



Office for
National Statistics

Public Private Partnerships (PPP): Statistical and financial reporting in the UK

GFSAC: IMF, Washington
March 2017

Nick Vaughan, ONS

Summary

PPPs in the UK:

- PFI first used in early 1990s
- more popular since late '90s
- Latest summary data for all PFIs:
 - Total capital value: £60bn
 - Number of PPPs: 740 (of which 710 operational)
 - Present value of future PPP payments: £150bn



PPP Definition

ESA 2010, 20.276: PPP definition:

- complex, long-term contracts
- involve significant capital expenditure
- corporation operates and manages the assets
- majority of partner's income comes from government



Outputs and Publications including PPP aggregates

ONS

- National Accounts
- Public Sector Finances
- Eurostat – UK Government debt

HM Treasury (the UK finance ministry)

- Annual list of PPP projects
- Whole of Government Accounts
- PPPs devolved to Scottish and Welsh governments: data published separately

Coverage and accounting issues

- ONS first published PPP data in 2006
- Data can be difficult to source:
 - Some PPPs are unsupported by central government
 - Some projects are old
- Data for financial reporting purposes is on a different accounting basis to that for statistical purposes

Accounting issues

UK National Accounts:

- Applies ESA(2010) rules
- ESA2010, like SNA 2008, has only a few paragraphs on PPPs; MGDD 2016 includes more guidance
- Latest detailed guidance: Eurostat/EIB EPEC Guide “*A guide to the Statistical Treatment of PPPs*”
- UK has many PPPs, so has contributed to the ESA and MGDD guidance
- PPP guidance in the IMF’s Government Financial Statistics Manual (GFSM) 2014 is based on SNA2008

UK National Accounts – on ESA recording basis

- ESA2010: based on risks (and rewards) and ‘economic ownership’: assets are ‘on balance sheet’ if government bears majority of construction and availability risks
- Assessment should be holistic, e.g. including:
 - majority government funding
 - government guarantees
 - advantageous termination clauses
- Where the above assessment is inconclusive, may also consider ‘control’ aspects

UK PPP recording under the MGDD

- MGDD 2016:
 - detailed guidance on PPPs
 - reflects risk-focused approach of ESA2010 but
 - now includes other considerations, e.g:
 - participation in partner's equity
 - government's rewards
 - government vetoes
 - *force majeure* provisions
 - majority financing of capital expenditure by government
 - government's sharing in refinancing gains

Implications of the latest EPEC guidance

The EPEC guidance expands on the MGDD (152 pages versus MGDD's 25!).

- Designed to aid PPP practitioners: may help practitioners to keep PPP off balance sheet
- Mentions (a little) the issue of classifying PPP SPVs
- Provides a 'tick list' but makes clear that judgement is still required

PPP accounting under IFRS

- In the UK, 'Whole of Government Accounts' (WGA) are produced based on IFRS
- IFRS focuses on *control* of the PPP contract/assets, rather than on risk and rewards as in ESA10
- So WGA records most PPPs *on* the government balance sheet

IFRS v. ESA2010 misalignment

- PPP liabilities differ between WGA and the NA
- WGA's (IFRS based) PPP liabilities (Mar 2015) = around **£38bn**, whereas
- NA/PSF (ESA2010 based) PPP liability = around **£7bn**
- This results from the statistical and financial reporting systems having diverged over time

Classification and data challenges

- Classification work is very time consuming; contract documents are vast
- Data may be difficult to obtain
- Splitting unitary payments into capital and non-capital components can be challenging
- Few users of statistics understand PPPs, or the differences statistical and accounting reporting
- Lack of expert knowledge within departments that supply PPP data
- Work might be reduced, over time, as standardisation is embedded into PPP contracts
- ONS now has a PPP Working Group



Office for
National Statistics

Thank you – any questions?