HM Treasury

Whole of Government Accounts 2011-12

key facts and figures

Whole of Government Accounts is a consolidated set of financial statements, based on international accounting standards, for the UK public sector. It shows the income received by the public sector, what it pays out and is charged by way of expenditure, what it owns (assets), and what it owes (liabilities). Below are extracts from the 2011-12 account, which can be found in full at www.gov.uk/government/publications/whole-of-government-accounts-2011-to-2012.

Headline figures:

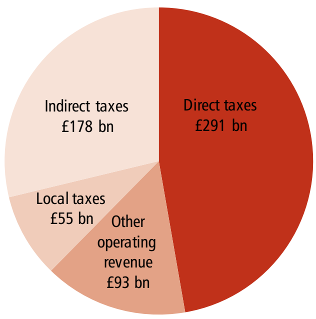
Operating revenue:	£617 billion	Total assets:	£1,268 billion
Operating expenditure:	£715 billion	Total liabilities:	£2,615 billion
Net financing costs:	£87 billion	Net liabilities:	£1,347 billion
Net expenditure:	£185 billion		

Revenue and expenditure

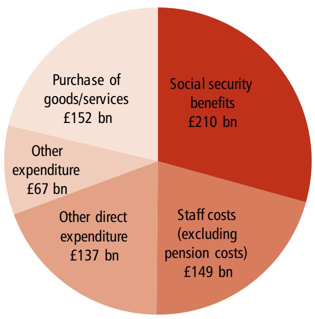
The Government's revenue comes mostly from taxes and is used to fund expenditure such as social security benefits, staff costs and the delivery of frontline services.

Net expenditure of £185 billion compares to £94 billion in the 2011 WGA. This difference was largely due to the impact of two one-off accounting valuation adjustments which benefited the 2011 position.

Adjusting for these large one-off items, net expenditure in 2012 has improved by £12 billion compared to 2011.

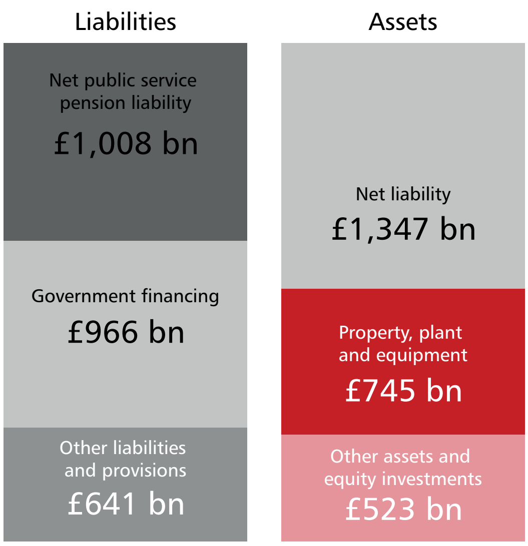


Total operating revenue
£617 billion



Total operating expenditure
£715 billion

Assets and liabilities



Total liabilities increased to £2,615 billion (from £2,420 billion in 2011), and comprised:

- £1,008 billion liability for public service pensions;
- £966 billion of debt in the form of government borrowing; and
- £641 billion of trade and other payables, provisions and other liabilities.

Total assets increased to £1,268 billion (from £1,234 billion in 2011), and comprised:

- £745 billion of land, buildings, dwellings, infrastructure and other property, plant and equipment; and
- £523 billion of trade and other receivables, loans and deposits with banks, and other assets.

Working capital is a measure of current assets less current liabilities and was negative £384 billion. It included £224 billion of government borrowing due to be repaid within one year as part of normal financing arrangements of its operations.

Government operating revenue and expenditure

Revenue

	2010 £bn	2011 £bn	2012 £bn
Direct taxes	285	296	291
Indirect taxes	148	166	178
Local taxes	52	53	55
Other revenue	98	99	93
Total operating revenue	**583**	**614**	**617**

The primary source of revenue is taxation, being 85 per cent of total public sector income. The primary purpose of the tax system is to raise revenue to fund public services and other Government activities.

Tax revenue increased by £9 billion in 2012 to £524 billion. This increase came largely from VAT, reflecting the increase in the VAT rate from 17.5 per cent to 20 per cent on 4 January 2011. This was partly offset by a decrease in corporation tax, largely due to lower revenues from economic activity and the lowering of the corporation tax rate from 28 per cent to 26 per cent which took effect on 1 April 2011.

Other operating revenue included revenue from sales of goods and services, fees, levies and charges.

Expenditure

	2010 £bn	2011 £bn	2012 £bn
Social security benefits	197	204	210
Purchase of goods and services	161	159	152
Wages and salaries	152	153	149
Grants and subsidies	66	68	62
Other expenses	43	79	75
Direct spend	**619**	**663**	**648**
Expenditure relating to revaluations	48	(38)	67
Total operating expenditure	**667**	**625**	**715**

Direct spend in 2012 was £15 billion lower than the previous year. This was incurred in the direct delivery of the Government's policies. Other items of operating expenditure result from the revaluation of assets and liabilities, which are outside the direct control of individual entities within WGA and can be volatile in nature.

Total expenditure in 2012 was £715 billion. Whilst this was £90 billion higher than 2011, it was £12 billion lower after excluding the one-off adjustments in 2011 arising from a change to the method of calculating future public service pension payments, and a decrease in the value of social housing.

The most significant elements of expenditure were social security benefit payments, goods and services purchased to meet operational requirements, and the cost of employing staff in the public sector.

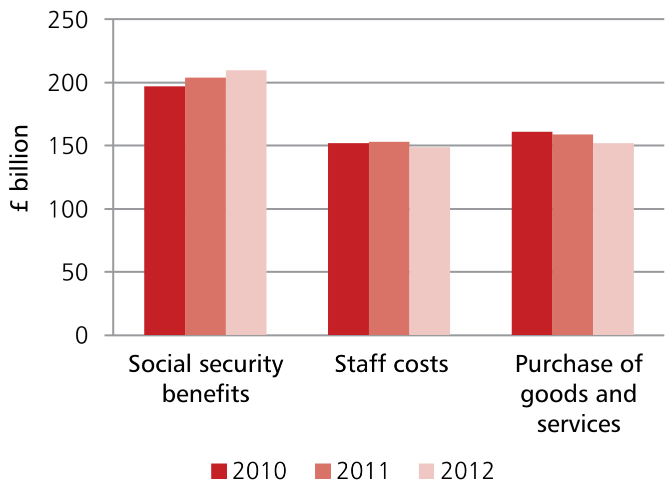
Other expenses include depreciation of property plant and equipment, the write-off of debt not collectible, as well as other costs associated with the delivery of front-line services.

Social security benefits, goods and services, and staff costs

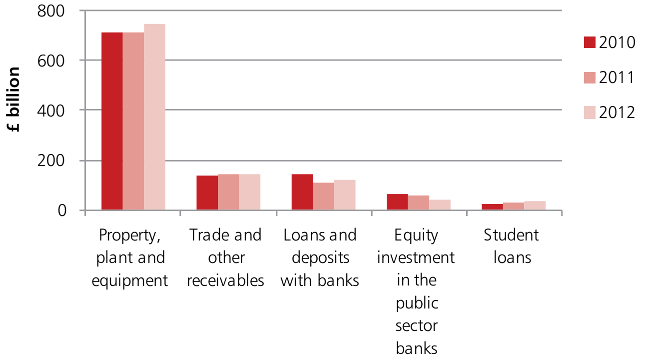
Social benefit payments have increased in the year to £210 billion, an increase of £6 billion from the previous year, reflecting the impact of inflation, an increase in the number of pensioners and the number of families in work receiving tax credits, and higher rents increasing housing benefit.

Purchase of goods and services continued to reduce as a result of tighter controls on spending. The largest area of spend (£46 billion) was on health for the purchase of clinical supplies, medical services and costs of prescriptions, with the remaining costs spread across all areas of the public sector.

Staff costs include costs for all permanent and temporary staff and contractors in the public sector including those involved in the delivery of front line services. There was an overall decrease in wages and salaries which reflected falling numbers and continuing pay restraint.



Government assets



	2010 £bn	2011 £bn	2012 £bn
Property, plant and equipment	713	714	745
Trade and other receivables	139	145	142
Loans and deposits with banks	145	110	121
Equity investment in the public sector banks	61	60	41
Student loans	24	30	33
Other assets	168	176	186
Total assets	**1,250**	**1,234**	**1,268**

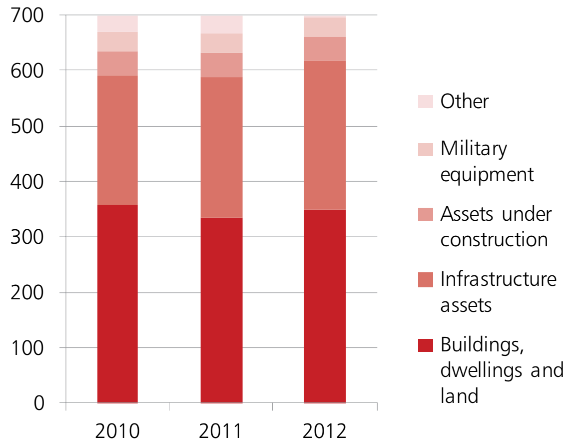
Property, plant and equipment

Property, plant and equipment included £348 billion of land, buildings and dwellings, £269 billion infrastructure and £35 billion of military equipment.

Land, buildings and dwellings make up the majority of public sector assets and included schools, hospitals and social housing.

Infrastructure assets were the next largest asset category and included roads, the Scottish water network and London Underground. They increased by £15 billion in the year mostly due to revaluations. Local authority roads were not valued on the same basis as the motorway and trunk road network, and could be understated by £200 billion.

PFI assets: the net book value of assets funded from Private Finance Initiative (PFI) projects was £39 billion.



Trade and other receivables

Trade receivables included tax debtors of £23 billion, which are amounts notified to taxpayers but not yet collected, and an estimate of tax due but not yet advised to taxpayers of £85 billion. This decreased by £2 billion in the year. Included in this was a provision for debt which might not be recovered of £9 billion, reflecting the risk of non-payment of tax, for example, because of insolvency.

Other assets

Other assets included investments of £86 billion (such as equity investments, debt securities and investment properties), intangible assets of £35 billion (such as military equipment and software licences), cash of £22 billion and gold of £11 billion.

Financial interventions

In response to the financial crisis, the Government has made a number of interventions to support the stability of the financial sector. These included equity investments in banks which are now classified to the public sector, as well as the creation of the Bank of England Asset Purchase Facility Fund and the Asset Protection Scheme.

The Government had investments of £41 billion in public sector banks in 2012. This reflected the value of shares in the Royal Bank of Scotland (RBS) and Lloyds Banking Group (Lloyds), as well as the value of the net assets of Northern Rock (Asset Management) and Bradford & Bingley. The value of these investments decreased by £19 billion in the year, largely driven by a reduction in the price of shares in RBS and Lloyds.

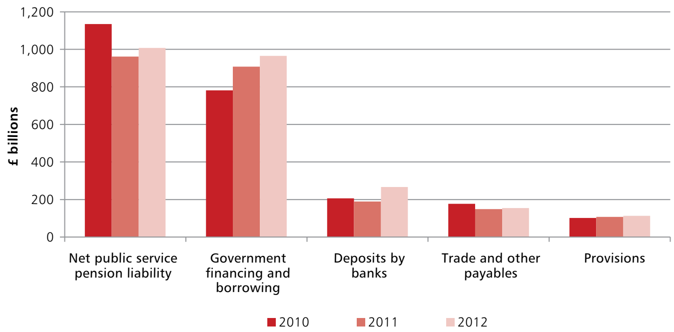
As at 31 March 2012, the total outstanding support to the financial sector stood at £92 billion.

The Government also provided a number of financial guarantees and indemnities giving rise to off-balance sheet contingent liabilities.

	2010 £bn	2011 £bn	2012 £bn
Equity investment	61	59	41
Loans and advances	58	55	51
Total support to the financial sector impacting the balance sheet	**119**	**114**	**92**
Capital support to RBS and Northern Rock		10	10
Remote contingent liabilities			
Asset Purchase Scheme*	154	110	55
Credit Guarantee Scheme*	125	115	24
Guarantees to depositors	30	21	14

*since closed, so contingent liability is now nil.

Government liabilities



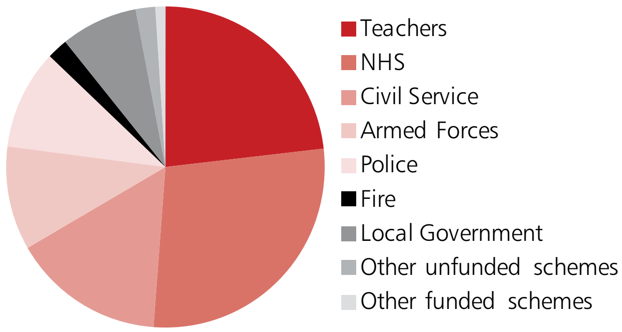
	2010 £bn	2011 £bn	2012 £bn
Net public service pension liability	1,135	961	1,008
Government financing and borrowing	782	908	966
Deposits by banks	206	189	266
Trade and other payables	177	149	155
Provisions	102	107	113
Other liabilities	78	106	107
Total liabilities	**2,480**	**2,420**	**2,615**

Pension liability

The public service pension liability reflects pensions that will be paid out over employees' lifetimes as current employees in the public service retire and start to draw their pension, funded by future taxes or pension scheme assets. It is separate from state pensions.

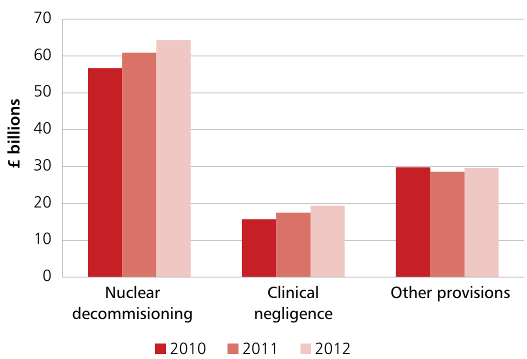
More than half the total liability related to teachers and staff within the NHS.

The pension liability increased by £47 billion from 2011 mainly due to interest costs and increased liabilities arising from employees' employment in 2012.



Provisions

Provisions are made for costs that the public sector is not certain to incur but where the probability is greater than 50 per cent.



Nuclear decommissioning (£64 billion) – included the estimated cost of dealing with radioactive waste, nuclear fuels, redundant facilities, and contaminated materials, over the next 100 years. It increased by £3 billion reflecting changes to the estimates of future decommissioning costs.

Clinical negligence (£19 billion) – reflected an assessment of the probable cost of settling known claims taking account of previous experience. It increased by £2 billion, due in part to a combination of higher claims volumes and the faster reporting of claims, rather than a substantial increase in the incidence of clinical negligence.

Other provisions (£30 billion) – related to a range of things such as taxes subject to challenge, legal cases, medical matters and government schemes such as the Financial Assistance Scheme.

Government borrowing and quantitative easing

To finance its activities and obligations, the Government borrows from the market to ensure sufficient funding is available to meet its daily cash requirements and financial commitments. Government borrowing comprises long-term borrowing in the form of gilt-edged securities (gilts), National Savings and Investments (NS&I products) and short-term borrowing in the form of Treasury bills.

Borrowing has increased, reflecting the gap between current receipts and expenditure and funding of commitments from previous years.

Despite increased borrowing, interest rates have remained fairly constant and at record lows, resulting in interest payments of £37 billion (£36 billion in 2011).

The policy of quantitative easing continued during 2011-12, to provide liquidity insurance to the banking system, with the objective of reviving consumer spending and economic growth.

Deposits by banks included £266 billion as part of the Government's cash management operations. This increased by £77 billion in the year largely because of increased deposits with the Bank of England, as a result of quantitative easing.

Contingent liabilities

Contingent liabilities are costs that the public sector may incur in the future, but where the probability is less than 50 per cent. As at 31 March 2012, the Government estimated contingent liabilities of £101 billion, an increase of £51 billion largely because of capital that the UK may be called to provide to the European Investment Bank and higher potential loss of tax revenues from oil and gas field decommissioning.

	2010 £bn	2011 £bn	2012 £bn
Supporting international organisations	2	1	33
Oil and gas field decommissioning revenues	0	0	20
Taxes subject to challenge	6	10	15
Financial stability intervention	10	10	10
Clinical negligence	8	8	8
Other	15	21	15
Total quantifiable contingent liabilities	**41**	**50**	**101**