



National Audit Office

Helping the nation spend wisely

Nick Leaton

GTN 3935
Switchboard +44(0)20 7798 7000
Facsimile +44(0)20 7798 7070

Direct Line +44 (0)20 7798 7264
Direct Fax +44 (0)20 7798 7070
Email nick.lacy@nao.gsi.gov.uk
Room RED.3
Reference FOI-418
Date 28 April 2010

By email to:
request-24359-44f59f57@whatdotheyknow.com

Dear Mr Leaton,

FOI-418 REPORTING OF PENSION LIABILITIES IN THE GOVERNMENT BALANCE SHEET - INTERNAL REVIEW

On 7 December 2009, you submitted a Freedom of Information request to the NAO requesting "all minutes and discussion papers justify[ing] or discussing why the NAO does not include [occupational public sector pension] liabilities on the balance sheet,... and any information as to why the NAO chooses to go against standard accountancy practice".

Julian Wood responded to your request on 6 January 2010 to say we do not hold any minutes or discussion papers addressing the exclusion of occupational public sector pension liabilities from the government balance sheet. He also noted the following:

- The financial accounting standards for central government and Whole of Government accounts are set by HM Treasury after taking advice of the Financial Reporting Advisory Board;
- Occupational public sector pension liabilities are disclosed in pension scheme accounts' balance sheets; and
- From 2009-10, the Whole of Government Accounts balance sheet will disclose the combined liabilities of the public sector employee pension schemes.

You subsequently emailed the NAO on 10 January to request an internal review of our handling of your FOI request, and this is now complete. I apologise for the delay in completing this review. This was caused by the need to consult with HM Treasury as well as the unusually high volume of new FOI requests that we have received in the last three months.

The internal review was conducted by a senior member of staff who was not involved in the handling of your original request. The reviewer was asked to reconsider the original decision and handling of your request.

The internal reviewer re-performed searches of our electronic records and concluded that we hold nothing to answer your precise enquiry as it is based on a misapprehension about who takes the decisions regarding financial reporting by central government. The decision about how to report occupational public sector pension liabilities is taken by HM Treasury, and not, as you suggest, by the NAO.



However, although the reviewer concluded that we hold nothing directly answering your request, he searched for documents relating to discussions about how occupational public sector pension liabilities are reported. He identified four documents we hold which contain information which is relevant to your area of interest. These are:

1. Minutes of the Second HM Treasury Public Sector Pension Group (PSPG) meeting on 25 July 2001. Item 6 of this meeting discussed "on balance sheet" treatments and the implications for the implementation of FRED 20 (the Exposure Draft leading to FRS17 which was incorporated into the Resource Accounting Manual requiring pensions liabilities to be "on balance sheet" from 2003-04).
2. Minutes of the Fourth HM Treasury Public Sector Pension Group (PSPG) meeting on 2 October 2001. This Group first met in June 2001 and oversaw the detailed implications of accounting for these liabilities.
3. Treatment of FRS 17 in CGA [Central Government Accounts] and Links to Pension Schemes' Resource Accounts (HM Treasury document).
4. FRAB 36 - 11 NOVEMBER 1999 Briefing document (internal NAO document)

Although these documents do not answer your precise FOI request (for the reason set out above), they provide some background to the discussions which were led by HM Treasury on this topic and the NAO's involvement, which you might find useful.

The information being released is attached to the email accompanying this letter. Some of the information has been redacted under Section 40(2) (personal information) of the Freedom of Information Act 2000. Details of this exemption and its application are at Annex A to this letter.

In accordance with guidance issued by The National Archive and the Section 46 (Code of Practice) of the Freedom of Information Act, we have a policy on the retention and disposal of records which is available on our website at:

http://www.nao.org.uk/freedom_of_information/publication_scheme/our_policies_and_procedures/conducting_our_business.aspx In line with this policy, documents created before 2003 will, by now, have been subject to review and some documents may have been destroyed as part of our routine records management. As discussions in which the NAO participated regarding the reporting of public sector pension schemes will have occurred largely before 2002, around the time that FRS17 and resource accounting were being introduced, the documents identified in response to your request may not comprise all the documents we once held on the topic.

I hope you find this response helpful. Annex B to this letter sets out the steps you should take if you are not satisfied with the outcome of this internal review.

Yours sincerely,



Nick Lacy
Head of Legal and Policy

Section 40 of the Freedom of Information Act provides that:

1. Any information to which a request for information relates is exempt information if it constitutes personal data of which the applicant is the data subject.
2. Any information to which a request for information relates is also exempt information if-
 - a. it constitutes personal data which do not fall within subsection (1), and
 - b. either the first or the second condition below is satisfied.
3. The first condition is-
 - a. in a case where the information falls within any of paragraphs (a) to (d) of the definition of "data" in section 1(1) of the Data Protection Act 1998, that the disclosure of the information to a member of the public otherwise than under this Act would contravene-
 - i. any of the data protection principles, or
 - ii. section 10 of that Act (right to prevent processing likely to cause damage or distress), and
 - b. in any other case, that the disclosure of the information to a member of the public otherwise than under this Act would contravene any of the data protection principles if the exemptions in section 33A(1) of the Data Protection Act 1998 (which relate to manual data held by public authorities) were disregarded.
4. The second condition is that by virtue of any provision of Part IV of the Data Protection Act 1998 the information is exempt from section 7(1)(c) of that Act (data subject's right of access to personal data).

The exemption applies because:

This exemption applies because the release of personal information relating to NAO staff and third party personal information would breach the Data Protection Principles.

This exemption is absolute.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF.