



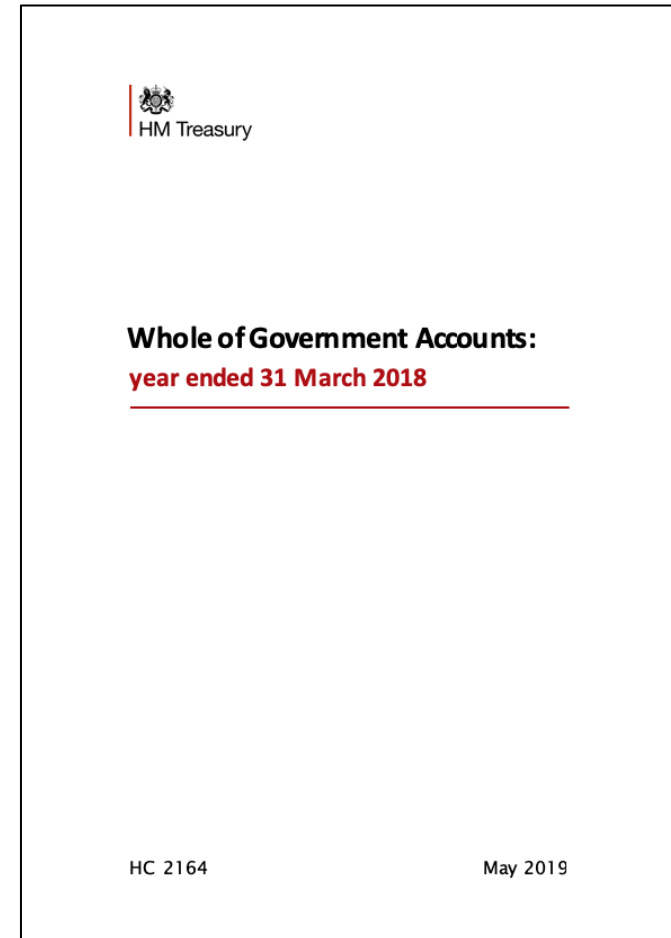
# *Whole of Government Accounts 2017-18*

THE UK GOVERNMENT'S ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2018

# *Whole of Government Accounts 2017–18*



- On 23 May 2019, the UK Government published its ninth Whole of Government Accounts (WGA) - for the year ended 31 March 2018
- The WGA bring together the accounts of over 8,000 public bodies in the UK across central government, devolved administrations, local government and public corporations
- The WGA is prepared in accordance with International Financial Reporting Standards (IFRS), which differ from the National Accounts rules used for calculating the fiscal deficit and public sector net debt



# *WGA is a report comprising*



## **A performance analysis**

- A detailed commentary on financial performance and position as presented in the WGA

## **Responsibility and Governance statements**

- A statement of the responsibilities of the Accounting Officer in preparing accurate financial statements
- A statement about governance in the public sector, including accounting and financial reporting controls
- How the WGA is prepared, how it is used and HM Treasury's role in managing financial risk

## **A remuneration and staff report**

- Public sector pay policies
- Total and average pay for 4.5m employees.

## **Financial statements**

- 5 primary statements - including revenue and expenditure, balance sheet and cash flows
- 33 notes to the accounts, providing supporting detail and explanatory disclosures

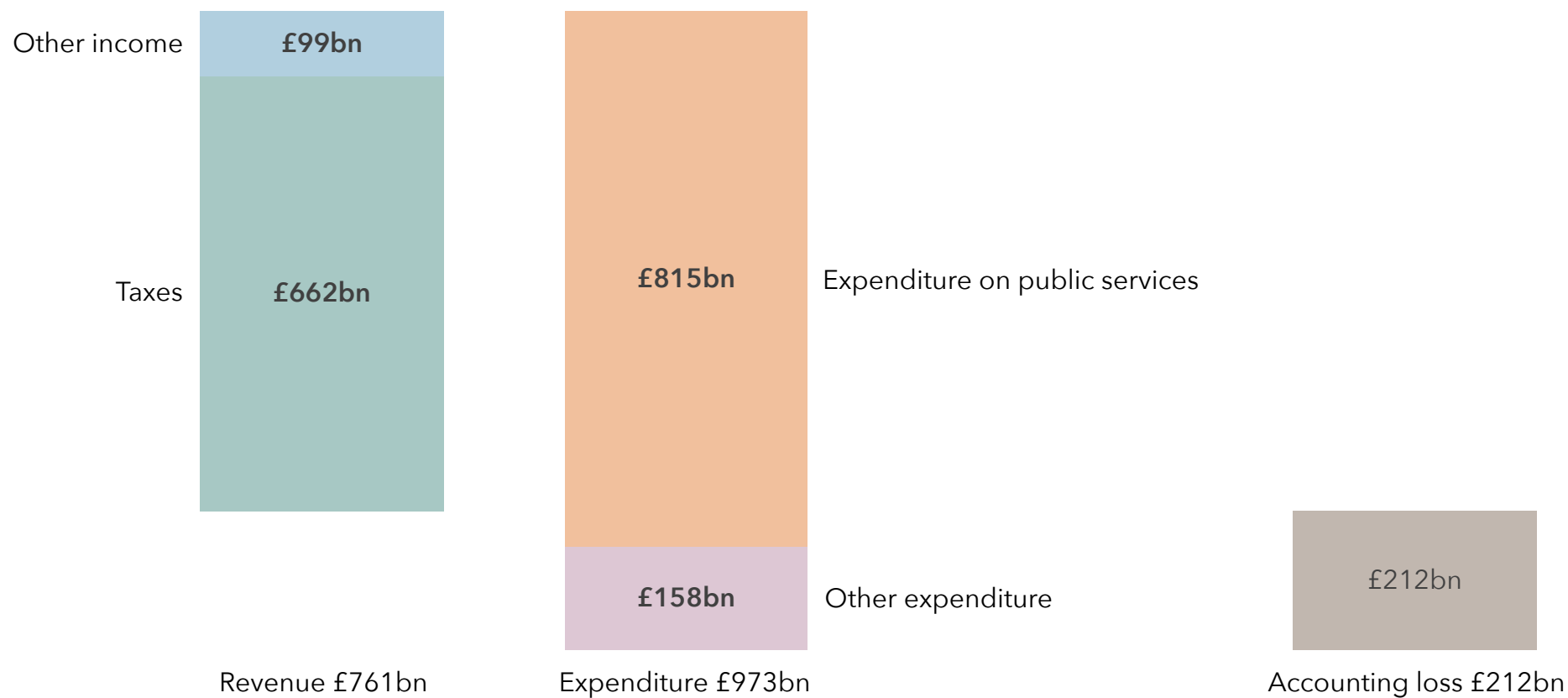
## **A report from the Comptroller & Auditor General**

- True and fair opinion, subject to qualifications for the exclusion of RBS and other bodies, inconsistencies between central and local government accounting, MoD leased asset omissions and Academy schools
- Emphasis on the risks in estimating nuclear provisions and the Hinkley Point C contract for difference valuation

## **A comparison to the National Accounts**

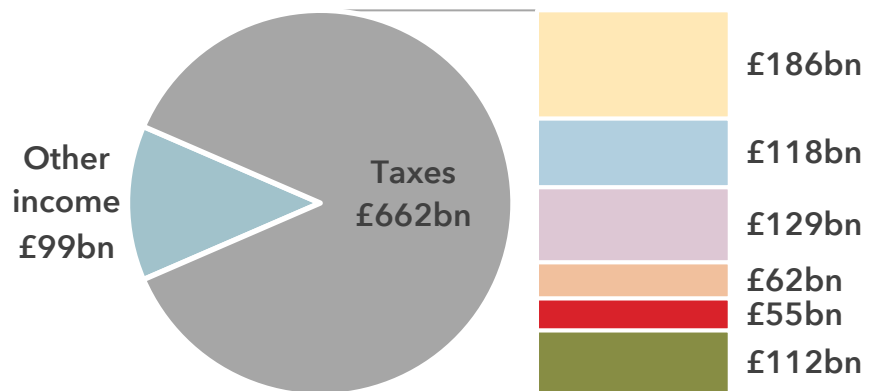
- An analysis of the differences from the National Accounts

# *WGA accounting loss for 2017–18*



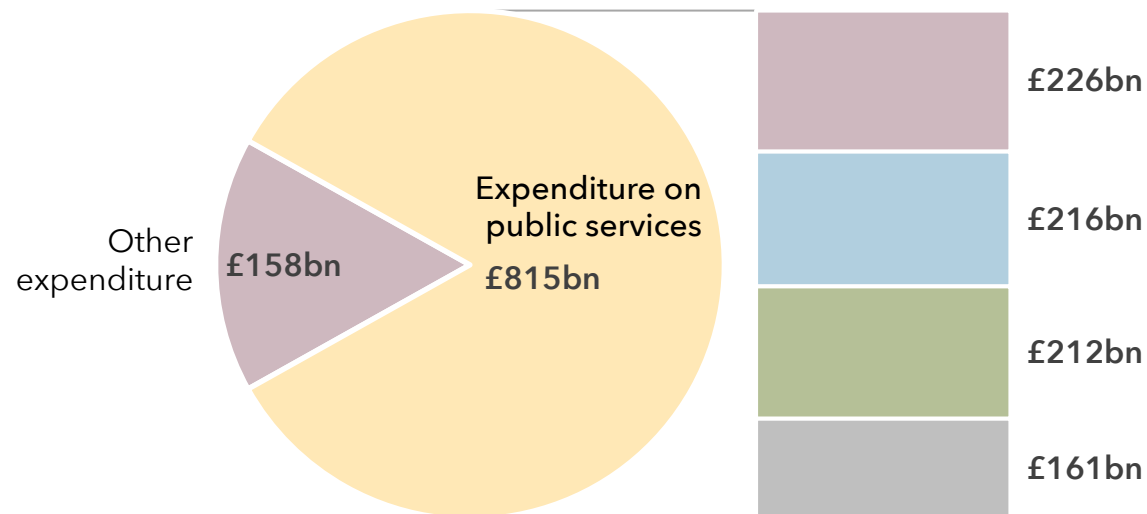
# WGA revenue and expenditure for 2017–18

Revenue £761bn



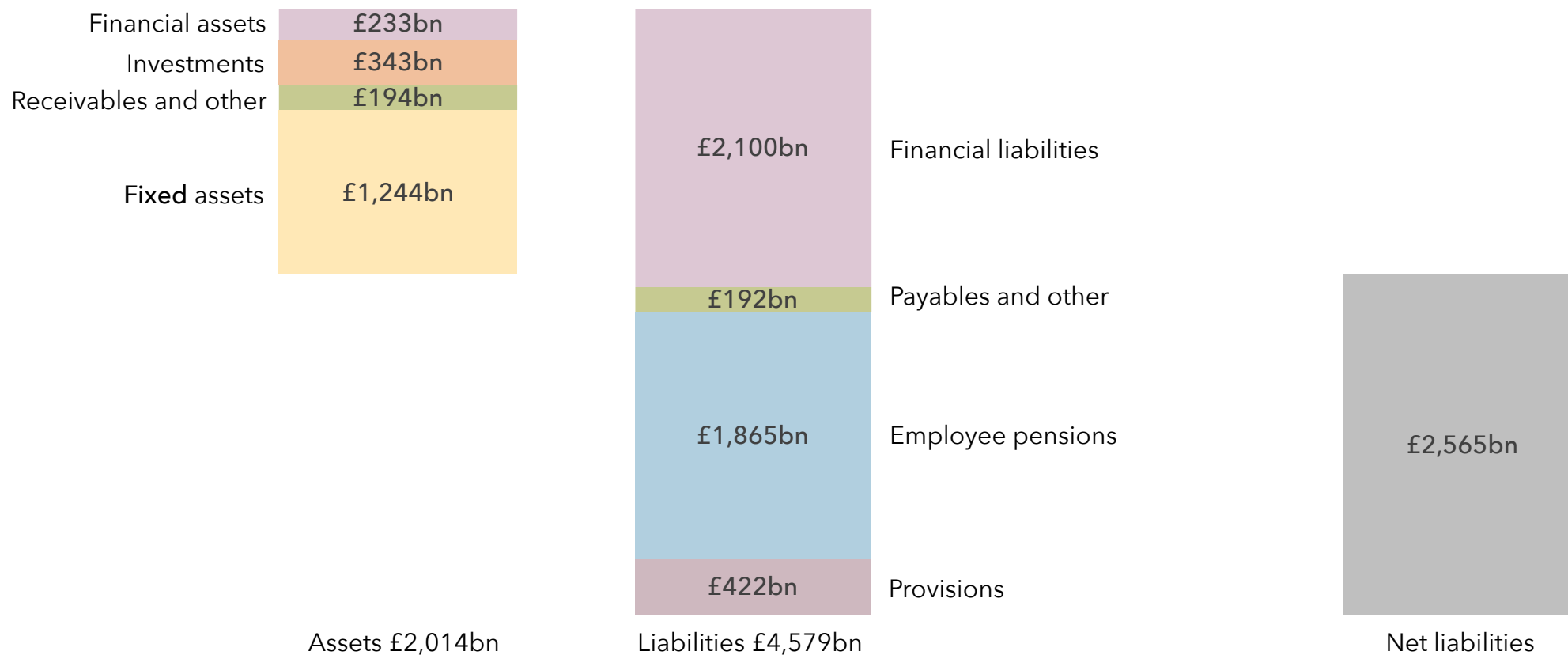
- Income tax
- National insurance
- VAT
- Local government taxes
- Corporation tax
- Other taxes

Expenditure £973bn



- Social security benefits
- Staff costs
- Purchase of goods
- Other operating costs

# WGA balance sheet at 31 March 2018



# WGA 2017–18 financial performance



- **£14bn higher loss on public services**

- £40bn (+5.5%) in higher revenues (higher than nominal economic growth of 3.9%)
- less: £23bn from higher staff pension costs
- less: £18bn from higher asset write-downs (including £8bn on Academy schools)
- less: £5bn higher interest on government debt
- less: £8bn net increase in other areas of spending (a 1.1% increase, less than inflation of 1.9%)

- **£114bn higher overall loss**

- £14bn higher loss on public services per above
- £94bn charge for provisions from discount rate changes, offset by £10bn in other movements
- £16bn from change from a loss of £8bn to a gain of £10bn on revaluing financial assets

	2016-17	2017-18
Revenue	721	761
Public service expenditure	(761)	(815)
<b>Loss on public services</b>	<b>(40)</b>	<b>(54)</b>
Other expenditures	(58)	(158)
<b>Loss for the year</b>	<b>(98)</b>	<b>(212)</b>

# WGA 2017–18 financial position



- **£111bn increase in total assets**
  - £42bn fixed assets, of which £39bn from revaluations
  - £64bn investments, reflecting £72bn in Term Funding Scheme loans less £6bn in other movements
  - £5bn in other movements
- **£255bn increase in total liabilities**
  - £119bn financial liabilities, reflecting borrowing to fund cash expenditures and investments
  - £100bn provisions, including £78bn for nuclear decommissioning and £11bn for clinical negligence
  - £30bn net pension obligations, with £131bn growth in obligations less £54bn paid out, £12bn in investment gains and £35bn downward revaluation of liabilities
  - £5bn increase in payables and other liabilities
- **£144bn increase in net liabilities**

	31 Mar 2017	31 Mar 2018
Fixed assets	1,202	1,244
Receivables and other	186	194
Investments	279	343
Financial assets and cash	236	233
<b>Assets</b>	<b>1,903</b>	<b>2,014</b>
Financial liabilities	(1,981)	(2,100)
Pensions	(1,835)	(1,865)
Provisions	(322)	(422)
Payables and other	(186)	(192)
<b>Liabilities</b>	<b>(4,324)</b>	<b>(4,579)</b>
<b>Net liabilities</b>	<b>(2,421)</b>	<b>(2,565)</b>



# WGA 2017–18 differences from National Accounts



## WGA records more assets and liabilities

- The WGA includes a wider range of financial assets and liabilities than the National Accounts, including PFI contracts and financial investments. It also records debt using the effective interest rate method (in contrast to the National Accounts which uses nominal or repayment values)
- Fixed assets are recorded on the asset side of the balance sheet
- While, provisions for long-term liabilities and net public sector pension obligations are recorded on the liabilities side of the balance sheet
- Payables and other current liabilities are also recorded, although these are partially offset by receivables and other assets

Together these add up to a £786bn difference between public sector net debt in the National Accounts and net liabilities in the WGA

	31 Mar 2017	31 Mar 2018
<b>National Accounts - net debt</b>	<b>(1,727)</b>	<b>(1,779)</b>
Housing associations not in WGA <sup>1</sup>	70	-
PFI contract liabilities	(33)	(33)
Debt and investments	151	208
Fixed assets	1,203	1,244
Provisions	(322)	(422)
Net pension liabilities	(1,835)	(1,865)
Payables and other	(110)	(115)
Receivables and other	167	72
Other differences	15	22
<b>WGA - net liabilities</b>	<b>(2,421)</b>	<b>(2,565)</b>

# WGA 2017–18 differences from National Accounts



	2016-17	2017-18
<b>National Accounts - fiscal deficit</b>	<b>(45)</b>	<b>(42)</b>
Add back: public sector net investment	38	43
<b>National Accounts - current (deficit)/surplus</b>	<b>(7)</b>	<b>1</b>
Provisions - interest and discount rate changes	(16)	(98)
Pension obligations - net interest charges	(51)	(51)
Fixed assets - capital grants and impairments	(18)	(31)
Investments - revaluations	10	(5)
PFI and other finance charges	(8)	(10)
Other differences	(8)	(18)
<b>WGA - accounting loss for the year</b>	<b>(98)</b>	<b>(212)</b>

- WGA records a wider range of revenue and expenditure transactions
  - The WGA includes interest and other changes in the reported value of provisions for long-term liabilities
  - It also includes accrued charges for public sector pension obligations, and charges for interest as these liabilities grow each year
  - Capital grants, treated as an investment in the National Accounts, are recorded as operating expenditure in the WGA, while impairments and asset write-downs are also recorded in arriving at the accounting loss
  - Unrealised gains and losses on financial investments are also included within the accounting loss
  - Interest on PFI contracts ('off balance sheet' in the fiscal numbers) is also recorded in the WGA
- Together these add up to a £213bn difference between the National Accounts current surplus and the WGA accounting loss

# *WGA 2017–18 summary*



## **Continued losses and significant liabilities**

- Loss on public expenditure £54bn
- Total loss for 2017-18 of £212bn
- WGA assets £2,014bn
- WGA liabilities £4,579bn
- WGA net liabilities £2,565bn

## **More comprehensive than National Accounts**

- National Accounts deficit £42bn
- National Accounts current surplus £1bn
- National Accounts net debt £1,779bn

## **Key drivers**

- Continued shortfalls in revenue:
  - borrowing needed to fund cash expenditures, leading to higher debt each year
  - most long-term liabilities are unfunded and will need to be paid for out of future revenues
- Relatively low levels of capital expenditure:
  - investment in fixed asset base is static and not growing significantly
- Long-term liabilities continue to grow:
  - higher nuclear and clinical negligence liabilities due to lower discount rate (i.e. their value in today's money is closer to the eventual cash payments expected)
  - higher public sector pension obligations, with the majority unfunded and so unable to benefit from offsetting investment growth