HM TREASURY

Whole of Government Accounts:

unaudited summary report for the year ended 31 March 2011

Cm 8383

July 2012

Whole of Government Accounts

unaudited summary report for the year ended 31 March 2011

Presented to Parliament by
the Chancellor of the Exchequer by
Command of Her Majesty

July 2012

Cm 8383 £8.75

Any queries regarding this publication should be sent to us at: public.enquiries@hm-treasury.gov.uk.

This publication is also available on http://www.official-documents.gov.uk/

ISBN: 9780101838320
PU1336

Printed in the UK by the Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

Printed on paper containing 75% recycled fibre content minimum

ID P002499219 07/12

Contents

Introduction

1.1 Whole of Government Accounts (WGA) is a consolidated set of financial statements for the UK public sector. The aim of WGA is to enable Parliament and the public to better understand and scrutinise how taxpayers' money is spent, increasing the transparency and accessibility of the public finances.

1.2 WGA consolidates the audited accounts of more than a thousand organisations across the public sector, in order to produce a comprehensive, accounts-based picture of the financial position of the UK public sector. WGA is based on International Financial Reporting Standards (IFRS), the system of accounts used internationally by the private sector. It complements the National Accounts figures, produced by the Office for National Statistics (ONS), by providing a set of financial statements based on standards familiar to the commercial sector and the wider accountancy profession. WGA offers the opportunity for international comparisons of fiscal balance sheets to be made, provided that other countries' accounts are produced on a comparable basis.

1.3 WGA brings together financial information from central government, local government, the NHS and public corporations. As a result, it makes public a number of metrics which it has previously been difficult or impossible to calculate. In particular, the account includes:

- a consolidated Statement of Revenue and Expenditure;
- a consolidated Statement of Financial Position, showing public sector assets and liabilities;
- financial sector interventions, including equity investments in the public sector banks;
- the net public service pensions liability;
- the Government's commitments under Private Finance Initiative (PFI) contracts;
- total provisions; and
- contingent liabilities.

1.4 This document reports key figures from the main 2010-11 financial statements, with summarised explanatory notes. It does not present a full and final audited account, as the external audit by the Comptroller and Auditor General (C&AG) is ongoing. The publication of the full and final audited account and audit opinion later in the year will enable the detailed figures to be used for fiscal events, such as the Chancellor's 2012 Autumn Statement on the UK Economy.

1.5 As part of the government's transparency agenda, unaudited data is being published now, so that it is available to the Office for Budget Responsibility to inform its analysis of the UK's fiscal position as it prepares its 2012 Fiscal sustainability report. The timing of the full audited WGA will be brought forward so that in future years audited rather than unaudited data is available to support such analysis.

1.6 The 2009-10 audited WGA was the first WGA to be published and was released in November 2011 with the Comptroller and Auditor General's audit opinion which included a number of qualifications on the account. It is available on the Treasury website.

1.7 As this is the second year of WGA there are now comparatives with the previous year. The values shown for 2009-10 take account of changes to accounting policies (principally the introduction of IFRS based accounting standards into local government), the inclusion of further bodies (e.g. Bank of England), as well as taking into account other changes in the underlying accounts which are minor in nature. The 2009-10 year has therefore been restated so that the two years are prepared on a consistent basis.

1.8 The following commentary brings together key figures from the summary accounts, explains elements of the main financial statements, and provides a reconciliation with National Accounts figures. The commentary is followed by explanatory notes to the accounts.

Summarised Statement of Revenue and Expenditure

Prepared on an unaudited consolidated basis

For the year ended 31 March 2011

	Note	2010-11 £bn	2009-10 Restated £bn
Revenue			
Taxation revenue	*3*	(515.4)	(485.3)
Other revenue		(95.9)	(98.1)
Total operating revenue		**(611.3)**	**(583.4)**
Expenditure			
Social benefit payments	*4*	204.0	197.1
Staff costs	*5*	193.1	179.7
Other expenditure		226.0	290.4
Total operating expenditure		**623.1**	**667.2**
Net financing cost and gains and losses on assets		94.3	78.9
Net deficit for the year	*2*	**106.1**	**162.7**

Summarised Statement of Financial Position

Prepared on an unaudited consolidated basis

As at 31 March 2011

	Note	2010-11 £bn	2009-10 Restated £bn
Assets			
Property, plant and equipment	*6*	710.0	715.9
Equity investment in public sector banks	*7*	56.5	61.1
Other assets		459.9	475.6
Total assets		**1,226.4**	**1,252.6**
Liabilities			
Net public service pension liability	*8*	(959.5)	(1,134.7)
Government borrowing and financing	*9*	(908.2)	(781.8)
Provisions	*10*	(108.1)	(102.2)
Other liabilities		(445.7)	(461.0)
Total liabilities		**(2,421.5)**	**(2,479.7)**
Net liabilities		**(1,195.1)**	**(1,227.1)**
Financed by future revenues:			
General and other reserves		1,428.5	1,442.0
Revaluation reserve		(233.4)	(214.9)
		1,195.1	**1,227.1**

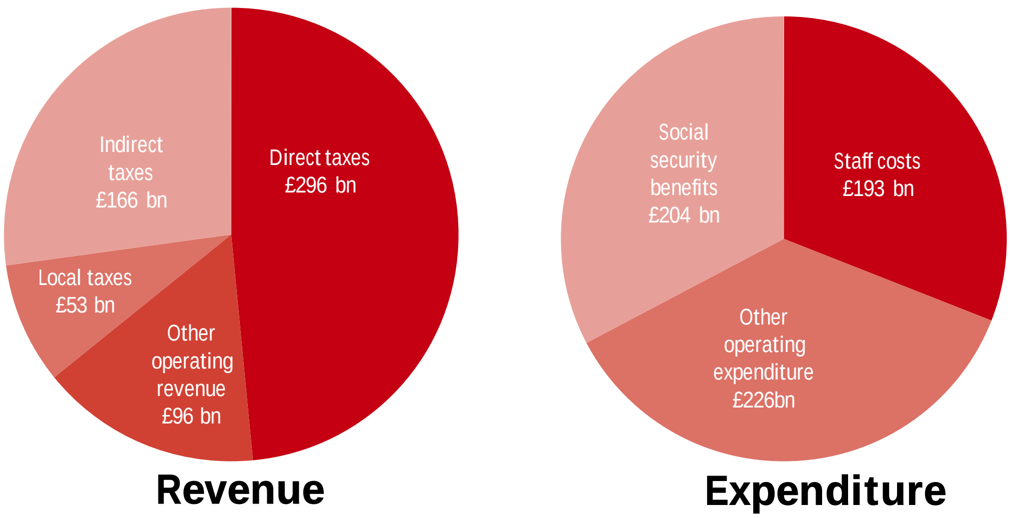
Commentary

Key figures

1.9 The summarised Statement of Revenue and Expenditure sets out the scale and nature of the flows to and from the Government. It shows that in 2010-11, on an unaudited consolidated basis, the public sector:

- received £611 billion (2009-10: £583 billion) in taxation and other operating revenue, including income from direct taxation of £296 billion (2009-10: £285 billion), indirect taxation of £166 billion (2009-10: £148 billion), and local taxation of £53 billion (2009-10: £52 billion);
- spent £623 billion (2009-10: £667 billion), including £204 billion (2009-10: £197 billion) on social benefit payments, and £193 billion (2009-10: £180 billion) employing staff. The largest elements of social benefit were the state pension at £74 billion (2009-10: £70 billion), and tax credits at £28 billion (2009-10: £27 billion). Staff costs included £152 billion (2009-10 £151 billion) in wages and salaries. Included in other expenditure is a one off reduction to spend of £126 billion which has arisen due to the change in the indexation used by public service pension schemes from the Retail Prices Index to the Consumer Prices Index;
- incurred £94 billion (2009-10: £79 billion) on financing costs taking account of investment revenue, interest on the pension liability, and gains and losses on assets; and therefore
- faced a total net deficit of £106 billion (2009-10: £163 billion) or 7.2 per cent of GDP[1] (2009-10: 11.7 per cent of GDP).

Chart 1.1: Composition of revenue and expenditure on an unaudited consolidated basis



1.10 The summarised Statement of Financial Position sets out the assets held and liabilities owed by the Government, in a snapshot of the public sector balance sheet as at 31 March 2011. On an unaudited consolidated basis, it shows that at 31 March 2011 the public sector:

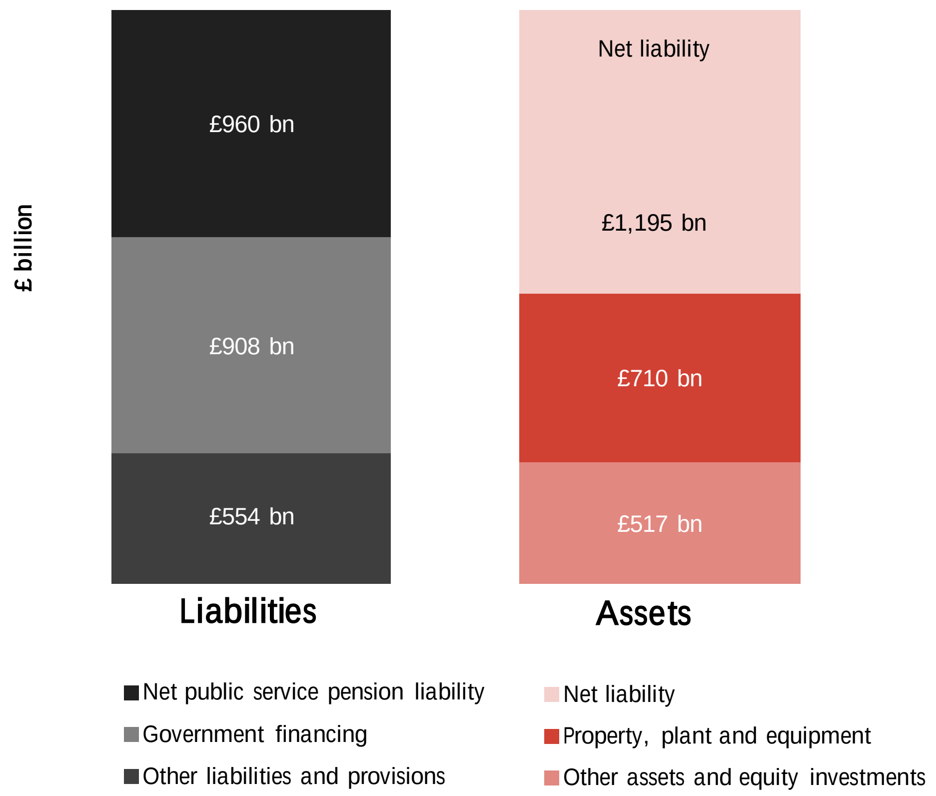
- held assets valued at £1,226 billion (2009-10: £1,253 billion), including:
  - £710 billion (2009-10: £716 billion) of property, plant and equipment, including buildings, infrastructure, equipment, hardware and software, PFI assets, plant and machinery, transport assets, and a range of other assets;
  - £57 billion (2009-10: £61 billion) of equity investments in public sector banks;

[1] Nominal GDP

- £144 billion (2009-10: £139 billion) of trade and other receivables, including £86 billion (2009-10: £81 billion) of accrued tax revenue and £28 billion (2009-10: £26 billion) of tax receivables before provisions; and
- £315 billion (2009-10: £337 billion) of other assets, including £55 billion (2009-10: £58 billion) of loans and advances by HM Treasury to financial institutions, £30 billion (2009-10: £28 billion) of student loans, and other assets such as intangible fixed assets, investment properties, inventories, debt securities, loans, deposits, and cash.

- had total liabilities of £2,422 billion (2009-10: £2,480 billion), including:
  - a £960 billion (2009-10: £1,135 billion) liability for public service pensions (see paragraphs 1.20-1.26 below);
  - £908 billion (2009-10: £782 billion) of debt in the form of government borrowing and financing such as gilt edged securities and treasury bills;
  - £108 billion (2009-10: £102 billion) of provisions;
  - £446 billion (2009-10: £461 billion) of other liabilities, including trade and other payables and obligations under leases and PFI of £182 billion (2009-10; £179 billion), and deposits held by the Bank of England of £154 billion (2009-10: £170 billion).
- the public sector therefore faced a total net liability of £1,195 billion (2009-10: £1,227 billion) or 80.6 per cent of GDP[2] (2009-10: 84.5 per cent of GDP).

Chart 1.2: Summary of assets and liabilities on an unaudited consolidated basis



[2] Nominal GDP

Economic and fiscal context

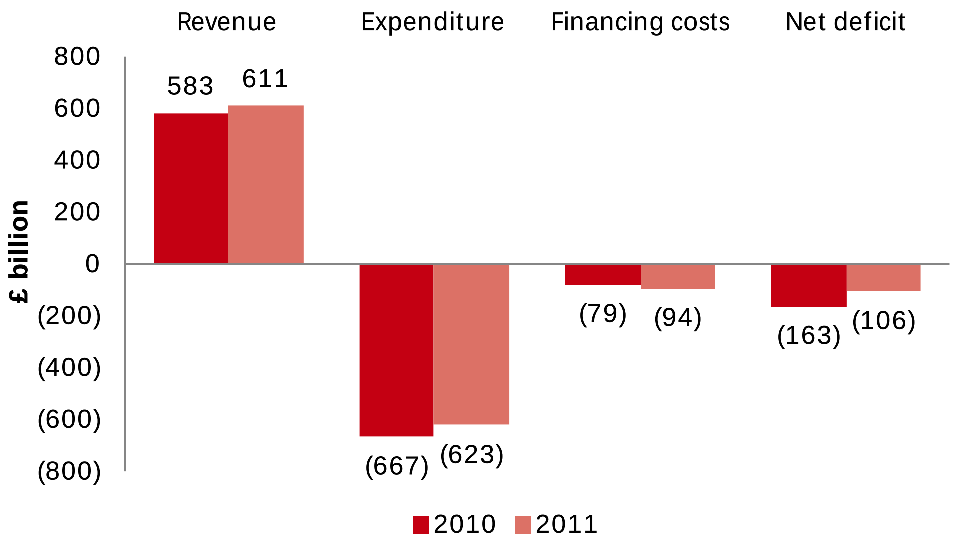
1.11 The financial position of the Government in 2010-11 reflects the performance of the economy in that year, the structural levels of receipts and expenditure, the financial position in previous years, and Government policy decisions. The economy recorded growth of 1.8 per cent, but was still 3.5 per cent smaller than the pre-crisis peak. The public sector deficit receded from the 2009-10 level, but was still at record levels in historical and international terms. Tax receipts are closely linked to the performance of the economy, and their increase reflected an improvement in the economy on the previous year. Public spending reflected cyclical areas of expenditure such as social security and the policy decisions of the Government. Claimant count unemployment was 1.47 million (2009-10: 1.58 million), while the unemployment rate was 7.8 per cent (2009-10: 7.9 per cent).

Performance in the year

1.12 The total net deficit for 2010-11 was £106 billion, £57 billion (35 per cent) lower than 2009-10, on an unaudited consolidated basis. There were a number of one off items affecting both 2010-11 and 2009-10, which means that the two years are not directly comparable. Performance in the year reflected:

- increasing tax receipts;
- inflation related increases to social benefits;
- evidence of fiscal tightening through a small increase to salaries and wages;
- increased borrowing and increased costs of financing this debt; and
- a number of one off items arising from the revaluation of assets and liabilities including public service pension liabilities.

Chart 1.3: Revenue and Expenditure 2010 and 2011



1.13 Tax revenue increased by £30 billion in the year from £485 billion to £515 billion (6 per cent). This increase comes largely from VAT, corporation tax, and other indirect taxes such as petroleum revenue tax. This reflects both changes to the rates of taxation (e.g. the VAT rate increased from 15 per cent at the 31 December 2010 to 20 per cent by 31 December 2011) as well as some improvement to the underlying level of economic activity.

1.14 Expenditure on social benefits increased in the year by £7 billion from £197 billion to £204 billion (4 per cent). This increase reflects the uprating of benefits, pensions and tax credits in line with inflation, as well as an increase in the number of pensioners, the number of families in work receiving tax credits, and higher rents being claimed as part of housing benefit.

1.15 Expenditure on wages and salaries was broadly flat over the two years due to a reduction in staff numbers and pay restraint. There was an overall increase in staff costs of £13 billion from £180 billion to £193 billion, and this was largely due to an increase in pension scheme costs, which reflected actuarial assessments of pension charges for the year. These charges are sensitive to changes in discount rates applied when calculating the pension liability. Decreases (or increases) to the discount rate for the prior year increase (or decrease) the pension cost for the current year.

1.16 Government borrowing and financing increased by £126 billion (excluding gilts held by the Bank of England Asset Facility Fund) to £908 billion. This reflects the need for higher borrowing whilst tax receipts fall short of public spending. Debt interest increased by £13 billion from £31 billion to £44 billion in the year, due to higher levels of government borrowing built up as the economy entered recession, partly offset by reductions to the interest rate.

1.17 There were a number of one off items affecting expenditure, the most significant being the reduction to expenditure of £126 billion due to the change from using the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) for the indexation of public sector pensions. As a result of this change, an adjustment has been made to the pension liability for the pension rights that have been earned in the past (past service charge). This reduction to expenditure was partly offset by impairment charges on fixed assets of £41 billion, which was in large part due to the revaluation of local authorities' social housing estates.

1.18 As required by accounting standards, the public service pension liability is revalued annually. The public service pension liability decreased by £175 billion in the year to £960 billion. This decrease reflects both a change from RPI to CPI for the indexation of public sector pensions (where CPI is, in the long term, lower than RPI, and therefore reduced the value of the future liability), and a change to discount rates (where an increase reduces the value of the liability in today's prices). Paragraphs 1.20 to 1.26 below provide further details.

1.19 There were a number of changes arising from the valuation of fixed assets in the year which reduced their overall net book value from £716 billion to £710 billion. The main changes in the year were an increase to the value of the motorway and trunk road network following an increase in component costs and a decrease to the book value of local authorities' social housing estates. The decrease in the book value of social housing estates reflects an update to the revaluation guidance used by local authorities in valuing their estates. This update, amongst other things, has taken account of more recent information available about the difference between public and private sector rents and yields, which has had the effect of reducing the book value of such properties.

Net public service pension liability

1.20 The Government operates a range of defined benefit funded and unfunded pension schemes for past and present public servants. Schemes are administered by central government departments, devolved administrations, other public entities (such as local government entities) or independent trustees. Information on the specific schemes can be found in the annual report of the responsible entities.

1.21 Public service pensions form a significant part of the Government's total liabilities, with a total net liability of £960 billion (2009-10: £1,135 billion) as at 31 March 2011 on an unaudited consolidated basis. The decrease in year of £175 billion largely reflected the Government's decision to change from RPI to CPI for the indexation of public sector pensions, which resulted in a £126 billion one-off adjustment this year, as well as an increase in the rate at which future payments are discounted to reflect their present value from 1.8 per cent to 2.9 per cent. The move from RPI to CPI lowers the value of the pension for services provided in the past and is likely to mean that the pension liability will remain smaller, as in the long term CPI is lower than RPI. Much of the information behind this move has already been made available through publications by the major public service pension schemes. An analysis of the liability is provided in Explanatory Note 8 to the accounts.

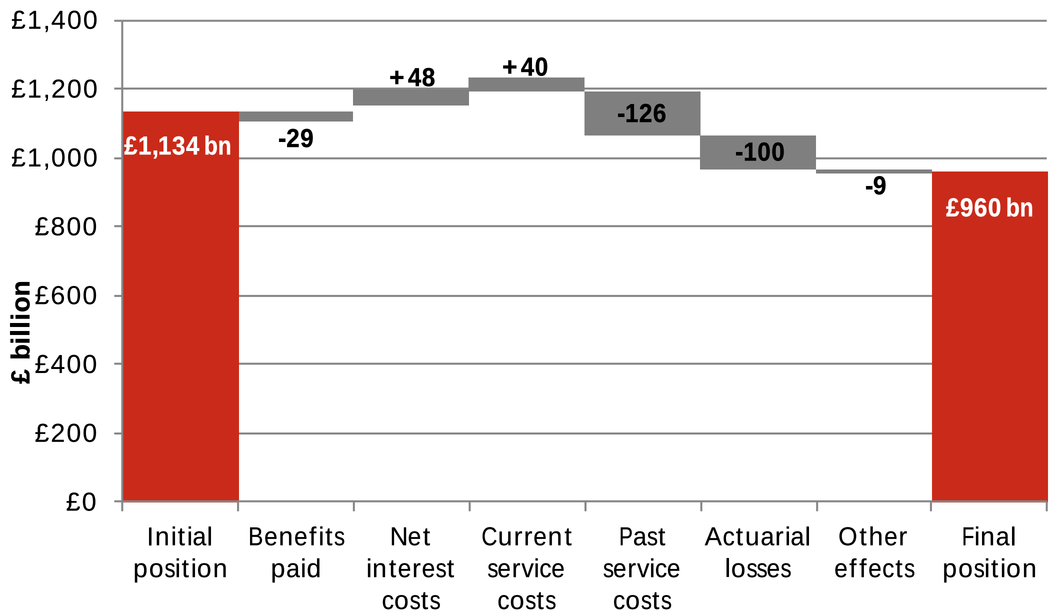
1.22 The scale of the net pension liability is determined by the way public service pension schemes are run, and how accounting standards stipulate it must be recorded. Total pension liabilities reflect the net present value of the total liability owed to current pensioners, deferred pensioners who are no longer in employment but are waiting to receive a pension when they reach retirement age, and current employees who will receive a pension on retirement. The liability allows for salaries projected to retirement or earlier leaving date, but only reflects the number of years of service to date. The liability does not reflect the pension that may be paid to current employees in respect of future years of service to retirement or to future employees. Hence, while the balance of liabilities versus assets does represent the total liability faced by the public sector as calculated under accounting standards, it represents only a partial assessment of how pensions will affect the public finances in the future.

1.23 The major public service schemes, with the exception of the local government scheme, are unfunded. For these unfunded schemes, expenditure on pension payments is met from general taxation. The liability will be paid out over time as employees retire and draw their pension over a number of years.

1.24 There are a number of key assumptions that are used to calculate public service pension liabilities. These include the rate of increase in salaries and pensions inflation as well as the discount rate. The value of the public service pension liability is therefore affected by one-off changes in these assumptions.

1.25 The chart below shows an analysis of the change in the liability over 2010-11. It shows that the key reasons for the decrease in the pension liability are: the one-off move from RPI to CPI reflected in past service costs, and actuarial gains and losses largely relating to increase in the discount rate.

Chart 1.4: Change in the public service pension liability in 2010-11 on an unaudited consolidated basis



1.26 The accounting standards require that entities set the discount rate to reflect the yield on high quality corporate bonds. Central government schemes use a centrally set real discount rate determined by HM Treasury, having obtained advice from the Government Actuary's Department. Other entities set their own discount rate, generally after obtaining the advice of an actuary. The centrally set discount rate (in excess of inflation) changed from 1.8 per cent (in excess of RPI) as at 31 March 2010 to 2.9 per cent (in excess of CPI) as at 31 March 2011, reflecting movements in real yields on high quality corporate bonds, which are used as the basis for the discount rate calculation, and the change from RPI to CPI as the inflation assumption.

Provisions

1.27 Provisions represent the best estimate of the liability for an expected future expense, arising from events that have happened in the past. The Government's obligations are reviewed on a regular basis and provisions are updated accordingly. As at 31 March 2011, provisions amounted to £108 billion (2009-10 £102 billion) on an unaudited consolidated basis, as shown in Explanatory Note 10. The most significant provisions are the nuclear decommissioning provision and the provision for clinical negligence.

1.28 The provision of £61 billion (2009-10: £57 billion) for nuclear decommissioning includes the cost of dealing with radioactive waste, nuclear fuels and materials, capital facilities, redundant facilities and contaminated materials. The provision and recoverable balances are expressed at current price levels to take account of the time value of money for the very long timescales over which work will be carried out, currently expected to be over 100 years. The ultimate liability will vary as a result of the subsequent information and events, and may result in significant changes to the overall costs of decommissioning. The provision increase in the year reflects changes to the estimates of future decommissioning costs.

1.29 The clinical negligence provision of £18 billion (2009-10: £16 billion) reflects an actuarially determined assessment of individual incidents that have occurred, where it is more than 50 per cent probable that the claim will be successful and the amount of the claim can be reliably estimated, taking into account likely costs to resolve the claim and historic probability factors. Clinical negligence claims which may succeed, but which are less likely or cannot be reliably estimated, are disclosed as contingent liabilities. The increase in the provision is due to the faster reporting of claims rather than a systematic increase in the incidence of clinical negligence.

1.30 The Government also holds a number of other provisions including provisions for taxes subject to challenge, in relation to legal cases, matters relating to medical costs and government schemes such as the Financial Assistance Scheme.

Private Finance Initiative

1.31 Private Finance Initiative (PFI) projects are schemes involving the private sector in the delivery of public sector infrastructure. PFI contracts transfer risk from the public sector to the private sector, relating to the design, construction, maintenance and/or operation of assets. In return, the Government pays an annual charge over the lifetime of the contract, which is typically 25-30 years.

1.32 There are three key elements to the annual charge: the service element to run the project (which could include cleaning, catering, maintenance and security), repayment of the capital asset built and interest on the capital. Explanatory Note 11 shows the Government's commitments to PFI contracts as at 31 March 2011.

1.33 At 31 March 2011, on an unaudited consolidated basis, the net book value of PFI assets was £35 billion (2009-10: £31 billion), and the associated liability for capital repayments was £32 billion (2009-10: £28 billion). The present value of future PFI obligations, including service charges, increased to £145 billion (2009-10 £132 billion). The increase is driven by a number of factors including an increase in new contracts and changes in future commitments in relation to existing contracts. The total interest payable on these capital commitments is expected to be £39 billion (2009-10: £33 billion). The majority of the 706 (2009-10: 698) PFI contracts reported by entities included in WGA were held by central government, the NHS, and local government.

Financial sector interventions

1.34 In response to the financial crisis, the Government of the day made a number of interventions in the financial sector. These included equity investments in banks which are now classified to the public sector, as well as the creation of the Special Liquidity Scheme, the Bank of England Asset Purchase Facility Fund and the Asset Protection Scheme. These all hold assets against Government liabilities, and the Government stands behind these schemes and has provided financial guarantees and indemnities. To the extent that these guarantees and indemnities are expected to be drawn upon, amounts have been included in the accounts and shown as contingent liabilities (see paragraphs 1.38 to 1.40 below and Explanatory Note 12). Arrangements between bodies within the WGA boundary, such as guarantees and indemnities between HM Treasury and the Bank of England, are not included, as they eliminate on consolidation in these accounts. The Government has also provided support to financial institutions in the form of loans and advances.

1.35 UK Financial Investments Limited (UKFI) was established to manage the Government's shareholdings in UK financial institutions acquired through recapitalisation and other financial stability interventions in 2008 and 2009. UKFI is responsible for managing the Government's shares in Royal

Bank of Scotland Group Plc, Lloyds Banking Group Plc, Northern Rock Plc, Northern Rock (Asset Management) Plc and Bradford & Bingley Plc (see Explanatory Note 7).

1.36 Other than the Bank of England, the financial statements of the public sector banks have not been included in WGA. Northern Rock (Asset Management) Ltd and Bradford and Bingley are proposed to be consolidated into WGA from 2013-14, as they are expected to be a permanent part of government until their mortgage books have expired and therefore form a longer-term part of the public sector. The remaining banks will continue to be held as available-for-sale financial assets and liabilities. The scale of these remaining entities would dwarf other aspects of WGA, distorting the accounts and therefore making it difficult to determine trends.

1.37 Where the financial interventions have had a direct effect on the public sector balance sheet, such as through the purchase of equity, this is reflected in the accounts. The value of the investment in the banks as at 31 March 2011 were £57 billion (2009-10 £61 billion), reflecting the value of the shares at the balance sheet dates.

Contingent liabilities

1.38 Contingent liabilities are liabilities associated with events that, while possible, are considered sufficiently improbable (or unquantifiable) that they are not included in the Statement of Financial Position. This report includes those contingent liabilities that are discloseable in accordance with accounting standards, and also goes further to show other commitments even though the likelihood of them occurring is considered remote.

1.39 The majority of the Government's quantifiable and remote contingent liabilities arise from the guarantees and indemnities provided as part of the financial stability interventions. As detailed in HM Treasury's 2010-11 accounts, they include:

- an agreement to provide contingent capital to the Royal Bank of Scotland (£8 billion);
- an agreement to provide capital to meet regulatory requirements of Northern Rock Plc and Northern Rock (Asset Management) Plc (£2 billion (2009-10: £2 billion));
- financial stability interventions where the likelihood of the liability crystallising is remote, e.g. the Asset Protection Scheme (£110 billion (2009-10: £154 billion)), the Credit Guarantee Scheme (£115 billion (2009-10: £125 billion)), and guarantees and indemnities in relation to Northern Rock Plc and Bradford & Bingley Plc (£21 billion (2009-10: £29 billion)); and
- non-quantifiable contingent liabilities arising from the financial interventions, including:
  - indemnities to the directors of Northern Rock Plc, Northern Rock (Asset Management) Plc, Bradford & Bingley Plc, and related companies such as United Kingdom Asset Resolution Plc;
  - a guarantee to the Financial Services Authority that it will ensure that Northern Rock (Asset Management) Plc and Bradford & Bingley Plc will meet their regulatory capital requirements; and
  - compensation schemes established in relation to Northern Rock Plc, Bradford & Bingley Plc and Dunfermline Building Society.

1.40 There are a number of other potentially significant contingent liabilities, details of which can be found in the accounts of the relevant department. These include:

- legal claims, compensation claims and tribunal cases made against a range of WGA entities, for which no reliable estimate of liability could be made;
- commitments made by a number of WGA entities to provide funding for pension liabilities of individual pension schemes, should those schemes require deficits to be funded. This includes the Financial Assistance Scheme in relation to certain fully funded pensions and other associated benefits in qualifying schemes, as detailed in the 2010-11 accounts of the Department for Work and Pensions;

- indemnities to cover civil nuclear liabilities and claims for damage caused by nuclear matter in the course of carriage, as detailed in the 2010-11 accounts of the Department for Business, Innovation and Skills;
- indemnities and guarantees in respect to rail franchising agreements, and the Network Rail debt issuance programme and standby credit facility, as detailed in the 2010-11 accounts of the Department for Transport;
- the UK's share of European Commission guarantees to EU Member States and Third Countries in respect of borrowing and lending operations, guarantees to the European Investment Bank (EIB) for financing in respect of European loans, and callable capital on investments in international financial institutions, including the EIB and regional development banks, as detailed in the 2010-11 accounts of the Consolidated Fund and the Department for International Development;
- reinsurance arising from acts of terrorism, as detailed in the 2010-11 accounts of HM Treasury; and
- guarantees, indemnities and letters of comfort in respect to the Olympic and Paralympic games, as detailed in the 2010-11 accounts of the Department for Culture, Media and Sport and the Olympic Delivery Authority.

Institutional framework

1.41 WGA sits within a broad framework of institutions and publications that contribute toward public understanding and trust in Government accounts and fiscal statistics. In summary:

- the independent Office for National Statistics (ONS) publishes timely economic and fiscal statistics, consistent with the internationally-agreed National Accounts framework. These figures are the primary indicators used for fiscal policy-making, and for international and historical comparisons;
- each public sector entity publishes audited annual accounts consistent with its agreed accounting framework;
- the National Audit Office, the Audit Commission, audit bodies in the devolved administrations and private sector audit bodies scrutinise and challenge these accounts, and produce an audit report on each;
- WGA consolidates these accounts to produce a consistent snapshot of the public sector financial position in a given year. As well as providing a coherent set of financial statements, this offers insights into the long-term sustainability of the public finances; and
- the Office for Budget Responsibility independently reports on the future sustainability of the public finances through its annual Fiscal sustainability report, which, among other sources of information, draws on the aggregates published in WGA.

As with the National Accounts, WGA does not offer the Government a set of policy prescriptions. Nor is it the primary tool for controlling expenditure and ensuring value for money. Its role is to provide a consolidated view of the Government's finances that is transparent, that complements the national accounts, and is able to support fiscal decision making.

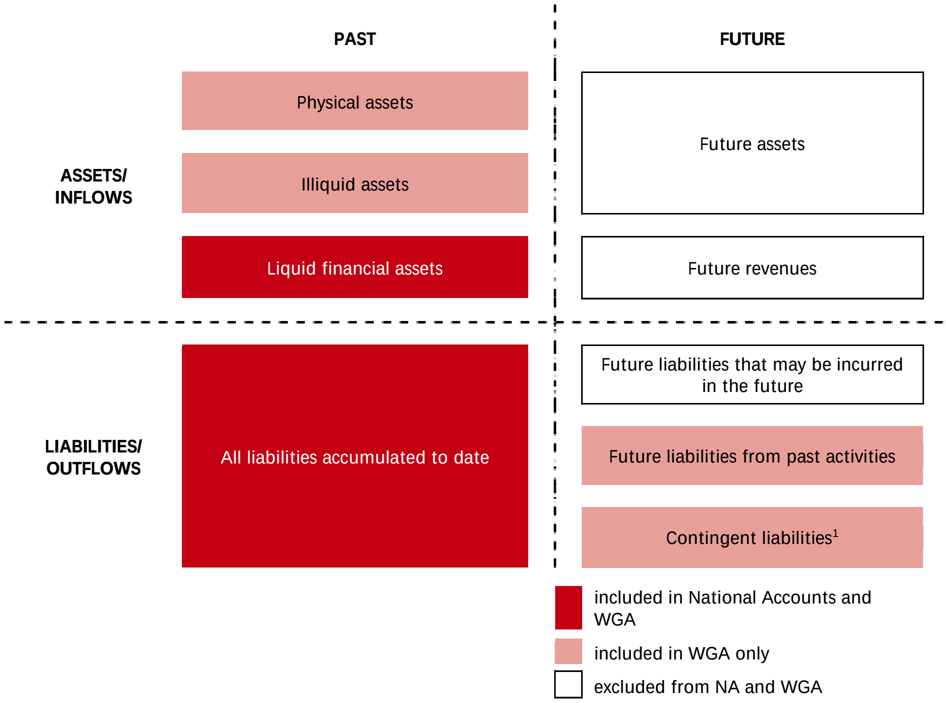
Comparison with National Accounts

1.42 WGA is a complement to, rather than a substitute for, the financial information the Government and other independent bodies already publish. WGA does not replace the statistics published by the independent Office for National Statistics (ONS), which follow the internationally agreed National Accounts system. The two systems of accounting have evolved independently of each other, use different international standards, and have been designed for different purposes. The National Accounts are used to assess the economic and fiscal position of the UK for policy purposes and are prepared under an internationally-agreed framework which allows for monthly and quarterly fiscal statistics. They follow Europe-wide guidelines on the measurement of the UK economy that enables comparison to other European government fiscal measures. WGA shows audited accounting standards-based numbers which provide insights into long-term sustainability, as well as presenting the figures in a format familiar to the commercial sector and the wider accountancy profession.

1.43 The diagram below compares the coverage of IFRS-based WGA measure of net liabilities and the National Accounts measure of net public sector debt. It offers a simple presentation of the differences between what National Accounts and WGA cover, split into the past and the future, and assets and liabilities. The key differences are that WGA measures of net assets and liabilities using IFRS based standards include a full assessment of the Government's assets, including physical and illiquid financial assets, and its liabilities on future payments, such as public service pensions. WGA also discloses contingent liabilities.

1.44 Neither National Accounts nor WGA provide a complete assessment of the future fiscal position of the public sector. Both exclude future tax revenue, future assets, and liabilities that will be incurred in the future, such as future benefit and pension payments. WGA does include future liabilities from past activities and contingent liabilities, and so offers greater coverage of some future liabilities than the National Accounts.

Chart 1.5: Coverage of WGA net liabilities and National Accounts measure of public sector net debt



[1] Contingent liabilities are reported in WGA but not included on the Statement of Financial Position

1.45 The ONS article Comparison between Public Sector Finance measures from the National Accounts and Whole of Government Accounts (June 2011), explains the main conceptual differences between the National Accounts and WGA. These conceptual differences have a direct impact on the calculation of fiscal aggregates which are sourced from the National Accounts.

1.46 Two key fiscal aggregates published in the National Accounts are public sector net debt and the current deficit. The nearest equivalents in WGA are the total net liabilities and net deficit for the year. The key differences between the 2010-11 WGA and National Accounts[3] measures are explained below.

[3] As per the June 2012 ONS Public Sector Finances release, excluding financial interventions

High level reconciliation of public sector net debt

	2010-11 £bn	2009-10 Restated £bn
Net liabilities (WGA)	**1,195**	**1,227**
Net public service pensions liability	(960)	(1,135)
Provisions	(108)	(102)
PFI contracts	(27)	(25)
Unamortised premium or discount on gilts	(15)	(13)
Tangible and intangible fixed assets	757	765
Payables and receivables	44	37
Investments	17	16
Other	2	(10)
Public sector net debt (National Accounts)	**905**	**760**

Prepared on an unaudited consolidated basis

High level reconciliation of current deficit

	2010-11 £bn	2009-10 Restated £bn
Net deficit for the year (WGA)	**106**	**163**
Public service pensions	79	(51)
Impairment of assets	(52)	(24)
Capital grants	(18)	(16)
Depreciation of assets	(10)	(6)
Provisions	(6)	27
Net gains/losses on sale of assets	(4)	-
Military expenditure not capitalised	5	5
Other	3	12
Current deficit (National Accounts)	**103**	**110**

Prepared on an unaudited consolidated basis

Differences in relation to pensions

1.47 The largest difference between the WGA measures of net liabilities and net deficit and the National Accounts based measures of public sector net debt and current deficit relate to public service pensions. WGA is prepared on an accruals basis in accordance with accounting standards. It takes into account all future pension liabilities from the service already provided by past and current public servants. Therefore, WGA net liabilities include the net public service pension liability for public sector pension schemes. The National Accounts only include the cash payments and receipts associated with these pensions. It therefore has no public service pension liability. There are similar differences between the WGA net deficit and the National Accounts current deficit in relation to: interest on pension liabilities of £47 billion which is included in WGA but not National Accounts, the recording of pension contributions net of pension payments of £8 billion; and past service charges of £126 billion, where the WGA reflects the effect of the change from RPI to CPI for the indexation of public sector pensions.

Differences in relation to assets

1.48 The other large difference is in relation to non-current assets such as property, plant and equipment, intangible fixed assets, payables and receivables, investments, and other illiquid financial assets. These are included in the WGA measure of net liabilities, but are not included in the National Accounts measure of public sector net debt.

1.49 Fixed assets are not included in public sector net debt, but they are recognised as non-financial assets in the National Accounts. However, there are conceptual differences in the valuation of fixed assets and measurement of impairment and depreciation. The National Accounts use its Perpetual

Inventory Method (PIM) to calculate net capital stock and capital consumption (depreciation), whereas WGA recognises fixed assets and depreciation in accordance with accounting standards.

1.50 The WGA measure of net deficit includes depreciation and impairments resulting from an annual review of asset values. The National Accounts measure of current deficit includes depreciation and certain impairments based on the PIM. Impairments that form part of the National Accounts' current deficit are those caused by normal obsolescence or accidental damage, whereas WGA includes all impairments, no matter what their cause.

Differences in relation to provisions

1.51 WGA measures of net liabilities and net deficit include provisions and movements in provisions to take account of liabilities that will be paid in the future arising from events that have occurred in the past and that create a legal or constructive obligation that can be reliably measured. The National Accounts measures of public sector net debt and current deficit do not record the creation of and movements in provisions but do include expenditure resulting from provisions in the accounting period that payments are made.

Differences in relation to PFI

1.52 Differences arise in relation to PFI contracts as WGA records more PFI contracts as liabilities of the public sector than the National Accounts do. This is because the National Accounts' recognition of PFI contracts is determined by judgements on the balance of risks and rewards arising from the contract, whereas the WGA recognition of a PFI contract is determined by judgments on the balance of control. These PFI contracts are included within liabilities, with their associated assets included in property, plant and equipment. If these PFI schemes were included in the National Accounts, the value of the PFI contract would increase public sector net debt.

Differences in relation to capital grants

1.53 Capital grants are treated differently between WGA and the National Accounts. WGA treats capital grants as expenditure as the investment does not create assets directly for public sector bodies. The National Accounts treat capital grants as capital expenditure and therefore they do not form part of the current deficit.

Publishing audited 2010-11 Whole of Government Accounts

1.54 HM Treasury recognise that as the numbers contained in these extracts are unaudited there is a risk that they may change as the audit process continues. Any audit points could lead to the amendment of the unaudited numbers, qualification of the numbers, or both. The audit opinion on the 2010-11 accounts is required by statute by 31 October 2012, and WGA is required to be published by 31 December 2012.

Explanatory Notes

Note 1. Background

The Whole of Government Accounts has been prepared by HM Treasury in accordance with the 2010-11 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply EU-adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

In preparing these accounts, there were two material departures from the FReM as set out below.

- Other than the Bank of England, WGA has been prepared without consolidating the public sector banks, with the banks included as equity investments. Northern Rock (Asset Management) Ltd and Bradford and Bingley are proposed to be consolidated into WGA from 2013-14, as they are expected to be a permanent part of government until their mortgage books have expired and therefore form a longer-term part of the public sector. The remaining banks will continue to be held as available-for-sale financial assets and liabilities. The scale of these remaining entities would dwarf other aspects of WGA, distorting the accounts and therefore making it difficult to determine trends. It also reflects the Government's intention to return the banks to the private sector in due course; and

- There was a difference in the valuation method of highways infrastructure assets between central and local government, which will remain in place until at least 2012-13. As allowed under IFRS, local government values highways at historic cost. This produces a lower figure than the approach adopted by central government based on current day values, with the local road network expected to be under-valued by at least £200 billion.

HM Treasury is required to prepare WGA in accordance with the Government Resources and Accounts Act 2000, which allows HM Treasury to decide which entities should be included within WGA. HMT's view is that this effectively provides a statutory override to the requirement to adopt the accounting standard on consolidation.

The Comptroller & Auditor General is not required to provide an audit opinion on these summary accounts but must, under statute, provide an audit opinion on the complete 2010-11 Whole of Government Accounts by 31 October 2012, and HM Treasury must publish the audited accounts by 31 December 2012. HM Treasury has identified a number of improvements to be made to the account and is currently implementing these improvements. In future years, the publication date of the full audited account will be brought forward and HM Treasury plan to replace the unaudited summary data with audited data.

Consolidated entities

WGA consolidates a group of entities that appear to HM Treasury to exercise functions of a public nature, or to be entirely or substantially funded from public money. This group includes central government departments, non-departmental public bodies, government agencies, public corporations, local authorities, the National Health Service, and the devolved administrations.

The banks classified to the public sector have been included as equity investments in these statements, and have not been fully consolidated. A few entities that are not controlled by an executive arm of government are also not consolidated, but these are not material to WGA. In addition, there are a small number of entities that have not been included in WGA at this point because of agreed and pending consolidation decisions. Minor entities, which by virtue of their size are not material to WGA, have not been included in WGA if they meet certain criteria. The full WGA document includes a list of all consolidated entities.

Note 2. Net deficit for the year

Revenue and expenditure are accounted for using the accruals convention. Revenue is recognised in the period in which services are provided, and expenditure is recognised in the period in which it is incurred.

The revenues and expenditures, and assets and liabilities, of WGA entities have been added together line by line. All material balances and transactions between entities included in the consolidation have been eliminated. Where necessary, adjustments have been made to the financial statements of WGA entities to make the accounting policies consistent with the accruals accounting concept.

Note 3. Taxation revenue

	2010-11 £bn	2009-10 £bn
Income tax	158.8	152.6
Social security and National Health Service contributions	85.5	90.4
Corporation tax	45.7	37.8
Capital gains tax	3.7	1.9
Inheritance tax	2.7	2.5
Taxation revenue from direct taxes	**296.4**	**285.2**
Value added tax	88.2	76.1
Hydrocarbon oils duty	27.2	26.3
Excise duties	25.3	25.1
Stamp duties	9.0	8.1
Licence fee income	3.2	3.0
Lottery income	1.7	1.6
Other indirect taxes	11.6	7.8
Taxation revenue from indirect taxes	**166.2**	**148.0**
Council tax	30.2	29.4
National non-domestic rates	22.6	22.7
Taxation revenue from local taxes	**52.8**	**52.1**
Total taxation revenue	**515.4**	**485.3**

Prepared on an unaudited consolidated basis

Income tax included an amount of £0.9 billion (2009-10: £2.5 billion) for the bank payroll tax on certain discretionary bonuses, which was introduced in the Finance Act 2010. It does not include tax credits as these are categorised as an expense and included within benefits in Explanatory Note 4. Corporation tax included an amount of £0.7 billion for the bank levy payable by banking institutions, which was introduced by the Finance Act 2011 and commenced on the 1 January 2011.

Other indirect taxes include: petroleum revenue tax, betting and gaming duties, air passenger duty, insurance premium tax, landfill tax, climate change levy, aggregates levy, and regulatory fees. Further information is available on the HM Revenue and Customs website.

Tax revenues are estimated by HM Revenue and Customs using a statistical model. In his Audit Certificate on the 2010-11 Trust Statement of Tax Revenues and Expenditure, the Comptroller and Auditor General noted that the account is not qualified, but included an Emphasis of Matter paragraph. This described the significant uncertainty in the estimates of accrued tax revenue receivable and accrued tax revenue payable. Further information is set out in the 2010-11 accounts of HM Revenue and Customs.

Note 4. Social benefit payments

	2010-11 £bn	2009-10 £bn
State Retirement Pension	74.1	69.5
Tax credits	28.1	26.8
Local government housing and other benefits	29.3	27.9
Disability Living Allowance	19.1	17.7
Child benefit	12.1	11.9
Income Support	8.3	8.7
State Pension Credit	8.3	8.2
Incapacity Benefit	5.8	6.1
Jobseeker's Allowance	6.9	6.1
Carer's Allowance	1.6	1.5
Other benefits	10.4	12.7
Total cost of social benefit payments	**204.0**	**197.1**

Prepared on an unaudited consolidated basis

The State Retirement Pension is the pension paid to the public. Other benefits included £1.9 billion of Northern Ireland State pensions in 2009-10. This has been included in "state retirement pension" in 2010-11. Pension payments to former public sector employees are shown in Note 8.

The majority of social security payments were paid by the Department for Work and Pensions. The Comptroller and Auditor General qualified his regularity opinion of the Department's 2010-11 accounts in respect of error and fraud in benefit payments. Further information is set out in the Department's 2010-11 accounts.

Tax credits are administered by HM Revenue and Customs and include adjustments to income tax as well as direct benefit payments. The Comptroller and Auditor General qualified his regularity opinion on the 2010-11 Trust Statement of Tax Revenues and Expenditure in respect of error and fraud in tax credits, as the department had no estimate of the total levels of potential fraud in 2010-11. It did estimate in 2009-10 that error and fraud resulted in overpayments to which the claimants were not entitled, of between £1.8 billion and £2.1 billion and underpayments of between £0.3 billion and £0.6 billion. Further information is set out in the 2010-11 accounts of HM Revenue and Customs.

Note 5. Staff costs

Staff costs comprise:

	2010-11 £bn	2009-10 Restated £bn
Salaries and Wages	152.2	151.2
Social Security Costs	10.7	10.5
Staff Pension Costs	12.1	13.9
Pension Scheme Costs	40.1	27.7
Total Unconsolidated Staff Costs (pre-eliminations)	**215.1**	**203.3**
Less intra-government balances	(22.0)	(23.6)
TOTAL Consolidated Staff Costs	**193.1**	**179.7**

Prepared on an unaudited consolidated basis

This note has been prepared to show the full cost of the public sector workforce before items internal to the public sector, which are disclosed as 'intra-government balances' are removed. Intra-government balances include national insurance contributions which would otherwise form part of tax revenue (see Note 3) and employers' pension contributions (see Note 8).

'Staff Pension Costs' consist mainly of employer contributions to internal and external schemes. 'Pension Scheme Costs' include the public service pension scheme expenses such as current service cost, enhancements, gains/losses on settlements and curtailments and expenses for the transfer in of new members.

Note 6. Property, plant and equipment

Property, plant and equipment are valued at current cost or on a modified historical cost basis as a proxy for current cost.

	2010-11 £bn	2009-10 Restated £bn
Dwellings	85.6	111.4
Land	42.4	43.9
Buildings	207.1	204.2
Infrastructure assets	254.1	234.3
Military equipment	35.7	36.0
Assets under construction	41.6	43.8
Other	43.5	42.3
Total	**710.0**	**715.9**

Prepared on an unaudited consolidated basis

'Other' includes transport assets, plant and machinery, IT hardware, software and equipment, and furniture and fittings. Assets such as heritage assets, donated assets, and PFI assets are included in different asset categories as appropriate.

Note 7. Equity investment in public sector banks

The Government had investments in the Royal Bank of Scotland Group Plc, Lloyds Banking Group Plc, Northern Rock (Asset Management) Plc, Northern Rock Plc and Bradford & Bingley Plc as shown below. These investments are managed by UK Financial Investments Limited (UKFI). Further information is available from HM Treasury's 2010-11 Accounts and UKFI's 2010-11 Annual Report and Accounts.

	2010-11 £bn	2009-10 Restated £bn
Royal Bank of Scotland Group Plc	39.3	42.4
Lloyds Banking Group Plc	16.0	17.3
Northern Rock Plc	1.2	1.4
Northern Rock (Asset Management) Plc	-	-
Bradford & Bingley Plc	-	-
Total	**56.5**	**61.1**

Prepared on an unaudited consolidated basis

Note 8. Net public service pension liability

Each year a valuation of each pension scheme is performed on an accounting basis. This is performed in line with applicable accounting standards.

8.1 Analysis of movements in the liability

	Funded (net) £bn	Unfunded (gross) £bn	Total £bn
Net public service pension liability at 1 April 2010 (restated)	**115.7**	**1,019.0**	**1,134.7**
Current service costs	7.3	33.1	40.4
Past service costs	(21.4)	(104.6)	(126.0)
Gains/(losses) on settlements and curtailments	(0.3)	-	(0.3)
Interest on scheme liabilities	16.2	44.6	60.8
Expected rate of return on funded schemes' assets	(13.0)	-	(13.0)
Actuarial (gains)/losses	(30.0)	(69.9)	(99.9)
Contributions	(8.0)	-	(8.0)
Benefits paid	-	(28.9)	(28.9)
Transfers in/(out)	(0.3)	-	(0.3)
Net public service pension liability at 31 March 2011	**66.2**	**893.3**	**959.5**

Prepared on an unaudited consolidated basis

The funded pension scheme liability is shown on a net liability basis and the unfunded pension scheme liability is shown on a gross liability basis. The funded pension schemes hold a range of assets including gilts as part of their investment portfolio. Gilts held by these pension schemes have not been eliminated on consolidation in these accounts.

'Current service costs' are the increase in the present value of the scheme liabilities arising from current members' service in the current period. Current service costs are determined by the individual scheme actuaries and are calculated using the discount rate at the start of the year. A decrease (or increase) in the rate in the previous year leads to an increase (or decrease) in current service costs as compared to the previous year. 'Past service costs' are changes in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction, change, or improvement to retirement benefits. In 2010-11 there was a significant one off adjustment reflected through past service charges due to the change from RPI to CPI for the indexation of public sector pensions. 'Interest on scheme liabilities' is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Revenue and Expenditure. The interest cost is based on the discount rate, including inflation, calculated on the gross liability of the schemes.

'Actuarial gains and losses' comprise the effects of differences between the actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. They are accounted for through reserves as required by the Government Financial Reporting Manual (FReM). An actuarial gain of £100 billion (2009-10: loss of £288 billion) has been recognised, of which £69 billion (2009-10: a loss of £259 billion) was due to changes in assumptions underlying the value of liabilities. This movement in 2010-11 reflected changes in the real yield of corporate bonds.

The 'Contributions' balance reflects the increase in scheme assets due to payments made by the employer as a consequence of scheme requirements to fund any deficit of scheme assets compared to the total scheme liability. 'Benefits paid' on funded schemes do not show as a movement on the net liability as both as reduction in gross liabilities and as a reduction in scheme assets.

8.2 Analysis of the liability by type of scheme

	£bn	Percentage of liability
Unfunded schemes (gross)		
NHS (UK)	292.3	31%
Teachers (UK)	222.8	23%
Civil Service	145.0	15%
Armed Forces	99.7	10%
Police	93.8	10%
Firefighters	19.8	2%
Other unfunded	19.9	2%
	893.3	**93%**
Funded schemes (net)		
Local government	57.1	6%
Other funded	9.1	1%
	66.2	**7%**
Net public service pension liability	**959.5**	**100%**

Prepared on an unaudited consolidated basis

Note 9. Government financing and borrowing

	2010-11 £bn	2009-10 Restated £bn
Amounts falling due within one year		
Gilt edged securities	65.2	39.1
National Savings & Investment products	98.9	98.8
Treasury bills	63.6	63.0
	227.7	**200.9**
Amounts falling due after more than one year		
Gilt edged securities	680.5	580.9
Total	**908.2**	**781.8**

Prepared on an unaudited consolidated basis

Government borrowing and financing included gilts held by public service pension schemes, but excluded gilts held by the Bank of England and Bank of England Purchase Facility Fund as part of quantitative easing. Gilt-edged securities, or gilts, are UK Government sterling denominated listed bonds that are fixed rate or index-linked with the return linked to movements in the Retail Prices Index. As the

Government's debt manager, the Debt Management Office sells gilts to the market to ensure sufficient funding is available to meet the Government's financial commitments. Further details on these operations can be found in the 2010-11 Debt and Reserves Management Report.

Note 10. Provisions

A provision is recognised when the following three criteria are met: there is a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, discounted where appropriate. The year on year changes to the discount rate are charged through the Statement of Revenue and Expenditure.

	Nuclear decommiss-ioning £bn	Clinical negligence £bn	Other types of provision £bn	Total £bn
At 1 April 2010	56.7	15.7	29.8	102.2
Provisions arising during the year	5.3	3.8	14.8	23.9
Provisions utilised during the year	(2.0)	(1.1)	(9.1)	(12.2)
Unwinding of discount	1.1	-	0.5	1.6
Provisions not required written back	(0.2)	(0.9)	(5.1)	(6.2)
Transfers in-year	-	-	(1.2)	(1.2)
At 31 March 2011	**60.9**	**17.5**	**29.7**	**108.1**
Within one year	2.3	2.4	7.3	12.0
Between 1 and 5 years	9.6	4.7	12.9	27.2
Thereafter	49.0	10.4	9.5	68.9
Total Future payments	**60.9**	**17.5**	**29.7**	**108.1**

Prepared on an unaudited consolidated basis

£49.2 billion of the provision for nuclear decommissioning was held by Nuclear Decommissioning Authority and this amount was subject to an Emphasis of Matter on uncertainties in the provision by the Comptroller & Auditor General. Further information is set out in the 2010-11 accounts of the Nuclear Decommissioning Authority.

Note 11. Commitments under PFI contracts

The net book value of PFI assets included in the Statement of Financial Position was £35.1 billion (2009-10: £30.8 billion) as at 31 March 2011. The PFI liability for the present value of capital amounts payable included in the Statement of Financial Position was £31.9 billion (2009-10: £28.1 billion).

Interest on the liability and expenditure on services provided under PFI transactions are recognised in the Statement of Revenue and Expenditure as they accrue. Charges payable under the PFI contract can be apportioned between three elements: an element for services; an element for interest on the liability; and an element to repay the initial liability.

Future obligations in relation to those PFI contracts which were recognised on the Statement of Financial Position are shown below. These include obligations to pay life cycle replacement costs.

Obligations for future payments arise in the following periods:	2010-11 £bn	2009-10 Restated £bn
No later than one year	3.7	3.1
Later than one year and not later than five years	14.6	12.7
Later than five years	55.8	51.7
	74.1	**67.5**
Less finance charges allocated to future periods	(39.0)	(33.4)
Present value of future obligations	**35.1**	**34.1**
Service charges due in future periods	109.5	97.4
Total future obligations	**144.6**	**131.5**
Total number of PFI contracts	**706**	**678**

Prepared on an unaudited consolidated basis

The total number of PFI contracts recognised on the Statement of Financial Position and the gross present value obligations by segment was:

	Number of contracts		Value £bn	
	2010-11	**2009-10 Restated**	**2010-11**	**2009-10 Restated**
Central government	233	237	22.1	20.4
NHS trusts	108	129	17.9	14.4
Subtotal of central government	**341**	**366**	**40.0**	**34.8**
Local authorities	351	301	32.8	31.8
Public corporations	14	11	1.3	0.9
Total	**706**	**678**	**74.1**	**67.5**

Prepared on an unaudited consolidated basis

Details on PFI contracts are available in the individual accounts of WGA entities. Further detail of PFI projects with central government support is available on the HM Treasury website at www.hm-treasury.gov.uk/ppp_index.htm. The website includes data provided by central government departments up to March 2012.

Note 12. Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured. Where the time value of money is material, the contingent liabilities are stated at discounted amounts. Some contingent liabilities are quantifiable but many are not as the quantum of the liability can either not be determined with reasonable certainty or to quantify it would jeopardise their outcome.

Total quantifiable contingent liabilities discloseable under IAS 37 were as follows:

	2010-11 £bn	2009-10 Restated £bn
Financial stability interventions	9.8	9.7
Export guarantees and insurance policies	9.7	9.0
Clinical negligence	7.9	7.5
Taxes subject to challenge	9.7	5.5
Supporting international organisations	0.7	1.9
Other	11.7	7.8
Total quantifiable contingent liabilities	**49.5**	**41.4**

Prepared on an unaudited consolidated basis

Details of all contingent liabilities are available in the individual accounts of WGA entities.

Government departments also report to Parliament remote contingent liabilities, where the risk of crystallisation is too remote to be disclosable under accounting standards, but as guarantees, indemnities and letters of comfort, they create an exposure to financial risk. The full potential costs of the quantifiable remote contingent liabilities, which are largely guarantees and indemnities in place to support the financial sector, were as follows:

	1 April 2010 Restated £bn	Increase/ additions £bn	Liabilities crystallised £bn	Obligation expired £bn	31 March 2011 £bn
Guarantees	245.9	4.2	-	(18.0)	232.1
Indemnities	184.0	7.8	-	(50.3)	141.5
Letters of comfort	4.1	-	-	(0.1)	4.0
TOTAL	**434.0**	**12.0**	**-**	**(68.4)**	**377.6**

Prepared on an unaudited consolidated basis

Details of all remote contingent liabilities are available in the accounts of Government departments.

Note 13. Prior period adjustments

Prior period adjustments have arisen where WGA bodies have restated, reclassified or corrected 2009-10 figures in their 2010-11 accounts and where there have been changes to the WGA boundary.

The most significant WGA boundary change was the consolidation into WGA of the Bank of England (BOE) and Bank of England Asset Purchase Facility Fund (BEAPFF) for the first time. The addition of £236.6 billion to other financial liabilities comprised mostly deposits from banks and financial institutions that BOE held. The reduction of £183.8 billion to government financing and borrowing was mainly due to BEAPFF's holding of gilts, which were eliminated upon BEAPFF's consolidation in WGA. The addition to other assets was principally notes issued in circulation issued by BOE.

Local authorities adopted IFRS based accounts for the first time in 2010-11. This resulted in the restatement and reclassification of various balances and transactions.

Restatement of the Summarised Statement of Revenue and Expenditure

For the year ended 31 March 2010

	2010 reported audited £bn	WGA boundary change £bn	First time adoption of IFRS £bn	Other £bn	2010 restated unaudited £bn
Taxation revenue	(485.3)	-	-	-	(485.3)
Other revenue	(96.7)	(0.6)	(1.0)	0.2	(98.1)
Total operating revenue	**(582.0)**	**(0.6)**	**(1.0)**	**0.2**	**(583.4)**
Social security benefits	197.1	-	-	-	197.1
Staff costs	179.7	-	-	-	179.7
Other expenditure	288.9	0.4	1.2	(0.1)	290.4
Total operating expenditure	**665.7**	**0.4**	**1.2**	**(0.1)**	**667.2**
Net financing cost and net gains and losses on assets	80.8	0.1	-	(2.0)	78.9
Net deficit for the year	**164.5**	**(0.1)**	**0.2**	**(1.9)**	**162.7**

Prepared on an unaudited consolidated basis

Restatement of the Summarised Statement of Financial Position

As at 31 March 2010

	2010 reported audited £bn	WGA boundary change £bn	First time adoption of IFRS £bn	Other £bn	2010 restated unaudited £bn
Assets					
Property, plant and equipment	708.0	3.5	(0.1)	4.5	715.9
Equity investment in public sector banks	65.3	(4.2)	-	-	61.1
Other assets	434.2	43.4	(0.6)	(1.4)	475.6
Total assets	**1,207.5**	**42.7**	**(0.7)**	**3.1**	**1,252.6**
Liabilities					
Net public service pension liability	(1,132.3)	0.1	(2.3)	(0.2)	(1,134.7)
Government borrowing and financing	(965.6)	183.8	-	-	(781.8)
Provisions for liabilities and charges	(101.6)	0.1	(0.5)	(0.2)	(102.2)
Other liabilities	(219.8)	(240.7)	1.5	(2.0)	(461.0)
Total liabilities	**(2,419.3)**	**(56.7)**	**(1.3)**	**(2.4)**	**(2,479.7)**
Net liabilities	**(1,211.8)**	**(14.0)**	**(2.0)**	**0.7**	**(1,227.1)**
Liabilities to be funded by future revenues					
General and other reserves	1,430.4	14.8	(0.9)	(2.3)	1,442.0
Revaluation reserve	(218.6)	(0.8)	2.9	1.6	(214.9)
Total liabilities to be funded by future revenues	**1,211.8**	**14.0**	**2.0**	**(0.7)**	**1,227.1**

Prepared on an unaudited consolidated basis

TSO
information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, telephone, fax and email
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/general enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: http://www.bookshop.parliament.uk

TSO@Blackwell and other accredited agents

HM Treasury contacts

This document can be found in full on our website: http://www.hm-treasury.gov.uk

If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000
Fax: 020 7270 4861

E-mail: public.enquiries@hm-treasury.gov.uk

ISBN 978-0-10-183832-0

9 780101 838320