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Committee of Public Accounts

Whole of Government Accounts 2022-23

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Committee of Public Accounts

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Contacts

All correspondence should be addressed to the Clerk of the Public Accounts Committee, House of Commons, London SW1A 0AA. The telephone number for enquiries is 020 7219 8480 (strictly media enquiries only – contact us via our email for general enquiries); the Committee's email address is pubaccom@parliament.uk. You can follow the Committee on X (formerly Twitter) using @CommonsPAC.

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Summary

The Whole of Government Accounts (WGA) consolidates over 10,000 organisations into a single set of financial statements and provides the most complete and accurate picture of the UK's public finances. In 2022–23, the WGA reported £1.1 trillion in public spending and the balance sheet showed £4.9 trillion of gross liabilities.

The previous Public Accounts Committee raised concerns about the timeliness and completeness of the WGA. Whilst there have been some improvements in the publication timeline and accessibility of information to readers, there has been a decline in data quality and completeness of returns. This resulted in the C&AG disclaiming his opinion for the first time in 2022–23 on two bases: missing and unaudited data.

The unprecedented disclaimer opinion was driven by the worsening local authority audit position, wherein local authorities have been unable to publish their audited accounts in a timely fashion to allow good quality data to be consolidated into the WGA. This is driven by a number of factors including limited capacity to do the needed work both in audit firms and authority finance functions, increasing regulatory expectations of the audit profession, and the limited profitability of local audit compared to other audit work. In 2022–23, only 10% (43) of the 426 English Local Authorities submitted reliable data and 187 failed to submit any data at all. The estimated impact of missing data is an overstatement of net liabilities of £31.7 billion and net income of £34.4 billion. The remaining 196 English local authorities did not have audited data to submit and are therefore included on an unaudited basis.

In addition to the unacceptable impact on the WGA, without timely financial reporting we are also concerned that the Ministry of Housing, Communities and Local Government (MHCLG) does not have sufficient oversight of local government finances to foresee issues and intervene where appropriate.

The Treasury and MHCLG have established a plan to clear the backlog of English local authority audits, implementing legislation to provide 'audit backstop' dates and establish a statutory and independent Local Audit Office (LAO). MHCLG aspires to have no disclaimed or qualified local authority accounts by the end of 2027–28. However, it has taken too long for these plans to be put in place and neither the Treasury nor MHCLG have made clear what the consequences are for local authorities failing to meet backstop deadlines.

The WGA includes several large liabilities. These values change significantly each year, for example the provision for nuclear decommissioning decreased by £126.2 billion to £146.9 billion, from £273.1 billion in 2021–22. These vast changes are mainly caused by movements in the discount rate used to discount future cash flows when calculating a liability's present value. The impact of these changes obscures the ability to identify meaningful trends in large public sector liabilities and we are calling on the Treasury to make the WGA more useful in this respect.

Changes in fiscal rules introduced by the government in 2024 mean WGA's balance sheet is likely to have increased significance. However, the WGA is not focused sufficiently on the long-term financial sustainability of the UK, though it notes that public debt is on an unsustainable trajectory over the next fifty years.

Introduction

The Whole of Government Accounts (WGA) provides a consolidated view of the government's financial position and performance. It is a set of financial statements prepared by HM Treasury in accordance with the International Financial Reporting Standards (IFRS) and the Government Financial Reporting Manual (FReM). 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.

In 2022–23, the UK public sector spent £1.13 trillion on public services and collected revenue of £975 billion. Most of government expenditure is financed through taxation revenue. In 2022–23, government collected £857.7 billion in taxation, £83 billion more than in 2021–22.

The C&AG has disclaimed his audit opinion on the WGA for 2022–23, for the first time in its 14-year history, as a result of the ongoing local authority audit crisis which has led to a significant amount of English local authorities being included in the accounts based on unaudited data, and an even greater number being missing entirely from the accounts.

Conclusions and recommendations

1. **Missing and unaudited data have led to a disclaimed opinion on WGA 2022–23, for the first time in 14 years.** In respect of the most recent WGA, the Comptroller and Auditor General (C&AG) has taken the unprecedented step of disclaiming his audit opinion due to the level of unaudited data used in the accounts and the level of data that is missing. This means that the C&AG has been unable to obtain sufficient, appropriate audit evidence upon which to form an opinion, and that it is possible that the impact is both material and pervasive to the financial statements. Both issues would have individually led to a disclaimed opinion, and it is important that HM Treasury (the Treasury) addresses both with equal urgency. The C&AG first qualified his opinion relating to the inclusion of unaudited data in the 2019–20 WGA, and relating to the volume of missing data in the 2020–21 WGA, with the relevant missing and unaudited bodies being primarily English Local Authorities. In his 2021–22 WGA Report on Accounts he warned that without corrective action his qualification may worsen, as did the previous Public Accounts Committee after its subsequent evidence session. Since then, the volume of both missing and unaudited data has increased, primarily driven by continued issues in the English local authority sector. For 2022–23 only 10% (43) of the 426 English Local Authority accounts are included in the WGA based on audited data, and 187 failed to submit any data at all.

RECOMMENDATION
The Treasury should write to the Committee within six months setting out its approach to and progress in reducing the level of missing and unaudited data within the WGA in future years.

2. **The Treasury and MHCLG have plans to try and fix the crisis in local authority audit arrangements, but it has taken too long to put these plans in place.** The number of missing and unaudited bodies had increased consistently since 2019–20. The Kingman review in 2018 and the Redmond review in 2020 concluded that local authority audit arrangements needed to be rethought and the previous Public Accounts Committee raised concerns several times in recent years about the state of local authority audit arrangements. To address the issue the government legislated on 9 September 2024 to implement a series of statutory deadlines, or backstop

dates, by which the audits of English Local Authority accounts must be complete. The first backstop date to complete audits of accounts relating to the 2022–23 financial year was set at 13 December 2024, with a further five dates covering audits up to the 2027–28 financial year. Furthermore, MHCLG published its strategy for overhauling the local audit system in England in December 2024. This committed to a series of measures to fix 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 to support the sector. It is not clear whether there will be sufficient private sector audit capacity to deliver the remit of the LAO, whether public sector involvement is being considered or how the strategy will address how local authorities should apply international financial reporting and audit standards. Following a previous recommendation of this Committee in 2024, the Treasury is conducting a pilot, due to complete this year, to test an approach to aligning financial year-end dates for academies and further education colleges in order to avoid further qualifications.

RECOMMENDATION

Alongside the Treasury Minute response to this report:

a. MHCLG should write to the Committee setting out key dates relating to resolution of the local audit crisis and how the department will achieve these dates, including how the department will ensure that the LAO is able to achieve its objectives.

b. The Treasury should write to the Committee within three months with an update on its work to align financial year-end dates for academies for WGA purposes.

3. **We are concerned that MHCLG does not have sufficient oversight of local government to foresee issues and intervene where appropriate.** Government's ability to effectively monitor financial pressure within local authorities is inevitably undermined while authorities are not producing audited accounts, or while their accounts are subject to disclaimed or heavily qualified audit opinions. This lack of transparency and assurance over local authority matters is occurring at a time of worsening financial health for some local authorities. It is not clear how the statutory audit backstop will be enforced or what consequences there will be for local authorities who fail to have their accounts audited by the backstop date.

RECOMMENDATION

a. Alongside the Treasury Minute response to this report, MHCLG should write to the committee explaining its approach to identifying local authorities that are under financial pressure and submit their latest risk assessment analysis.

b. MHCLG should also, within six months, set out the consequences for local authorities failing to meet the backstop deadline.

4. **The Treasury has made some improvements to the accessibility of WGA and the information it contains, but there is still more work to do.** We recognise the efforts the Treasury has made to make the WGA more accessible. These measures include additional disclosure within the annual report, a new accounting spotlight section that addresses key areas such as consolidation, new accounting standards and discount rates, alongside teach-in sessions delivered as part of the new MP induction programme. However, there is still work to be done to improve the structure of the WGA to allow readers to find information more easily. It remains difficult to find all relevant information within the WGA on a single topic such as pensions liabilities, as this is spread across multiple notes to the accounts. Consideration should be given to better consolidation of individual subjects.

RECOMMENDATION

a. The Treasury should continue to improve the accessibility of the WGA and consider producing a 'pocket handbook' or similar to help people understand and navigate the document.

b. The Treasury should also set out its plans for digitisation of the accounts and how this will achieve greater accessibility.

5. **The impact of discount rate changes is obscuring the ability to identify meaningful trends in large public sector financial liabilities within the WGA.** The discount rate is the rate of return used to discount future cash flows when calculating a liability's present value. The WGA includes several large liabilities which are heavily impacted by changes in the discount rate. For example, the provision in WGA for future decommissioning of nuclear facilities decreased by £126.2 billion from £273.1 billion in 2021–22 to £146.9 billion in 2022–23, with the discount rate decreasing the provision by £131.8 billion. But the forecast cost to the taxpayer actually increased by £11.7 billion in the year 2022–23 and has increased again by a further £10.3 billion in 2023–24. We looked at this further as part of the Committee's visit to Sellafield in February and will are due to hold our subsequent evidence session at the end of March. The net public sector pension liability also reduced from £2,639 billion at the end of

2021–22, to £1,415 at 31 March 2023 due to changes in underlying actuarial assumptions, including the changes to the discount rate. However, it is not possible to separately see the impact of the discount rate from other actuarial assumptions (such as life expectancy of future retirees) that change each year, and real changes in cash flows are obscured.

RECOMMENDATION

a. The Treasury should include additional information within the 2023–24 WGA to demonstrate the undiscounted position of significant liabilities and provide trend analysis and narrative to explain the changes to these discounted figures over time. This narrative should include information on how the Treasury and Departments are actively managing these liabilities.

b. The Treasury should also increase disclosure on actuarial assumptions other than the discount rate and how they impact government liabilities.

6. **The WGA is not sufficiently focused on long-term financial risk.** One purpose of the WGA is to provide a comprehensive picture of the UK's public sector finances and inform more effective management of fiscal risks. The WGA 2022–23 includes narrative on the fiscal risks published in the OBR's Fiscal Risks and Sustainability report. In particular, it highlights risks posed by climate change, rising health spending, and geopolitical tensions which are projected to increase pressures on the public finances. The OBR's report also notes that public sector net debt is expected to almost treble over the next 50 years if current trends continue. However, the WGA does not put this challenge into the context of the current government spending, liabilities and commitments reporting in the WGA or provide the information necessary to allow stakeholders to understand the extent of financial challenges for the UK.

RECOMMENDATION

The Treasury should outline how the WGA disclosures will be updated to ensure the long-term financial risks are more transparent and how the information in the WGA will be used to make such improvements.

1 Missing and unaudited data

Introduction

1. On the basis of the Whole of Government Accounts (WGA) for the year ended 31 March 2023, we took evidence from HM Treasury (the Treasury) and the Ministry of Housing, Communities and Local Government (MHCLG).[1]

2. The WGA, produced by the Treasury, provides a consolidated view of the government's financial position and performance.[2] It is a set of financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the Government Financial Reporting Manual (FReM).[3] 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.[4]

3. In 2022–23, the UK public sector spent £1,133.6 billion on public services and collected revenue of £975 billion.[5] The most significant elements of spending were social security benefits, staff costs and the purchase of goods and services.[6] Spending within Central Government accounted for £1,009.8 billion (89%) of overall expenditure in the public sector, with Local Government accounting for £126.7 billion (11%), whilst public corporations accounted for £2.9 billion of net income.[7] Most of government expenditure is financed through taxation revenue. In 2022–23, government collected £857.7 billion of tax, £83 billion more than in 2021–22.[8] Most of this is paid

1 HM Treasury, Whole of Government Accounts: year ended 31 March 2023, HC 289, November 2024
2 WGA 2022–23 p8
3 WGA 2022–23 p129
4 WGA 2022–23 p8
5 WGA 2022–23 p121
6 WGA 2022–23 p26
7 WGA 2022–23 p161
8 WGA 2022–23 pp161–163

by individuals, with income tax, National Insurance contributions and value added tax (VAT) being the three largest elements and together making up 68% of total tax revenue.[9]

4. The previous Public Accounts Committee examined the WGA each year that is has been produced. Its most recent findings were set out in a letter from the former Chair to the Treasury. These included concerns over the worsening delivery of English local authority audit that had resulted in fewer English local authorities accounts than ever before being consolidated into the WGA, and more of those that were consolidated being based on unaudited data. This had resulted in qualifications of the accounts, with the expectation that this may worsen in 2022–23 and lead to the C&AG disclaiming his opinion. Other issues included the limited accessibility of the WGA to key stakeholders, and the WGA audit opinion being qualified due to central government adopting accounting standards earlier than local authorities, treatment of NatWest in the accounts, and timing of year ends for academies and further education institutions that are consolidated into the accounts.[10] The Committee previously raised the issue of unaligned financial year – ends in relation to academies and further education colleges and asked in May 2024 how HM Treasury proposed to align these and accounting policies of organisations in the WGA.[11] In its response the Department stated that the Committee's recommendation was being implemented but did not give a timeframe.[12] If the vast majority of organisations included in the WGA are able to coalesce around the end of year reporting date there should be no reason why the higher education sector cannot do the same.

Missing and unaudited data

5. The C&AG disclaimed his opinion on the 2022–23 WGA accounts due to significant amounts of missing and unaudited data, which resulted in him being unable to provide an opinion on the truth and fairness of the financial statements. This was the first time the C&AG has disclaimed his opinion on the accounts, and in doing so he noted that both issues were significant enough individually to lead him to disclaim his opinion. The accounts note that 211 bodies were missing in 2022–23, up from 178 in the previous year and 155 in the year before that. 227 bodies submitted unaudited data for 2022–23, up from 211 in the previous year.[13]

9 WGA 2022–23 p165
10 Letter from the Committee of Public Accounts to HM Treasury 24 May 2024
11 Letter from the Committee of Public Accounts to HM Treasury 24 May 2024
12 Letter to the Committee of Public Accounts from HM Treasury 29 November 2024
13 WGA 2022–23 p285

6. The C&AG's Report accompanying his audit certificate notes that "English local government statutory audits are increasingly delayed and whilst the WGA still contains useful information, the fall in data quality and completeness of returns has degraded the reliability of trend data and the insight the accounts can provide." [14] It further notes that "of the 426 English local authorities that should be consolidated into the 2022–23 WGA, 187 did not submit information and are therefore missing from the accounts, and an additional 196 are included but their information has not been audited." [15] Therefore only 10% (43 out of 426) submitted audited information.

7. The Treasury estimated that there is approximately £133.6 billion of property, plant and equipment missing from the accounts, and approximately 104.6bn of missing public sector pension liability.[16] The overall impact of missing data across the accounts is estimated to be that net liabilities are overstated by £31.7bn (1.3% of total), and net income is overstated by £34.4bn. The C&AG notes that including the missing expenditure would therefore move the published net income figure of £14.6bn to a net expenditure figure of £19.8bn.[17]

8. The WGA does not contain detailed analysis of the impact of unaudited data on a line by line basis, but the C&AG notes that £35.1bn of total net expenditure and £93.6bn of total net assets are reported in the WGA based on unaudited draft data.[18]

9. We challenged the Treasury about the impact of the missing data and the poor quality of a some of the data being consolidated into the WGA. The Treasury acknowledged that the accounts being disclaimed on the basis of such issues is "hugely sub-optimal".[19] However, officials did express their belief that the reliability of the WGA will increase in the future.[20]

Plans to fix the crisis in local audit

10. The Local Government Association (LGA) provided us with written evidence and commented that the high number of missing audit submissions to WGA from English local government is due to widespread systemic issues with local audit and not due to failings of governance in local authorities. It stated that the disclaimed or modified opinions are due to circumstances largely outside of the control of local bodies and do not

14 WGA 2022–23 p284
15 WGA 2022–23 p285
16 Q 1
17 WGA 2022–23 p18
18 WGA 2022–23 p285
19 Q 13
20 Q 13

signify issues in their financial accounts. It added that the causes of the crisis (in local audit) are complex, with no easy explanation or easy solution, but that factors include:

- Insufficient audit resources. There are a limited number of audit firms within the market and a shortage of suitably qualified auditors working for them.
- Auditors have to do additional work due to tighter and stricter regulation of auditors following audit failures in the private sector.
- Local authority accounts are complicated and hard to understand. These complexities add to the amount of audit work and the work for accounts preparers.[21]

11. The government legislated on 9 September 2024 to implement a series of statutory deadlines, or backstop dates, by which the audits of English Local Authority accounts must be complete. The first backstop date to complete audits of accounts relating to the 2022–23 financial year was set at 13 December 2024 and over 90% of English local authority accounts were published by this date, albeit often with disclaimed audit opinions.[22] Subsequent to our evidence session MHCLG wrote to us and confirmed that approximately 95% of bodies had published audited accounts for 2022–23 by 13 December 2024, albeit that around 200 of them (approximately 45%) had disclaimed audit opinions.[23] Further backstop dates are proposed for 2023–24 and beyond as follows: 2023–24 accounts are due by 28 February 2025; 2024–25 accounts are due by 28 February 2026; 2025–26 are due by 31 January 2027; 2026–27 are due by 30 November 2027; and 2027–28 are due by 30 November 2028.[24] MHCLG aspires to have no disclaimed or qualified local authority accounts by the end of 2027–28. However, in the intervening years the expectation is that while the volume of missing data drops as audits are completed by the statutory backstop dates, this will result in an increase in the number of submissions that have limited or no audit assurance, as component auditors disclaim local authority accounts in order to meet the deadlines.[25]

12. We asked the Treasury what its plan was for achieving timeliness as well as removing of the disclaimer opinion from the WGA's accounts, and how it would achieve both at once. The Treasury told us that there was a rapid rise in missing bodies from 2019 to last year, where local authorities were

21 WGA0001
22 Q 8
23 Letter from the Permanent Secretary concerning local audit backlogs, 5 March 2025
24 Letter from HM Treasury to Committee of Public Accounts, 29 November 2024, WGA 2022–23 pp29–30
25 Q 16

struggling to deliver accounts. COVID disruption was noted as a significant factor in the delays, and now the government wants to prioritise the timeliness of WGA and get back to the pre-COVID position.[26]

13. The Treasury told us that it was providing £45 million of funding to MHCLG to support local authorities in purchasing audit services. It confirmed that such funding was to address where audit costs have risen faster than fees paid.[27] We challenged the Treasury and MHCLG about whether it would need to continue funding the audits of local authorities in future. The Treasury did not rule out doing so going forward.[28]

14. The Treasury and MHCLG also described other measures that they think will resolve the local authority audit issues. Beyond the backstop and additional funding, MHCLG said it is working to simplify the financial reporting requirements for local authorities, as the current level of complexity is, in MHCLG's view, a barrier to the local authority audit market working effectively. It expects simplified audit requirements to stimulate additional supply of auditors.[29]

15. MHCLG has announced its intention to create a Local Audit Office (LAO) that will support with the interpretation of international standards for local authority audits.[30] The proposed remit of the LAO was included in MHCLG's strategy published in December 2024 that outlines how it will overhaul the local audit system in England. In this strategy MHCLG stated that the government accepts the Remond and Kingman review's recommendations for a new oversight organisation.[31] The LAO will have five strategic responsibilities: coordinating the system, contract managing, code of practice, oversight, and reporting, insights & guidance.[32] MHCLG noted that the local audit office will contribute by centralising several responsibilities to address the current fragmented oversight of the sector.[33] We questioned what actions would be taken to prevent a reoccurrence of the issues seen in the market, to which the Treasury stated that the local audit office would be able to support improved audit capacity to prevent a reoccurrence.[34] The LGA told us it needed to be convinced that such a new organisation would tackle the problems that exist in the sector. It stated that structural

26 Q 11
27 Q 48
28 Q 49
29 Q 29
30 Q 29
31 Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK
32 Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK
33 Q 25
34 Q 47

change on its own will not be enough, and that there is an urgent need to restore confidence in the local audit arrangements, restore timely audits permanently, and improve financial reporting.[35]

Oversight of local government finances

16. We questioned MHCLG as to whether it has sufficient oversight over local government to foresee financial issues and intervene where appropriate. The lack of audited accounts being published leads to a lack of transparency over local authority matters during a time of worsening financial health for those same local authorities as rising populations, higher demand on social care and lower council incomes are putting local authorities under pressure.[36] In 2023 Birmingham City, Nottingham City and Woking Borough councils issued Section 114 notices indicating that forecast income was insufficient to meet forecast expenditure, meaning that they were effectively bankrupt.

17. The Treasury believes that it and MHCLG do know what is going on in the local authority area, and that there are other ways, beyond audited accounts, for them to check the financial health of a local authority.[37] MHCLG added that, while accounts are important, they are not the only means by which it understands what is going on in the sector. It pointed to three other means: sustainability financial tools looking at other forms of published data; public interest reports that are still produced by auditors; and broader engagement with the sector. MHCLG described the broader engagement with the sector as informal conversations held between its teams across the country and local authorities, developing soft intelligence and informing the department about authorities at financial risk.[38]

18. As such, MHCLG told us that it had a good understanding of the financial pressures facing particular local authorities and that it was confident in knowing where the issues were.[39] MHCLG did note though that quirks can occur, referencing Barnet Council issuing a s114 notice where the council made unlawful transactions relating to pensions in 2020.[40] MHCLG was not aware of the issue before the council declared it.[41] We highlighted to MHCLG the importance of understanding where local authorities are under pressure from increasing expenditure, on SEND for example, with which it agreed.[42]

35 WGA0001
36 For example, House of Commons Library, Why are local authorities going 'bankrupt'?, July 2024
37 Q 17
38 Q 31
39 Qq 31, 34
40 Letter from MHCLG to the Committee of Public Accounts, 6 February 2025
41 Q 34
42 Q 38

Increasing numbers of late or uncompleted Local Authority accounts makes it more difficult for councillors or their officers to spot irregularities or trends which could enable them to take earlier interventions to prevent section 114 notices. When this happens, services tend to be reduced and council tax increased.

19. We also expressed concern as to whether MHCLG has the tools necessary to ensure local authorities produce audited accounts in future in line with the various backstop deadlines. MHCLG replied that, though backstop requirements are statutory, in the event a local authority does not meet that statutory requirement, it would first engage with a given local authority, and then publish a list of those that fail to publish accounts in time. It insisted that MHCLG does have intervention powers and has shown it is prepared to use them.[43] However, in MHCLG's view, there may be reasonable explanations for why local authorities cannot produce audited accounts in time, so did not think it reasonable to intervene in every instance of a body missing a backstop.[44] We accept this explanation but we would expect MHCLG to always ask for an explanation as to why each account is late so that every local authority knows that they are being carefully scrutinised.

43 Q 21
44 Q 21

2 Useability and focus of the WGA

Accessibility to readers

20. In the 2022–23 WGA, the Treasury has added new sections to the performance report, improving the quality and accessibility of reporting in the accounts.[45] These include new accounting spotlight sections that address key areas such as consolidation, new accounting standards and discount rates.[46] Another section added this year is the 'year at a glance', where the WGA highlights some examples of spend in the year, such as £1.84 billion committed to the European Space Agency and £2.6 billion provided in recovery funding to support the most disadvantaged pupils.[47]

21. We asked the Treasury how it would resolve information on given topics, such as pensions, being dispersed across the accounts. It replied that, whilst the notes and accounts are prepared in line with International Financial Reporting Standards (IFRS) and therefore have a prescribed format, it can bring information together in the performance report in future.[48] We also questioned the Treasury on several areas of interest, such as liabilities to the EU, which we found lacked sufficient explanation within the accounts. In response, it noted that full detail could not be given for all topics, as a balance is needed in level of detail given on a topic, against the overall size of the WGA. The Treasury also acknowledged that it could link to other sources of data available online, for more complex topics.[49]

22. We queried what the Treasury was doing to help MPs better understand and make use of the WGA. In response, the Treasury told us that it has previously offered WGA sessions for new MPs as part of their induction programme. It also said it was willing to run future teach-ins for any parliamentarians who would like to attend.[50]

45 WGA 2022–23 p31
46 WGA 2022–23 pp45–46
47 WGA 2022–23 p10
48 Q 69
49 Q 77
50 Q 3

23. In response to our questions on how the Treasury will improve the format of the WGA in future, the Treasury told us that it plans to improve the quality of reporting in the WGA in future publications, after it has restored the timeliness of production of the accounts to a pre-COVID timetable. The Treasury plans to introduce a 15-year trend analysis of UK public sector income and expenditure, key assets and key liabilities to the WGA for 2023–24 .[51] The Treasury also noted that other countries have more digital content available on their accounts, and stated their ambition to consider opportunities to do more in that area.[52]

Discount rates

24. The WGA includes several large provisions which change substantially from year to year. For example, the provision for future decommissioning of nuclear facilities has decreased by £126.2 billion from £273.1 billion in 2021–22 to £146.9 billion in 2022–23, with the discount rate decreasing the provision by £131.8 billion.[53] We subsequently discovered that the forecast cost to the taxpayer of nuclear decommissioning had actually increased by £11.7 billion in the year 2022–23 , despite the impression given by the figure in the accounts that it had reduced substantially.[54] The cost also increased by a further £10.3 billion in 2023–24.[55]

25. The net public sector pension liability also reduced, from £2,639 billion at the end of 2021–22, to £1,415 billion at 31 March 2023 due to changes in underlying actuarial assumptions, including the changes to the discount rate.[56] However, it is not possible to separately see the impact of the discount rate from other actuarial assumptions (such as life expectancy of future retirees and assumptions such as predicted pay increases for workers in future) that change each year.[57]

26. We challenged the Treasury over the difficulty that an ordinary reader would have understand the actual movement in large liabilities from year to year.[58] Written evidence received from Professor David Heald also noted that the recent volatility of the discount rate used in the valuation of assets and liabilities had made changes in WGA Net Liabilities difficult to interpret.[59]

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51 Q 3
52 Q 4
53 WGA 2022–23 pp68–69
54 Nuclear Decommissioning Authority Annual Report and Accounts 2022–23 p143; Ministry of Defence Annual Report and Accounts 2022–23 p163
55 Nuclear Decommissioning Authority Annual Report and Accounts 2023–24 p149; Ministry of Defence Annual Report and Accounts 2023–24 p156
56 WGA 2022–23 p241
57 Q 68; WGA 2022–23 pp241–242
58 Q 14
59 WGA0002

The Treasury acknowledged that discount rates dominate movements in these liabilities, and that reductions in the discounted valuation of the liabilities do not themselves mean that actual future payments, for example to pensioners or for nuclear decommissioning, are reduced. The Treasury commented that the discounted values were of some use. But it also acknowledged that it could do more in the performance report to show future undiscounted liabilities, and that it was right to want to complement existing information to make it more meaningful to the reader.[60]

27. We received written evidence from the ICAEW which states that the significant reduction in pensions liabilities presented within the 2022–23 WGA is the most significant change in the balance sheet for the government, and is primarily due to actuarial assumptions, particularly discount rates. It stressed that such a reduction does not represent a windfall to the exchequer, as it does not impact pension entitlements in cash terms. The actual obligation for the government to pay future pensioners continues to increase, with £116.6 billion added to future entitlements during 2022–23.[61]

28. We questioned the Treasury about the clarity of reporting within the WGA on the impact of actuarial assumptions on the unfunded pension liability figure reported.[62] It replied that the WGA disclosure of such factors had improved from previous years, but acknowledged that further improvement could be made.[63]

Long term sustainability

29. The WGA highlights the succession of economic shocks that the UK has been affected by in recent years, straining public finances.[64] The accounts detail several specific risks to the UK's public finances going forward. These include costs of resolving, mitigating and adapting for climate change damage, including flooding and coastal erosion. Additionally, health spending is expected to increase in future years, resulting in an increase to public sector debt. Demographic pressures and geopolitical pressures are also expected to pressure public finances in the next fifty years putting the UK's public debt on an unsustainable trajectory, on the basis of policy at the Spring budget in March 2024 and in the absence of policy action to mitigate the rise in debt.[65]

60 Q 14
61 WGA0003; WGA 2022–23 p244
62 Q 68
63 Q 68
64 WGA 2022–23 p37
65 WGA 2022–23 p37

30. The WGA gives a big picture view of the financial position of the UK government.[66] We questioned the Treasury on the financial sustainability of public spending, to which it responded that the OBR forecast that accompanied the autumn budget, rather than WGA, would be the better source for looking at the sustainability of the spend versus revenue position. It commented that the WGA offers a broader view of government finances as it includes things like pension liabilities increases for the year, and so adds to the OBR forecast. However, "in terms of what the Government is doing to set public finances back on a stable footing, I think the Budget and the Budget forecast are the primary gauge." [67]

31. We challenged the Treasury on how seriously it is taking the sustainability of government finances, to which it stated that it was taking the matter very seriously. It commented that the OBR's fiscal sustainability report includes a 50-year forecast and looks at what happens if everything stays the same. Based on current policy and the latest demographic projections, the OBR estimate public debt is projected to almost triple from under 100% of GDP to over 270% of GDP over the next 50 years.[68] The main takeaway from that-given the issues of an ageing population, demands on healthcare, and climate damage - being that some things are going to have to be done differently.[69]

32. We asked the Treasury to explain the actions needed to address the issues that are putting pressure on public finances and risking the sustainability of spending in the long term. The Treasury noted that work was needed on adult social care, driven by the aging population of the UK and the need for prevention of issues rather than just paying for the consequences. It assured us that fiscal sustainability is the foundation of what the Treasury is looking at, and it needs to look at cost drivers coming up in the future.[70]

33. Written evidence we received from the ICAEW stressed that, in the absence of discount rates noted in earlier sections, the UK government had a deficit of £200 billion in 2022–23. The ICAEW noted that this deficit is more than 20% of the revenue the UK government received in 2022–23 (£975 billion) and that this deficit is greater than that reported in the National Accounts (£77 billion), as the WGA includes longer term financial liabilities that the government incurs. It stressed the need for a long-term fiscal strategy to put the public finances on a sustainable path.[71] Evidence from Professor David Heald argued that the WGA does not appear to be central to

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66 Q 79

67 Qq 79–80

68 Public debt projected to exceed 270 per cent of GDP by the mid-2070s - Office for Budget Responsibility

69 Q 81

70 Q 82

71 WGA0003

Treasury thinking when it comes to fiscal policy, despite some of the written statements in the WGA. Professor Heald also provided commentary on the relevance of, and implications for, the WGA in the context of the new fiscal rules recently announced by The Chancellor.[72]

72 WGA0002

Formal minutes

Thursday 6 March 2025

Members present

Sir Geoffrey Clifton-Brown, in the Chair

Mr Clive Betts

Nesil Caliskan

Rachel Gilmour

Lloyd Hatton

Chris Kane

Rebecca Paul

Oliver Ryan

Declaration of interests

The following declarations of interest relating to the inquiry were made:

23 January 2025

Anna Dixon declared the following interest: previously worked at DHSC and therefore has a civil service pension.

Whole of Government Accounts 2022-23

Draft Report (*Whole of Government Accounts 2022-23*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 33 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Sixteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Monday 10 March 2025 at 3 p.m.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Thursday 23 January 2025

James Bowler CB, Permanent Secretary, HM Treasury;
Conrad Smewing, Director General, Public Spending and Joint Head of the Government Finance Function, HM Treasury;
Andrew Cartner, Director, Public Spending and Deputy Head of the Government Finance Function, HM Treasury;
Will Garton, Director General, Local Government, Growth and Communities, Ministry of Housing, Communities and Local Government;
Rosie Seymour, Deputy Director, Local Government Accountability and Audit, Ministry of Housing, Communities and Local Government Q1-82

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

WGA numbers are generated by the evidence processing system and so may not be complete.

1	Heald, Professor David (Emeritus Professor, Adam Smith Business School, University of Glasgow)	WGA0002
2	ICAEW: The Institute of Chartered Accountants in England and Wales	WGA0003
3	Local Government Association	WGA0001

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2024–25

Number	Title	Reference
15th	Prison estate capacity	HC 366
14th	Public charge points for electric vehicles	HC 512
13th	Improving educational outcomes for disadvantaged children	HC 365
12th	Crown Court backlogs	HC 348
11th	Excess votes 2023-24	HC 719
10th	HS2: Update following the Northern leg cancellation	HC 357
9th	Tax evasion in the retail sector	HC 355
8th	Carbon Capture, Usage and Storage	HC 351
7th	Asylum accommodation: Home Office acquisition of former HMP Northeye	HC 361
6th	DWP Customer Service and Accounts 2023-24	HC 354
5th	NHS financial sustainability	HC 350
4th	Tackling homelessness	HC 352
3rd	HMRC Customer Service and Accounts	HC 347
2nd	Condition and maintenance of Local Roads in England	HC 349
1st	Support for children and young people with special educational needs	HC 353