



Office for
National Statistics

History and Challenges of Public Sector Reporting in the UK

GFSAC: IMF, Washington
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Overview

- introduction to UK Public Sector Finances (PSF)
- coverage of PSF
- brief history of PSF
- financial crisis - and it's challenges for PSF
- wider challenges in producing public sector aggregates
- concluding remarks

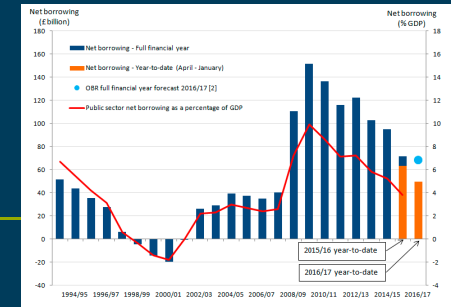
UK Public Sector Finances (1)



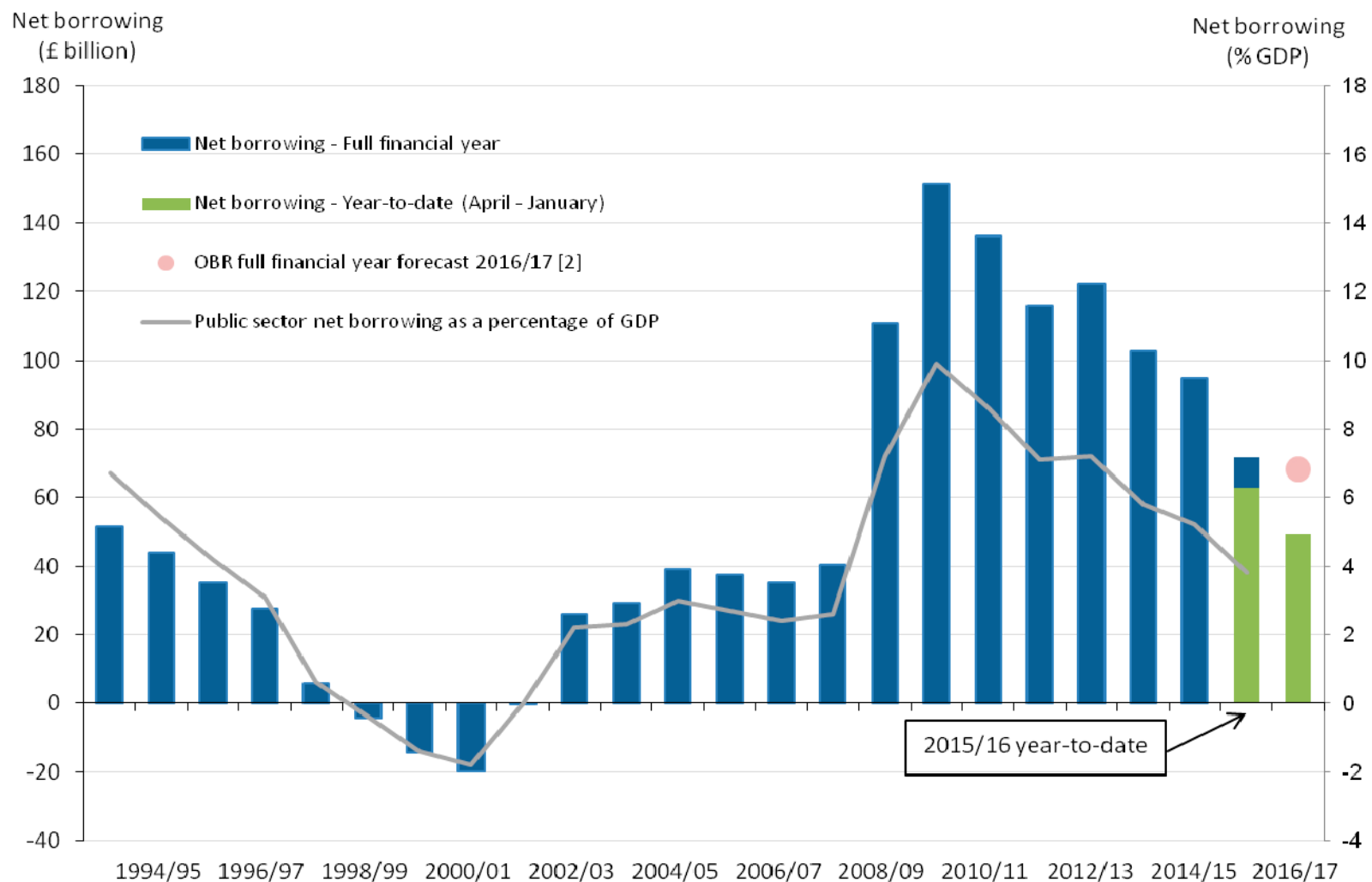
- produced monthly since 1998
- joint production between ONS and HM Treasury
- published 15 working days after month to which it relates
- UK National Statistics accreditation
- accrued data compiled in accordance with
National Accounts principles and concepts
- covers total public sector, including
 - central government
 - local government
 - public non-financial corporations
 - Bank of England
 - other public financial corporations

UK Public Sector Finances (2)

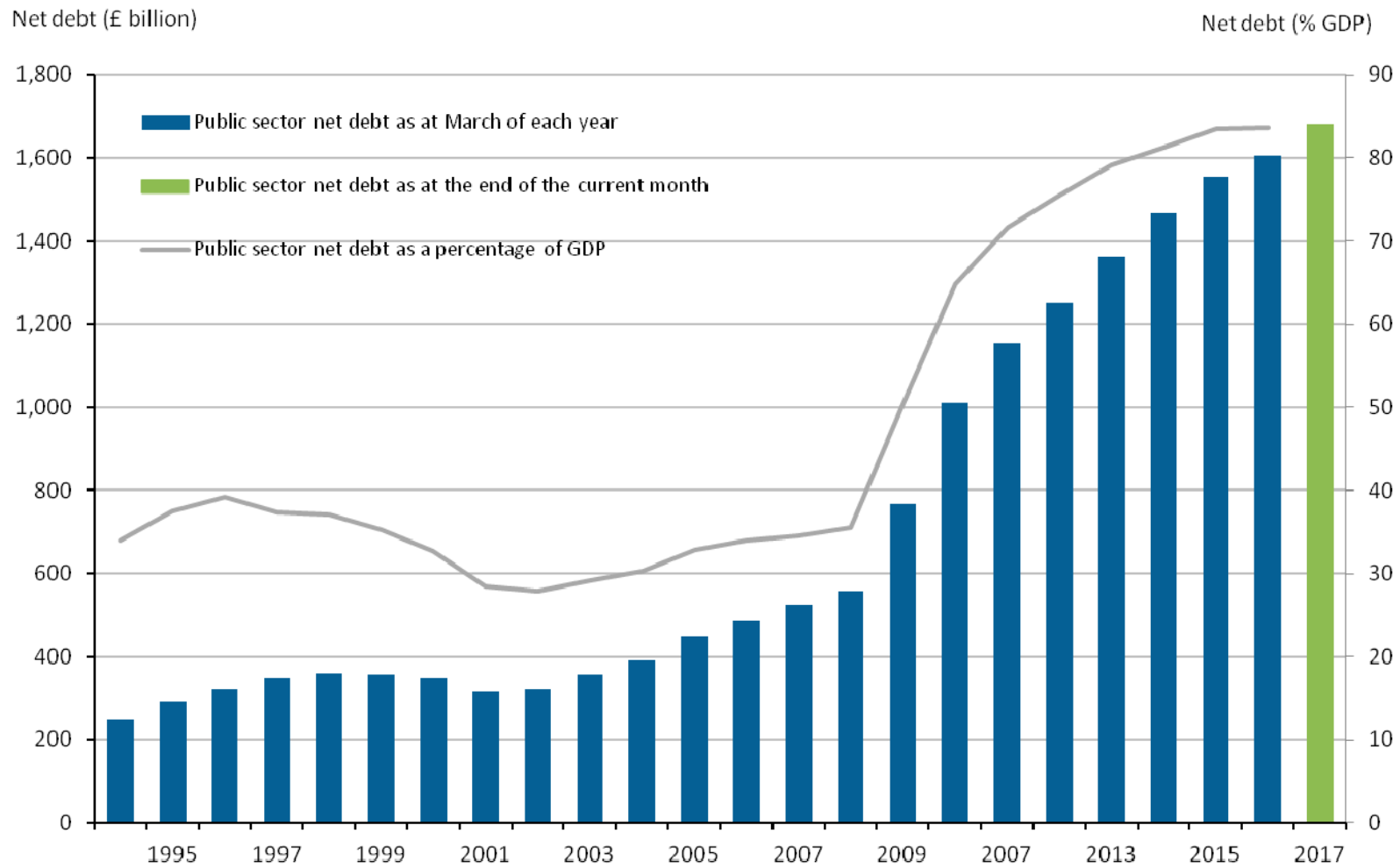
- key published fiscal aggregates are:
 - public sector net borrowing (PSNB)
 - public sector current budget deficit (PSCBD)
 - public sector net debt (PSND)
 - public sector net cash requirement (PSNCR)
- all fiscal aggregates exclude public sector banks
- PSNB equates to National Accounts definition
- PSCBD is similar (but not identical) to B.8g Gross Saving or GFSM Net Operating Balance
- PSND is gross financial liabilities (included in Maastricht Debt) at face value less liquid assets
- PSNCR is a cash measure of borrowing requirements



Public Sector Net Borrowing



Public Sector Net Debt



Source: Office for National Statistics

Public Sector Net Debt – by subsector

<p>Central Government (CG) gross debt</p> <p>£1,679.6</p> <p>Series: BKPW</p>	+	<p>Local Government (LG) gross debt</p> <p>£91.8</p> <p>Series: EYKP</p>	+	<p>Cross holdings¹ of debt (CG/LG)</p> <p>-£71.7</p> <p>Series: -KSC7</p>	=	<p>General Government (GG) gross debt [Maastricht Debt]</p> <p>£1,699.7</p> <p>Series: BKPX</p>		
<p>General Government (GG) gross debt [Maastricht Debt]</p> <p>£1,699.7</p> <p>Series: BKPX</p>	+	<p>Public Corporations (PC) gross debt</p> <p>£89.4</p> <p>Series: EYYD</p>	+	<p>Cross holdings¹ of debt (PC/GG)</p> <p>-£11.8</p> <p>Series: -KSC8-KSC9</p>	-	<p>Public Sector (PS) liquid assets</p> <p>£188.1</p> <p>Series: KSD8</p>	=	<p>Public Sector Net Debt ex public sector banks and Bank of England (PSND ex BoE)</p> <p>£1,589.2</p> <p>Series: KSE6 - A8J8</p>
<p>Public Sector net debt ex public sector banks and Bank of England (PSND ex BoE)</p> <p>£1,589.2</p> <p>Series: KSE6 - A8J8</p>	+	<p>Bank of England net debt (including Asset Purchase Facility)²</p> <p>£93.6</p> <p>Series A8J8</p>	=	<p>Public Sector Net Debt excluding public sector banks (PSND ex)</p> <p>£1,682.8</p> <p>Series HF6W</p>				

History of UK Public Sector Finances

- PSNCR (then PSBR) dates back to the 1960s
- At this time debt was defined as the National Debt
- In 1986 PSND (a stock equivalent of PSBR) was first published

- Major change in 1997/98 with new UK fiscal framework
- Focus on transparency, stability, responsibility, fairness and efficiency
- Accrual accounting brought in
- Alignment with National Accounts concepts and principles made explicit
- PSNB largely replaces PSBR as key fiscal aggregate

Benefits of Public Sector Aggregates

The UK government is a strong supporter of public sector fiscal reporting for a number of reasons.

1. provides fuller transparency on all government liabilities and spending (and assets and revenue)
2. assists international comparability where government/public sector may be structured differently between countries
3. removes fiscal policy incentive to set up public corporations where not required

However, although the UK collects and reports data for total public sector the financial crisis posed challenges for using total public sector for fiscal aggregates.....

'Ex' Measures (1)

- Financial crisis of 2007-08 led to UK government interventions in the financial sector
- Concern that impact of interventions would distort underlying position of public finances
- Introduction of 'ex measures' which excluded "temporary effects of financial interventions"
- PSNB ex and PSND ex introduced in late 2008
 - but PSNB and PSND still reported
- Idea was to exclude from PSNB ex and PSND ex interventions which were expected to only be temporary

'Ex' Measures (2)

- Challenges posed by financial interventions:
 - sourcing public sector banks data
 - deciding which impacts were temporary
 - explaining effects to users of statistics
- The challenges were met
- BUT by 2013 it was becoming increasingly hard to defend the “temporary effects” approach
- A broad review of the Public Sector Finance Statistics in 2013 proposed new simpler ‘ex measures’
- New ‘ex measures’ which only exclude public sector banks and these were introduced in September 2014

Key challenges for monthly PSF

- Public Sector Boundary
 - HM Treasury use ONS sector classification decisions to set fiscal and budget reporting boundaries
 - there is no extra-budgetary CG in the UK
- In-year data sources
 - tax and debt data are available from relevant departments
 - CG expenditure largely collected through a single system used by Treasury for monitoring budgetary spend
 - LG data collected through in-year administrative surveys
 - limited in-year PC data

Wider UK public sector publications

- Public Sector Finances is one part of the UK system of fiscal transparency
- Other key publications include:
 - Whole of Government Accounts (IFRS based consolidated reporting for public sector)
 - Public Expenditure Statistical Analyses (detailed outturn and forecast public sector spending data)
 - fiscal forecasts produced by independent Office for Budget Responsibility
- IMF published in 2016 a useful Fiscal Transparency Evaluation for the UK



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Thank you – any questions?