

Article

Recent and upcoming changes to public sector finance statistics: August 2022

Information on recent and upcoming changes to our public sector finance statistics.



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Release date:
21 September 2022

Next release:
21 October 2022

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1 . Overview

Most methodological changes to the public sector finance (PSF) statistics are prompted by the need for statistics to keep pace with the evolving economy. These changes can alter perceptions of the government's fiscal exposure, as measured by the fiscal aggregates, such as public sector net borrowing (PSNB), or public sector net debt (PSND). This article increases transparency around the methodology work, including the classification reviews that are currently underway.

This month's article focuses on changes that have been implemented in the [Public sector finances \(PSF\) bulletin](#) published in September 2022. More information about other longer-term changes can be found in our [Looking ahead - developments in public sector finance statistics: 2022 article](#).

2 . Changes in September 2022

In accordance with our transparency strategy and to provide predictability to users, we aim to package together methodological changes at a single point in the year where possible. This section explains the changes implemented in September 2022 and describes the impact of those changes on fiscal aggregates. We announced our plans for these changes in our [Looking ahead - developments in public sector finance statistics: 2022 article](#). The impacts of these changes are presented in tables 14 and 15 of this month's Public sector finances (PSF) bulletin.

In addition to the development changes described in this article, our regular annual updates of data for Network Rail, Pool Re, public sector funded pensions, student loans and capital consumption also take effect this month. Of these, the updates for public sector funded pensions estimates have the most noticeable impact. Although the pensions figures have been revised from April 2020 to date, the impact on the financial year ending (FYE) March 2022 is the most material, reducing public sector borrowing by £8.0 billion and increasing net debt at the end of March 2022 by £5.0 billion.

Improvements to public corporations' data

The public sector boundary includes companies that operate on a market basis outside of the general government sector. Such companies are known as public corporations. As of September 2022, we have improved the coverage and quality of our data for this sector by extending the use of [HM Treasury's Whole Government Accounts \(WGA\) dataset](#), which covers both government organisations and public corporations.

The WGA are compiled in accordance with the International Financial Reporting Standards (IFRS). This is a different framework to the one used in fiscal statistics, but the WGA provide valuable source data for both purposes. We have adapted the dataset by mapping relevant flows and stocks to their statistical equivalents. As we account for the conceptual differences between the frameworks (such as the asset recognition boundary, treatment of certain flows and valuation methods), the aggregates presented in our statistics differ from equivalent estimates presented in HM Treasury's WGA publication.

Additionally, we have identified and corrected a number of historic data issues within our public corporations' fiscal statistics. These include the consistent recording of certain subsidies in both the government sector and public corporations sector accounts, as well as some improvements to the balance sheet data.

In combination, these changes have resulted in a £0.1bn decrease in public sector net borrowing (PSNB) in the financial year ending (FYE) March 2022.

These changes have also led to a £2.8 billion increase in public sector net debt (PSND) in the FYE March 2022 and a £2.5 billion increase in public sector net financial liabilities (PSNFL) in the same year. However, the magnitude of the balance sheet revisions varies across the time series because we have also improved the recording of retroactive classification decisions and ensured a more accurate consolidation of assets held by other parts of the public sector. The largest PSNFL revision occurs in the FYE March 2006, with an increase of £10.5 billion.

Recording of central government leases

We have transitioned to the new treatment of leases for central government organisations in the September 2022 PSF bulletin.

This change, as [described in our Looking Ahead article](#), was motivated by a classification review of central government property leases. The review established that because substantial risk transfer from the lessor to the central government lessee was a common feature of such contracts, it would be more appropriate to record them as "financial leases" (a statistical term for finance leases), rather than operating leases.

As a result, the non-financial asset, along with a corresponding financial liability, are now included on the government balance sheet. The total value of leased assets is estimated through information provided on combined payment commitments under all the central government lease contracts, because of the volume of individual lease agreements.

The changes to non-financial assets are reported on a net basis, across the whole of central government. As such, the impact of the changes on Public Sector Net Investment (PSNI) combine the impact of new lease agreements being taken out as well as the disposal of leased assets.

Firstly, because of this change, the interest element of lease payments is now treated as expenditure. The expenditure associated with the principal value of the asset is imputed at the time the lease agreement is entered into. This reprofiles government spending across the entire time series, decreasing public sector net borrowing (PSNB) by £0.4 billion in the FYE March 2022. This impact varies across the time series, reflecting the uneven path of lease contract start and end dates.

Secondly, the properties subject to lease agreements are now included on the government balance sheet, as is the imputed loan liability arising from spreading the payments over the duration of the leases. Only the financial liability is included within the scope of public sector net debt (PSND) and public sector net financial liabilities (PSNFL), meaning that both have seen an upward shift of £20.9 billion in the FYE March 2022.

The data source underlying this work has a lag of approximately two years between the period to which it relates and publication of the data. The latest years are therefore modelled on the available data, and as such will be subject to revisions as new data become available, as well as any ongoing improvements to the modelling.

We will continue the work on leases beyond September 2022. This is because we expect the adoption of the International Financial Reporting Standard 16 (IFRS 16) will better align the source data to the needs of fiscal statistics and reduce the need for statistical modelling in the future. We also expect to transition to using IFRS 16 estimates of asset values when such data become available. We will monitor the implementation of IFRS 16 in other parts of the public sector and will transition to the new methodology at an appropriate time.

Treatment of national non-domestic rates

As of September 2022, we have adopted a new method for measuring national non-domestic rates (NNDR), commonly known as "business rates", on an accrual basis, as explained in our [Looking ahead - developments in public sector finance statistics: 2022](#) article.

This new methodology was prompted by changes in business rates retention by local authorities and the new option for businesses to pay the rates in 12 monthly instalments. The existing estimates of NNDR are calculated using a combination of cash information and an assessment of likely receipts. The new accruals methodology provides a more accurate measurement of NNDR. As it is derived from time-adjusted cash receipts, it avoids the potential inaccuracies of the assessment data that are currently being used.

It is equally important to identify the institutional sector to which the body making the NNDR payment belongs. Payments made by public sector units do not contribute to the estimates of public sector net borrowing (PSNB), being simultaneously revenue and expenditure for the public sector. Additionally, the statistical tax category under which the NNDR payments are reported depends on the [sector classification of the payer](#), and specifically on whether it is a market or non-market entity. Where administrative data are not available at this level of detail, the new method uses Valuation Office Agency figures for rateable properties to derive a sector split of the measurement of total NNDR receipts.

Additionally, we have improved the presentation of central government payments of NNDR so that they are shown as both a payment and a receipt of taxes, rather than being netted off in our presentation. We have also lessened the risk of double counting of central government expenditure where an element of central government payment of reliefs was also included in intermediate consumption.

Throughout the project, we worked with other relevant government departments to comprehensively review the recording of NNDR payments and receipts. Following our investigations and assessment of statistical guidance, we concluded that the implementation of the new method will not affect other existing flows between central and local government, such as those relating to recording of business rate-related grants to local authorities.

These changes have resulted in revisions to PSNB, the largest of which occurs in the FYE March 2011 (an increase of £0.6 billion). Updated source data in the FYE March 2021 and the FYE March 2022 has further contributed to revisions, with the FYE March 2022 seeing a total downwards revision to PSNB of £0.5 billion. Public sector net financial liabilities (PSNFL) have been revised upwards by £0.1 billion in the FYE March 2022. There has been no impact on PSND.

3 . Other items under review

Energy policy announcements

On 8 September 2022, the UK government announced [a number of new plans to help manage the cost of energy prices for households and businesses across the UK](#). As part of the Energy Price Guarantee scheme, the UK government plans to include the temporary removal of green levies on energy bills and cap household energy bills at an average £2,500 for the next two years.

Additionally, equivalent support was announced for businesses and other non-domestic energy users, which is intended to last for six months with plans for further, ongoing support for the most vulnerable industries. The Office for National Statistics (ONS) will review and classify these support measures in due course.

Energy profits levy

On 26 May 2022, the UK government announced [a new levy on the profits of oil and gas companies](#) in the UK and the UK Continental Shelf, intended to help fund cost-of-living support. The Office for National Statistics (ONS) has classified this levy as a tax on the profits of oil and gas companies operating in the UK and the UK Continental Shelf. The first payment received will be accrued back to be reported as close as possible to the commencement date of 26 May 2022, as per ONS' methodology and the international guidance on the recording of these taxes. We aim to implement this tax in the public sector finances as soon as is practical.

Climate change levy

We have introduced a simpler accruals method for the Climate Change Levy on a national accounts (accrued) basis. This will improve the transparency of the calculations and the overall quality of the data.

We are introducing the update in two phases. This month, we have updated the data for the financial year ending (FYE) March 2022 and the financial year to August 2022, with minimal impact on each period. By December 2022, we will update the data for October 2013 to March 2021. The expected impact over the whole period is expected to be around £0.1 billion, and the effect is likely to be heavily concentrated in the FYE March 2020, where data-quality issues associated with the impact of coronavirus (COVID-19) have now been resolved.

4 . Related links

[Public sector finances. UK](#)

Bulletin | Released monthly

How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

[Looking ahead – developments in public sector finances statistics: 2022](#)

Article | Released 22 February 2022

What the Office for National Statistics sees as areas for future development in the public sector finance statistics.

5 . Cite this

Office for National Statistics (ONS), released 21 September 2022, ONS website, [Recent and upcoming changes to public sector finance statistics: August 2022](#)