12, working age benefits increased at a similar level to other trends shown in WGA. Between 2012-13 and 2015-16, working age benefits increased despite a fall in the number of claimants due to increases in benefit rates, shifts in claimant profile, growth in housing costs and the transition to Universal Credit. In 2020-21 the Covid pandemic drove a 69% increase in average claims and a 54% increase in working age benefits spend. From 2022-24 the number of claimants decreased but benefits paid did not decrease because there were temporary increases in benefit rates, a shift in the composition of claimants and due to variations in the timing of claim assessment and approval.



[Out of work benefits - Office for National Statistics]

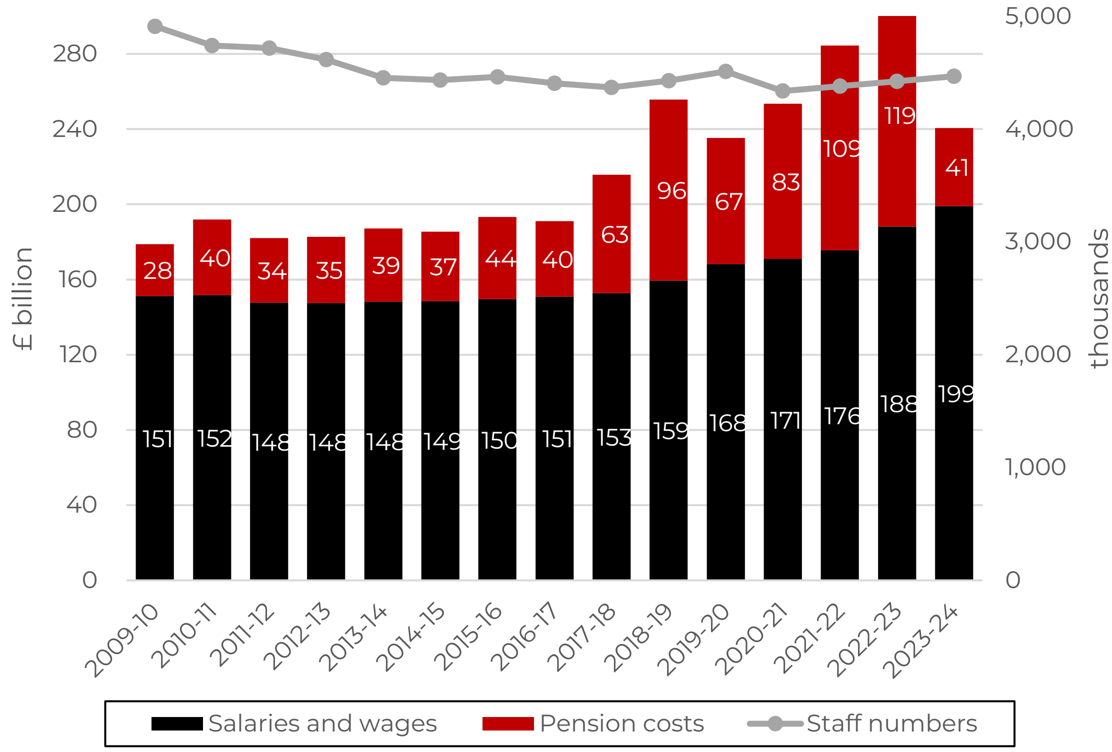
Figure A.50 15 year trend – Wages and Salaries

Staff costs totalled £240.5 billion (2023-24)

1.218 Staff costs comprise expenditure on salaries and wages, and expenditure on pension costs

1.219 In 2023-24, the cost of salaries and wages recognised in WGA was £199.1 billion (2022-23: £188.1 billion), an increase of 6% on the prior year which took place alongside a 1% increase in staff numbers.

1.220 Pension costs decreased by 65% to £41.4 billion in 2023-24 (2022-23: £118.6 billion), due to discount rates. The single largest contributor to pension costs was the NHS Pensions Scheme (£10.9 billion), with a year-on-year increase of £1 billion.



1.221 Between 2009–10 and 2023–24, salaries and wages in the public sector increased from £151.2 billion to £199.1 billion—an overall rise of 32% over 15 years, which is below inflation due to a 9% fall in staff numbers (from 4.9 million to 4.4 million). Some English local authority data is missing from the more recent WGA figures (estimated as less than 10%) but the staff costs and staff numbers would be missing from the same organisations. For much of the period (2009–10 to 2016–17), wage spending remained relatively flat. From 2017–18 onward, a steady upward trend emerged, with more notable increases after 2018–19. Salaries rose from £159.4 billion in 2018–19 to £188.1 billion in 2022–23 an 18% growth in four years. This acceleration likely reflects increased staffing, wage adjustments, and the public sector's expanded role during the Covid-19 pandemic.

1.222 On salaries and wages, the strongest annual growth occurred between 2018–19 and 2019–20, £8.8 billion (5.5%). Overall, the trend indicates a shift in public spending priorities, with a greater emphasis on investing in human resources across key services such as healthcare, education, and welfare, particularly due to new functions linked to EU exit..

1.223 Relative to wages and salaries pension costs have changed significantly. This is largely due to an increase in current service costs- which were £27.5 billion in 2009-10 but had risen to £116.6 billion in 2022-23.

1.224 Current service cost is the recognition of the increase in the pension liability as a result of current members having an additional year of service. It is determined using an actuarial methodology. This is explained further in Note 1 and Note 25 in the financial statements.

1.225 There was a significant increase in pension costs for 2018-19. This was the year that the Court of Appeals ruled against the government on the McCloud and Sargeant cases. This created a significant past service cost as pension entitlements are recalculated.

Public Sector Pay Setting Process

There are eight Pay Review Bodies (PRBs) that make independent recommendations on levels of pay for most frontline public sector workforces (see table below) for PRBs and workforces). The PRBs consider a range of evidence when forming their recommendations, including the need to recruit, retain and motivate suitably able and qualified people; the financial circumstances of Government; the Government's policies for improving public services; and the Government's inflation target. After considering evidence, PRBs make recommendations on pay and submit their reports to the government under embargo. The government then considers these recommendations before deciding when to publish the PRB reports and its response, including whether to accept the recommendations.

Whilst affordability is a key factor when setting public sector pay, pension liability is not an explicit consideration (see Public Service Pension Affordability Management). However, the total reward offered to staff is a factor that the Pay Review Body considers when assessing the overall remuneration package of public sector workers.

Pay review bodies

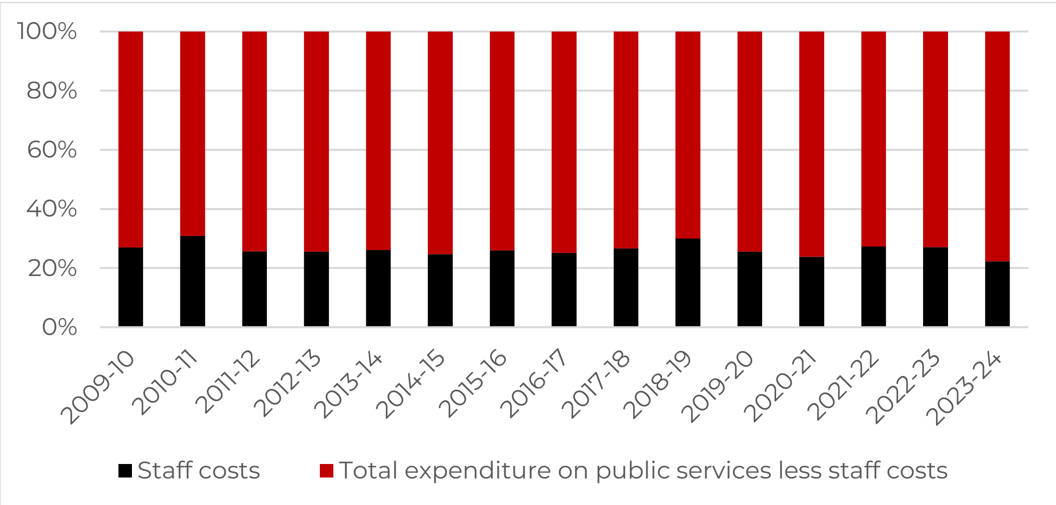
Pay review bodies	**Workforces**
Armed Forces Pay Review Body	UK Navy, Army and Air Force
Review Body on Doctor's and Dentists' Remuneration	Hospital Doctors, GPs and Dentists
NHS Pay Review Body	Covers NHS workers (exc above), including: nurses, ambulance, physiotherapists, midwives
Prison Service Pay Review Body	Prison governors, prison officers and operational managers
School Teachers Review Body	Teachers and school leaders
Review Body on Senior Salaries	Judges, senior civil servants, senior members of the armed forces, senior police officers and the most senior NHS managers
Police Remuneration Review Body	Police officers below the rank of chief superintendent
National Crime Agency Remuneration Body	Covers National Crime Agency officers

Public Service Pension Affordability Management

The Government's preferred measure for the affordability of Public Service Pension Schemes is the OBR's projected cost of public service pensions as a share of GDP over the long term, as set out in the NAO's 2021 report on Public Service Pensions. In its latest publication of September 2024, the OBR estimates that this will fall from 1.9% in 2023-24 to 1.4% in 2073-74. HMT considers this measure to provide the most helpful assessment of the affordability of public service pensions. While the estimate of pension liabilities and accompanying information published in the WGA is helpful, it can be volatile, with significant changes often driven by changes in interest rates. Over the most recent publications, the WGA figure for public sector pension liability has been £2.3tn, £2.6tn and £1.4tn respectively. While this is appropriate from an accountancy perspective, the unfunded nature of the main public service schemes means that changes in the interest rate do not directly impact their affordability for future taxpayers.

Public service pension costs are also managed via the Cost Control Mechanism (CCM), which is assessed at scheme valuations. The CCM is designed to ensure that the cost of providing pensions for current employees remain within a 3% corridor around a target cost. Subject to an economic check, breaches of the CCM require scheme reforms to adjust the level of member benefits or contributions.

Figure A.51 Staff costs as a proportion of total expenditure on public services



1.226 Staff costs have averaged 36% of total expenditure on public services throughout the history of WGA. The lowest was 29% in 2023-24 (due to depreciation being higher than average) and the highest was 45% in 2010-11 (due to a change in the pension scheme discount factor that increased pension liabilities).

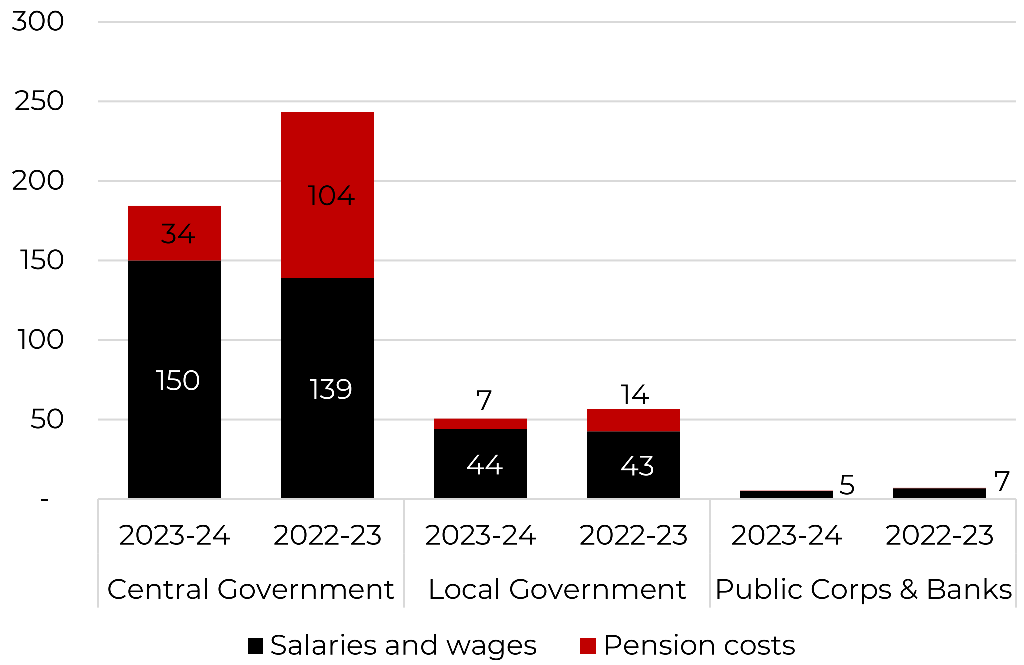
Public Sector Wages

1.227 *Public and private sector earnings: 2019* [29]showed the results of statistical models that explored the relationship between mean hourly earnings and a range of independent variables, based on Annual Survey of Hours and Earnings (ASHE) 2019 provisional data.

1.228 This showed a public sector earnings premium of 7% in 2019, which was reducing over time. The gap increased if pensions were included and reduced if bonuses were included. More recent analysis is not available.

Figure A.52 Staff costs by sector

1.229 The composition of staff cost balances has stayed relatively stable over the life of WGA.

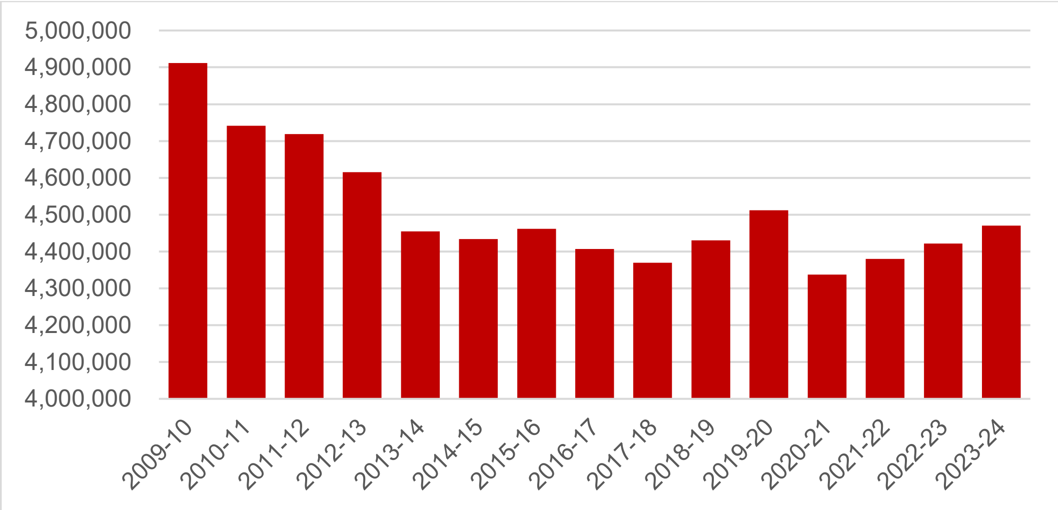


[29] Public and private sector earnings - Office for National Statistics

Figure A.53 Staff numbers totalled 4.4 million (2023-24)

1.230 From 2009–10 to 2023–24, public sector staff numbers fluctuated, reflecting economic pressures and policy changes. Staff numbers declined from 4.91 million in 2009–10 to 4.43 million by 2014–15.

1.231 From 2015–16 to 2018–19, staffing remained stable around 4.43 million, but then rose, peaking at 4.51 million in 2019–20, due to the Covid-19 pandemic's impact. A slight dip to 4.34 million in 2020–21 was followed by a modest increase to 4.42 million in 2022–23 and 4.47 in 2023-24.



1.232 Between 2018-19 and 2019-20 the largest increase in staff numbers were in the health and academies sector. Between 2019 and 2020-21 the largest reduction in staff numbers was in local government. This was due to missing data which increased year on year.

The future of WGA

1.233 The future of WGA is set out in the table below.

Future plans for WGA

Future objectives	Priority	2024-25	2025-26	2026-27	2027-28
	1. Timetable	Publish WGA in June – returning to normal timetable.	Continue to publish to a normal timetable and consider the feasibility of technological options for improving speed of reporting.		
	2. Missing data	Continue to reduce missing data in WGA, even if unaudited.	Achieve more typical levels of data completeness.	Reduce disclaimed opinions in underlying accounts.	No more local authorities disclaimed due to audit market.
	3. Other audit qualifications	Natwest no longer controlled by public sector, reducing boundary issues.	Continue to address other audit qualifications, where it represents value for money.		
	4. Continuous improvement	Improving data quality, systems and user engagement. Reforming WGA, what it covers, how it is produced and audited.			

Priority 1: Timetable

1.234 Since 2020, WGA has been looking to recover to its pre-Covid timetable of being published by the summer recess the year after the balance sheet date. HMT continues work to return WGA to normal timetables. In line with the WGA recovery plan, WGA 2022-23 was published in November 2024 and 2023-24 has been published in July 2025. 2024-25 is scheduled for June 2026. Once normal timescales have been achieved, the feasibility of further timeliness improvements will be assessed, such as the use of new technology.

Priority 2: Missing data and the disclaimer of the audit opinion

1.235 Since 2015, the completeness of English local authority WGA data has declined. This was primarily due to a backlog of accounts and audit in the sector. In 2020-21 and 2021-22, the NAO qualified the audit opinion to highlight the missing data. The level of missing data worsened for 2022-23 and the NAO disclaimed their opinion for the first time, meaning they could not give an audit opinion on the WGA as a whole. In 2023-24 the level of missing data has slightly improved but the level of missing data has not yet returned to historically typical levels and the audit opinion is still disclaimed. Missing data due to backlogs in English local authority accounts and audit meant there was inadequate assurance over material balances for the NAO to form an opinion. The NAO still described[30] the WGA as "a vital tool in the management and scrutiny of public spending."

1.236 Legislation has been enacted to require English local authority accounts to be finalised by backstop dates, even if disclaimed (with some exemptions where there are significant disagreements). This is already having an effect in enabling the sector to focus on more recent accounts which has improved WGA reporting, with a slight increase in the number of English local authorities submitting data for 2023-24 and submitting opening balances data in preparation from 2024-25. It is reassuring to see the trend improve.

1.237 Further information on the financial impact of missing and unaudited data is available in paragraph 1.6.

Priority 3: Other audit qualifications

1.238 The NAO has disclaimed the audit opinion in 2023-24 due to the missing data issue outlines above. If there had been an audit opinion, it is likely that it would have been qualified for other reasons as set out in Chapter 5. Another future priority for the WGA will be addressing these qualifications where it represents value for money to do so. From 2023-24, Natwest is no longer controlled by the public sector, reducing boundary issues.

Priority 4: Continuous improvement

1.239 WGA's primary purpose is transparency and enabling Parliament to hold government to account for public sector financial position and performance (primarily through the public accounts committee). We can improve this further in future by developing a pocket guide for MPs and training Parliamentary staff on public sector finances.

1.240 Outreach to secondary user groups is also essential. HMT is looking at options to reduce dependence on pdf accounts which

[30] Spending watchdog disclaims government's accounts for the first time - NAO press release

require technical expertise to interpret. A data and analytics dashboard is planned for this summer to allow users of WGA to explore 15-year trends in WGA data. Internally, this data will be made available to HMT policy makers through the Hawkeye platform or the HMT data lake. This allows them to chart WGA data alongside other measures such as fiscal statistics to support evidence-based policy making. The feasibility of other options is being assessed, including sharing detailed data, entity level data (if permitted) or benchmarking. This will take more time to consider as the data is not already in the public domain. More general outreach is also proving successful. A government finance function workshop highlighting the "treasure trove" of data in WGA was very well attended and the resources from this are being promoted to the higher education sector. HMT is exploring options for other user groups to encourage the use and impact of WGA.

Sustainability Report

Task Force on Climate-related Financial Disclosures (TCFD)

1.241 Climate change is a significant crisis facing the global community, and one the UK will need to continue to confront head-on amid the greater chance of warmer, wetter winters and hotter, dryer summers, plus more variable rainfall and more severe storms. Sea levels are rising by approximately 4 millimetres per year around the UK coastline, increasing the risk to buildings and infrastructure close to the shoreline. Extreme weather – flooding, storms, heatwaves – already cause significant disruption in the UK every year, so the challenges that a more extreme climate will have on our lives, the economy and our environment should not be underestimated.

1.242 HM Treasury has issued guidance [31]on the Task Force on Climate-related Financial Disclosures' recommendations and explains how public sector bodies should use this guidance, as well as why TCFD-aligned disclosure is being pursued in UK public sector annual reports and accounts. An overview of the TCFD framework has been included in Annex A of the guidance[32]. Individual entity accounts report against these requirements or explain why they either haven't complied or plan to comply in future.

1.243 Not all public sector entities are captured by the HMT TCFD guidance and some apply other local guidance within their climate disclosures. There is a varied landscape across public sector organisations, which cannot currently be combined into a consolidated statement.

Governance

1.244 HMT requires departments to disclose the organisation's governance around climate-related issues.

Strategy

1.245 HMT requires departments to disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's operations, businesses, strategy, and financial planning where such information is material.

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[31] Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure application guidance - GOV.UK

[32] Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure application guidance - GOV.UK

Risk Management

1.246 HMT requires departments to disclose how the organisation identifies, assesses, and manages climate-related risks.

Metrics and Targets

1.247 HMT requires departments to disclose the metrics and targets used to assess and manage relevant climate-related issues where such information is material. Whilst it is not currently possible to provide unified reporting across the public sector, metrics and targets related to the Greening Government Commitments (GGCs) are available. This includes:

- central government departments and their executive agencies;
- non-ministerial departments; and
- executive non-departmental public bodies. GGCs: bodies in scope

1.248 Greening Government Commitments: Reporting Requirements sets out the 2021 to 2025 reporting requirements for all UK central government departments and their agencies reporting against the GGCs. The requirements help to ensure consistent reporting of the GGCs across government. Performance against these measures is available in the Greening Government Commitments April 2021 to March 2024 report. Key targets are measured against a 2017-18 baseline, to be achieved by 31 March 2025.

Key metrics and targets

Key metric	Baseline 2017-18	2023-24	Difference	Target
Overall emissions	2,937,940 tonnes of carbon dioxide equivalent (tCO2e)	1,737,743 tCO2e	-41%	Separate targets per department
Direct emissions	980,505 tCO2e	836,078 tCO2e	-15%	Separate targets per department
Waste	188,283 tonnes	153,613 tonnes	-18%	-15%
Water	31.5 million cubic metres (m3)	31.3 million m3	-1%	-8%

Quantitative data on sustainable procurement spend is planned for 2025-26.

Climate change adaptation

1.249 The GGCs state that departments should develop an organisational climate change adaptation strategy across estates and operations. Seven of 22 in-scope departments had completed climate change risk assessments and developed climate change adaptation action plans by March 2024.

Nature recovery

1.250 The GGCs state that departments should develop nature recovery plans. Four of 22 in-scope departments had developed nature recovery plans by March 2024.

Events since 31 March 2024

1.251 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

11 July 2025

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 2023-24 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 2023-24

3.1 For the second time in its 15-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 has limited 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 and challenges in the local audit system have severely delayed the preparation of accounts and subsequent audits. Despite having limited 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.

3.3 In December 2024, MHCLG set out its strategy to overhaul the local audit system. The strategy outlined a clear purpose for local audit and its users, consultation on proposals for simplified and proportionate financial reporting, improvements to the market's capacity and capability, and ways to build strong relationships between local bodies and auditors. Furthermore, in April 2025, it announced 16 further commitments to streamline and fix the fragmented system. The department intends to create the Local Audit Office (LAO) by Autumn 2026 to oversee local audit, as recommended by the independent Kingman and Redmond Reviews. Strategic objectives for the LAO, underpinned by a clear remit, will be introduced in the English Devolution Bill. MHCLG's strategy outlines the role of LAO to be "the establishment of a statutory and independent Local Audit Office (LAO), with 5 strategic responsibilities - coordinating the system, contract management, ownership of the Code of Audit Practice, quality oversight and reporting.

Some measures being taken by MHCLG, 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 for 2022-23 accounts 13th December 2024. The second backstop effective for 2023-24 accounts 28th February 2025. For 2024-25 accounts 27th February 2026. For 2025-26 accounts 31st January 2027. For 2026-27 accounts 30th November 2027. For 2027-28 accounts 30th November 2028.

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

- Proactive engagement with submitting entities to ensure queries are addressed quickly and facilitate timely submission of WGA returns.
- Engagement with MHCLG colleagues to mitigate the risks around non-submission of data and unaudited data.

3.4 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 estimated percentage missing data is assets 7.0%, liabilities 2.7%, income 4.7% and expenditure 7.3%. The reader is encouraged to review these paragraphs for their areas of interest in WGA to understand missing data impact.

3.5 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).

Scope of Accounting Officer's responsibility

3.6 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.

3.7 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 whole of 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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 3.28. The key risks in the preparation of WGA, and any corresponding changes for 2023-24 are summarised below:

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

- A significant number of entities failed to submit consolidation data for WGA by the date on which consolidation work began, and submissions for 2023-24 were closed. Non submission of data remains a serious issue for WGA 2023-24, which has led, for the second time in WGA history, to a disclaimed audit opinion. Action taken to date means that missing data has peaked but unaudited data is expected to keep rising while we work through resolving challenges in the local audit market.
- WGA 2023-24 and 2024-25 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.
- HM Treasury continues to work closely with component entities to prioritise timely submission of data returns for 2024-25 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.
- 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).

3.11.2 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 2023-24 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 in WGA have been resolved.

The DHSC accounts been qualified for 2023-24. This is explained in more detail in paragraphs 3.27 to 3.28, including the basis for the qualification. This would have been material enough to impact WGA and would have led to a qualification in the WGA accounts. However, as the WGA accounts have been disclaimed, this has not led to a qualification for WGA.

Even if not qualified on these grounds in 2023-24, 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.

3.11.3 As Accounting Officer I am responsible for maintaining the necessary controls and processes to support the IT systems that deliver WGA. WGA data is collected, processed and reported using the OSCAR system. I have maintained relevant controls to ensure this system is secure and data integrity is maintained. I am also responsible for ensuring there are processes in place to resolve issues and to improve the performance and usability of the system.

3.12 The WGA governance framework has been in place for the year ended 31 March 2024 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.

3.13 Where risks relevant to WGA preparation can be managed internally, HMT has developed robust procedures for doing so. The majority of historic qualifications in WGA, which would have been remained in 2023-24 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 resolved.

The WGA governance framework

3.14 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.

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

3.15 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

3.16 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.

3.17 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.

3.18 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. Over 10,000 entities were designated for inclusion in WGA, but due to group level consolidations required for WGA 2023-24, data collection returns were requested for 657 entities, of which returns were received for 456 entities.

3.19 Not every entity in the public sector is consolidated into WGA. The largest entity which is excluded is NatWest. This, however, is the correct treatment as it is no longer controlled by government from 2023-24. It was considered controlled by the government in 2022-23, but share sales have reduced. 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

3.20 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. An example of this is government grants where a department may pay a grant to a local authority - the department will have an expense in their WGA return and the local authority will have income, both of which need to be eliminated. 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.

3.21 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.

3.22 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. There are four criteria by which we monitor the level of eliminations error. These criteria relate to the levels of both debit and credit transactions which remain uneliminated for both the Statement of Financial Position (SOFP) and the Statement of Revenue and Expenditure (SORE). Each are maximum possible impacts, i.e. levels of "uncertainty", with the actual "error" being anywhere between zero and these figures. For the 2023-24 WGA the final elimination errors in the SOFP were £1.7 billion (2022-23: £3.5 billion) for debit transactions and -£2.1 billion (2022-23: -£3.5 billion) for credit transactions. The final elimination errors in the SORE were £2.9 billion (2022-23: £2.0 billion) for debit transactions and -£2.5 billion (2022-23: -£2.4 billion) for credit transactions.

£ billion	SOFP Debit	SOFP Credit	SORE Debit	SORE Credit
Starting Point	1,012.2	(931.0)	301.2	(107.2)
HM Treasury Journal Corrections	(1,010.5)	928.9	(298.3)	104.7
Eliminations 'Error' as per WGA	1.7	(2.1)	2.9	(2.5)

Analytical review

3.23 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

3.24 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.

3.25 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

3.26 The 2023-24 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

3.27 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.

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

In the DHSC accounts, there was insufficient appropriate evidence over the 2022-23 opening balances and 2022-23 in year transactions of the UK Health Security Agency (UKHSA) and for the 2022-23 opening balance of inventory and associated 2022-23 in year transactions due to a lack of records.

Qualifications from the consolidation process

3.29 Similar to the qualifications in underlying accounts, WGA 2023-24 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 boundary error used to be made up of two parts, but for 2023-24 only includes further education. 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 the qualification was removed in WGA 2023-24 as the government does not exercise control over NatWest. 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 may 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 also includes NI Water and Scottish Water infrastructure assets. This has been 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 2023-24. 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. This was a new qualification in 2019-20 and was the result of delays in local authority audits.

3.30 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

3.31 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.

3.32 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.

3.33 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. The total movement over the year as an estimate of the maximum error between the balances at 31 August and the following 31 March.

3.34 The balance as at 31 August 2022 was £65.9 billion and this was included in the 2022-23 WGA. We now know that the 31 August 2023 balance was £68.4 billion (which has been included in this 2023-24 WGA) and that the balance as at 31 March 2023 is likely to be in between those two figures, giving an estimated maximum error of £2.5 billion on this year's figure. In a similar manner we can estimate the maximum error for other balance sheet items at 31 March 2024.

3.35 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.

3.36 Welsh and Scottish Further Education colleges are included in WGA but English Further Education colleges are not included. HMT and DfE ministers have agreed that DfE should run a pilot during 2024-25 to test an approach to data collection and financial reporting for FE colleges that meets agreed principles, including consolidation of the FE sector without a WGA qualification. Ministers have also agreed that DfE should work towards implementing this approach in 2025-26 in line with the results of the pilot. For academies, the current reporting regime was agreed on a temporary basis between DfE and HMT ministers, reflecting the difficulty in obtaining information about the financial performance of academies to a 31 March year end that allows the sector to be consolidated into the DfE and WGA accounts without qualification whilst the sector was experiencing rapid growth. It was agreed with Parliament that this regime would be reviewed to determine when it is feasible for a more standard reporting regime to be implemented, expected to be when the population of the academies sector stabilises. HMT and DfE will continue to consider when the right time is to review the current reporting regime. HMT and DfE will consider any relevant findings from the FE college pilot when reviewing the current academies reporting regime.

Comparing balance sheet positions – 31 March 2023

Item (£ billion)	SARA balance 31 August 2023 (included in the 2023-24 WGA)	SARA balance 31 August 2022 (included in the 2022-23 WGA)	Estimated Maximum amount of variance between 31 August and 31 March.
Property plant and equipment	68.4	65.9	2.5
Cash and cash equivalents	6.9	6.6	n/k
Other assets	2.3	2.1	0.2
Pension liability	(1.2)	(3.4)	n/k
Other liabilities	(3.8)	(3.4)	(0.4)

Source: SARA 2022-23

Balancing timeliness, quality and cost effectiveness of data

3.37 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.

3.38 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.

3.39 I have made a similar judgement regarding the balance between timeliness and quality when considering the cut-off point for data collection.

3.40 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, four 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

3.41 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.

3.42 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.

3.43 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

3.44 In preparing WGA, HM Treasury does not collect any personal data from WGA entities. WGA data collected from WGA entities are held on HM Treasury's Online System for Central Accounting and Reporting (OSCAR) database.

Disclosure of information to auditors

3.45 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.

3.46 I confirm that this annual report and accounts 2023-24 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

11 July 2025

Chapter 4

Financial Statements

Statement of Revenue and Expenditure

For the year ended 31 March 2024

	Note	2023-24 £bn	2022-23 £bn
Taxation revenue	4	(888.8)	(857.7)
Other revenue	5	(131.1)	(116.8)
Total public services revenue		**(1,019.9)**	**(974.5)**
Social security benefits	6	311.4	276.1
Staff costs	7	240.5	306.7
Purchase of goods and services	8	263.7	254.3
Grants and subsidies	9	104.1	122.4
Depreciation and impairment	10	64.2	52.8
Interest costs on government borrowing	11	63.4	85.1
Increase/(decrease) in provisions	23	29.0	36.2
Total expenditure on public services		**1,076.3**	**1,133.6**
Net expenditure on public services		**56.4**	**159.1**
Financing costs of long-term liabilities, including discounting	11	82.9	(141.9)
Revaluation of financial assets and liabilities		7.3	(31.8)
Net (income)/expenditure for the year		**146.6**	**(14.6)**

Statement of Comprehensive Income and Expenditure

For the year ended 31 March 2024

	2023-24 £bn	2022-23 £bn
Net (income)/expenditure for the year	146.6	(14.6)
Other comprehensive income and expenditure:		
Net (gain)/loss on:		
Revaluation of property, plant and equipment	(95.8)	(101.2)
Revaluation of intangible assets	(0.6)	(3.4)
Revaluation of assets measured at Fair Value through Other Comprehensive Income	0.1	(1.8)
Revaluation of pension scheme liabilities	(139.9)	(1,263.9)
Other comprehensive (income)/ and expenditure	(236.2)	(1,370.3)
Total comprehensive (income)/ expenditure for the year	**(89.6)**	**(1,384.9)**

Statement of Financial Position

As at 31 March 2024

	Note	2023-24 £bn	2022-23 £bn
Non-current assets			
Property, plant and equipment	12	1,539.1	1,435.3
Right of use assets	13	28.0	28.8
Investment properties	14	14.3	14.2
Intangible assets	15	52.1	47.9
Trade and other receivables	16	21.4	22.7
Other financial assets	17	470.0	505.1
		2,124.9	**2,054.0**
Current assets			
Inventories	18	13.2	13.2
Trade and other receivables	16	217.7	210.2
Other financial assets	17	237.6	216.0
Cash and cash equivalents	19	39.5	43.9
Gold holdings	34	17.5	16.0
Assets held for sale		0.9	1.0
		526.4	**500.3**
Total assets		**2,651.3**	**2,554.3**
Current liabilities			
Trade and other payables	20	(175.0)	(168.6)
Government borrowings	21	(407.0)	(371.9)
Other financial liabilities	22	(868.5)	(948.0)
Provisions	23	(22.2)	(29.8)
		(1,472.7)	**(1,518.3)**
Non-current liabilities			
Trade and other payables	20	(53.3)	(47.7)
Government borrowings	21	(1,613.0)	(1,382.1)
Other financial liabilities	22	(333.6)	(303.2)
Provisions	23	(240.0)	(277.1)
Net public sector pension liability	25	(1,311.9)	(1,415.0)

Total non-current liabilities	**(3,551.8)**	**(3,425.1)**
Total liabilities	**(5,024.5)**	**(4,943.4)**
Net liabilities	**(2,373.2)**	**(2,389.1)**
Financed by taxpayers' equity:		
General reserve	(3,229.0)	(3,154.0)
Revaluation reserve	849.9	759.7
Other reserves	5.9	5.2
Total liabilities to be funded by future revenues	**(2,373.2)**	**(2,389.1)**

The financial statements and supporting notes on pages 140 to 287 form part of these accounts.

Conrad Smewing

Accounting Officer

11 July 2025

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

	General reserve £bn	Revaluation reserve £bn	Other reserves £bn	Total £bn
At 1 April 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)**
Restatements	(1.2)	(3.1)	-	(4.3)
Impact on opening balances – missing entities	(6.9)	-	-	(6.9)
Change in accounting policy (2)	(71.6)	-	-	(71.6)
Net income/(expenditure) for the year ended 31 March 2024	(146.6)	-	-	(146.6)
Net gain/(loss) on:				
Revaluation of property, plant and equipment	-	95.8	-	95.8

Revaluation of intangible assets	-	0.6	-	0.6
Revaluation of assets measured at Fair Value through Other Comprehensive Income	-	(0.1)	-	(0.1)
Revaluation of pension scheme liabilities	139.9	-	-	139.9
Other reserves movements including transfers	11.4	(3.0)	0.7	9.1
Balance at 31 March 2024	**(3,229.0)**	**849.9**	**5.9**	**(2,373.2)**

(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).

(2) Change in accounting policy comprises the impact on opening reserves from the change in accounting for Contracts for Difference by the Department for Energy Security and Net Zero (see note 22).

Statement of Cash Flows

For the year ended 31 March 2024

	Note	2023-24 £bn	2022-23 £bn
Cash flows from operating activities:			
Net operating expenditure for public services	SoRE	(56.4)	(159.1)
Adjustments for non-cash transactions		63.5	(7.3)
Impact of missing entities (boundary adjustment)		11.4	22.0
Adjustment for non-operating transactions		(103.8)	26.5
(Increase)/decrease in inventories	18	(1.1)	(3.3)
(Increase)/decrease in trade and other receivables	16	(6.2)	(17.3)
Increase/(decrease) in trade and other payables	20	12.0	3.7
Net cash movement for the provision of pensions		6.9	2.5
Use of provisions	23	(27.9)	(26.4)
Increase/ (decrease) in lease liabilities	27	1.0	24.3
Interest on lease liabilities		0.4	0.5
Net cash inflow/(outflow) from operating activities		**(100.2)**	**(133.9)**
Cash flows from capital expenditure and financial investment:			
Purchase of non-financial assets		(81.2)	(106.5)
Interest received	5	23.2	14.9
Proceeds from disposal of non-financial assets		6.8	6.5
Net cash inflow/(outflow) from purchase and disposal of financial assets and liabilities		(36.5)	(103.2)
Net cash inflow/(outflow) from capital expenditure and financial investment		**(87.7)**	**(188.3)**
Cash flows from financing activities:			
Payment of lease liabilities		0.3	0.3

Financing costs of long-term liabilities		(36.7)	163.2
Finance charges paid on finance leases and PFI contracts		(46.2)	(21.3)
Net Borrowings		266.1	178.3
Net cash inflow/(outflow) from financing activities		**183.5**	**320.5**
Net increase/(decrease) in cash and cash equivalents	19	(4.4)	(1.7)
Cash and cash equivalents at the beginning of the year	19	43.9	45.6
Cash and cash equivalents at the end of the year	19	**39.5**	**43.9**

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.

Missing data

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 recent years, the number of missing bodies has increased, primarily due to audit backlogs in the English local government sector. 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.

In WGA 2023-24, 201 bodies did not submit data for consolidation, with 186 of those being local authorities. 52 bodies did not submit in 2022-23 but then returned data for 2023-24, however 53 submitted in 2022-23 but not in 2023-24. 13 Local Government entities left the boundary, mostly due to consolidation of local councils into a single body. There were two new entities. The net impact was a reduction of missing entities by 10. The monetary difference continues to be presented as an adjustment line in the SoCTE and in those notes to the financial statements where a 1 April 2023 balance is shown. The adjustment shown on the SoCTE is £6.9 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 2023 and 2024, material variances due to this missing data are discussed in the note narrative.

Annexes to WGA

Three annexes are published alongside WGA on gov.uk, which list the entities consolidated into WGA 2023-24 and also those which are within the WGA boundary but not consolidated in 2023-24:

- 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 2023-24
- 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 2023-24 there is inconsistent application of this accounting policy as many 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.

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. HMT does not anticipate adoption of IFRS 17 to have a material impact on WGA, though will continue to monitor adoption to ensure relevant disclosures are made where required.

IFRS 18 'Presentation and Disclosure in Financial Statements' was issued in April 2024 and will apply to reporting periods beginning on or after 1 January 2027. This standard will partially replace IAS 1 and will provide more consistency in relation to categorisation of expenses on the SOCI. HMT is currently taking advice on implementation and adaptation for the public sector.

IFRS 19 'Subsidiaries Without Public Accountability: Disclosures' was issued in April 2024 and will apply to reporting periods beginning on or after 1 January 2027. This standard introduces a simplified disclosure regime for subsidiaries without public accountability, which are consolidated into a parent which publishes group accounts. HMT is currently taking advice on implementation and adaptation for the public sector, though due to the nature of public sector reporting, does not anticipate significant public sector impact.

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

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

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 2023-24 with some local government sector components still consolidated into WGA under the earlier lease standard, IAS 17 'Leases'.

IFRS 16

WGA has adopted IFRS 16 Leases from 1 April 2022. This is the accounting policy for WGA. For Local Government entities, it is still appropriate to use IAS17, but the data is on an inconsistent basis for WGA. 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.

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

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 allowed flexibility as to how to present the information. In 2023-24, these rules have been amended to include index-linked PFI agreements within scope of IFRS 16.

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 and recorded as welfare spend. The future liability to pay state pension is not recognised in the accounts, because the expenditure is reported to match the period of entitlement.

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) interprets 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 £2.1 billion of gross expenditure and £15.6 billion of net assets. Some of these amounts would be eliminated on consolidation. £15.5 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 2023-24 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 £0.8 billion of gross expenditure and £0.4 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.

NatWest

NatWest (previously known as RBS) has been included as an equity investment and further details are provided in note 17. This has been a consistent policy applied since the government took its holding, up to and including 2023-24. Further details on the levels of shareholding are provided in note 33 of the Financial Statements.

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). HMRC's 2024-25 Annual Report and Accounts has not yet been published; therefore, the 2023-24 estimations are not available.

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 £190.0 billion (2022-23: £176.9 billion) as at 31 December 2023. Infrastructure assets are likely to be understated by at least £112.2 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 3.

Rail network

The strategic rail network owned by Network Rail is valued using a complex model. As at 31 March 2024 this asset is valued at £471.9 billion (2022-23: £411.4 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%	437.2	(34.7)	(8%)
Base assumptions	471.9	N/A	N/A
Increase by 10%	506.6	34.7	7%

The land valuation includes an assessment of land purchase compensation costs. As Network Rail rarely purchases large parcels of land, the estimate of (65%) 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 55%)	464.5	(7.4)	(2%)
Base assumption (65%)	471.9	N/A	N/A
Increase by 10pp (to 75%)	479.4	7.5	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	Change %
Decrease by 10pp (to 22%)	457.2	(7.4)	(2%)
Base assumption (32%)	471.9	N/A	N/A
Increase by 10pp (to 42%)	486.6	7.5	2%

After allowing for known costs in constructing assets there remain unknown and localised costs that are captured using a risk factor of 20%.

Risk factor adjustment: sensitivity to change	Depreciated Replacement Cost £bn	Change £bn	%
Decrease by 10pp (to 10%)	443.0	(28.9)	(6%)
Base assumption (20%)	471.9	N/A	N/A
Increase by 10pp (to 30%)	500.8	28.9	6%

Strategic road network

The strategic road network owned by National Highways is valued using a complex model. As at 31 March 2024 this asset is valued at £159.47 billion (2022-23: £159.4 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 Highways England Capital Enhancement Cost Index (HECI) 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%	144.5	(15.2)	(10%)
Base assumptions	159.7	N/A	N/A
Increase by 10%	174.8	15.2	9%
Sensitivity to Highways England Capital Enhancement Cost Index (HECI)	**Depreciated Replacement Cost £bn**	**Change £bn**	**%**
Base case	159.7	N/A	N/A
Increase by 10 points	170.8	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-1.05% (2022-23: RPI-1.3%) 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 2023-24 and 2022-23 WGA pension liabilities are set out below:

	2023-24		
	Unfunded central government %	**Unfunded local government %**	**Funded local government %**
Rate of increase in salaries	3.55	2.60-4.30	2.20-6.45
Rate of increase of Pensions in Payment	2.55	1.30-3.90	2.20-3.90
Discount rate: real	2.45		
Discount rate: nominal	5.10	2.60-4.90	2.85-5.10
Price inflation assumption	2.55	2.60-4.90	2.20-4.90

	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

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 2024.

Sensitivity analysis

	% Change	Provision (£bn)
Increase in discount rate	0.5%	95.0
Decrease in discount rate	0.5%	116.3

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 2023-24 produced a decrease of £19.1 billion (2022-23: £111.6 billion increase).

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

	Sellafield	Magnox	Waste	Transport	2023-24 Total	2022-23 Total
	£bn	£bn	£bn	£bn	£bn	£bn
Up to 1 year	3.0	0.8	0.2	0.0	4.0	3.9
2 to 5 years	11.7	3.1	0.8	0.0	15.6	15.3
6 to 20 years	31.6	8.7	3.2	0.1	43.6	43.2
21 to 50 years	20.7	8.6	2.4	0.0	31.7	40.8
50 years +	6.5	2.8	1.0	0.0	10.3	21.3
	73.5	**24.0**	**7.6**	**0.1**	**105.2**	**124.5**
Total NDA Decommissioning Provisions					**105.2**	**124.5**

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.

	Sellafield	Magnox	Waste	Transport	2023-24 Total	2022-23 Total
Sensitivity	£bn	£bn	£bn	£bn	£bn	£bn
Increase	40.9	2.4	9.1	0.0	52.4	78.2
Reduction	(6.8)	(2.4)	(1.7)	(0.0)	(10.9)	(15.8)

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 Energy Security & Net Zero and the Nuclear Decommissioning Authority.

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 2023-24).

Discount rates (all terms): sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
All discount rates -1 percentage point	26.9	4.5	20%
Base assumptions	22.4	N/A	N/A
All discount rates +1 percentage point	19.1	(3.3)	(15%)

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 2023-24)

Claims value inflation: sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
All rates -1.5 percentage point	19.6	(2.8)	(12%)
Base assumptions	22.4	N/A	N/A
All rates +1.5 percentage point	25.7	3.3	15%

Probability of a successfully defended claim: sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
All probabilities -5%	24.1	(1,7)	8%
Base assumptions	22.4	N/A	N/A
All probabilities +5%	20.7	1.7	(8%)

Average costs of claim: sensitivity to change	Estimated IBNR provision	Change to original IBNR estimate	
	£bn	£bn	%
Reduction in average claim values of 20%	18.4	(4.0)	(18%)
Base assumptions	22.4	N/A	N/A
Increase in average claim values of 20%	26.4	4.0	18%

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

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 2024 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 0.1
Decommitments	Decrease of 1 percentage point	High	Moderate	Increase of 0.0
Discount rate	Decrease of 0.1 percentage point	Moderate	Moderate	Increase of 0.1
Salary changes	Expected increase higher by 0.1%	Moderate	Moderate	Increase of 0.1
Retirement age	1 year lower	Low	Low	Decrease of 0.1
Life expectancy	1 year higher	Low	High	Increase of 0.2

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 2023. 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 2023, with no adjustments made.

The material balance impacted by this misalignment is property, plant and equipment (where academies report net book value of £67.1 billion). See paragraph 3.34 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 2.05% 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	29.5	46.6	76.1
Low Case scenario	(18.4)	(27.7)	(46.1)
Discount rate of 3.5%	29.1	5.8	34.9

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 Energy Security & Net Zero.

Note 3. Segmental Reporting

Segmental reporting 2023-24

	Central government £bn	Local government £bn	Public corporations £bn	Whole of Government £bn
Taxation revenue	(837.7)	(51.0)	(0.1)	(888.8)
Other revenue	(73.1)	(33.5)	(24.5)	(131.1)
Total public services revenue	**(910.8)**	**(84.5)**	**(24.6)**	**(1,019.9)**
Social security benefits	299.9	11.5	-	311.4
Staff costs	182.7	50.7	7.1	240.5
Purchase of goods and services	185.1	66.8	11.8	263.7
Interest cost on government borrowing	63.4	-	-	63.4
Increase/(decrease) in provisions	27.9	0.6	0.5	29.0
Grants and subsidies	103.7	0.4	-	104.1
Depreciation and impairment	49.0	12.7	2.5	64.2
Total expenditure on public services	**911.7**	**142.7**	**21.9**	**1,076.3**
Net (revenue)/expenditure on public services	**0.9**	**58.2**	**(2.7)**	**56.4**
Financing costs of long-term liabilities, including discounting	33.7	6.4	42.8	82.9
Net loss/(gain) on revaluations and disposals of assets and liabilities	6.7	0.4	0.2	7.3
Net expenditure/(revenue) for the year	**41.3**	**65.0**	**40.3**	**146.6**
Property, plant and equipment	1,115.8	292.8	130.5	1,539.1
Right of use assets	24.1	2.0	1.9	28.0
Other non-current assets	365.6	25.5	166.7	557.8
Current assets	423.5	34.4	68.5	526.4
Total assets	**1,929.0**	**354.7**	**367.6**	**2,651.3**
Current government borrowings	(407.0)	-	-	(407.0)
Other current liabilities	(288.4)	(27.7)	(749.6)	(1,065.7)

Non-current government borrowings	(1,613.0)	-	-	(1,613.0)
Provisions non-current	(219.6)	(1.8)	(18.6)	(240.0)
Net public sector pension asset/(liability)	(1,220.2)	(92.6)	0.9	(1,311.9)
Other non-current liabilities	(197.4)	(32.0)	(157.5)	(386.9)
Total liabilities	**(3,945.6)**	**(154.1)**	**(924.8)**	**(5,024.5)**
Net assets/(liabilities)	**(2,016.6)**	**200.6**	**(557.2)**	**(2,373.2)**

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 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)**

Note 4. Taxation revenue

	2023-24 £bn	% of total	2022-23 £bn	% of total
Income tax	286.2	32%	258.0	30%
National Insurance Contributions (NIC)	157.6	18%	158.3	19%
Value added tax (VAT)	165.5	19%	166.8	19%
Corporation tax	89.6	10%	80.4	10%
Hydrocarbon oils duty	24.9	3%	25.0	3%
Excise Duty	33.9	4%	34.8	4%
Stamp taxes	16.1	2%	20.3	2%
Capital gains tax	14.3	1%	17.0	2%
Other taxes and duties	45.9	5%	44.9	5%
Central government taxation revenue	**834.0**	**94%**	**805.5**	**94%**
Council Tax	28.5	3%	27.6	3%
National Non-Domestic rates (NNDR)	26.3	3%	24.6	3%
Local government taxation revenue	**54.8**	**6%**	**52.2**	**6%**
Total taxation revenue	**888.8**	**100%**	**857.7**	**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. The figures in the table above may not agree exactly to the HMRC published accounts due to intra-governmental eliminations postings.

There were several entities which contributed to the note total through their data submissions in 2022-23, but which did not make a submission to the WGA this year. These entities contributed a total of £4.8 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 2022-23. These entities contributed a total of £3.4 billion to the note this year, giving a net decrease in overall income recognised in this note of £1.4 billion due to missing data.

Total taxation revenue increased by £31.1 billion (3.6%) in 2023-24, mainly driven by economic factors such as growth in wages, profits and inflation as well as continued growth in the number of taxpayers within the tax system.

The main contributors to this overall increase of £31.1 billion were increases of £28.2 billion (10.9%) in Income Tax and of £9.2 billion (11.4%) in Corporation Tax), partly offset by decreases of £4.2 billion (20.7%) in Stamp Taxes and of £2.7 billion (15.9 %) in Capital Gains Tax.

Income tax and **National Insurance** contributions rose by £27.5 billion (6.6%) compared to 2022-23, largely reflecting growing employment and average earnings growth. The Office for Budget Responsibility noted that policy changes, including the decision to freeze some tax allowances and thresholds, boosted revenues.

Corporation Tax (CT) revenues rose by £9.2 billion (11.4%) compared to 2022-23, largely due to the increase in the main rate from 19% to 25% from 1 April 2023 for companies with profits over £250,000.

The taxable event for **Stamp Duty Land Tax (SDLT)** is the purchase of property. Stamp duties revenues reduced by £4.2 billion (20.7%), broadly in line with the drop in the number of property transactions.

The taxable event for **Capital gains tax** is the disposal of a chargeable asset leading to a taxable gain. Revenues reduced by £2.7 billion (15.9%) in 2023-24, reflecting the volatility of asset sales.

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. VAT revenues reduced marginally by £1.3 billion (0.8%) compared to 2022-23.

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 slightly, by £0.1 billion, compared to 2022-23.

Excise Duty accounts for £33.9 billion, and is comprised of Alcohol, Tobacco, Vehicle, and Custom Duties. The main contributors are Vehicle Excise Duty of £7.8 billion and Tobacco Duties of £9.0 billion.

The main contributors to **Other taxes and duties** of £45.9 billion are Insurance Premium Tax of £8.1 billion (2022-23: £7.6 billion), Inheritance Tax of £7.4 billion (2022-23: £7.1 billion), Student Loans Income of £4.4 billion (2022-23: £4.0 billion), Air Passenger Duty of £3.9 billion (2022-23: £3.3 billion), and Broadcast Licence fees of £3.7 billion (2022-23: £3.7 billion). **Other taxes and duties** also includes Apprenticeship Levy, Betting and Gaming duties, Energy Profits Levy, Lottery Income, Climate Change Levy, Bank Levy, Landfill Tax, Soft Drinks Industry Levy, Aggregates Levy, Regulatory Fees, Digital Services Tax, Diverted Profits Tax, and Petroleum Revenue Tax. The overall increase in **Other taxes and duties** revenue was £1.0 billion (2.2%) year on year.

Local government taxation revenue increased by £2.6 billion (5%), as **National Non-Domestic Rates (NNDR)** increased by £1.7 billion and **Council Tax** increased by £0.9 billion. The increase in **NNDR** is largely due to the continued recovery following the easing of the impact of Covid-19 measures on retained business rates.

Note 5. Other revenue

	2023-24 £bn	2022-23 £bn
Revenue from contracts:		
Sales of goods and services (excluding the NHS)	31.6	32.5
Levies	2.8	2.8
Court fines and penalties	1.1	1.1
Passenger transport and income from train operating companies	10.0	7.4
Other fees and charges	6.8	7.0
Rental income	6.9	6.9
EU income	2.5	2.2
Licence income	0.5	1.2
Revenue from contracts	**62.2**	**61.1**
NHS Income:		
Sales of goods and services	6.3	5.6
NHS fees and charges (dental, prescription and other)	2.0	1.9
Other income from the NHS	1.9	2.2
NHS Income	**10.2**	**9.7**
Other income:		
Interest income	23.2	14.9
Private sector contributions to local services	2.9	2.9
Pension scheme income	7.3	6.8
CRC allowance sales and EU emissions trading scheme	3.5	6.1
Grants from private sector	1.7	1.6
Miscellaneous operating revenue	20.1	13.7
Other Income	**58.7**	**46.0**
Total Other Revenue	**131.1**	**116.8**

Other revenue has increased overall by £14.3 billion in 2023-24.

Sales of goods and services (excluding the NHS) includes goods and services provided by local authorities of £13.0 billion (2022-23: £15.5 billion); this figure includes a wide range of goods and services, including income from schools and adult social care provision.

In addition, £8.2 billion (2022-23: £8.6 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 £10.4 billion (2022-23: £8.4 billion) is from central government, which includes a wide range of income streams.

Levies of £2.8 billion (2022-23: £2.8 billion) includes £0.7 billion (2022-23: £0.6 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). Whereas a tax is a general charge to fund public services, a levy is collected for a particular purpose.

Passenger transport and train operating companies' income of £10.0 billion (2022-23: £7.4 billion) is predominantly made up of passenger income from Transport for London (TfL) of £4.8 billion (2022-23: £4.0 billion), and the Department for Transport (DfT) of £2.9 billion (2022-23: £2.2 billion).

TfL (£0.8 billion increase) and DfT (£0.7 billion increase) were also the main contributors to the year-on-year increase of £2.6 billion. In TfL's case, customer journeys grew by nine per cent from 2022-23, with 3.6 billion people travelling in 2023-24. DfT's increase related to franchised track access income.

Rental income of £6.9 billion (2022-23: £6.9 billion) includes rents and related costs collected from local government council tenants.

EU income of £2.5 billion (2022-23: £2.2 billion) is primarily income received by the Ministry of Housing, Communities and Local Government (MHCLG) of £1.0 billion (2022-23: £0.5 billion), and by the Department for Work and Pensions of £0.5 billion (2022-23: £0.6 billion). The MHCLG contribution relates to European Regional Development Fund (ERDF) income. More information on this can be found in the 2023-24 MHCLG accounts.

Licence income of £0.5 billion (2022-23: £1.2 billion) is largely made up of income from the Office of Communications (OFCOM). The BBC licence fee is classified as a tax in Note 4.

NHS income of £10.2 billion (2022-23: £9.7 billion) is made up of a variety of sources and increased by a net £0.5 billion.

Interest income of £23.2 billion (2022-23: £14.9 billion) includes interest and dividend income received from the private sector of £21.9 billion (2022-23: £13.7 billion). The Bank of England's contribution increased by £4.4 billion year on year, from £3.9 billion in 2022-23 to £8.3 billion this year. This was predominantly due to a significant increase in interest income, caused by increases in the average bank rates during 2023-24 compared to the previous year. The other main contributors to the overall increase on this line were the Exchange Equalisation Account (EEA - £2.9 billion increase) and the Debt Management Accounts (DMA - £1.1 billion increase).

Pension scheme income of £7.3 billion (2022-23: £6.8 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 operating revenue has increased by £6.4 billion, from £13.7 billion in 2022-23 to £20.1 billion this year. This broadly cancels out a similar decrease of £7.4 billion between 2021-22 and 2022-23. There is no outstanding entity or issue which has caused this increase. The increase is due to a high volume of relatively small increases across a number of entities. For example, 17 Local Government entities reported year on year increases of between £200 million and £575 million, with a combined impact of £5.3 billion.

Several entities contributed to the note total through their data submissions in 2022-23 but did not make a submission to the WGA this year. These entities contributed a total of £10.9 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 £6.0 billion to this year's note total, resulting in a net decrease of £4.9 billion due to missing data.

Note 6. Social security benefits

	2023-24 £bn	% of total	2022-23 £bn	% of total
State pension	127.3	41%	112.6	41%
Pension credit	5.7	2%	5.2	2%
Pensioner benefits	**133.0**	**43%**	**117.8**	**43%**
Universal Credit	53.1	17%	43.6	16%
Personal Independence Payment	23.2	8%	18.6	7%
Miscellaneous benefits	21.5	7%	17.7	7%
Tax credits	19.4	6%	21.4	8%
Employment and Support Allowance	13.4	4%	12.8	5%
Child Benefit	12.5	4%	11.6	4%
Housing Benefit	11.9	4%	11.9	4%
Disability Living Allowance	7.3	2%	6.4	2%
Attendance allowance	7.0	2%	5.9	2%
Carer's allowance	3.9	1%	3.5	1%
Statutory sick pay and maternity pay	3.0	1%	2.7	1%
Other working age benefits	1.2	1%	1.1	0%
Income support	0.7	0%	0.8	0%
Jobseeker's Allowance	0.3	0%	0.3	0%
Disability, working and other benefits	**178.4**	**57%**	**158.3**	**57%**
Total social security benefits	**311.4**	**100%**	**276.1**	**100%**

The State Pension (including New State Pension) for 2023-24, at £127.3 billion, is the largest benefit paid, accounting for 41% of the benefit spending total. State pension expenditure increased by £14.7 billion. This represents an increase of 13.1% in line with inflation.

Disability, working, and other benefits amounted to £178.4 billion, reflecting a £20.1 billion increase from the previous year. A significant contributor to this rise was Universal Credit, which saw an increase of £9.5 billion compared to 2022-23. 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, **Personal Independent Payment** increased by £4.6 billion. This is in line with inflation and to help households cope with rising living costs. Conversely, **Tax Credits** fell by £2.0 billion, mainly the result of non-submitting entities.

Several entities that contributed to the note's total through their data submissions in 2022-23 did not submit data for the WGA this year. Last year, these entities accounted for £1.6 billion of the total, primarily related to Housing Benefits. Conversely, this year, some entities that did not contribute in 2022-23 provided data, contributing £1.9 billion, almost all of which was related to Housing Benefits. As a result, the net increase due to missing data was £0.3 billion.

Note 7. Staff costs

	Permanently employed staff £bn	Others £bn	2023-24 Total £bn	2022-23 Total £bn
Salaries and wages	182.0	17.1	199.1	188.1
Pension scheme costs: current service costs (net of employees' contributions)	37.5	-	37.5	116.6
Pension scheme costs: past service costs	0.3	-	0.3	0.1
Pension scheme costs: losses/(gains) on settlements and curtailments	(0.2)	-	(0.2)	(0.2)
Expenditure on external pension schemes	3.8	-	3.8	2.1
Total staff costs	**223.4**	**17.1**	**240.5**	**306.7**

Overall staff costs fell by £66.2 billion in 2023-24, a decrease of 21.6%.

Several entities that submitted data in 2022-23, contributing £8.9 billion to last year's note total, did not make a submission to the WGA this year. Conversely, new entities contributed £4.0 billion to this year's note total despite not having submitted last year. This shift resulted in a net decrease of £4.9 billion due to 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 £11.0 billion to £199.1 billion, an increase of 5.8% on the prior year. The largest single contributor to this increase was with the DHSC which increased by £3.3 billion to £70.1 billion (2022-23: £66.8 billion). Additionally, average staff numbers rose by 59,591 to 1,534,866 (2022-23: 1,475,275).

Overall **Pension scheme costs** decreased by £77.2 billion in total, to £41.4 billion, a decrease of 65.1% 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 decrease of £31.2 billion. This was due to a decrease in current year service costs, as a result of the reduction in rate set by GAD to 27.3% (2022-23: 82.3%). Decreases in current year service costs were also the main reasons for pension cost decreases reported by the Teachers' Pension Scheme (England and Wales) of £14.9 billion and Cabinet Office Civil Superannuation Scheme (£9.5 billion decrease).

Further details are included in Note 25.

Average number of persons employed (Full time equivalent)

	Permanently employed staff	Others	2023-24 Total	2022-23 Total
Health sector	1,684,605	174,871	1,859,476	1,786,391
Academy schools	547,382	39,884	587,266	565,270
Northern Ireland and Scotland FE colleges	9,786	566	10,352	10,717
Other	832,523	79,863	912,386	955,402
Total Central government (including health)	**3,074,296**	**295,184**	**3,369,480**	**3,317,780**
Local government	933,870	38,035	971,905	976,057
Public corporations	100,706	28,014	128,720	128,103
Total	**4,108,872**	**361,233**	**4,470,105**	**4,421,940**

In addition to permanently employed staff, 'other' includes ministers, special advisers, temporary and contract staff. The cost of the salaries of ministers was £5.5 million (2022-23: £5.9 million) and the cost of special advisers was £8.1 million (2022-23: £12.0 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 2023-24 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	1,440	4,730	6,170	0.1
£10,000-£50,000	1,568	4,151	5,719	0.5
£50,000-£100,000	268	2,135	2,403	0.3
>£100,000	141	607	748	0.5
Total	**3,417**	**11,623**	**15,040**	**1.4**

The total cost increased by £1.1bn for 2023-24 (2022-23: £0.3bn). This is due to an increase in total number of exit packages in the £10,000 - £50,000 bracket, predominately attributable to Department for Transport and the Cabinet Office.

Exit package cost band 2023-24 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	1,667	3,860	5,527	0.6
£40,000-£60,000	107	333	440	-
£60,000-£100,000	94	344	438	-
>£100,000	66	299	365	-
Total	**1,934**	**4,836**	**6,770**	**0.6**

£40,000-£60,000 consists of £22.8 million in total costs which has been rounded down to £0bn. £60,000-£100,000 consists of £19.7 million in total costs which has been rounded down to £0bn. >£100,000 consists of £23.7 million in total costs which has been rounded down to £0bn.

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.

Note 8. Purchase of goods, services and other expenditure

	2023-24 £bn	2022-23 £bn
Central government:		
Department of Health and Social Care	93.3	86.0
Ministry of Defence	25.0	21.1
Academies	9.2	9.5
Scottish Government	11.2	14.7
Department for Energy Security and Net Zero	1.7	-
Department for Science, Innovation and Technology	2.3	-
Department for Business and Trade	0.6	-
Department for Business, Energy & Industrial Strategy *	-	3.1
Department for Transport	9.1	8.9
Welsh Government	5.0	5.2
Ministry of Justice	3.7	3.3
Home Office	7.4	6.2
Department for Education	3.4	3.1
Other	13.2	15.0
Total Central government	**185.1**	**176.1**
Local government	**66.8**	**64.7**
Public Corporations		
British Broadcasting Corporation	3.2	3.7
Other	8.6	9.8
Total Public Corporations	**11.8**	**13.5**
Total purchases of goods, services and other expenditure	**263.7**	**254.3**

* Following a machinery of government (MOG) change in 2023, the Department for Business, Energy and Industrial Strategy was split into 3 new departments: the Department for Energy, Security and Net Zero, the Department for Science, Innovation and Technology, and the Department for Business and Trade. The Department for International Trade also became part of the Department of Business and Trade.

Total purchases of goods and services increased by £9.4 billion (4%) in 2023-24 relative to prior year.

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

	2023-24 £bn	2022-23 £bn
Facilities costs	8.1	7.1
Accommodation costs	14.6	16.7
Medical goods and services	70.7	66.3
ICT outsourcing and support	7.1	6.7
Travel costs	3.0	2.9
Other goods and services	53.4	51.3
Other expenses	72.9	77.5
Rental and PFI costs	6.2	6.1
Audit costs	0.3	0.2
Loss on disposal of assets	2.3	1.8

Central government purchases of goods and services increased by £9.0 billion (5%) in 2023-24. The main drivers were increases in expenditure by the Department for Health and Social Care and the Ministry of Defence of £7.3 billion and £3.9 billion respectively.

The increase in expenditure for the Department for Health and Social Care primarily relates to an increase in spending on clinical supplies and services, reflecting higher costs for medical supplies and clinical services. The increase of spending by the Ministry of Defence is primarily driven by increases research and development of £0.6 billion.

Local government purchases of goods and services increased by £2.1 billion (3%) in 2023-24. purchases of goods and services

Public corporation purchases of goods and services decreased by £1.7 billion (13%) in 2023-24. The most significant individual movement was the British Broadcasting Corporation, which decreased £0.5 billion relative to the prior year.

The total impact of entities who did not submit a return in 2023-24 but did submit in 2022-23 was £12.6 billion. The total impact of entities who did not submit a return in 2022-23 but did submit in 2023-24 was £5.9 billion. The net impact is a decrease of £6.7 billion.

Note 9. Grants and subsidies

	2023-24 £bn	2022-23 £bn
Capital grants	22.6	12.2
Current grants	73.9	103.8
EU grants	1.9	1.9
Other grants	5.7	4.5
Total grants and subsidies	**104.1**	**122.4**

There was an overall decrease in grants and subsidies of £18.3 billion.

Current grants decreased by £29.9 billion during 2023-24, driven by a decrease in funding from Department for Science, Innovation and Technology (DSIT), relating to refunds of grant expenditure from the prior year. This is in relation to clawback of funding provided to Innovate UK on completion of the sale of the Vaccines Manufacturing and Innovation Centre (VMIC). For further information on these grants, see the DSIT 2023-24 annual report and accounts.

Total current grants of £73.9 billion (2022-23: £103.8 billion) include the amounts in the table below. We have updated the 2022-23 WGA figures in the table below to only recognise current grants and exclude all other grant categories, resulting in slight changes to the figures published in the 2022-23 WGA.

Entity	Grant	2023-24 £bn	2022-23 £bn
Department for Education (DfE)	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.	21.7	19.7
Department for Science, Innovation and Technology (DSIT)	DSIT was formed as a new department after the February 2023 machinery of government (MoG) changes, taking policy responsibilities from the former Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Digital, Culture, Media and Sport (DCMS).. It is the first time DSIT have been recognised in the WGA, which is	8.3	0.0

	why there is no 2022-23 balance. Largest elements of grants include the Green Future Fellowships scheme and the Faraday Discovery Fellowships scheme. Further grants include science and research 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.	11.3	6.4
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.	7.6	7.7
Ministry of Housing, Communities and Local Government (MHCLG)	Grants administered by MHCLG comprise of a variety of programmes including Levelling Up Domestic Grants, Social Care Grants, and the Revenue Support Grant which finances revenue expenditure for local services delivery.	6.5	4.2

Capital grants increased by £10.4 billion. A significant contributor to this increase is Ministry of Housing, Communities and Local Government as Homes England has entered into financial commitments in relation to affordable housing grant programmes.

EU grants remained consistent with 2022-23. 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 2023-24 was £0.3 billion. The impacts are primarily in local government balances. The total impact of entities who did not submit a return in 2023-24 but who did submit a return in 2022-23 is trivial to the WGA.

Note 10. Depreciation and impairment

	Note	2023-24 £bn	2022-23 £bn
Depreciation of property, plant and equipment	12, 13	38.7	35.8
Amortisation of intangible assets	15	4.4	4.5
Impairments and revaluations		21.1	12.5
Total depreciation and impairment		**64.2**	**52.8**

Impairments refer to the impairment of property, plant and equipment (PPE), inventories, intangible assets, trade receivables, financial assets and losses on revaluation.

Total depreciation and impairment increased by £11.4 billion between 2022-23 and 2023-24. Impairments and revaluations increased by £8.6 billion in 2023-24 relative to 2022-23, whilst both depreciation of PPE and amortisation of intangible assets saw an increase of £2.9 billion and a decrease of £0.1 billion respectively.

The largest impairment increase was £6.7 billion, reported by His Majesty's Revenue and Customs (HMRC), driven primarily by impairments of receivables and accrued revenue receivable. These reflect the amount that HMRC is likely to collect and is estimated by analysing existing receivables, debt and accrued revenue receivable collection rates.

There were a number of entities which contributed to the note total through their data submissions in 2022-23, but which did not make a submission to the WGA this year. These entities contributed a total of £2.1 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 2022-23. These entities contributed a total of £1.1 billion to the note this year, yielding a net decrease of £1.0 billion overall.

Note 11. Finance expense

Interest Costs on government borrowing

	2023-24 £bn	2022-23 £bn
Interest on gilts	50.2	78.0
National Savings and Investment products	8.7	5.5
Treasury bills	3.8	1.2
Bank deposits and other	0.7	0.4
Total interest costs on government borrowing	**63.4**	**85.1**

The UK's government borrowing costs fell from £85.1 billion in 2022-23 to £63.4 billion in 2023-24, influenced by various factors. Gilts fell from £78.0bn in 2022-23 to £50.2 billion, representing a decrease of 35.6%. A key contributor was the decline in Retail Prices Index (RPI) inflation, which lowered interest payments on index-linked gilts. Additionally, the Bank of England's monetary policy decisions, including interest rate adjustments, helped stabilise or reduce borrowing costs.

The government's fiscal strategy, set out in the Autumn Statement 2023, emphasised efficient debt management and reduced borrowing. This approach, along with improved economic conditions and targeted fiscal policies such as cost-of-living support and green investment, played a significant role in decreasing borrowing expenses. These measures were part of a broader effort to stabilise the economy, foster growth, and ensure fiscal sustainability. The reduction in borrowing costs was driven by several key factors. Lower RPI inflation led to decreased interest payments on index-linked gilts. The Bank of England's interest rate decisions contributed to more favourable borrowing conditions. The government actively managed its debt by refinancing at lower rates and issuing bonds with reduced yields, helping to minimise costs. Increased investor confidence resulted in lower yields on government bonds, further reducing expenses. Additionally, a decrease in overall borrowing needs contributed to the decline in financing costs. During this period, the government also implemented fiscal policies such as tax adjustments, increased public spending, business incentives, and investment in green initiatives, supporting fiscal stability and economic growth.

Treasury bills (T-bills) issued by the UK **Debt Management Office (DMO)** on behalf of the government are short-term government securities. They are issued at a discount to their face value, and they do not pay interest in the traditional sense. Instead, the return to investors is the difference between the purchase price and the amount received at maturity, which is the face value.

The effective interest rate or yield on T-bills is determined by the market at the time of issuance through competitive bidding. This yield reflects the demand for T-bills and prevailing interest rates in the market.

National Loans Fund recorded a decrease in interest on gilt-edged stock in the National Loans Fund for 2023-24 influenced by several factors, including changes in government borrowing strategies, fluctuations in interest rates, and adjustments in the issuance of gilts. The Debt Management Office, which oversees the issuance of these securities, altered its approach to minimise financing costs over the long term. Additionally, broader economic conditions, such as inflation trends and monetary policy decisions, could have played a role in reducing interest payments.

Financing Cost of long-term liabilities

		2023-24	2022-23
	Note	£bn	£bn
Pension financing costs	25	72.0	51.3
Provision financing costs	23	(44.9)	(222.8)
Other finance expense		55.8	29.6
Boundary Adjustments		0.0	0.0
Restatements		0.0	0.0
Total financing costs of long-term liabilities		**82.9**	**(141.9)**

The increase in financing costs for long-term liabilities on government borrowing from £(141.9) billion in 2022-23 to £82.9 billion in 2023-24 was influenced by several key factors. A decline in Retail Prices Index (RPI) inflation reduced interest payments on index-linked gilts, which are tied to inflation.

National Health Service Pension Scheme. The increase in financing costs for the NHS Pension Scheme rising from £13.3 billion in 2022-23 to £19.2 billion in 2023-24 was driven by several factors. One key reason is the growing number of pension beneficiaries, as more NHS employees reach retirement age and begin claiming benefits. Additionally, inflationary pressures also led to higher pension payouts, particularly for schemes linked to cost-of-living adjustments. Changes in government policy or funding strategies also have contributed, such as adjustments to employer contributions or shifts in investment returns affecting pension fund sustainability.

The increase in financing costs for the **Teachers' Pension Scheme in England and Wales** rising from £8.3 billion in 2022-23 to £12.5 billion in 2023-24 was driven by several key factors. The growth in pension liabilities, as more teachers retired and began claiming benefits, contributed to higher costs. Inflationary pressures also played a role, leading to increased pension payouts, particularly for schemes linked to cost-of-living adjustments. Changes in government policy or funding strategies, including adjustments to employer contributions and shifts in investment returns, further influenced pension financing.

A major factor behind the rise in interest costs was the increase in the nominal discount rate, set by HM Treasury, from 1.55% in 2022-23 to 4.15% in 2023-24. Despite a decrease in the opening pension liability which fell to £303.2 billion from £532.3 billion the higher discount rate resulted in increased interest charges.

The increase in financing costs for the **Armed Forces Retired Pay Pension Scheme** rising from £4.4 billion in 2022-23 to £6.4 billion in 2023-24 was driven by several key factors. One major contributor was the increase in the nominal discount rate, which rose from 4.15% to 5.10%, impacting the valuation of pension liabilities. Additionally, higher employer contributions played a role, with forecasted contributions increasing by £0.4 billion. Inflationary pressures and adjustments in pension entitlements, including the 2015 Pension Remedy (McCloud), have influenced costs.

Several entities that submitted data in 2022-23 and contributed £1.1 billion to the total did not make a submission to the WGA this year. Conversely, a number of entities that did not contribute in 2022-23 made submissions this year, adding £0.4 billion to the total. This resulted in a net decrease of £0.7 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 2023	1,122.9	463.5	97.3	94.6	121.3	1,899.6
Boundary adjustment	(3.9)	(10.5)	(0.5)	-	(1.2)	(16.1)
Restatements	(0.8)	(0.3)	(0.2)	-	0.1	(1.2)
Additions	14.1	9.2	40.1	0.5	5.1	69.0
Revaluations	104.5	3.6	(0.2)	2.1	0.4	110.4
Impairments	(0.2)	(5.6)	(1.7)	0.1	(0.1)	(7.5)
Reclassifications and transfers	1.5	10.5	(20.2)	3.2	3.2	(1.8)
Disposals	(1.2)	(5.6)	(0.6)	(3.4)	(5.9)	(16.7)
At 31 March 2024	**1,236.9**	**464.8**	**114.0**	**97.1**	**122.9**	**2,035.7**
Depreciation:						
At 1 April 2023	(291.9)	(60.0)	-	(49.8)	(62.6)	(464.3)
Boundary adjustment	1.4	2.3	-	-	0.3	4.0
Restatements	0.4	0.6	-	-	0.1	1.1
Charged in year	(13.5)	(11.0)	-	(3.6)	(7.2)	(35.3)
Revaluations	(17.9)	3.8	-	(0.7)	-	(14.8)
Impairments	(0.1)	0.1	-	-	(0.1)	(0.1)
Reclassifications and transfers	-	1.0	-	0.3	0.3	1.6
Disposals	0.6	1.9	-	3.2	5.5	11.2
At 31 March 2024	**(321.0)**	**(61.3)**	**-**	**(50.6)**	**(63.7)**	**(496.6)**
Carrying amount at 31 March 2023	831.0	403.5	97.3	44.8	58.7	1,435.3

Carrying amount at 31 March 2024	**915.9**	**403.5**	**114.0**	**46.5**	**59.2**	**1,539.1**
Asset financing:						
Owned	879.6	371.8	113.5	46.5	56.4	1,467.8
Finance leased	-	2.2	-	-	0.2	2.4
PFI reversionary interest	-	-	-	-	-	-
On balance sheet PFI contracts	36.3	29.5	0.5	-	2.6	68.9
Carrying amount at 31 March 2024	**915.9**	**403.5**	**114.0**	**46.5**	**59.2**	**1,539.1**

Infrastructure assets include the following:

	2023-24 £bn	2022-23 £bn
Rail network as reported by the Department for Transport and managed by Network Rail	471.9	411.4
Strategic road network assets as reported by the Department for Transport and managed by National Highways	159.7	159.4
Road network assets held by the Scottish Government	27.4	27.1
Networked assets held by Scottish Water	103.3	78.0
Infrastructure assets held by the Department for Infrastructure – Northern Ireland	36.2	36.9
Networked assets held by the Welsh Government	23.9	23.7
Networked assets held by local authorities	77.8	79.1
Networked assets held by Transport for London (included in local authorities total above)	37.5	38.0

The carrying value of infrastructure assets increased by £84.9 billion during 2023-24. The Department for Transport is the most significant contributor to this increase and had an increase of £60.8 billion on the prior year (2022-23 £573.4 billion). This included £10.0 billion in new additions and £77.4 billion in revaluation gains, offset by £26.0 billion of in-year depreciation and depreciation revaluation charges. Networked assets held by Scottish Water are the second largest contributor to the value of infrastructure assets. Scottish Water saw an increase in value of £25.3 billion during 2023-24. This resulted mainly from a revaluation of cost of £25.2 billion. Further information on the valuation of infrastructure assets is included in the critical accounting estimates and judgements in Note 2.4. Further information on depreciation charges across the account is provided in Note 10.

Land and Buildings saw little overall change during 2023-24. The biggest holders of Land and Buildings are the Academies sector, the Department of Health and Social Care and the Ministry of Defence. The biggest change experienced during 2023-24 was a £10.5 billion increase in the reclassification and transfers value at cost. The Department of Health and Social Care is the biggest contributor to this figure with £2.9 billion of Building cost reclassified.

Assets under construction saw an increase of £16.7 billion during 2023-24. The Department for Transport increased by £6.5 billion to £31.1 billion (2022-23 £28.6 billion) and the Ministry of Defence assets under construction increased by £5.5 billion to £43.7 billion (2022-23 £38.2 billion).

Other assets consist of:

	Plant and machinery £bn	Transport equipment £bn	IT equipment £bn	Furniture, fittings and other £bn	Total other assets £bn
Carrying amount at 31 March 2023	20.2	13.2	6.1	19.2	58.7
Carrying amount at 31 March 2024	20.8	12.8	6.1	19.5	59.2

Some heritage assets are not recognised on the Statement of Financial Position or in this note because the cost of valuing these unique assets outweighs the benefits.

Several entities contributed a total of £37.8 billion to this note in 2022-23 but did not submit data to the WGA in 2023-24. Conversely, several entities contributed a total of £25.7 billion to this note this year but did not submit data in 2022-23. This results in a net decrease due to missing data of £12.1 billion.

Property, plant and equipment 2022-23

	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)	-
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**

Note 13. Right of use assets

	Land and buildings £bn	Other assets £bn	Total £bn
Cost or valuation:			
At 1 April 2023	26.1	6.5	32.6
Boundary adjustments	(0.3)	-	(0.3)
Restatements	4.8	2.1	6.9
Cumulative catch up	0.2	(0.4)	(0.2)
Additions	2.6	1.3	3.9
Revaluations and impairments	0.8	0.2	1.0
Reclassifications and transfers	-	-	-
Disposals	(1.3)	(0.1)	(1.4)
At 31 March 2024	**32.9**	**9.6**	**42.5**
Depreciation:			
At 1 April 2023	(2.1)	(1.7)	(3.8)
Boundary adjustments	0.1	-	0.1
Restatements	(4.9)	(2.3)	(7.2)
Charged in year	(2.0)	(1.4)	(3.4)
Revaluations and impairments	(0.7)	-	(0.7)
Reclassifications and transfers	-	0.1	0.1
Disposals	0.3	0.1	0.4
At 31 March 2024	**(9.3)**	**(5.2)**	**(14.5)**
Carrying amount at 31 March 2023	24.0	4.8	28.8
Carrying amount at 31 March 2024	**23.6**	**4.4**	**28.0**

In 2023-24, the adoption of IFRS 16 in central government has now been completed, and the Right of Use asset position has largely stabilised.

Adoption of IFRS 16 in the Local Government sector has been postponed until 2024-25, with early adoption encouraged where feasible.

Where an entity, including early-adopting local government bodies, adopts IFRS 16, entities will use the cumulative catch-up line in their first year and use the conventional opening balance lines in successive years.

Land and buildings include £10.5 billion (2022-23: £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 2024 was £4.2 billion (2022-23 £3.9 billion).

An agreement was reached in December 2024 between the Ministry of Defence and Annington Homes for the government to repurchase the accommodation portfolio. This will be reflected in WGA 2024-25.

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 2023	2.5	1.5	0.1	0.7	4.8
Carrying amount at 31 March 2024	2.2	1.9	0.2	0.1	4.4

Boundary adjustments comprise entities that did not submit data in 2023-24 but did submit data in 2022-23 and vice-versa. There was a net decrease of £0.2 billion.

Right of use assets 2022-23

	Land and buildings £bn	Other assets £bn	Total £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**

Note 14. Investment properties

	2023-24 £bn	2022-23 £bn
Balance at 1 April	14.2	14.8
Boundary adjustment	0.9	(0.6)
Restatements	(0.4)	-
Additions	0.3	0.5
Revaluations and impairments	(0.5)	(0.2)
Disposals	(0.2)	(0.3)
Balance at 31 March	**14.3**	**14.2**

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 £14.3 billion total balance (2022-23: £14.2 billion), £13.1 billion (2022-23: £13.1 billion) sits within the local government sector with the remaining £1.2 billion (2022-23: £1.1 billion) sitting in the central government sector.

Transport for London is the greatest contributor to Investment Properties and had the largest addition in 2023-24. The creation of new lease structures allowed the recognition for the first time of newly separable investment property assets. ATMs, car parks and other property interests are classified as Investment Property.

The boundary adjustment line above represents the net increase of £0.9 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 2022-23 but did not make a submission to the WGA this year. These entities contributed a total of £2.2 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 2022-23. These entities contributed a total of £3.1 billion to the note this year.

Note 15. Intangible assets

Intangible assets 2023-24

	Military equipment £bn	Development expenditure £bn	Software £bn	Licences and other £bn	Total £bn
Cost or valuation:					
At 1 April 2023	43.7	14.5	16.4	13.6	88.2
Boundary Adjustment	-	-	-	(0.2)	(0.2)
Restatements	-	0.1	-	(0.2)	(0.1)
Additions	2.6	2.5	1.1	2.0	8.2
Revaluations and impairments	0.4	0.1	0.5	-	1.0
Reclassifications and transfers	-	(1.1)	1.1	0.2	0.2
Disposals	(0.7)	(0.4)	(1.8)	(1.0)	(3.9)
At 31 March 2024	**46.0**	**15.7**	**17.3**	**14.4**	**93.4**
Amortisation:					
At 1 April 2023	(14.4)	(6.8)	(10.5)	(8.6)	(40.3)
Boundary Adjustment	-	-	-	0.2	0.2
Restatements	-	(0.1)	-	0.2	0.1
Charged in year	(1.0)	(0.6)	(1.7)	(1.1)	(4.4)
Revaluations and impairments	(0.2)	(0.1)	(0.4)	(0.1)	(0.8)
Reclassifications and transfers	-	0.1	-	-	0.1
Disposals	0.6	0.4	1.8	1.0	3.8
At 31 March 2024	**(15.0)**	**(7.1)**	**(10.8)**	**(8.4)**	**(41.3)**
Carrying amount at 31 March 2023	29.3	7.7	5.9	5.0	47.9
Carrying amount at 31 March 2024	**31.0**	**8.6**	**6.5**	**6.0**	**52.1**

Intangible assets have risen by 8.8% (£4.2 billion), from £47.9 billion in 2022-23 to £52.1 billion in 2023-24. This growth is primarily due to a £1.7

billion increase in Military Equipment, along with additional increases of £0.9 billion in Development Expenditure, £0.6 billion in Software and £1.0 billion increase in Licenses.

The military equipment balance of £31.0 billion (2022-23: £29.3 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 published 23-24 accounts).

The largest contributor to Development Expenditure is the Ministry of Defence. The largest contributor to Software is HMRC and the largest contributor to Licenses is the Department of Health and Social Care.

Several entities contributed to the note total through their data submissions in 2022-23 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 2022-23, contributing £0.1 billion to this year's note total. As a result, there was no impact in aggregate between the years due to the missing data.

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**

Note 16. Trade and other receivables

	2023-24 £bn	2022-23 £bn
Non-current:		
Taxation and duties due	3.8	4.0
Trade receivables	1.0	1.3
Other receivables	11.3	10.2
EU receivables	2.6	4.0
Prepayments and accrued revenue	1.5	1.2
Welfare overpayments	4.1	3.6
Contract assets	0.8	1.2
Total before impairment	25.1	25.5
Less: provision for impairment of receivables	(3.7)	(2.8)
Total non-current trade and other receivables	**21.4**	**22.7**
Current:		
Accrued tax revenue receivable	146.5	132.6
Taxation and duties receivable	56.7	56.6
Trade receivables	11.1	11.7
Other receivables	17.4	17.2
EU Receivables	1.9	0.7
Prepayments and accrued revenue	14.0	13.1
Welfare overpayments	1.0	1.0
Court fines	4.4	4.1
Contract assets	5.2	5.5
Total before impairment	258.2	242.5
Less: provision for impairment of receivables	(40.5)	(32.3)
Total current trade and other receivables	**217.7**	**210.2**
Total trade and other receivables	**239.1**	**232.9**

Non-current

There was a £1.3 billion decrease in total non-current receivables in 2023-24 compared to the prior year. The area that experienced the largest decrease was **EU Receivables**, with a decrease of £1.4 billion. This was largely driven by the passage of time, with elements of the previous non-current receivables now being due within one year as at 31 March 2024, together with the UK no longer being part of the EU. There is a broadly similar increase in current EU receivables.

There were a number of entities which contributed to the non-current receivables total through their data submissions in 2022-23, but which did not make a submission to the WGA this year. These entities contributed a total of £1.1 billion to the total last year. Similarly, there were also a number of entities which made contributions to the non-current total this year but did not make a submission in 2022-23. These entities contributed a total of £1.0 billion of non-current receivables to the note this year, giving a net decrease of £0.1 billion due to missing data, when both figures are rounded in £ billions.

Current

Accrued tax revenue receivable represents amounts of taxes and duties relating to 2023-24 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 £7.5 billion increase in total current receivables is primarily the result of three elements. **Accrued tax revenue receivable** increased by £13.9 billion compared to the prior year, **provision for impairment of receivables** increased by £8.2 billion (decreasing the net current receivables total), and **current EU Receivables** increased by £1.2 billion.

HMRC Trust Statement uses Accrued revenue receivable (ARR) models for estimating the tax amounts due at year end from taxes such as Income Tax (which contributed £9.7 billion of the year-on-year increase of £13.9 billion) and Corporation Tax (£4.0 billion increase).

For Income Tax, there are several key economic factors that underpin the estimates and are the main contributors to the increase in the ARR estimate for 2023-24. These include self-employed income growth, dividend income growth, and Average Effective Tax Rates (AETR). The increases for income tax overall are also consistent with increases noted in Taxation Income. This largely reflects growing employment and average earnings growth, and policy changes such as the decision to freeze some tax allowances and thresholds.

For Corporation Tax, HMRC has a number of taxpayer liabilities which have been postponed pending finalisation of enquiries. The key drivers of the ARR estimate are outturn Corporation Tax (CT) receipts and returns received to date, as well as a series of assumptions. The assumptions used are needed to estimate the total amount of accrued tax liabilities arising from profits generated in the taxation period and from CT returns that relate to 2023-24 but are not available at the point of estimation. The increases for Corporation Tax overall are also consistent with increases noted in Taxation revenue, the main reasons being the increase in the main CT rate from 19% to 25% from 1 April 2023.

The £8.2 billion increase in the **provision for impairment of receivables** total is also mainly down to the HMRC Trust Statement, which contributed around £28.8 billion of the overall WGA current impairment total of £40.5 billion and £8.1 billion of the total £8.2 billion movement. The HMRC Trust Statement's increase of £8.1 billion is due to enhancements to the methodologies used by HMRC to estimate impairments and receivables unlikely to be collectable.

Finally, the increase of £1.2 billion in **current EU Receivables** is largely due to the passage of time, and is broadly in line with a similar decrease in non-current EU Receivables.

There were a number of entities which contributed to the current receivables total through their data submissions in 2022-23, 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 2022-23. These entities contributed a total of £1.5 billion of current receivables to the note this year, giving a net decrease of £1.2 billion, as a result of missing data.

The **provision for impairment of receivables** is analysed below:

	Current £bn	Non-current £bn	2023-24 £bn	2022-23 £bn
Taxation and duties due	29.1	1.6	30.7	22.2
Welfare payments	0.2	1.8	2.0	1.7
Court fines	3.7	-	3.7	3.5
Other trade and other receivables	7.5	0.3	7.8	7.7
Total provision for impairment of receivables	**40.5**	**3.7**	**44.2**	**35.1**

Note 17. Other financial assets

	2023-24 £bn	2022-23 £bn
Non-current:		
Loans and deposits	188.8	236.4
Student loans	164.6	150.2
Equity investments	52.1	45.8
IMF quota subscription	21.1	21.9
Derivatives and other financial assets	43.4	50.8
Total non-current other financial assets	**470.0**	**505.1**
Current:		
Debt securities	96.5	97.6
Loans and deposits	85.3	63.5
Student loans	4.5	4.3
Equity investments	1.2	1.6
IMF Special drawing rights	35.8	36.4
Derivatives and other financial assets	14.3	12.6
Total current other financial assets	**237.6**	**216.0**
Total other financial assets	**707.6**	**721.1**

Non-current Loans and deposits decreased by £47.6 billion mainly due to the Term Funding Scheme Small and medium sized Entities (TFSME) 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 term of each transaction was for four years from the date of drawdown (extended in some situations). The non-current element balance fell by £46.9 billion during 2023-24 to £133.6 billion due to transactions maturing in 2024-25.

Current loans and deposits increased by £21.8 billion during 2023-24, due to an increase of £19.8 billion in loans to the Bank of England Asset Purchase Facility Fund Ltd. The Fund was set up in 2009 to buy high-quality assets financed by the issue of Treasury bills. The aim of the APF was to improve liquidity in credit markets.

Loans and deposits comprise:

	Non-current £bn	Current £bn	2023-24 £bn	2022-23 £bn
Loans	185.2	29.0	214.2	237.9
Deposits	3.6	7.7	11.3	14.8
Repurchase agreements	-	48.6	48.6	47.2
Total loans and deposits	**188.8**	**85.3**	**274.1**	**299.9**

Deposits include those made by local government at commercial banks of £5.9 billion (2022-23: £10.2 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 2023-24 is shown below:

	2023-24 £bn	2022-23 £bn
As at 1 April	154.5	111.6
New loans issued (net of impairment)	22.3	22.2
Repayments	(4.9)	(4.3)
Fair value movement	(2.9)	24.4
Impairment adjustments	0.1	0.6
Fair value movement as at 31 March	**169.1**	**154.5**

Student Loans have increased by £14.6 billion to £169.1 billion (2022-23: £154.5 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.

	2023-24 £bn	2022-23 £bn
Deferral of the difference in fair value and amount advanced to students on new loans	(5.7)	(5.5)
Changes made to student loan valuation model	(2.9)	22.4
Interest	5.4	14.2
Operational costs	(0.1)	(0.6)
Other fair value movement	0.8	(6.7)
As at 31 March	**(2.5)**	**23.8**

The **equity investments** held by the government comprise:

	2023-24 £bn	2022-23 £bn
NatWest (formerly RBS)	6.8	10.5
Other	46.5	36.9
Total equity investments	**53.3**	**47.4**

Equity investments have risen to £53.3 billion (2022-23: £47.4 billion) whilst there was a £3.7 billion fall in the value of NatWest (formerly Royal Bank of Scotland). In recent years, HM Treasury has continued to sell NatWest shares. As a result of these sales, the shareholding of HM Treasury has reduced from 3,989 million shares representing 41.5% of the ordinary share capital of NatWest Group at 31 March 2023, to 2,556 million shares, representing approximately 29.3% of the ordinary share capital at 31 March 2024. The three largest contributors to 'Other' equity include: Scottish Government £7.8 billion (2022-23: £5.0 billion), Commonwealth Development Corporation equity investment at £5.3 billion (2022-23: £5.1 billion), and Foreign and Commonwealth Development Office investment portfolio at £5.2 billion (2022-23: £5.0 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 £21.1 billion at 31 March 2024, a decrease of £0.8 billion compared to the prior year. The SDRs decreased by £0.6 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.

The fall in **debt securities** of £1.1 billion primarily relates to the value of debt securities issued by government and other public sectors.

The overall value of **derivatives and other financial assets** £57.7 billion (2022-23: £63.4 billion) has decreased by £5.7 billion.

Several entities that contributed to the note total through their data submissions in 2022-23 did not make a submission to the WGA this year. These entities accounted for £3.7 billion of the note's total last year. Conversely, some entities made contributions this year but did not submit data last year, contributing £2.7 billion to the note this year. This resulted in a net decrease of £1.0 billion due to missing data.

Note 18. Inventories

	Raw materials and consumables	Other	2023-24 Total	2022-23 Total
	£bn	£bn	£bn	£bn
As at 1 April	7.9	5.3	13.2	13.5
Additions	18.3	6.0	24.3	25.1
Disposals	(17.2)	(6.0)	(23.2)	(21.8)
Write on / (offs)	(0.7)	(0.2)	(0.9)	(3.5)
Revaluation and reclassification	(0.2)	-	(0.2)	(0.1)
As at 31 March	**8.1**	**5.1**	**13.2**	**13.2**

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 £2.2 billion (2022-23: £2.5 billion), primarily related to consumables, drugs, adult and childhood vaccines, and Covid-19 related stock.

The MoD's figure of £4.6 billion (2022-23: £4.1 billion) primarily comprises engineering and technical stock (£2.5 billion) and munitions (£1.4 billion). The 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 £5.1 billion (2022-23: £5.3 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 £1.3 billion (2022-23: £1.5 billion) and programme-related assets by the British Broadcasting Corporation (BBC) of £1.2 billion (2022-23: £1.0 billion).

There is no impact on the note total from entities which made data submissions in 2022-23, 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 2022-23.

Note 19. Cash and cash equivalents

	2023-24 £bn	2022-23 £bn
Balance at 1 April	43.9	45.6
Boundary adjustment	(0.9)	(0.2)
Change in cash and cash equivalent balances	(3.5)	(1.5)
Balance at 31 March	**39.5**	**43.9**
The following balances at 31 March were held at:		
Government Banking Service	(4.1)	(5.0)
Commercial banks and cash in hand	22.4	22.5
Short term investments	21.2	26.4
Balance at 31 March	**39.5**	**43.9**

Cash and Cash Equivalents decreased by £4.4 billion (10%) to £39.5 billion (2022-23: £43.9 billion).

Cash held at the Government Banking Service shows a balance of (£4.1) billion (2022-23: (£5.0) 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 (£44.4) billion (2022-23: (£41.0) billion) held by the National Loans Fund. The National Loans Fund cash balance held with the Government Banking Service (GBS) decreased by £3.4 billion (8%). The overall balance is negative due to the government's cash management practices.

The Department of Health and Social Care is the largest owner of cash held at the GBS. Its £13.9 billion asset decreased by £1.1 billion (7%) (2022-23: £15.0 billion).

Cash held by commercial banks decreased by £0.1 billion to £22.4 billion (2022-23: £22.5 billion).

Academies is the biggest holder of cash in commercial and other bank accounts, holding £6.9 billion (31%) of the £22.4 billion WGA total 2023-24.

There was a £5.2 billion (20%) decrease in short-term investments held by various public sector bodies. The largest element relates to The Bank of England which had a decrease in cash and cash equivalents driven by a £4.6 billion decrease in Liquid Deposits. The decrease results from a £5.3 billion reduction in cash and balances with other central banks, partially offset by increases to loans and advances to banks and other financial institutions and securities held at fair value through profit and loss.

The Exchange Equalisation Fund saw its cash and cash equivalents decrease by £2.0 billion (22%) to £7.1 billion (2022-23: £9.1 billion). This was mostly due to liquid deposits decreasing by £1.4 billion (43%) to £1.9 billion (2022-23: £3.3 billion). Money market instruments consisting of Treasury Bills dropped to £2.3 billion (2022-23: £5 billion).

There were a number of entities which contributed to the note total through data submissions in 2022-23 but not in 2023-24. These entities contributed a total of £2.0 billion to this note's total last year. The value of entities contributions to the note in 2023-24 but not in 2022-23 is £1.1 billion. This gives a net decrease of £0.9 billion due to missing data.

Note 20. Trade and other payables

	2023-24 £bn	2022-23 £bn
Non-current:		
Trade and other payables	6.3	7.2
Accruals and deferred income	10.5	12.0
Imputed finance lease element of on-balance sheet PFI contracts	34.0	25.5
Obligations under finance leases	0.9	1.2
Contract liabilities	1.6	1.8
Total non-current trade and other payables	**53.3**	**47.7**
Current:		
Trade and other payables	36.4	37.6
Accruals and deferred income	81.6	81.8
Refunds of taxation and duties payable	51.6	44.6
Imputed finance lease element of on-balance sheet PFI contracts	1.9	1.4
Obligations under finance leases	0.1	0.2
Contract liabilities	3.4	3.0
Total current trade and other payables	**175.0**	**168.6**
Total trade and other payables	**228.3**	**216.3**

Total trade and other payables has increased by £12.0 billion year on year. This is primarily the impact of an increase of £8.5 billion in non-current imputed finance lease element of on-balance sheet PFI contracts, and £7.0 billion in current refunds of taxation and duties payable as reported by HMRC. The increase in current refunds of taxation and duties payable is a combination of smaller amounts also reported by other entities.

The main elements of the increase in **non-current** trade and other payables were increases in amounts reported for 'Imputed finance lease element of on-balance sheet PFI contracts' (£8.5 billion). This was split across a large number of entities. 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 2022-23, but which did not make DCT submissions to the WGA this year. These entities contributed a total of £6.5 billion to this note’s total last year.

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 £4.8 billion to the note this year. This resulted in an overall £1.7 billion net decrease.

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 (2022-23: £2.2 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

	2023-24 £bn	2022-23 £bn
Non-Current:		
Gilts	1,613.0	1,382.1
Total non-current government borrowings	**1,613.0**	**1,382.1**
Current:		
National Savings and Investment products (NS&I)	230.5	218.0
Treasury bills	86.1	63.1
Gilts	90.4	90.8
Total current government borrowings	**407.0**	**371.9**
Total government borrowings	**2,020.0**	**1,754.0**

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.

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 DMO financing remit for 2023-24 was originally set at £241.1 billion, as announced in the Spring Budget on 15 March 2023. This would take place primarily in 66 Gilt actions throughout the year. The financing remit was slightly reduced at various points throughout the year in response to revisions in forecasting of the governments net cash requirements. The reduction in remit would not impact the number of auctions held but resulted in a reduction of issuance of short and long conventional gilts throughout auctions held. Further information regarding gilts is available in the 2023-24 Debt management report and the 2023-24 accounts of the National Loans Fund.

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 2023-24, the NS&I liability increased by £12.5 billion to £230.5 billion (2022-23: £218.0 billion) due to increased customer investment in government premium bonds, administered by the NS&I. Throughout 2023-24 NS&I made changes to the prize methodology of premium bonds, increasing the likelihood of a bondholder winning the prize. Further information on these products can be found on the NS&I website and in NS&I's 2023-24 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 and short-term liquidity risk management. For 2023-24, the carrying value of Treasury bills in issue was £86.1 billion (2022-23: £63.1 billion). The £23.0 billion increase was a result of higher short-term financing requirements at the year end. Further information on the government financing operations can be found in the Debt Management Report 2023-24.

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 2022-23 but did not submit to the WGA this year, nor from entities that submitted in 2023-24 but not in 2022-23.

Note 22. Other financial liabilities

	2023-24 £bn	2022-23 £bn
Non-current:		
Deposits by banks	0.4	1.9
Bank and other borrowings	70.2	63.2
Debt securities	4.7	4.8
Derivatives	101.2	29.5
Financial guarantees	1.0	0.8
IFRS 16 Liabilities	21.9	21.2
Other financial liabilities	134.2	181.8
Total non-current other financial liabilities	**333.6**	**303.2**
Current:		
Deposits by banks	681.8	769.8
Banknotes in circulation	87.0	85.9
Bank and other borrowings	7.0	7.4
IMF Special Drawing Rights liability	30.9	32.1
Debt securities	7.8	7.6
Derivatives	1.9	1.8
Financial Guarantees	6.4	11.0
IFRS 16 Liabilities	3.4	3.1
Other financial liabilities	42.3	29.3
Total current other financial liabilities	**868.5**	**948.0**
Total other financial liabilities	**1,202.1**	**1,251.2**

Banknotes are issued by the Bank of England. The value of 'Notes in Circulation' increased by £1.1 billion.

Bank and other borrowings include loans and overdrafts. The largest element in this category is the £28.4 billion (2022-23: £28.3 billion) of Network Rail total outstanding debt as reported by the Department for Transport. Other material balances include £15.5 billion (2022-23: £16.0 billion) of non-interest-bearing securities in the National Loans Fund.

International Monetary Fund (IMF) Special Drawing Rights (SDRs) liability has increased to £30.9 billion (2022-23: £32.1 billion). A corresponding asset of £35.8 billion (2022-23: £36.4 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 £92.1 billion (2022-23: £nil billion) liability held by the Department for Energy Security and Net Zero. The prior year included a £19.6 billion liability held by the Department for Business, Energy, and Industrial Strategy relating to Contracts for Difference; these are a mechanism used to support investment in United Kingdom low-carbon energy generation products.

The increase reflects the recognition on the balance sheet of derivatives that were previously held off balance sheet as a result of a change in accounting policy. The change has been applied retrospectively.

Other derivatives relate to the Pension Protection Fund of £8.6 billion (2022-23: £9.3 billion) which are interest rate swaps, options, credit default swaps and forward foreign exchange contracts to support liability-driven investment.

Financial guarantees of £7.4 billion (2022-23: £11.8 billion) relate to guarantee schemes established by Department for Business & Trade in response to the Covid-19 pandemic; these include Bounce Back Loans Scheme (£5.2 billion), Coronavirus Business Interruption Loan Scheme (£0.6 billion), Recovery Loan Scheme (£0.5 billion) and Other (£0.1 billion).

IFRS 16 Liabilities of £25.3 billion (2022-23: £24.3 billion) reflects the requirement for Central Government to implement IFRS 16 with effect from 1 Apr 2022; this replaced IAS 17 (Leases). Material balances relate to the Department of Health and Social Care £4.0 billion (2022-23: £4.0 billion) and the Ministry of Defence £5.8 billion (2022-23: £6.1 billion).

Non-current other Financial Liabilities total £134.2 billion (2022-23: £181.8 billion) of which £133.6 billion (2022-23: £180.5 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. The TFSME scheme is now split between current and non-current where previously it was all accounted for as non-current.

Current Deposits by banks of £681.8 billion (2022-23: £769.8 billion, £29.3 billion was reclassified as other financial liabilities) are deposits by banks 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 £88.0 billion is mainly due to a decrease in value of deposits by banks on the Bank of England reserve accounts.

Several entities contributed to the note total through their data submissions in 2022-23 but did not make a submission to the WGA this year, contributing £2.3 billion to last year's total. Similarly, some entities made contributions to the note this year but did not submit last year, contributing £2.3 billion. This results in a nil net movement due to the missing data.

Note 23. Provisions for liabilities and charges

	ND*	Clinical negligence	EU liabilities	PPF**	Other	2023-24 Total	2022-23 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
At 1 April	146.9	72.4	19.2	20.5	47.9	306.9	527.8
Boundary adjustments	0.0	0.0	0.0	0.0	(0.3)	(0.3)	(0.1)
Restatements	0.3	0.0	(0.6)	0.0	0.9	0.6	0.0
Provisions utilised in year	(4.6)	(3.0)	(6.8)	(1.2)	(12.3)	(27.9)	(26.4)
New provisions or increase in expected future pay-outs	1.2	10.1	(0.2)	(0.2)	16.3	27.2	39.0
Change in discount rate	(29.9)	(14.5)	0.0	0.0	(3.1)	(47.5)	(214.9)
Discount rate unwind	2.2	0.9	(1.0)	0.0	0.5	2.6	(7.9)
Provisions not required written back	9.5	(4.2)	0.0	0.0	(2.6)	2.7	(7.8)
Transfers to/from payables and other movements	(0.1)	0.0	0.0	0.0	(2.0)	(2.1)	(2.8)
At 31 March	**125.5**	**61.7**	**10.6**	**19.1**	**45.3**	**262.2**	**306.9**

*Nuclear Decommissioning
** Pension Protection Fund

Provisions movement

	2023-24 £bn	2022-23 £bn
Provision movement Amounts included in the Statement of Revenue and Expenditure:		
Increase in provisions	29.0	36.2
Provision expense in cost to public services	**29.0**	**36.2**
Discount rate changes	(47.5)	(214.9)
Discount rate unwind	2.6	(7.9)
Provision financing costs	**(44.9)**	**(222.8)**
Total expenditure recognised in the Statement of Revenue and Expenditure	**(15.9)**	**(186.6)**
Amounts included in the Statement of Financial Position	(0.9)	(7.9)
Pay-outs made in year	(27.9)	(26.4)
Total provision movement	**(44.7)**	**(220.9)**

Provision profile

	ND*	Clinical negligence	EU liabilities	PPF**	Other	2023-24 Total	2022-23 Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Within one year	4.6	4.6	1.4	1.4	10.2	22.2	29.8
Between one and five years	21.2	13.8	3.7	5.0	22.3	66.0	60.7
Thereafter	99.7	43.3	5.5	12.7	12.8	174.0	216.4
Total provision liability	**125.5**	**61.7**	**10.6**	**19.1**	**45.3**	**262.2**	**306.9**
Current provisions	4.6	4.6	1.4	1.4	10.2	22.2	29.8
Non-current provisions	120.9	57.1	9.2	17.7	35.1	240.0	277.1

* 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 £44.7 billion to £262.2 billion, as of 31 March 2024. £47.5 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.

Use of Discount rates

Discount rates are used in accounting and financial reporting to assess provisions by calculating the present value of future cash flows linked to a liability. Provisions are recognised when a business has a current obligation, the settlement of which is expected to lead to an outflow of resources embodying economic benefits. Discount rates are necessary to ensure that liabilities in the future are reflected at current values as at the balance sheet date. They are required by the relevant accounting standards where the effect of discounting is material.

Discount rate is applied to future cash flows to determine their present value, considering the time value of money. This is crucial because money available today is generally more valuable than the same amount in the future due to its potential earning capacity. The rate should mirror current market evaluations of the time value of money and the risks specific to the liability. Typically, a risk-free rate is adjusted to account for the risk associated with the liability. Discount rates are frequently applied to long-term provisions, such as environmental restoration, decommissioning costs, or other long-term liabilities.

The use of discount rates influences the reported amount of provisions on the balance sheet and the related expense on the income statement. A higher discount rate reduces the present value of the provision, whereas a lower rate increases it.

Impact of changes in discount rate

Some government priorities entail long-term obligations that will require expenditure over decades. The ultimate costs of these long-term projects are uncertain, yet entities are required to present a single figure in the annual accounts. This figure is based on the best estimate of costs, technology, and other relevant factors, adjusted to reflect the changing value of money over time. The value of future cash flows is calculated at present value in line with accounting standards. Provision discount rates set by HM Treasury are updated annually and significantly impact liabilities.

Previously, HM Treasury issued real rates based on the real yield of UK index-linked gilts. From 2018-19 onwards, HM Treasury has issued nominal rates that do not account for inflation, unlike real rates. Using these nominal rates, the cash flows are inflated using inflation rates provided by HM Treasury, unless a more appropriate forecast has been identified for specific provisions.

The most significant changes in provisions are driven by alterations in the interest rates used to discount future cash flows. When interest rates were raised in 2022-23 in response to the inflationary pressures of the Covid-19 pandemic, the discounting of future cash flows increased, resulting in a notable reduction in reported provisions. Consequently, it is likely that provisions will significantly rise when the decision is made to reduce interest rates. As of the 2023-24 period, the impact of discount rates on provisions continues to be significant, particularly in the context of economic conditions and monetary policy decisions.

Inflation assumptions

When using nominal discount rates, it is necessary to inflate cash flows because nominal rates do not account for inflation, unlike real discount rates, which do.

Nominal rates exclude inflation, so cash flows must be adjusted for inflation to reflect their true value over time. Real rates, on the other hand, inherently account for inflation. HM Treasury provides the

Consumer Price Index (CPI) forecasted inflation rates from the Office for Budget Responsibility (OBR) to be applied to expected cash flows. These forecasts are considered a reliable measure of inflation. While the OBR's CPI forecast is the standard, entities may use alternative inflation rates if there is a justified and reasoned basis for doing so. This allows for flexibility if specific circumstances warrant a different approach.

Overall, the process ensures that cash flows are accurately inflated to reflect expected economic conditions, thereby maintaining the integrity of financial reporting.

Nuclear Decommissioning Provisions

The Department for Energy Security and Net Zero (DESNZ) £106.9 billion (2022-23: £126.0 billion Department for Business, Energy & Industrial Strategy (BEIS))

The Department for Energy Security and Net Zero (DESNZ) is a UK government department focused on energy security, reducing emissions, and achieving net zero. It was formed after the split of the Department for Business, Energy & Industrial Strategy (BEIS) in February 2023. BEIS was divided into several departments, including DESNZ, the Department for Business and Trade, and the Department for Science, Innovation and Technology.

The nuclear provision represents the best estimate of the costs associated with the Nuclear Decommissioning Authority's (NDA) objective of decommissioning plant and equipment at each designated nuclear licensed site, returning them to pre-agreed end states in line with the published strategy. This extensive programme is expected to continue until 2137. The estimates are based on assumptions regarding the processes and methods likely to be employed to fulfil these obligations. These assumptions reflect a combination of the latest technical knowledge, current regulatory requirements, government policy, and commercial agreements. Given the lengthy timeline and the complexity of the plants and materials involved, there remains significant uncertainty in the cost estimates, particularly in the later years.

In developing the cost estimates for decommissioning the designated sites, the NDA has focused particularly on the first 20 years, which accounts for £63.0 billion of the total £105.0 billion provision (2022-23: £62.0 billion of £124.0 billion). In undiscounted terms, this represents £74 billion out of a total of £185.0 billion (2022-23: £70.0 billion out of £173.0 billion). As part of preparing the financial statements, the principal assumptions and sensitivities for the cost estimates have been updated and reviewed by the NDA executive. Where appropriate, adjustments have been made to reflect changed circumstances and more recent knowledge.

The nuclear provision estimate for each reporting segment is initially based on the lifetime plan for each site or programme of work managed within the segment, with specific adjustments made as required by the nature of each site or programme to ensure the estimate remains current and compliant with accounting requirements. The site lifetime plans, and equivalent figures are based on P50 estimates, indicating a 50% probability of the outcome being either under or over the estimate. While alternative bases of estimate could be used, management believes the P50 basis provides a representative single-point estimate for disclosure in the financial statements. Alternative calculation techniques may yield materially different results. The Authority completes a sensitivity analysis which found that they estimate could vary by the following amounts as a result of variations in cost assumptions.

£ billion	Sellafield	Nuclear Restoration Services	Nuclear Waste Services	Nuclear Transport Solutions
Increase	40.8	2.4	9.1	-
Reduction	(6.8)	(2.4)	(1.7)	-

The nuclear provision estimate is stated in monetary values as of the reporting date. The site lifetime plans are stated in mid-year monetary values (specifically, the September preceding the reporting date). The Authority applies an inflationary adjustment to produce the estimate as of the reporting date, based on changes in price levels specific to each component of the estimate where known or reasonably estimated. The nuclear provision estimate is discounted using discount rates published annually by HM Treasury. The Authority applies discounting on a mid-year basis to reflect the nature of its expenditure, which occurs throughout each reporting period rather than at the end.

Summary table of general provisions discount rates applied for the last five years	2023-24 Nominal rate	2022-23 Nominal rate	2021-22 Nominal rate	2020-21 Nominal rate
Short-term	4.26%	3.27%	0.47%	-0.02%
Medium-term	4.03%	3.27%	0.47%	-0.02%
Long-term	4.72%	3.20%	0.70%	0.18%
Very long-term	4.40%	3.08%	0.71%	1.99%

Sellafield is the largest area of expenditure for the NDA due to its complexity, historical significance, high-risk facilities, and stringent regulatory requirements. As one of the UK's most challenging nuclear sites, it contains diverse facilities and legacy waste from operations dating back to the 1940s, including the nation's first nuclear reactors.

Decommissioning high-risk structures like the Magnox Swarf Storage Silo is critical for reducing risks. Strict regulations demand significant investment to ensure safety and environmental compliance. Sellafield's decommissioning is vital for achieving the NDA's mission to manage nuclear liabilities, making it a central focus of their resources and budget.

During 2023-24, general provisions were evaluated based on four different discount rates outlined by HM Treasury. These rates are specified by HM Treasury and are intended to reflect the time value of money and the risk associated with future cash flows over different time horizons. They help ensure that provisions are accurately assessed and reported in financial statements.

Real Discount Rates	2023-24	2022-23	2021-22	Period from consolidated position
Short-term	0.64%	-3.85%	-3.39%	0 to 5 years
Medium-term	2.19%	1.59%	-1.64%	5 to 10 years
Long-term	2.87%	1.18%	-1.27%	10 to 40 years
Very long-term	2.35%	1.06%	-1.27%	Over 40 years

The effect of the revised discounting approach is reflected under the "Change in discount rate" movement within provisions. When expenditure to settle a provision is anticipated to be reimbursed by a third party, the recoverable amount is recorded 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) £9.01 billion (2022-23: £11.3 billion)

Provisions have been recognised to cover the costs associated with treating, storing, and disposing of nuclear materials, irradiated fuel, and radioactive waste from the Defence Nuclear Programme. This also includes decommissioning sites, facilities, and 32 submarines, both operational and out of service, for which the MOD holds responsibility. The comprehensive decommissioning programme is anticipated to span 114 years, addressing the MOD's current commitments.

However, estimating the value of these provisions comes with substantial uncertainty due to future cost predictions and assumptions. Key factors influencing this uncertainty include the timing and infrastructure required for decommissioning activities, interdependencies with other programmes like the Geological Disposal Facility (GDF) managed by the NDA, potential shifts in government policies and regulatory frameworks, and advancements in technology that could alter approaches to decommissioning and site cleanup.

Changes in these areas could lead to significant adjustments in the value of nuclear decommissioning provisions and related assets.

At the end of 2022-23, the discounted nuclear provision was £11.3 billion. Adjustments since then include accounting changes (£1.1 billion), effects of discount rate changes (£3.1 billion), and utilisation costs (£0.2 billion). These movements resulted in a revised provision estimate of £9.1 billion for 2023-24. Prior to discounting, the provision balance stood at £42.7 billion as of 31 March 2024, but discounting reduced it to £9.1 billion.

Nuclear Liabilities Fund (NLF) £9.6 billion (2022-23: £9.7 billion)

The primary role of Nuclear Liabilities Fund Limited is to manage funding for the decommissioning of nuclear power stations and address costs and liabilities related to the handling, storage, retrieval, and disposal of unirradiated, operational, or spent nuclear fuel and associated waste. Its principal purpose is to secure and hold funds, investments, and assets to ensure the financial resources needed to discharge liabilities tied to the decommissioning of eight nuclear power stations currently operated by EDF Energy. Payments to EDF Energy are made in line with the provisions outlined in the Nuclear Liabilities Fund Agreement (NLFA).

Based on liability cashflows from the Annual Funding Review, projected expenditure for decommissioning liabilities over the next three years is approximately £3.5 billion. Nuclear Liabilities Fund Limited is well-equipped to meet these obligations due to its substantial cash resources. In the event that the Fund's assets are insufficient, the UK Government has committed to cover any remaining costs and liabilities as stipulated in the NLFA. Directors have determined it is appropriate to prepare the annual report and accounts under a going concern basis.

Under the Contribution Agreement, EDF Energy provides fixed quarterly contributions of £2 million (adjusted to March 2003 monetary values and indexed to the Retail Price Index, RPI) along with an additional £150,000 per tonne of fuel loaded into the Sizewell B reactor power station, also indexed to RPI. The Fund also receives an annual contribution for administration costs from EDF Energy, amounting to £1 million (adjusted for RPI), following deductions for the attributable administration costs of DESNZ and NLA.

In accordance with the NLFA, Nuclear Liabilities Fund Limited assumes responsibility for funding EDF Energy's relevant liabilities, except in specific circumstances. The relevant liabilities provision reflects the Fund's future potential obligations to EDF Energy as of the date of the statement of financial position. This liability remains limited to the assets available within the Fund. The Secretary of State for the Department for Energy Security and Net Zero has ensured that HM Government will be responsible for covering these liabilities in case the Fund's assets are insufficient. The provision for relevant liabilities is calculated to match the total provisions with the Fund's net assets, excluding current liabilities and share capital.

Clinical Negligence Provisions

Department of Health and Social Care (DHSC) £58.2 billion (2022-23: £69.3billion)

As of 31 March 2024, the Department of Health and Social Care (DHSC) reported clinical negligence provisions totalling £58.2 billion, a decrease from £69.3 billion at 31 March 2023. This represents a reduction of £11.1 billion or 16%, primarily attributed to changes in discount rates set by His Majesty's Treasury (HMT), a technical accounting factor affecting the provision.

Clinical negligence is DHSC's largest provision, requiring significant estimation due to complexities in claim resolution. Factors such as settlement delays and new evidence can impact valuation. NHS Resolution, supported by the Government Actuary's Department (GAD), regularly reviews estimates, with revisions recognised either in the current period or spanning future periods, depending on their scope. The provision covers liabilities arising from incidents that occurred before 31 March 2024, including both received claims and those estimated to be incurred but not reported (IBNR).

In 2023-24, the total estimated cost of clinical negligence claims under the Clinical Negligence Scheme for Trusts (CNST) was £4.8 billion, down from £6.3 billion the previous year. If discount rates had remained unchanged from 2022-23, the expected value would have been £6.1 billion. Payments related to claims in 2023-24 increased by £0.2 billion (7%) to £2.9 billion.

Through NHS Resolution, DHSC administers several schemes, most notably CNST, accounting for £54 billion of the total provision in 2023-24 (£64 billion in 2022-23). These provisions represent DHSC's best estimate of obligations resulting from incidents up to 31 March 2024, categorised into known claims, settled claims with ongoing payments, and IBNR claims based on actuarial predictions.

The valuation heavily depends on the discount rate prescribed by HM Treasury. Changes to the discount rate significantly impacted provisions, with a £75 billion reduction in 2022-23 and a further £15 billion decrease in 2023-24. These adjustments reflect valuation methodology changes rather than shifts in the underlying liabilities, which are driven by claim frequency, severity, and legal factors like the personal injury discount rate.

Key movements in 2023-24 included a £5.7 billion increase due to clinical activity, a £0.2 billion decrease from changes to IBNR assumptions, and other adjustments. For instance, reductions in the CNST IBNR provision accounted for £1.6 billion due to lower average cost assumptions, Covid-19 adjustments, and inflation expectations, offset by increases related to claim projections and probability assumptions. Known claims saw a £0.9 billion increase due to data and assumption updates, while £2.9 billion was paid out to settle claims. Additionally, a £14.6 billion decrease resulted from higher discount rates mandated by HM Treasury.

Effect of Change in Discount Rate

One of the key assumptions used in calculating the provisions is the discount rate used to place a present value on projected future cashflows. The clinical negligence provision is particularly sensitive to the long-term and very long-term discount rates. This reflects the long-term nature of the liabilities, driven by reporting and settlement delays, as well as the fact that many high-value claims are settled as periodical payment orders (PPOs) with payments provided over the remaining lifetime of the claimant. In 2022-23, there was a significant increase in the discount rates prescribed by HM Treasury across all durations. This update decreased the clinical negligence provision by £75 billion. In 2023-24, there has been a further, but lesser, increase in the discount rates which has led to a decrease of £15 billion. Although the change in discount rates prescribed by HM Treasury has a material effect on the value of the provisions, it does not alter the cost of settling claims, which is driven by the frequency and severity of claims and the legal environment in which the claims are settled (for example, the personal injury discount rate). As such, the decreases in the provisions, both in this year and last year, reflect a change in the way the liabilities are valued, rather than a change in the underlying liabilities.

Nominal Discount Rates	2023-24	2022-23	2021-22	2020-21
Short-term	4.26%	3.27%	0.47%	-0.02%
Medium-term	4.03%	3.20%	0.70%	0.18%
Long-term	4.72%	3.51%	0.95%	1.99%
Very long-term	4.40%	3.00%	0.66%	1.99%

Clinical negligence costs are managed through schemes run by NHS Resolution. NHS Resolution contracts actuarial advisers, the Government Actuary's Department (GAD), to assist with the preparation of financial statements through analysis and modelling of claims data. This is combined with information provided by management on the current economic and claims environment to provide estimates in relation to determining the valuation of the liabilities for the accounts. NHS Resolution's Reserving and Pricing Committee is responsible for making decisions on the key judgements and estimates, drawing on advice from the Government Actuary's Department. The Reserving and Pricing Committee keeps all factors affecting the calculation of provisions under review to ensure that the final provisions reflect the experience of the organisation and are adjusted in a timely manner.

The total number of new clinical negligence claims and reported incidents in 2023-24 totalled 13,784, an increase of 273 from 2022-23 (13,511). This number includes:

- 267 more CNST claims (10,834 in 2023-24 compared to 10,567 in 2022-23), an increase of 3% compared to 2022-23.
- 207 fewer ELSGP claims (502 in 2023-24 compared to 709 in 2022-23), a decrease of 29% compared to 2022-23.
- 202 more CNSGP claims (2,382 in 2023-24 compared to 2,180 in 2022-23), an increase of 9% compared to 2022-23.

A significant proportion of the provision relates to claims expected to be settled over the longer term. Consequently, increases in the long-term and very long-term discount rates have had a considerable impact on the value of the provision. However, this is an accounting estimate that does not change the underlying future payments that will be incurred in meeting the obligations arising from claims when they fall due in the short term. In other words, the change in the discount rates does not reflect changes in the fundamental drivers of clinical negligence, such as the number of claims that result in damages being paid, the cost of paying these claims, the legal costs involved in handling them, and the rate at which any payments might increase in the future.

This significant reduction has been partially offset by an increase in the provision arising from another year's worth of activity. Relative to the assumptions made last year, reported claims numbers are also slightly higher than expected. However, overall, there is a net decrease in the impact of changes in assumptions affecting the provision:

Average claims costs have grown at a lower rate than previously assumed.

- A further small reduction in the long-term claims inflation assumption for periodical payment orders (PPOs).
- The provision for Covid-19 continues to fall.

It is important to recognise that the in-year cost of clinical negligence across the NHS continues to be significant. The estimated cost of harm in 2023-24 covered by CNST was £4.8 billion. This figure is lower than the previous year's figure of £6.3 billion due to increases in HMT discount rates, which have placed a lower value on projected claims costs. If HMT discount rate changes for 2023-24 were not applied, the equivalent cost of harm for CNST for 2023-24 would have been £6.1 billion. This figure is slightly lower than the corresponding 2022-23 cost of harm figure of £6.3 billion. The decrease is mainly due to average cost assumptions being slightly lower than implied by last year's assumptions and a reduction in the long-term claims' inflation assumption for PPO claims. PPO damages average cost assumptions have not grown as much as expected five years ago, and the corresponding assumption for future claims inflation continues to fall. Despite this years' experience being slightly higher than assumed last year, the expected future claim numbers, including PPO claim numbers, have also reduced over time. These trends act to reduce the provision over the longer term.

Existing Liabilities Scheme for General Practice (ELSGP) : The ELSGP is a state indemnity scheme covering historical liabilities of general practice staff in England. It complements the Clinical Negligence Scheme for General Practice (CNSGP), which covers liabilities from 1 April 2019 onward. ELSGP provides indemnity for NHS clinical negligence claims against GP members of medical defence organisations (MDOs) for liabilities incurred before 1 April 2019.Administered by NHS Resolution, it applies to members of MDDUS and MPS, covering incidents during their membership while providing NHS services in England. The scheme covered MDDUS members from 6 April 2020 and was extended to MPS members from 1 April 2021.

The English element of the clinical negligence provision represents the present value, in today's prices, of the expenses related to claims stemming from harm that occurred up to 31 March 2024.

Scottish Government Clinical Negligence £1.06 billion (2022-23: £0.9 billion)

Within the provisions, an amount of £1.06 billion (2022-23: £0.99 billion) is allocated to the Clinical Negligence and Other Risk Indemnity Scheme (CNORIS). The Scottish Government's CNORIS provision reflects the national liability, with individual claims accounting by Boards being excluded. In 2023-24, £0.12 billion (2022-23: £0.15 billion) of the estimated settlement value for medical and clinical negligence claims was added to the provision. Additionally, £0.05 billion (2022-23: £0.06 billion) in claims were settled in 2023-24.

Welsh Government Clinical Negligence £1.8 billion (2022-23: £1.6 billion)

The Welsh Government's core provisions include health-related allocations for the Wales Infected Blood Support Scheme (WIBSS) and anticipated future reimbursements of the Welsh Risk Pool (WRP). WIBSS offers a unified scheme of ex gratia support payments for individuals and their families affected by hepatitis C and HIV due to treatment with contaminated blood in Wales. On 25 March 2021, additional financial support arrangements, backdated to April 2019 to ensure parity across the four UK schemes, were announced for existing beneficiaries. As of 31 March 2024, the balance on the WIBSS provision is £0.12 billion (2022-23: £0.12 billion). The WIBSS provisions are based on the new parity payment rates with a Consumer Price Index (CPI) inflationary uplift applied to future cash flows, which are then discounted according to the rates published annually in the PES paper. Since 2021-22, annual payments have been adjusted by the CPI inflation rates from the PES paper issued each December. The switch from CPIH indices to CPI aligns with other

UK nations following the introduction of payment parity. Payments were increased to the new rates for the first time in 2021-22, including backdated elements from 2018-19 onwards. On 17 August 2022, the UK Government announced interim compensation payments of £100,000, following recommendations from the compensation framework study and the Inquiry's first interim report, to be paid to current beneficiaries and bereaved partners receiving regular support payments at the time of the announcement. By 31 March 2024, £0.02 billion had been paid. The final report of the Infected Blood Inquiry was published on 20 May 2024.

The WRP assists Welsh NHS bodies with risk management and the settlement of disputed claims for alleged medical or employer negligence. As of 31 March 2024, the WRP balance is £1.65 billion (2022-23: £1.50 billion). NHS Wales bodies account for legal or constructive obligations for clinical negligence, personal injury, and defence costs that are uncertain in timing or amount at the balance sheet date, based on the best estimate of the expenditure required to settle the obligation. Claims are funded through the Welsh Risk Pool Services (WRPS), which receives an annual allocation from the Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Any shortfall is directly met by members on an agreed risk-sharing basis. Significant estimations are made concerning ongoing clinical negligence and personal injury claims. Independent legal advisors provide assumptions regarding the likely outcomes, potential liabilities, and timings of these litigation claims. A provision is made for probable and certain cases in accordance with IAS 37. Valuations for future loss elements are discounted using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and a Personal Injury Discount Rate of minus 0.25%. Future liabilities for certain and probable cases with probabilities of 95%-100% and 50%-94%, respectively, are held as a provision on the balance sheet. Cases, particularly high-value ones, typically take several years to settle due to the necessary development period to determine the full extent of the injury caused.

Provision for EU Liabilities Funding

HM Treasury (HMT) £10.6 billion (2022-23: £18.6 billion)

EU Financial Settlement: Article 140 – Reste a Liquider (RAL)

Under Article 140 of the Withdrawal Agreement, the UK is responsible for its share of the European Union (EU) Budget commitments made during the 2014-2020 Multiannual Financial Framework (MFF), which concluded in December 2020. The "Outstanding Commitments" or Reste à Liquider (RAL) represents EU budgetary commitments expected to result in future payments. If any budgetary commitments are decommitted, such as when a programme does not proceed, they are removed from the RAL. The UK is liable for a share of the RAL as of the end of 2020, but only to the extent that these commitments crystallise as payments by the EU. The UK's liability will be reduced by factors such as net financial corrections, proceeds from Member State Making Available Resources infringements, and adjustments to Traditional Own Resources

EU Financial Settlement: Article 142 – Union Liabilities at End 2020

Under Article 142 of the Withdrawal Agreement, the UK is obligated to pay a share of the European Union's (EU) payments for employment and related benefits accrued by EU employees up to the end of 2020. These benefits primarily consist of pension schemes and the Joint Sickness Insurance Scheme (JSIS). The expenditure to settle in-year benefits is incurred by the EU and shared among all Member States through budget contributions. However, following the UK's departure from the EU, the Withdrawal Agreement established a specific liability for the UK. Consequently, HM Treasury must make provisions for the future cash outflows associated with these commitments, which last to 2064.

Pension Protection Fund (PFF) £19.1 billion (2022-23: £20.5 billion)

The Pension Protection Fund (PPF) holds funds to ensure it can fulfil its obligations to pay compensation to members of defined benefit pension schemes that have been transferred to the PPF. The PPF protects members of these schemes if their employers become insolvent and the schemes are unable to meet promised pension benefits.

The funds managed by the PPF are used for the following purposes:

- Compensation Payments: Ensuring members receive compensation closely aligned with the benefits promised by their original schemes.
- Investment Purposes: Investing the funds to generate returns that will support long-term liabilities, utilising a diversified portfolio to balance risk and return.
- Operational Costs: Covering the costs of administering the PPF and managing compensation payments.

As of 31 March 2024, PPF's provisions consist of the following: liabilities to pay compensation to members amounting to £18.8 billion, and provisions and contingent liabilities of £0.3 billion for potential claims related to schemes entering the PPF and for schemes to be compensated by the Fraud Compensation Fund (FCF) for losses caused by dishonesty.

During the 2023-24 financial year, the PPF paid out £1.2 billion in compensation to members. Following the actuarial valuation as of 31 March 2024, a net gain of £0.5 billion was recognised in the Consolidated Statement of Comprehensive Net Income, reducing the estimated liabilities. The actuarial liabilities, calculated by the Appointed Actuary, are influenced by factors such as changes in assumptions, discount rates, operating expenses, and benefits paid during the period.

The provisions also include "Schemes in Assessment" (SIA), calculated as the present value of estimated future compensation payments less the value of existing scheme assets. The claims activities disclosed in the Consolidated Statement of Comprehensive Net Income are impacted by new claims received and reassessments of previously reported claims. For claims involving fraud, the FCF maintains provisions where fraud is deemed probable, and the loss amount is reliably estimable.

The decrease in PPF provisions from 2022-23 to 2023-24 is attributed to various factors, including:

- Changes in Assumptions: Updates to key actuarial assumptions, such as discount rates, mortality rates, and inflation expectations, significantly impacting liability valuations.
- Reduction in Claims: A decrease in the number or size of claims, potentially due to fewer schemes entering the PPF or successful restructuring efforts.

Actuarial assumptions, such as the discount rate, inflation, and life expectancy of members, are critical in valuing liabilities. Applying a discount rate expresses future payments and expenses in present value terms without altering their actual cost. Without discounting, the actuarial liabilities would be approximately 88% higher than the reported figures. These provisions underscore the complexities involved in managing long-term liabilities within the PPF framework.

Other provisions

The public sector's provisions cover a wide array of allocations, including those for injury benefits, medical expenses, compensation for criminal injuries, legal costs, compulsory acquisitions, concessionary fuel allowances for former miners, mine water treatment, public safety and subsidence, subsidence pumping stations, and tip management. Additionally, they address claims concerning structural damage and the depreciation of property values due to transportation projects, as well as compensation for job terminations.

HMRC Oil and Gas field decommissioning costs £5.7 billion (2022-23: £4.5 billion)

The Exchequer's liabilities related to oil and gas infrastructure involve two main taxes on companies operating in the UK Continental Shelf (UKCS): Petroleum Revenue Tax (PRT) and offshore Corporation Tax (CT). Offshore CT includes Ring-fenced Corporation Tax, Supplementary Charge, and the Energy Profits Levy. The Oil Taxation Act 1975 allows companies liable for PRT to carry back decommissioning losses against past profits, potentially resulting in PRT repayments. Similarly, the Corporation Tax Act 2010 permits companies to carry back decommissioning losses against historical profits since April 2002, which may lead to offshore CT repayments.

For the fiscal year 2023-24, HMRC has reported a provision of £5.7 billion for tax repayments due to decommissioning losses, with £2.1 billion for PRT and £3.6 billion for offshore CT. This represents a £1.2 billion increase from the previous year, mainly due to lower oil and gas price assumptions, which reduced company profits and increased the provision. The provision is based on forecasts of decommissioning repayments over the expected lifetime of North Sea oil and gas fields, derived from HMRC's North Sea Forecasting Model. Key determinants include future decommissioning costs, oil and gas prices, discount rates, and the US Dollar/Sterling exchange rate.

There is significant uncertainty in estimating the provision, particularly regarding future decommissioning costs and oil and gas prices. A 10% increase in decommissioning costs would raise the provision to £6.1 billion, while a 10% decrease would lower it to £5.4 billion. Changes in oil and gas prices also impact the provision, with a 10% increase (decrease) reducing (increasing) it by approximately £0.4 billion (£0.5 billion). Additionally, shifts in discount rates and exchange rates affect the provision's present value, with a 50 basis point change in discount rates altering it by £0.2 billion to £0.3 billion, and a 10-cent change in the US Dollar affecting it by £0.2 billion to £0.3 billion.

Boundary adjustment

Several entities that submitted data in 2022-23 and contributed £0.5 billion to the total did not make a submission to the WGA this year. Conversely, a number of entities that did not contribute in 2022-23 made submissions this year, adding £0.2 billion to the total. This resulted in a net decrease of £0.3 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 2023-24

	Note	Cash and cash equivalents £bn	Amortised Cost £bn	FVTPL* £bn	FVTOCI* £bn	2023-24 Total £bn	2022-23 Total £bn
Cash and cash equivalents	19	39.5	-	-	-	39.5	43.9
Trade and other receivables	16	-	239.1	-	-	239.1	232.9
Debt securities	17	-	-	96.5	-	96.5	97.6
Loans and deposits (including REPOS)	17	-	250.6	22.0	1.5	274.1	299.9
Student loans	17	-	-	169.1	-	169.1	154.5
Equity investments	17	-	0.7	31.9	20.7	53.3	47.4
IMF quota subscription	17	-	-	21.1	-	21.1	21.9
IMF Special Drawing Rights	17	-	-	35.8	-	35.8	36.4
Other	17	-	6.6	45.9	5.2	57.7	63.4
Total financial assets		**39.5**	**497.0**	**422.3**	**27.4**	**986.2**	**997.9**

*FVTPL: Fair Value Through Profit or Loss
*FVTOCI: Fair Value Through Other Comprehensive Income

Most **debt securities** (£73.1 billion, 2022-23: £71.7 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 (£21.1 billion, 2022-23: £21.9 billion) and IMF Special Drawing Rights (SDRs) (£35.8 billion, 2022-23: £36.4 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 (£14.3 billion, 2022-23: £14.5 billion). Of the derivatives balance the largest individual material balances are with the Pension Protection Fund (PPF) (£7.1 billion, 2022-23: £7.8 billion), and EEA (4.5 billion, 2022-23: £3.5 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 (£17.4 billion, 2022-23: £18.9 billion) include investments in Help to Buy; this represents an entitlement to future income from the assistance provided to homebuyers by the Ministry of Housing, Communities and Local Government.

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 2023. During 2023-24, the price of gold rose from £1,600 to £1,754 per ounce, an increase of 10% giving rise to a revaluation profit of £1.5 billion.

Financial liabilities by category 2023-24

	Note	Carried at amortised cost £bn	FVTPL* £bn	2023-24 Total £bn	2022-23 Total £bn
Trade and other payables	20	228.3	-	228.3	216.3
Government borrowings	21	2,020.0	-	2,020.0	1,754.0
Deposits by banks	22	681.8	0.4	682.2	771.7
Banknotes in circulation	22	87.0	-	87.0	85.9
Bank and other borrowings	22	77.2	-	77.2	70.6
Derivatives	22	-	103.1	103.1	31.3
Debt securities	22	12.5	-	12.5	12.4
IMF Special Drawing Rights liability	22	-	30.9	30.9	32.1
IFRS 16 Liabilities	22	25.3	-	25.3	24.3
Financial guarantees	22	0.3	7.1	7.4	11.8
Other	22	156.5	20.0	176.5	211.1
Total financial liabilities		**3,288.9**	**161.5**	**3,450.4**	**3,221.5**

*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 exception being the government borrowing and, previously, Contracts for Differences (CfD) liability (included in derivatives in the table above). During the year, the 2023-24 FReM was updated in relation to an IFRS 9 adaptation which is applicable to the CfDs in DESNZ, specifically the CfDs held by the Low Carbon Contracts Company (LCCC). The FReM update explains that where an entity issues a financial instrument other than a financial guarantee, at an amount that is different to fair value, where recognising at fair value would not result in a gain or profit, and where no active market or observable equivalent exists, then the entity should instead measure the instrument at initial recognition at fair value. This FReM update has resulted in the fair value of the CfDs being recognised within the departmental group accounts from day one. Prior to the IFRS 9 FReM adaptation, the department was permitted to exclude the deferred difference between the transaction value and fair value on the LCCC CfDs from the departmental consolidated statement of financial position i.e. held the deferred difference off the consolidated statement of financial position. The FReM adaptation now brings this previously deferred value onto the departmental consolidated statement of financial position for 2023-24. As this is an accounting policy change, the department is required to apply this IFRS 9 adaptation retrospectively as per IAS 8 which has resulted in the full fair value liability being recognised within the departmental group financial statements. Gilt-edged securities have a carrying amount of £1,703.4 billion (2022-23: £1,472.9 billion) and a fair value of £1,463.1 billion (2022-23: £1,314.4 billion), reflecting the higher amount that investors are willing to pay in order to secure a certain level of interest payment. Other financial liabilities include £151.3 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 2023-24

	Level 1 £bn	Level 2 £bn	Level 3 £bn	2023-24 Total £bn	2022-23 Total £bn
Financial assets at fair value:					
Debt securities	79.4	13.8	3.3	96.5	97.6
Equity investments	25.9	6.2	20.5	52.6	47.1
IMF quota	-	21.1	-	21.1	21.9
IMF Special Drawing Rights	35.8	-	-	35.8	36.4
Loans and deposits (including REPO)	0.8	16.9	5.8	23.5	22.1
Student loans	-	-	169.1	169.1	154.5
Other	6.0	17.9	27.2	51.1	58.1
Financial liabilities at fair value:					
Deposits by banks	-	(0.4)	-	(0.4)	(1.9)
IMF SDR Allocation	(30.9)	-	-	(30.9)	(32.1)
Financial Guarantees	(6.4)	-	(0.7)	(7.1)	(0.5)
Derivatives and Other	(1.0)	(29.7)	(92.4)	(123.1)	(31.9)

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. 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 2023-24 is summarised below:

	Short conventional (0-7 years)	Medium conventional (7-15 years)	Long conventional (over 15 years)	Index linked	Unallocated
2023-24 debt issuance %	36%	29%	22%	12%	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. If the local authority does not make a submission to the WGA, the loan is not eliminated. In 2023-24 PWLB identified £103.3 billion of assets relating to other public sector entities. Of this total, £42.4 billion related to Local Government entities which did not make a submission to the WGA in 2023-24. As non-submitting entities are deemed to be external to the WGA boundary, this £42.4 billion is included in the asset totals reported in the 2023-24 WGA.

Interest rate risk

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 £788.4 billion (2022-23: £913.2 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 £2.8 billion (2022-23: £2.4 billion) and if RPI were to increase by 100 basis points then the government's borrowing costs would rise by £6.3 billion (2022-23: £6.3 billion). Some 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 (2022-23: £0.1 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 (2022-23: £0.2 billion increase).

Student loans – RPI and Bank of England base rate

Sensitivity analysis of **RPI**:

	2023-24 £bn
Carrying value	**151.0**
Increase RPI by 1%	(22.7)
Decrease RPI by 1%	27.2
Increase RPI by 2%	(44.3)
Decrease RPI by 2%	53.0

*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 7.5% at March 2024 and is forecast to fall to 2.2% in 2025-26.

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 2024 RPI is 7.5% and was forecast to drop significantly in the year to March 2025 (outturn 3.2%), then stabilise at 2.0% in the long-term (2022-23: 2.0%, forecast to reduce to 2.2% 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 2023-24, 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 year end 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 (£274.1 billion) and student loans (£169.1 billion). **New Term Funding scheme** for small to medium enterprises Term Funding Scheme with additional incentives for SMEs was £151.3 billion (2022-23: £180.5 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 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 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 £1.3 million (2022-23: £1.4 million) scheme fees receivable in the year. TFSME scheme fees are retained by the Bank as income.

A further £48.5 billion (2022-23: £47.2 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 £169.1 billion (2022-23: £154.5 billion). The Department for Education, representing English students, holds £151.0 billion (2022-23: £137.8 billion). The face value of the Department for Education's loan book was £234.1 billion (2022-23: £203.3 billion face value).

Changes in the modelling assumptions

Note 12.4 of the DfE accounts provide more details on the modelling assumptions used to calculate the closing value of student loans. Key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and the Bank of England base rate (Plan 1 loans only). These macroeconomic assumptions are based on OBR forecasts as they are considered to be the most reliable and span the length of time required for consideration for student loan repayments. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings cannot be easily verified. In calculating the carrying value of the loan book, FReM stipulates that the higher of the intrinsic rate to the financial instrument or HMT's current discount rates of RPI-1.05% and RPI-0.05% (prior year: RPI-1.3% and RPI-0.2%) should be applied to cash flows out to February 2030 and post-February 2030, respectively.
The following sections discuss the impacts on the current year end carrying fair values as a result of changes in modelling, assumptions and other variables that impact the valuation, and also detail sensitivity analysis on the valuation.

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.

- Plan 5 loans – loans taken out for new undergraduate courses started on or after 1 August 2023, including advanced lender loans.

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:

	2023-24 Balance sheet value £bn	**2023-24 Face Value £bn**	**2022-23 Balance sheet value £bn**	**2022-23 Face Value £bn**
Undergraduate Plan 1	13.2	28.1	14.7	28.2
Undergraduate Plan 2	127.8	196.4	118.1	170.0
Postgraduate Plan 3	6.2	5.8	5.0	5.1
Plan 5	3.8	3.7	-	-
Total student loans held by Department for Education	**151.0**	**234.0**	**137.8**	**203.3**

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 £bn**	**Stage 1 £bn**	**Stage 2 £bn**	**Stage 3 £bn**	**Simplified Impairment rule £bn**	**Net financial assets £bn**
Trade and other receivables	47.3	-	-	-	(44.2)	3.1
Loans held at amortised costs	214.2	-	-	-	-	214.2
Total financial assets	**261.5**	**-**	**-**	**-**	**(44.2)**	**217.3**

Stage 1: all ECLs relating to loans held at amortised cost 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 2023-24, WGA entities have £44.2 billion expected credit loss under trade and other receivables.
- Most of loans held at amortised cost consist of £151.3 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 (£66.4 billion, 2022-23: £63.9 billion) and A to AA (£6.7 billion, 2022-23: £7.8 billion) and were held within Europe (£24.5 billion, 2022-23: £24.1 billion), North America (£41.7 billion, 2022-23: £39.5 billion), and Asia-Pacific (£6.8 billion, 2022-23: £8.4 billion). Further details on the government's credit risk management of foreign currency reserves can be found in the 2023-24 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

	2024 $ Million	2023 $ Million
Hedged reserves		
Value at Risk (VaR) as at 31 March	75	89
Unhedged Reserves		
Value at Risk (VaR) as at 31 March	3,623	3,309

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 £1.71 billion (2022-23: £1.954 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 2022-23 and 2023-24.

	Scheme liabilities £bn	Scheme assets £bn	2023-24 Net liabilities £bn	2022-23 Net liabilities £bn	Change in Net scheme liabilities %
Unfunded schemes:					
NHS	500.8		500.8	535.0	(6.4)
Teachers	307.8		307.8	334.7	(8.0)
Civil Service	208.1		208.1	221.5	(6.0)
Armed Forces	144.6		144.6	156.5	(7.6)
Police	93.9		93.9	104.1	(9.8)
Royal Mail	28.7		28.7	29.9	(4.0)
Fire	17.6		17.6	22.6	(22.1)
Other unfunded	14.4		14.4	14.4	0.0
	1,315.9		**1,315.9**	**1,418.7**	**(7.2)**
Funded schemes:					
Local government	211.6	(214.4)	(2.8)	(3.3)	(15.2)
Other funded	88.8	(90.0)	(1.2)	(0.4)	200.0
	300.4	**(304.4)**	**(4.0)**	**(3.7)**	**8.1**
Total	**1,616.3**	**(304.4)**	**1,311.9**	**1,415.0**	**(7.3)**

The Local Government Pensions Scheme (LGPS) is the largest funded scheme. There are 98 LGPS funds across the UK with 86 funds in England and Wales, 11 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 2022-23, but which did not make a submission to the WGA this year. The impact of these entities on this note's closing balance was £18.3 billion.

Of those entities, the most significant is the Police and Crime Commissioner for Merseyside and the Chief Constable Merseyside Police, which contributed £3.7 billion in net pension liabilities to the WGA last year. Other significant non-submitting entities in 2023-24 were the Thames Valley Police and Crime Commissioner (2022-23: £3.4 billion), and the Scottish Fire and Rescue Service (2022-23 : £3.1 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 £6.7 billion this year.

The major contributors were the Police and Crime Commissioner for Northumbria (£3.3 billion), and Police and Crime Commissioner for Leicestershire (£1.7 billion).

The net decrease in the closing balance as a result of missing data is therefore £11.6 billion.

For the note overall, there has been a year-on-year decrease in the net liability of £103.1 billion, which is the combined effect of a decrease in total liabilities of £102.8 billion, as well as a small increase in assets of £0.3 billion.

The year-on-year decrease in the net liability of £103.1 billion is made up of reductions to liabilities values of unfunded schemes of £102.8 billion and funded schemes of £3.5 billion, partially offset by decreases to the value of funded scheme assets of £3.2 billion.

Pension scheme liabilities are valued based on actuarial calculations. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The most significant financial assumptions are generally the discount rate, general earnings increases and pension increases (currently based on CPI), inflation, and where applicable returns on corporate bonds. A key demographic assumption is pensioner mortality. Individual pension scheme accounts outline the key assumptions in play for their specific pension scheme, and sensitivity analyses estimating what the impact on the liabilities would be if the most significant assumptions were to be inaccurate.

The principal reason for the £103.1 billion decrease in net liabilities in this year's WGA relates to changes in actuarial assumptions, in particular a year-on-year increase in the nominal discount rate.

The most significant contributor to this overall net decrease is the **NHS pension Scheme** (**England and Wales** - NHSPS), whose unfunded pensions liability balance decreased by £29.6 billion year on year. The most significant reason for their year-on-year decrease relates to an increase in the nominal discount rate, which increased from 4.15% in 2022-23 to 5.1% this year. Sensitivity analysis published in the 2023-24 NHSPS statutory accounts estimates that an increase in the discount rate of 0.5% would lead to a decrease of £34.6 billion in the total scheme liabilities as at 31st March 2024. Changes in financial assumptions taken alone would have decreased the NHSPS liability by £71.1 billion year on year. This was offset slightly by the impact of changes in demographic assumptions (£0.2 billion decrease) to give a net actuarial gain due to changes in assumptions of £70.9 billion. This amount is offset by movements which, if taken alone, would increase the liability by £41.3 billion. This is made up of experiences losses on the scheme liabilities of £19.3 billion caused by higher-than-expected increases in pensions paid, pensionable pay and Career Average Revalued Earnings, plus in year costs of £38.1 billion, offset by in year payments of £16.1 billion. This leaves a net decrease for the scheme of £29.6 billion.

Other significant contributors to the overall £103.1 billion decrease in net liabilities include the **Teachers' Pension Scheme (England & Wales)** with a decrease of £24.4 billion, Cabinet Office: Civil Superannuation with a decrease of £12.3 billion, and Armed Forces Retired Pay Pensions with a decrease of £11.9 billion. As for the Teachers' Pension Scheme above, these three schemes also state that the discount rate net of price inflation is the assumption which has the biggest impact on their pension liabilities.

The combined liabilities total for the **NHS Pension Schemes** is £500.8 billion (2022-23: £535.0 billion). The contributors to this total are the England/Wales NHS Pension Scheme (£431.0 billion, 2022-23: £460.6 billion), the Scottish NHS Pension Scheme (£50.6 billion, 2022-23: 54.5 billion), and the Health and Social Care Pension Scheme in Northern Ireland (£19.3 billion, 2022-23: 19.9 billion).

The combined liabilities total for the **Teachers’ Pension Schemes** is £307.8 billion (2022-23: £334.7 billion). The contributors to this total are the Teachers' Pension Scheme (England & Wales) with £278.8 billion (2022-23: £303.2 billion), and the Scottish Teachers’ Pension Scheme (£29.1 billion, 2022-23: £31.5 billion). The Northern Ireland Teachers’ Superannuation Scheme, which would fall under this category, did not make a submission to the WGA either this year or last year. Its totals are not therefore included in the WGA or the missing data figures disclosed above. The scheme contributed £22.1 billion in net liabilities (all unfunded scheme liabilities) to the WGA in 2021-22.

The combined liabilities total of the **Civil Service Pension Schemes** is £223.7 billion (2022-23: £237.2 billion). This is made up of the unfunded liabilities total of £208.1 billion (2022-23: £221.5 billion) as shown in the table above, as well as £15.6 billion (2022-23: £15.7 billion) of liabilities relating to funded pension schemes. The main contributor is the Civil

Service Pension Scheme (Great Britain) with £192.7 billion (2022-23: £205.0 billion) of liabilities. In both cases these amounts relate entirely to unfunded liabilities. There is no significant impact from missing data in this category.

The liabilities total of the **Armed Forces Pension Scheme** is £144.6 billion (2022-23: £156.5 billion). There is only one scheme in this category. The main reasons for the £11.9 billion decrease in the scheme's net liabilities were an actuarial gain of £15.3 billion and the impact of in year payments of £5.7 billion, partly offset by the impact of in year costs of £9.1 billion. As with other schemes, the assumption with the biggest impact on the actuarial gain was the increase in the discount rate net of price inflation.

The combined liabilities total of the **Police Pension Schemes** is £104.8 billion (2022-23: £116.1 billion). This is made up of the unfunded liabilities total of £93.9 billion (2022-23: £104.1 billion) as shown in the table above, as well as £10.9 billion (2022-23: £12.0 billion) of liabilities relating to funded pension schemes. The most significant contributors to this total are the Mayor's Office for Policing and Crime (Mayor of London £24.2 billion, 2022-23: £25.6 billion), Scottish Police Authority (£12.4 billion, 2022-23: £13.3 billion), Department of Justice - Northern Ireland (£7.2 billion, 2022-23: £7.7 billion), and West Midlands Police and Crime Commissioner (£6.1 billion, 2022-23: £6.0 billion).

There is a significant net impact of £9.5 billion from missing data in the Police Pension Schemes category. This is the net impact of the reduction in the reported liabilities totals due to entities which made submission to the WGA in 2022-23 but did not this year of £15.2 billion, partially offset by the impact of entities which submitted this year but not last year of £5.7 billion.

There were six entities impacting on this category which made submissions to the WGA in 2022-23 but did not this year. These were Merseyside Police and Crime Commissioner (2022-23: £4.3 billion), Thames Valley Police and Crime Commissioner (2022-23: £4.0 billion), Derbyshire Police and Crime Commissioner (2022-23: £2.0 billion), Hertfordshire Police and Crime Commissioner (2022-23: £1.9 billion), Norfolk Police and Crime Commissioner (2022-23: £1.6 billion), and Cambridgeshire Police and Crime Commissioner (2022-23: £1.4 billion).

There were also two entities impacting on this category which made submissions to the WGA in 2023-24 but not last year. These were Northumbria Police and Crime Commissioner (2023-24: £3.7 billion), and Leicestershire Police and Crime Commissioner (2023-24: £2.0 billion). Please note that these figures are different to the totals disclosed for these two entities under missing data above as the figures disclosed in this paragraph relate to liabilities only so exclude scheme assets.

Other unfunded schemes include the UK Atomic Energy Authority Pension Scheme of £5.4 billion (2022-23: £5.8 billion), and the Research Councils Pension Scheme (RCPS) of £4.1 billion (2022-23: £4.4 billion).

Other Funded schemes' net liabilities of £1.2 billion (2022-23: £0.4 billion) are made up of are made up of a number of schemes, with the largest net liabilities in 2023-24 being reported by Scottish Police Authority (£1.2 billion, 2022-23: less than £0.1 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 net liability (2023-24: less than £0.1 billion, 2022-23: £3.4 billion) could be significantly different if the liability had been calculated as at 31 March 2024 instead of 31 August 2023.

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 2020.

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
			2023-24	2022-23
	£bn	£bn	£bn	£bn
Gross liability at 1 April	1,418.7	303.8	1,722.5	2,988.7
Restatements	(1.2)	(2.1)	(3.3)	(35.8)
Boundary adjustment	(12.2)	(9.5)	(21.7)	(54.8)
Current service costs (net of participants' contribution)	29.9	7.6	37.5	116.6
Past service costs	0.2	0.1	0.3	0.1
Settlements/curtailments	(0.1)	(0.1)	(0.2)	(0.2)
Interest on scheme liabilities	58.6	13.4	72.0	51.3
Contribution by scheme participants	12.7	2.3	15.0	13.9
(Gains)/Losses on revaluation:				
Experience (gains) and losses arising on liabilities	45.2	3.8	49.0	59.8
Changes in assumptions underlying the value of liabilities	(182.2)	(8.5)	(190.7)	(1,357.1)
Benefits paid	(53.7)	(11.1)	(64.8)	(60.4)
Transfers in/(out)	0.0	0.7	0.7	0.4
Gross liability at 31 March	**1,315.9**	**300.4**	**1,616.3**	**1,722.5**

The boundary adjustment reflects the net impact of entities which submitted data for one but not both of 2023-24 and 2022-23, as referenced above.

Overall, the net public sector pension liability decreased by £102.9 billion during the year. This is broken down as follows:

	2023-24 £bn	2022-23 £bn
Net liability at 1 April	1,415.0	2,639.1
Restatement	1.2	(35.2)
Boundary adjustment	(11.5)	(39.0)
Net (gains)/losses on revaluation	(137.2)	(1,269.0)
Current service costs (net of participants' contributions)	37.5	116.6
Net interest costs	55.9	47.7
Unfunded schemes benefits paid	(53.7)	(50.0)
Past service costs	0.3	0.1
Net settlements/curtailments	(0.2)	(0.2)
Contribution by unfunded scheme participants	12.7	11.8
Contribution by funded scheme employers	(8.3)	(7.5)
Net transfers in/(out)	0.2	0.6
Net liability at 31 March	**1,311.9**	**1,415.0**

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 1.7% on 31 March 2023 to 2.45% on 31 March 2024. 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%)	(105.0)
Rate of increase in pensions	8%	105.0
Rate of increase in Salaries	1%	13.0
Increasing assumed life expectancy in retirement by 1 year	3%	39.0

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	2023-24 Total £bn	2022-23 Total £bn
Equity investments	119.0	27.4	146.4	155.8
Bonds	34.3	25.2	59.5	57.0
Other	61.1	37.4	98.5	94.7
Total market value	214.4	90.0	304.4	307.5

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.

Change in pension assets

The table below breaks down the changes in the fair value of funded scheme assets over the financial year.

	2023-24 £bn	2022-23 £bn
Gross assets at 1 April	307.5	349.6
Boundary Adjustment	(10.1)	(15.8)
Restatements	(4.6)	(0.5)
Interest on scheme assets	16.1	3.6
Actual return less interest on scheme assets	(4.5)	(28.4)
Contributions by employers	8.3	7.5
Contributions by scheme participants	2.3	2.1
Benefits paid	(11.1)	(10.4)
Transfers in/out	0.5	(0.2)
Gross assets at 31 March	**304.4**	**307.5**

Amounts recognised in the financial statements

Amounts recognised in the Statement of Revenue and Expenditure are as follows:

	Unfunded	Funded (net)	2023-24 Total	2022-23 Total
	£bn	£bn	£bn	£bn
Current service cost	29.9	7.6	37.5	116.6
Past service cost	0.2	0.1	0.3	0.1
Settlements/ curtailments	(0.1)	(0.1)	(0.2)	(0.2)
Net financing cost	58.6	13.4	72.0	51.3
Total recognised in the Statement of Revenue and Expenditure	**88.6**	**21.0**	**109.6**	**167.8**

Note 26. Capital commitments

	2023-24 £bn	2022-23 £bn
Capital commitments at year end	63.6	60.4
Total capital commitments	**63.6**	**60.4**

Capital commitments represent forthcoming commitments to capital expenditure that have been contracted but are not yet reflected in the financial statements. On 31 March 2024, total capital commitments stood at £63.6 billion (2022-23: £60.4 billion), a £3.2bn increase on the previous year.

As in 2022-23, the most notable capital commitments in 2023-24 were reported by the Ministry of Defence, amounting to £34.2 billion (2022-23: £31.4 billion), and the Department for Transport with £7.9 billion (2022-23: £7.9 billion). The most significant contributor to the increase in capital commitments was the Ministry of Defence, contributing £2.7 billion to the increase.

There were a number of entities which contributed to the note total through their data submissions in 2022-23 but did not make a submission to the WGA in 2023-24. These entities contributed £1.2 billion to the note total last year. Similarly, there were a number of entities which contributed to the note total in 2023-24, which did not in 2022-23. These entities submitted a total of £1.1 billion in 2023-24. This resulted in a net decrease due to missing data movements of £0.1 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

	2023-24 £bn	2022-23 £bn
Obligations under operating leases comprised:		
Total payments within one year	0.3	0.4
Total payments between one and five years	1.1	0.8
Total payments thereafter	2.8	2.9
Total future minimum lease payments under operating leases	4.2	4.1

There has been a £0.1 billion increase in Non – IFRS 16 operating leases, from £4.1 billion in 2022-23 to £4.2 billion in 2023-24. These operating lease commitments relate to bodies that have not yet adopted IFRS 16, mostly English local government.

IFRS 16 - Operating leases as a lessor

	2023-24 £bn	2022-23 £bn
Future minimum lease payments under non-cancellable operating leases comprise:		
Total payments within one year	0.9	0.2
Total payments between one and five years	2.5	0.8
Total payments thereafter	6.4	1.7
Total future minimum lease payments under operating leases	9.8	2.7

Several entities contributed to the operating leases (Non IFRS 16) total through their data submissions in 2022-23 but did not make a submission to the WGA this year. These entities contributed £1.0 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 2022-23. These entities contributed £0.5 billion to operating leases this year, resulting in a net decrease of £0.5 billion.

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

	2023-24 £bn	2022-23 £bn
Obligations under finance leases comprised:		
Total payments within one year	0.1	0.1
Total payments between one and five years	0.3	0.4
Total payments thereafter	4.1	1.8
Total	4.5	2.3
Less interest element	(0.6)	(0.7)
Total present value of obligations	3.9	1.6

There has been a £2.3 billion increase in Non – IFRS 16 operating leases, from £1.6 billion in 2022-23 to £3.9 billion in 2023-24.

IFRS 16 - Lease liabilities

	2023-24 £bn	2022-23 £bn
Lease liabilities - infrastructure		
Total payments within one year	-	0.2
Total payments between one and five years	-	0.4
Total payments thereafter	0.1	1.0
Total	**0.1**	**1.6**
Less interest element	-	(0.2)
Present value obligation	**0.1**	**1.4**

Lease liabilities – Land & Buildings		
Total payments within one year	2.7	2.6
Total payments between one and five years	9.0	7.6
Total payments thereafter	50.4	46.9
Total	**62.1**	**57.1**
Less interest element	(41.0)	(37.6)
Present value obligation	**21.1**	**19.5**
Lease liabilities - Other		
Total payments within one year	2.3	0.7
Total payments between one and five years	2.9	1.5
Total payments thereafter	0.4	2.2
Total	**5.6**	**4.4**
Less interest element	(1.5)	(1.0)
Total present value of obligations	**4.1**	**3.4**
Current (before interest deduction)	5.0	3.5
Non-current (before interest deduction)	62.8	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 £44.6 billion (2022-23: £40.8 billion) and the Department of Health and Social Care £4.3 billion (2022-23: £4.9 billion).

Several entities contributed to the finance leases (Non IFRS 16) total through their data submissions in 2022-23 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 2022-23. These entities contributed £0.1 billion to finance leases this year, resulting in a net decrease of £0.1 billion.

Amounts recognised in the financial statements

Amounts recognised in the Statement of Revenue and Expenditure are as follows:

	2023-24 Total £bn	2022-23 Total £bn
IFRS 16 interest on lease liabilities – finance costs	0.4	0.5
Income of sub-leasing ROU assets	-	-
Expenses relating to short term liabilities	0.2	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	0.1	-
Total	**0.7**	**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. The net book value of PFI assets, on the other hand, has increased despite contracts expiring, as shown in Note 12.

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 £68.9 billion (2022-23: £65.5 billion) as at 31 March 2024. The PFI liability for the present value of capital amounts payable was £35.9 billion (2022-23: £26.9 billion). The net present value of PFI obligations is recognised as a liability on the Statement of Financial Position as £35.9 billion whereas in the table below £34.7 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 FReM required that, from 1 April 2023, the service concession assets and related liabilities are initially measured in accordance with the principles of IFRS 16. Prior to 1 April 2023 initial measurement was in accordance with the principles of IAS 17. This change was to be applied prospectively. The significant increase of £7.9 billion in obligations is due to the implementation of IFRS 16 measurement principles in relation to PFI contracts. The most significant net present value of future finance lease obligations balance of £17.3 billion (2022-23: £9.5 billion) are held by the Department of Health and Social Care and £3.6 billion (2022-23: £3.2 billion) are held by the Ministry of Defence.

The overall service charge balance has decreased by £6.7 billion with the most significant total annual service charge balance of £20.2 billion (2022-23: £21.6 billion) held by the Department of Health and Social Care, £8.7 billion (2022-23: £9.9 billion) held by the Ministry of Defence and £7.3 billion (2022-23: £7.8 billion) held by the Department for Transport.

Details of the underlying finance lease liability are given in the table below:

	2023-24 £bn	2022-23 £bn
Obligations for future periods arise in the following periods:		
No later than one year	4.2	3.4
Later than one year and not later than five years	16.0	13.2
Later than five years	35.1	29.3
Gross present value of future finance lease obligations	**55.3**	**45.9**
Less interest charges allocated to future periods	(20.6)	(19.1)
Net present value of future finance lease obligations	**34.7**	**26.8**

The Net present value of future finance lease obligations has increased by £7.9 billion year on year. By far the biggest contributor to this year-on-year increase is the Department of Health and Social Care (DHSC), with a year-on-year increase in net future obligations of £7.8 billion. This is made up of separate year on year increases in PFI obligations (£6.4 billion) and NHS LIFT (£1.4 billion). The significant PFI increase is due to the implementation of IFRS 16 measurement principles in relation to PFI contracts. More details on this can be found in the 2023-24 DHSC accounts.

Details of the minimum annual service charge are given in the table below:

	2023-24 £bn	2022-23 £bn
Obligations for future periods arise in the following periods:		
No later than one year	5.0	5.1
Later than one year and not later than five years	18.2	18.9
Later than five years	34.9	40.8
Total annual service charges	**58.1**	**64.8**

The PFI obligations by segment of government were:

	2023-24 £bn	2022-23 £bn
Central government departments and entities within the NHS	42.9	31.2
Local authorities	12.0	14.2
Public corporations	0.4	0.5
Gross present value of future finance lease obligations	**55.3**	**45.9**

Several entities that submitted data for this note in 2022-23 did not make a submission to the WGA this year. Last year, these entities contributed £0.7 billion in finance lease liabilities and £1.3 billion in annual service charge obligations. Conversely, some entities made contributions this year but did not submit data in 2022-23. This year, these entities contributed £0.4 billion in finance lease liabilities and £0.7 billion in annual service charge obligations. This results in a net decrease of £0.3 billion in finance lease liabilities and £0.6 billion in annual service charge obligations.

PFI contracts not recognised on the Statement of Financial Position

During the 2023-24 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 2023-24 WGA that are not already consolidated.

Note 29. Other financial commitments

	2023-24 £bn	2022-23 £bn
Financial commitments expiring in future years:		
No later than one year	26.9	30.5
Later than one year and not later than five years	43.6	48.8
Later than five years	10.1	16.2
Boundary Adjustments	-	-
Restatements	-	-
Total other financial commitments	**80.6**	**95.5**

Other Financial Commitments refer to obligations that government departments have entered into through non-cancellable contracts, which do not fall under leases, Private Finance Initiative (PFI) contracts, or other service concession arrangements. These commitments typically involve agreements where the government is contractually bound to make payments or provide funding, often for long-term projects or essential services.

DESNZ's Other Financial Commitments figures for 2023–24 reflect total commitments of £0.7 billion, an increase from £0.4 billion in 2022–23. As part of these obligations, DESNZ has entered into non-cancellable contracts tied to Sizewell C Limited's responsibilities under the Deed of Obligation, including a £0.1 billion commitment to alleviate construction impacts in Suffolk communities. Additionally, the departmental group has committed £0.1 billion under non-cancellable contracts that are separate from leases, PFI contracts, or other service concession arrangements, stemming from Sizewell C Limited's obligations under the Deed of Obligation. On 8 October 2021, East Suffolk Council, Suffolk County Council, and NNB Generation Company Limited (now Sizewell C Limited) formalised a Deed of Obligation (DOO) under Section 1 of the Localism Act 2011 and Section 111 of the Local Government Act 1972. This DOO encompasses all elements of the Sizewell C project, detailing a series of payments that SZC must or may be required to make to the councils, as well as financial provisions for Suffolk communities to mitigate the effects of construction throughout the project's development phase.

The Ministry of Defence (MoD) saw a significant reduction in financial commitments due to a prior-year restatement. The figures for 2022–23 were revised from £19.3 billion to £2.7 billion to account solely for non-cancellable contracts while separately disclosing the comparative value of Memorandums of Understanding (MoUs). MoD's commitments arise from MoUs with other governments and supplier contracts. The most substantial commitment is a MoU for the development of the RC-135W Rivet Joint electronic surveillance aircraft, valued at £1.1 billion (2022–23: £1.2 billion).

Department for Environment, Food, and Rural Affairs (Defra)'s Other Financial Commitments increased from £3.9 billion to £7.1 billion, an 82% rise. The Rural Payments Agency (RPA) has notable commitments related to UK-funded schemes payable to various entities. Total commitments disclosed in the RPA's accounts amount to £4.5 billion (2022–23: £1.9 billion), distributed as follows:

- £1.5 billion within one year
- £2.9 billion within one to five years
- £0.1 billion beyond five years

Defra has further agreements, including commitments for Waste Infrastructure Grant Projects (£1.1 billion), grants for the Canal & River Trust (£0.2 billion), and service contracts in IT and facilities management totalling £0.4 billion. Additionally, £0.1 billion is allocated to fisheries and seafood schemes, and £0.1 billion to tree planting programs.

Several entities that submitted data in 2022-23 and contributed £1.1 billion to the total did not make a submission to the WGA this year. Conversely, a number of entities that did not contribute in 2022-23 made submissions this year, adding £0.3 billion to the total. This resulted in a net decrease of £0.8 billion due to missing data.

Note 30. Contingent liabilities disclosed under IAS 37

Quantifiable contingent liabilities

Total quantifiable contingent liabilities disclosed under IAS 37 are as follows:

	2023-24 £bn	2022-23 £bn
Clinical negligence	25.7	33.4
Nuclear decommissioning	17.8	18.5
Taxes subject to challenge	-	4.1
Transport infrastructure projects	1.7	-
EU related	0.1	-
Other	6.7	11.4
Total quantifiable contingent liabilities	**52.0**	**67.4**

Total contingent liabilities decreased from £67.4bn in 2022-23 to £52.0bn in 2023-24, representing a 22.8% reduction. The main drivers for this drop were Department of Health and Social Care (DHSC) £24.6bn (2022-23: £32.2bn, down 23.6%).

Individually significant contingent liabilities within the other category include:

- Department for Transport (DfT) £1.7bn (2022-23: £1.6bn, up 6.3%). These predominantly relate to guarantees or indemnities that have been entered into by the Department, but where there are no significant indications that these will be drawn upon.
- Foreign, Commonwealth & Development Office (FCDO) £1.9bn (2022-23: £3.3bn, down 40.6%). Of the £1.9bn, £1.7bn in contingent liabilities (2022-23: £3.0bn) relates to contributions to International Financial Institutions (IFIs). This represents a 43.3% decrease from the prior year.

The uncertainty surrounding these liabilities stems from specific future performance conditions that must be met. While formally approved by Parliament, these commitments have not yet been backed by promissory notes or cash payments. The movement in the year is attributed to further replenishments made to the IFIs. FCDO anticipates that a significant portion of this amount will crystallise into a liability in the coming years.

Individually significant quantifiable contingent liabilities are as follows

Clinical Negligence £25.7bn (2022-23: £33.4bn)

For 2023-24, DHSC reported contingent liabilities of £24.6bn, a 23.6% decrease from £32.2bn in 2022-23. DHSC is the actual or potential defendant in multiple cases related to alleged clinical negligence, liabilities concerning NHS property, or third-party claims. In some instances, costs have already been provided for or charged to the accounts. However, in other cases, there remains significant uncertainty regarding DHSC's liability, and the potential amounts involved. Further information on clinical negligence is available in Note 23.

This contingent liability figure reflects possible total expenditure, assuming damage payments were awarded for all claims, rather than adjusting for the probability of these payments being made.

Nuclear Decommissioning £17.8bn (2022-23: £18.5bn)

On 23 June 2021, the NDA, UK government, and EDF Energy established new decommissioning arrangements for seven Advanced Gas-cooled Reactor (AGR) stations. Under these arrangements, the government has directed the NDA to assume future ownership of the stations for decommissioning.

The decommissioning work will be carried out by the NDA's subsidiary, Magnox Limited. The NDA will recognise the estimated future liability in its financial statements at the respective points when ownership of each station is formally transferred. The timing and completion of these transfers remain uncertain, contingent upon several conditions that must be fulfilled by the parties involved. As a result, the NDA recognises a contingent liability for the future decommissioning costs, estimated at £17.8bn (undiscounted) based on the most recent financial statements published by the stations' current owner.

DESNZ was created as part of a UK government restructuring, separating energy policy from the Department for Business, Energy and Industrial Strategy (BEIS).

Non-Quantifiable Contingent Liabilities

Certain contingent liabilities cannot be quantified due to various factors, including:

- The possibility of multiple scenarios and permutations, particularly when complex or evolving technology is involved.

- The variety and uncertainty surrounding events that may trigger the crystallisation of an obligation.
- In some cases, objective evidence to support the valuation of contingent liabilities is unavailable, preventing measurement with sufficient reliability.

As a result, these liabilities remain disclosed but unmeasured, ensuring transparency while acknowledging the inherent uncertainty.

Individually significant unquantifiable contingent liabilities are as follows:

Government entities face various unquantifiable contingent liabilities beyond the commonly discussed ones, such as loan guarantees or legal claims. These liabilities are unpredictable, as the amount and timing of any resource outflow cannot be estimated with sufficient reliability.

Examples of other Unquantifiable Contingent Liabilities

- Legal Claims Several government entities within Whole of Government Accounts (WGA) have legal claims, compensation claims, and tribunal cases against them. Due to the uncertainty surrounding these cases, it is not possible to provide a reliable estimate of liability.
- Commitments in Relation to Pension Scheme Deficits Some WGA entities have committed to funding pension scheme liabilities in cases where deficits arise. However, due to the unpredictable nature of future funding requirements, these commitments remain non-quantifiable contingent liabilities.

Ministry of Defence

The Ministry of Defence (MOD) has several contingent liabilities that remain unquantifiable due to the complexity and uncertainty surrounding potential scenarios. These liabilities often involve multiple improbable situations, particularly when advanced or evolving technology is involved. The unpredictability of events that could trigger obligations makes it impossible to estimate values, and the lack of objective evidence prevents measurement with sufficient reliability. The MOD routinely reviews these unquantified liabilities to assess whether new circumstances or evidence could allow for future quantification.

Indemnities have been provided for various projects, including the Strategic Weapons System Activities Future Delivery Project and the submarine design phase contract with Devonport Royal Dockyard Limited. Additionally, residual employee disease liabilities and public liabilities arise from the disbanding of the Defence Evaluation and Research Agency (DERA).

Environmental indemnities have been granted for QinetiQ to cover losses related to specific materials at designated properties before its formation on 1 July 2001. An indemnity is also in place for the disposal of Gruinard Island in case claims arise due to the outbreak of specific strains of anthrax on the island.

The MOD has issued nuclear indemnities to several companies, including Rolls-Royce, BAE Systems, and Babcock Group, concerning the handling of fissile materials, nuclear risks, and liabilities under the Nuclear Installations Act 1965. Additionally, an unquantifiable indemnity has been granted 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.

Potential liabilities under Private Finance Initiative (PFI) agreements stem from the use of standard terms and conditions in schemes affected by qualifying changes in law. These liabilities remain unquantifiable due to their uncertainty and the range of possible risks, including environmental damage, latent defects, and uninsurable events.

Department of Health and Social Care (DHSC)

The DHSC holds several unquantifiable contingent liabilities due to the complexity and uncertainty surrounding potential obligations.

DHSC assumes professional indemnity risks for the Human Tissue Authority and clinical trials conducted by NHS Blood and Transplant, covering associated legal costs and damages. It has also issued indemnities to members of advisory committees focused on carcinogenicity, mutagenesis, radiation, air pollution, and radioactive substances.

Additionally, DHSC faces litigation costs related to actions taken by the Medicines and Healthcare products Regulatory Agency (MHRA). The department also holds an exemption certificate for the National Institute of Biological Standards and Control (NIBSC) under the Employers' Liability (Compulsory Insurance) Act 1969.

Furthermore, DHSC is responsible for compensation payments arising from injury claims linked to voluntary donor immunisation using specialised immunoglobulin. It also holds liabilities related to Employment Tribunal cases, redundancy payments, and commercial contract obligations, including indemnities issued as part of the Covid-19 response.

Department for Work and Pensions (DWP)

Benefit Provisions and Underpayments

Benefit provisions and underpayments stem from ongoing legal cases against DWP or are identified through internal procedures such as

Legal Entitlements and Administrative Practice (LEAP) exercises. These provisions are estimated using analytical data based on sampling, provided by analysts. Estimates are regularly reviewed and updated to reflect the most recent data. DWP does not account for benefit provisions or underpayments below a set de minimis limit.

Benefit Underpayments

Separate from legal cases, DWP acknowledges that administrative errors—referred to as official errors—may occasionally result in benefit underpayments. When such errors are identified, DWP ensures that arrears are paid in full at the earliest opportunity.

Through its annual review of fraud and error statistics, DWP estimates the occurrence of official error for the current year and prior years based on similar exercises. Since these estimates rely on statistical sampling, DWP does not maintain a complete list of underpaid benefit cases that can be corrected. Additionally, due to data limitations, it cannot determine the cumulative historic liability. As a result, a contingent liability exists for underpayments that have not yet been discovered and rectified.

The measures detailed in the Incorrect Payments notes provide an estimate of underpayments made during the reporting year. However, DWP currently has no mechanism to calculate the value of historic official errors corrected within the year, preventing a comprehensive quantification of the outstanding liability. DWP is reviewing its processes and available data sources to improve future liability calculations.

Legal Cases

Ongoing legal cases, including judicial reviews and appeals, may lead to potential obligations for DWP. These cases involve legal challenges to the policy underpinning existing legislation, with outcomes dependent on court rulings.

At early stages, legal challenges often present multiple arguments requiring judicial decisions. In such cases, until further rulings are received, providing a reliable estimate may not be possible. However, DWP conducts analytical assessments to support a range of estimates based on various scenarios.

Quantifiable Contingent Assets under IAS 37

Under IAS 37 Provisions, Contingent Liabilities, and Contingent Assets, a contingent asset refers to a possible asset that arises from past events, with its existence confirmed only by the occurrence or non-occurrence of uncertain future events beyond the entity’s control.

A quantifiable contingent asset is one where a reliable estimate of the potential inflow of economic benefits can be made. However, in accordance with IAS 37, contingent assets are not recognised in financial statements until the income realisation is virtually certain.

If the inflow of economic benefits is probable (i.e., more likely than not) and can be reliably measured, the entity must disclose the nature and, where practicable, an estimate of its financial impact in the notes to the accounts.

There were no contingent assets that were individually material to WGA.

There was no impact on the note as a result of missing data in either 2022-23 or 2023-24.

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 2023 Restated	Increase/ (decrease) in year	Liabilities crystallised in year	Obligations expired in year	At 31 March 2024
	£bn	£bn	£bn	£bn	£bn
Pension Protection Fund (PPF) remote contingent liabilities	6.0	1.5	(0.1)	(2.4)	5.0
Guarantees (excluding European Investment Bank)	43.4	1.7	-	(16.1)	29.0
Indemnities	48.0	(11.0)	-	(5.9)	31.1
Letters of comfort	27.7	7.1	-	-	34.8
EIB Guarantees	32.2	-	-	(0.6)	31.6
Total	**157.3**	**(0.7)**	**(0.1)**	**(25.0)**	**131.5**

*Indemnities figure restated, primarily due to the prior year inclusion of the Government Indemnity Scheme, which should be excluded from the consolidation.

The decrease of £25.8 billion in this note's total is primarily driven by a reduction in guarantees of £14.4 billion and indemnities of £16.9 billion; HM Treasury's 3 guarantee schemes in 2022-23 have all expired in financial year 2023-24, including the Help to Buy Mortgage Guarantee Scheme, which represents £12.0 billion of the reduction. This was partially offset by an increase in Letters of Comfort held by HM Treasury of £7.1 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 2023-24 and 2022-23 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 maximising 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, 2024, 108 Deeds were in effect (2022-23: 105). 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 Energy Security and Net Zero 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 2024 of £26.7 billion (2022- 23: £26.5 billion) has a present value of £13.5 billion (2022-23: £19.0 billion) which includes an allowance for future inflation. The value of the Fund as at 31 March 2023 is £20.7 billion (2022-23: £20.5 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.

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.

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 Energy Security and Net Zero 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, DESNZ 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. DESNZ 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, DESNZ 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 £6.5 billion as at December 2023

(2022-23: £6.2 billion) and £33m as at December 2023 (December 2022: £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 authorised 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.

Department for Education

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 2024, 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 2023-24 WGA. Further information regarding non-consolidated entities can be found in Annex 2 (section 2) and Annex 3 to the account.

Missing data Following on from the 2022-23 financial year 201 bodies did not submit their financial data for consolidation in time for WGA 2023-24, of which 186 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 £42.5 billion as at 31 March 2024, with the largest balance of £2.9 billion relating to Birmingham City Council.

As entities which do not submit returns 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 totalling £4.1 billion and liabilities totalling £4.9 billion where the counterparty did not submit data and so is a related party of WGA. WGA also recognises expenditure of £46.2 billion relating to bodies which did not submit data of which £42.2 billion of this expenditure consisted of grants to local government entities, with the largest contributors being the Ministry of Housing, Communities and Local Government (£8.2 billion)1, Department for Education (14.8 billion), 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 may 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 2023-24 (£bn)	Expenditure for 2022-23 (£bn)
EMA and ERMA	1.2	1.9
Services agreement	1.2	1.1
Total	**2.4**	**3.0**

The train operating companies under EMAs and ERMAs operate the following contracts:

Company name	Operating contract
London and South Eastern Railway Limited	South Eastern
First TransPennine Express Limited	TransPennine Express

The four State-owned rail companies operate the following contracts under services agreements:

Company name	Operating contract
Northern Trains Limited	Northern
LNER Limited	East Coast Mainline
SE Trains Limited	South Eastern
TransPennine Trains Limited	TransPennine Express Railways 2023 OLR

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 12 November 2024 the Chancellor and the Governor of the Bank of England agreed to further reduce the authorised maximum size of the BEAPFF from £654.5 to £619.7bn. 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%. On 21 August 2024, NatWest Group was reclassified to the private sector by the Office for National Statistics. This took 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. As of 7 October 2024, it was confirmed the government's shareholding fell below 16%. As of 11 November 2024, it was confirmed the government shareholding fell to 11.34%. On 30 May 2025, the government has sold its final share and returned NatWest Group to full private ownership.

National Wealth Fund

On 9 July, the Chancellor 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. 120 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.

National Energy System Operator (NESO)

On 13th September 2024, the launch of NESO was announced. This will be a publicly owned body that will support the UK's energy security, help to keep bills down in the long term and accelerate the government's clean power mission. On the same day, the government announced that an agreement had been reached with National Grid PLC to acquire the Electricity System Operator. The enterprise value of £630 million that the government has agreed with National Grid to acquire the Electricity System Operator will be subject to customary closing adjustments.

Great British Energy

On 25th July 2024, a Bill was introduced to Parliament and a founding statement published for Great British Energy, a publicly owned company to invest in clean, home-grown energy. As set out in the founding statement, Great British Energy will be backed by a capitalisation of £8.3 billion of new money over this Parliament.

Mineworkers' Pension Scheme (MPS)

DESNZ has disclosed a contingent asset in respect of the MPS Investment Reserve, estimated at £1.5 billion as at 31 March 2024. The value of the investment reserve was due to be returned to the department in 2029-30. At her Budget on 30 October 2024, the Chancellor confirmed that the c.£1.5 billion surplus in the MPS would be transferred out of the Investment Reserve Fund to the Bonus Augmentation Fund. This will be used to pay bonus pensions directly to members. Payments will start from the end of November 2024.

The department reports a total receivable of £324 million as at 31 March 2024 in relation to the MPS surplus sharing arrangements. A press release on 31 October 2024 announced a Government review of the surplus sharing arrangements. While the review is ongoing the reported £104 million current receivable in the 2023-24 financial statements will not now be received in 2024-25. Until the review nears completion an estimate of the overall effect on reported receivables cannot be made.

England Infected Blood Support Scheme

On 21 May 2024 the then government made a number of announcements and commitments in relation to those affected by infected blood products. These announcements represent new commitments and are therefore not reflected in these financial statements. The then government announced further interim payments of £210,000 for existing eligible beneficiaries of the England Infected Blood Support Scheme. In addition, the then government announced a final compensation scheme and a widening of eligibility criteria for compensation. These costs will be met by the newly established Infected Blood Compensation Authority which was established on 24 May 2024.

Financial Support for Ukraine

As of 10th July 2024, the UK government has announced £3 billion in military aid to Ukraine in 2024-25, a £700 million increase on 2022-23, and a commitment to spend at least this amount every year until 2030 or for as long as is required. To date, the UK has committed £10.8 billion in military support for Ukraine since the invasion.

Note 34. Gold holdings

	2023-24 £bn	2022-23 £bn
Opening balance	16.0	14.7
Additions	-	-
Impairments	-	-
Revaluations	1.5	1.3
Disposals	-	-
Total gold	**17.5**	**16.0**

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 2023-24 financial year, the price of gold rose from £1,600 to £1,754 per ounce, a 10% increase. This has in turn given rise to a £1.5 billion revaluation increase, raising the value of total gold holdings to £17.5 billion.

There is no impact on the note total from entities which made data submissions in 2022-23, 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 2022-23.

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

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 2024 under the Government Resources and Accounts Act 2000.

The financial statements comprise the consolidated:

- Statement of Financial Position as at 31 March 2024;
- 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 280 entities (227 entities in 2022- 23). 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. The majority of unaudited entities are English local government bodies.

HM Treasury have not consolidated 201 entities which they identified should have been consolidated but which did not submit data in 2023-24. There is a similar level of non-submission this year to the previous (211 entities in 2022-23) which means that there are still 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 the English Further Education Institutions, 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 as at 1 April 2022 within the comparative information of the WGA.

- ***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 2023-24 or for the 2022-23 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:

- returns adequate for my audit have not been received; and
- I have not received all of the information and explanations I require for my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- 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, which includes the Remuneration and Staff 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 2024. 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 extending a loan staff arrangement with the Office for Value for Money within HM Treasury, to October 2025. The loan staff arrangement concerns one of my directors and was for an initial period of 12 months from September 2024. The arrangement was extended by a further two months so that the secondee is able to support the completion of the Office for Value for Money's work. 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.

Gareth Davies **14 July 2025**

Comptroller and Auditor General

National Audit Office

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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) 2023-24 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 state of the Whole of Government's affairs as at 31 March 2024 and its net expenditure for 2023-24 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. In 2022-23 I disclaimed my WGA opinion for the first time, because of the level of both missing data and unaudited data, primarily relating to English local authorities.

6. In 2022-23, 211 out of 676 (31%) entities did not submit data for the WGA. For that year, 187 of the entities with missing data were English local authorities. In 2023-24, 201 out of 657 (31%) entities have not submitted data. 167 of these were English local authorities.

7. HM Treasury estimates that the impact of this missing data on the accounts in 2023-24 is that net liabilities are overstated by £50.6bn (£31.7bn in 2022-23) and net expenditure is understated by £37.7bn (net income was overstated by £34.4bn in 2022-23). The estimated financial impact of missing data has therefore increased from the prior year. As some components have not submitted data for several years however this estimate has also 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 2023-24 financial statements.

9. In 2022-23, 227 out of 676 (34%) entities were consolidated using data from draft (unaudited) accounts. Of these, 196 were English local authorities. In 2023-24, 280 out of the total 657 WGA entities (43%) are consolidated using data from draft (unaudited) accounts. Of these, 224 were English local authorities.

10. I estimate that the figures based on draft (unaudited) accounts for 2023-24 represent £73.2bn of total net expenditure (£35.1bn in 2022-23) and £131.3bn of total net liabilities (£93.6bn net assets in 2022-23).

11. As such I have assessed the impact of unaudited data as being both material and pervasive to the 2023-24 financial statements.

12. Summarising the English Local Authority position, of the 407 English Local Authorities that should have submitted audited data to the WGA, 167 (41%) did not submit data and are therefore missing from the accounts and a further 224 (55%) submitted data that was unaudited. Only 16 (4%) of English Local Authorities are therefore included in the 2023-24 WGA based on audited data.

13. On 18 December 2024, the government published the Local Audit Reform Strategy. The strategy commits to a series of measures to address the crisis in local audit, including the establishment of a statutory and independent Local Audit Office (LAO) to consolidate fragmented powers and responsibilities into one body. This is in addition to the series of statutory deadlines, or backstop dates, legislated on 9 September 2024 by which the audits of English Local Authority accounts must be complete.

14. Statutory backstops should help to resolve the missing data issue in future years. However, the impact of the backstops so far has also been to increase the number of disclaimed statutory audit opinions for English local authority accounts. This may make it necessary for me to continue to disclaim or qualify my opinion on the WGA until adequate levels of audit assurance become available from a restored local audit system.

Progress in addressing prior year qualifications

15. 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. 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 been disclaimed on the two issues outlined above.

16. Historically I have qualified my opinion on the WGA accounting boundary and in 2023-24 I would have continued to raise the accounting boundary as a qualification issue had my opinion not been disclaimed. Historically, the boundary qualification has included two material elements: HM Treasury's decision not to consolidate NatWest Group plc and the non-inclusion of English Further Education Institutions.

17. In line with government intention to dispose of all shares in NatWest by 2025-26, the government reduced its shareholding from 41.5% of the ordinary share capital at 31 March 2023 to 29.3% at 31 March 2024. I have undertaken an assessment based on International Financial Reporting Standards (IFRS) considering the size of the government's year end holding of shares, voting rights relative to the size and dispersion of other shareholders and its voting record on resolutions. In my opinion, for the first time since the inception of the WGA, the government no longer maintains control of NatWest under accounting standards and therefore has correctly not consolidated it into the WGA. In 2023-24, the NatWest element of the boundary qualification would therefore have been removed.

18. My previous boundary qualification was also driven by the non-inclusion of English Further Education Institutions and a number of smaller bodies. In my Report on Accounts in 2022-23, I noted that HM Treasury had started working with the Department for Education to identify a method and timetable to consolidate English Further Education Institutions into the WGA. However, there has been limited progress, and they currently continue to be omitted from the 2023-24 WGA, with the estimated impact being a £14.3bn (2022-23: £13.3bn) understatement of gross assets and a £2.0bn (2022-23: £2.0bn) understatement of gross liabilities.

19. Therefore, I would have continued to raise the application of the accounting boundary as a qualification issue in 2023-24 on the basis of the non-inclusion of English Further Education Institutions had my opinion not been disclaimed.

20. In 2022-23 I reported that I would have qualified my opinion on the 2022-23 WGA due to qualifications in the underlying Department for Health and Social Care (DHSC) accounts. Whilst the issues giving rise to the qualification have been resolved for 2023-24, I would have continued to modify my opinion in respect of the relevant opening balances, as the qualification matters have not been resolved in respect of the balances as at 1 April 2022.

21. Historically, I have qualified my opinion on the WGA due to inconsistent accounting policies and in 2023-24 I would have continued to raise the qualification had my opinion not been disclaimed. Previously, the inconsistent accounting policies qualification included three elements: inconsistent approaches to valuing infrastructure assets in central and local government, valuation of non-privatised water infrastructure in Scotland and IFRS 16 implementation.

22. Local authorities value infrastructure in accordance with the Code of Practice on Local Authority Accounting which mandates the historical cost method. Central government entities adopt the FReM which requires the valuation of infrastructure using depreciated replacement cost methodology. In 2023-24 this inconsistency remains, and HM Treasury has made no adjustment for this difference. I estimate the impact that assets are understated by at least £112.2bn (£97.8bn in 2022-23). However, this estimation is itself likely to be significantly understated, as it is based on an estimate from the Office for National Statistics that does not include an estimate for the value of the land associated with the infrastructure.

23. My qualification would also have included 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 has continued to use 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.

24. Central government adopted IFRS 16 in 2022-23, but local government will not adopt IFRS 16 until 2024-25, although early adoption is permitted. HM Treasury has been unable to calculate the impact of bodies which have not applied IFRS 16 in 2023-24 and therefore has made no adjustments to the WGA to address the difference in accounting policies between the two sectors. Whilst it is not possible for me 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.

25. Since 2016-17, I have qualified my opinion on the WGA due to the inclusion of significant bodies with non-coterminous year ends and specifically the misalignment relating to the consolidation of the Academies' Sector Annual Report and Accounts (SARA). 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. Therefore in 2023-24 I would have continued to raise this qualification had my opinion not been disclaimed as whilst I remain unable to confirm the impact the misalignment has on the WGA it is expected to be material.

Conclusion

26. I am disclaiming the Whole of Government Accounts for the second year in succession, due to the level of data missing from the accounts and the level of unaudited data 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 and I am therefore disclaiming my 'true and fair' opinion on the financial statements.

27. Despite disclaiming my opinion, I believe that the WGA is an important and informative document and a useful tool for the management of public finances, and that it can provide valuable insights to both decision-makers and the public if utilised to its full potential. Efforts must be maintained to ensure that timely and high-quality information is being produced and audited to ensure both local accountability and the completeness and accuracy of the WGA.

Gareth Davies **14 July 2025**

Comptroller and Auditor General

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Annex A

Not subject to audit

Comparison to the National Accounts

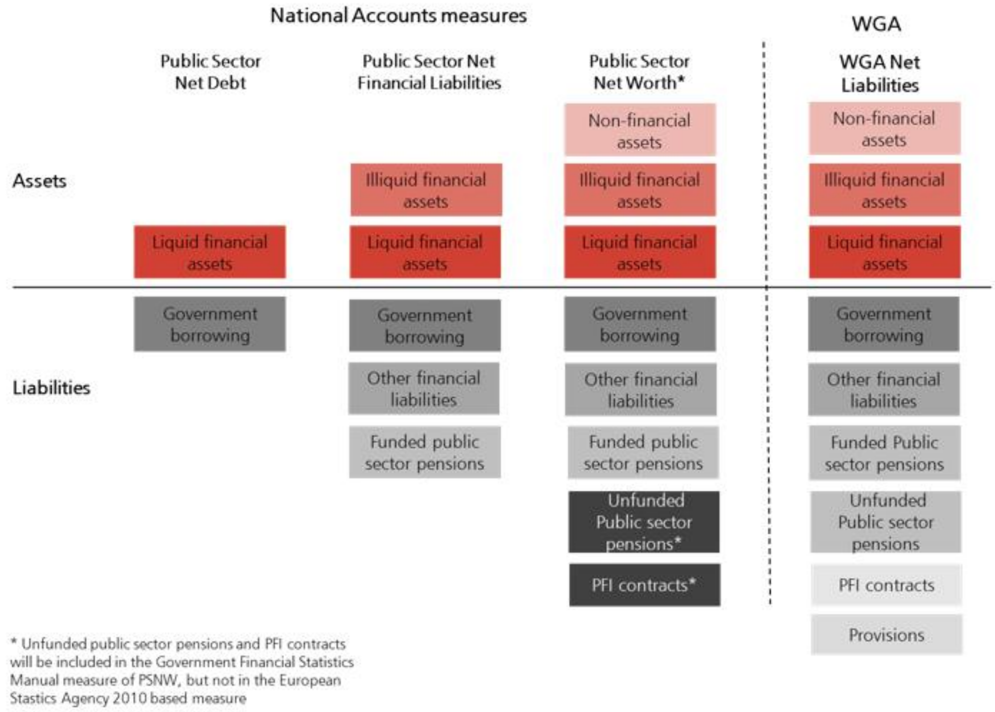
WGA and the National Accounts

5.1 While WGA offers a comprehensive overview, it is not without its limitations. The box on Page 12 elaborates on elements excluded from WGA. Financial statements, including WGA, are not released promptly enough to support day-to-day management of public finances. To 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, statistical measures based on National Accounts provide a supplementary perspective on the government's financial standing and are used in the government's fiscal framework. 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

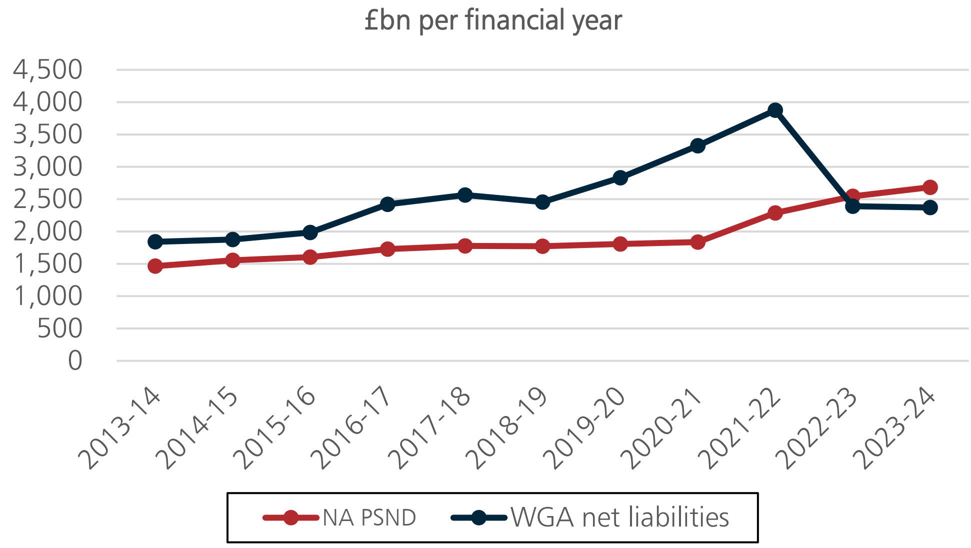


Unfunded public sector pensions and PFI contracts will be included in the Government Financial Statistics Manual measure of PSNW, but not in the European Statistics Agency 2010 based measure.

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 15-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. Unfunded 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 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 stabilise public finances. The reduction in the deficit helped to curb the growth of PSND, reflecting improved public sector balance sheets.

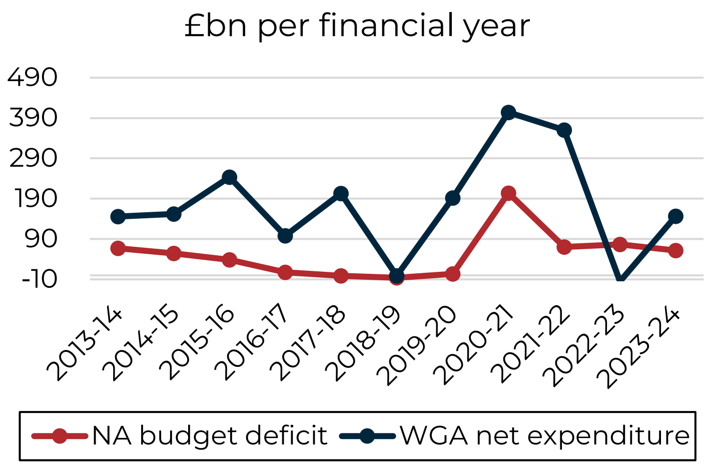
5.7 **Impact of Discount Rate Adjustment:** In the same period, 2018-19, a key technical adjustment in the WGA calculations had a major impact on the reported figures. A shift in the discount rate applied to long-term provisions (such as nuclear decommissioning and pension liabilities) led to a reversal 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 stabilisation 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 (which increases both assets and liabilities). 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 stabilising, 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 stabilisation 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 Whole of Government Accounts (WGA) offer distinct perspectives on the public sector's finances, leading to notable differences in reported net expenditure. While the National Accounts current budget deficit has generally declined over the past 13 years, the WGA net expenditure series for the same period has shown greater volatility. This is largely because WGA includes the full cost of changes in long-term liabilities—such as public sector pensions and provisions—which are not reflected in the National Accounts. As a result, WGA figures can fluctuate more significantly year-on-year, reflecting changes in actuarial assumptions, discount rates, and other accounting adjustments.

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 utilising 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 unfunded 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, changes in the discount rate had significant implications for Whole of Government Accounts (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.

Public Sector Net Debt (PSND) is typically much lower than WGA net liabilities. For example, in recent years, PSND has been around £2.5–2.7 trillion, while WGA net liabilities have been significantly higher, often over £3.5 trillion. This difference is mainly due to the inclusion of unfunded public sector pension liabilities and other provisions in the WGA. In 2023–24, this pattern continues, with PSND remaining substantially lower than the WGA net liability figure.

During the 2023–24 financial year, the UK's PSND remained high. By October 2024, public sector net debt excluding public sector banks was estimated at 97.5% of GDP, representing an increase of 1.6 percentage points compared to the previous year and reflecting continued borrowing pressures.

Meanwhile, the WGA focused on improving transparency and timeliness. Treasury introduced updated guidance for government entities on financial data collection, and efforts were made to enhance reconciliation between IFRS-based WGA and national accounts to strengthen fiscal oversight.

5.19 In summary, while the National Accounts focus on the government's fiscal performance using a statistical framework that does not fully capture all long-term liabilities, the Whole of Government Accounts (WGA) provide 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, which led to a substantial decrease in reported WGA net expenditure. This highlights both the volatility and the comprehensive nature of the WGA framework in capturing the government's financial obligations. However, this decrease primarily reflects temporary actuarial adjustments rather than a fundamental reduction in long-term liabilities, which remain significant. As the discount rate effect in 2022-23 was largely a one-off, the 2023-24 WGA is unlikely to show a similarly large decrease in net expenditure unless there are further significant movements in discount rates. The underlying long-term liabilities remain substantial, and the WGA will continue to reflect both the volatility from actuarial assumptions and the comprehensive scale of the government's financial commitments

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 Accounts) for measuring economic activity. The Office for National Statistics, operating independently, conducts the reporting. The notable benefit of reporting based on 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 recognise 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.

5.28 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 recognise 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.

Comparing WGA expenditure to the Public Sector current budget deficit

5.29 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.

5.30 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 unfunded pension obligations and other future commitments. These costs are only recognised 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.

5.31 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

5.32 Public Sector Net Debt (PSND) is defined as the total gross debt of the public sector, minus liquid 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.

Non-debt liabilities are included in WGA net liabilities but not included in PSND.

Non-liquid assets are included in WGA net liabilities but not included in PSND.

The valuation of gilts differs between WGA net liabilities and PSND.

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 recognise, 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 as its output is recognised as an asset.
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 as disposals of assets.
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	Recognised expenditure when rights accrue to employees, even though payment is not due.	Recognised expenditure as it is paid to retirees. The future liability for current employees is

	Pension Assets are recognised when employees and/or employers make contributions into the pension fund.	not recognised. Pension entitlements for funded pension schemes 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

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. The main differences for PSND compared to net liabilities are the exclusions from PSND of non-debt liabilities and non-liquid assets, and the valuation gilts.

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

	2023-24 £bn	2022-23 £bn
Public Sector Net Debt (PSND)	**2,686**	**2,540**
Add liabilities not recognised in PSND:		
Net public sector pensions liability	1,312	1,415
Provisions	262	307
PFI contracts	32	23
Adjust assets measured differently in PSND:		
Asset Purchase Facility including Term Funding Schemes	(247)	(293)
Unamortised premia on gilts	(43)	(58)
Add assets and liabilities excluded from measure of PSND:		
Property, plant and equipment	(1,539)	(1,435)
Right of Use Assets	(28)	(29)
Investment property	(14)	(14)
Intangible assets	(52)	(48)
Trade and other receivables	(44)	(45)
Prepayments and accrued income	(118)	(112)
Inventories	(13)	(13)
Investments	(49)	(43)
Trade and other payables	42	43
Accruals and deferred income	92	94
Other adjustments including eliminations	96	57
Net liabilities (WGA)	**2,373**	**2,389**

Public Sector Net Financial Liabilities

5.37 The table below shows the assets and liabilities in WGA that are not included in PSNFL. Whilst PSNFL has a wider definition than PSND, it still does not include some items such as property, plant and equipment, PFI that is not on balance sheet for the European System of Accounts, accrued income, deferred income and provisions that are recorded in WGA. PSNFL only includes those assets treated as financial assets in National Accounts.

5.38 Other differences include measurement differences where the same assets and liabilities are valued differently. For example, PSNFL only applies discounting to pension fund liabilities and assets and uses a different discount rate from WGA which is fixed over a longer period. There are also classification differences, such as where the investments of pension schemes are shown as equity in PSNFL but netted off the pension liability in WGA.

Public Sector Net Financial Liabilities compared to total WGA net liabilities

5.39 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.

5.40 PSNFL is a statistical measure produced by the Office for National Statistics (ONS). It is calculated as public sector financial liabilities minus financial assets (i.e., it only considers financial instruments, not physical assets like buildings or infrastructure). PSNFL is produced on a national accounts basis (European System of Accounts/ESA), which is different from the commercial-style accrual basis of WGA.

WGA provides a comprehensive picture of the government's financial position, including non-financial assets and long-term liabilities. PSNFL is more focused on the government’s financial risk/exposure, as it only counts financial instruments and excludes things like buildings or infrastructure. They are both measures of the government’s financial position, but they differ in coverage and accounting basis, so the numbers are not directly comparable.

5.41 Between 2019 and 2023-24, both Public Sector Net Financial Liabilities (PSNFL) and Whole of Government Accounts (WGA) net liabilities increased substantially, reflecting the fiscal impact of the COVID-19 pandemic and subsequent economic support measures. PSNFL, which covers the public sector’s financial assets and liabilities, rose from around £2.1 trillion in 2019 to approximately £2.6 trillion in 2023/24. This increase was driven primarily by higher government borrowing to fund pandemic response and cost-of-living support.

5.42 WGA net liabilities, which provide a broader measure by including all public sector assets and liabilities (such as pension obligations and infrastructure), also rose—from about £2.4 trillion to over £3 trillion over the same period. The increase in WGA net liabilities was larger, reflecting the recognition of significant long-term commitments, particularly unfunded public sector pension liabilities.

5.43 While both measures show a marked deterioration in the public sector balance sheet, WGA net liabilities remain consistently higher than PSNFL, highlighting the scale of the government's long-term obligations not captured by financial liabilities alone. The widening gap between the two measures over this period underscores the importance of considering both fiscal and broader balance sheet perspectives when assessing the UK's public finances.

WGA net liabilities compared to Public Sector Net Financial Liabilities (PSNFL)

	2023-24 £bn	2022-23 £bn
Public Sector Net Financial Liabilities (PSNFL)	**2,271**	**2,161**
Add liabilities not recognised in PSNFL:		
Provisions	262	307
PFI contracts that are off balance sheet in National Accounts	31	23
Deduct assets not recognised in PSNFL:		
Property, plant and equipment	(1,539)	(1,435)
Right of Use Assets	(28)	(29)
Investment property	(14)	(14)
Intangible assets	(52)	(48)
Inventories	(13)	(13)
Assets held for sale	(1)	(1)
Adjust assets measured differently in PSNFL:		
Net public sector pension assets (equity)	510	470
Monetary gold & special drawing rights	(3)	(3)
Financial assets	45	27
Financial derivatives and employee stock options	(57)	(61)
Other Accounts Receivable	(98)	(101)
Adjust liabilities measured differently in PSNFL:		
Currency, deposits and debt securities	(108)	(152)
Pensions	787	920
Guarantees	1	1
Derivatives	103	31
Other Accounts Payable	278	309
Other adjustments (rounding)	(2)	(3)
Net liabilities (WGA)	**2,373**	**2,389**

Reconciliation to Public Sector Current Budget Deficit

5.44 Public Sector Current Budget Deficit is also calculated from the National Accounts. 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

	2023-24 £bn	2022-23 £bn
Public sector current budget deficit (PSCBD)	**62**	**77**
Add expenditure on liabilities excluded from PSCBD:		
Increase in provisions	(10)	10
Adjust expenditure calculated differently from PSCBD:		
Public sector pensions	-	-
Depreciation and amortisation	(28)	(25)
Impairments and revaluations of assets	26	13
Net (gains)/Losses on sale of assets	2	2
Capital grants	65	44
Research and development	4	3
Other adjustments including eliminations	(66)	35
Net expenditure on public services (WGA)	**55**	**159**
Financing costs of long-term liabilities, including discounting	83	(142)
Revaluation of financial assets and liabilities	7	(32)
Total net (income) / expenditure (WGA)	**146**	**(15)**

HM Treasury contacts

This document can be downloaded from www.gov.uk

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E03322881

978-1-5286-5772-3