



Whole of Government Accounts 2012-13

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 **2012-13 account**.

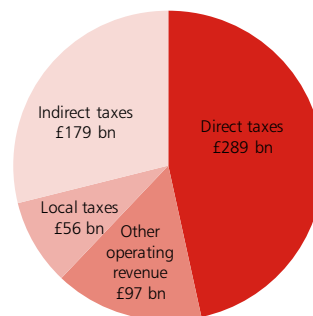
Headline figures:

Operating revenue:	£621 billion	Total assets:	£1,264 billion
Operating expenditure:	£717 billion	Total liabilities:	£2,893 billion
Net financing costs:	£79 billion	Net liabilities:	£1,630 billion
Net expenditure:	£179 billion		

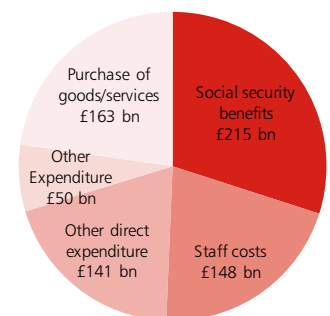
Revenue and expenditure

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 £179 billion compares to £185 billion in the 2012 WGA. This difference was due to a reduction in the amount of interest the government was required to pay on its borrowings and pension liabilities.

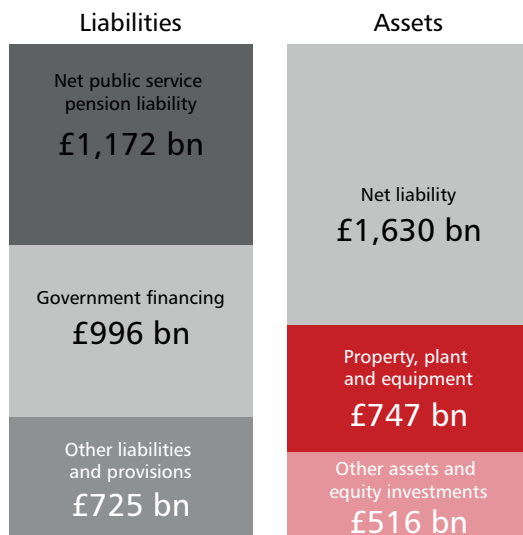


Total revenue £621 billion



Total operating expenditure £717 billion

Assets and liabilities



Total liabilities increased to £2,893 billion (from £2,617 billion in 2012), and comprised:

- £1,172 billion liability for public service pensions;
- £996 billion of debt in the form of government borrowing; and
- £725 billion of trade and other payables, provisions and other liabilities.

Total assets decreased to £1,264 billion (from £1,271 billion in 2012), and comprised:

- £747 billion of land, buildings, dwellings, infrastructure and other property, plant and equipment; and
- £516 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 £451 billion. It included £214 billion of government borrowing due to be repaid within one year as part of normal financing arrangements of its operations.

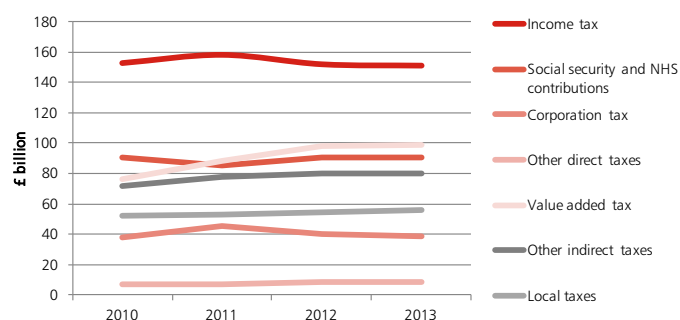
Government operating revenue and expenditure

Revenue

	2010	2011	2012	2013
	£bn	£bn	£bn	£bn
Direct taxes	285	296	291	289
Indirect taxes	148	166	178	179
Local taxes	52	53	55	56
Other revenue	98	99	93	97
Total operating revenue	583	614	617	621

The primary source of revenue is taxation, being 84% 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 remained static in 2013 at £524 billion. A £2 billion decrease in direct taxes was offset by increases in receipts from indirect taxes such as VAT, and local business rate taxes.



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

Expenditure

	2010	2011	2012	2013
	£bn	£bn	£bn	£bn
Social security benefits	197	204	210	215
Purchase of goods and services	161	159	154	163
Wages and salaries	152	153	149	148
Grants and subsidies	66	68	62	56
Other expenses	43	79	73	84
Direct spend	619	663	648	666
Expenditure relating to revaluations	48	(38)	67	50
Total operating expenditure	667	625	715	717

Direct spend in 2013 was £18 billion higher 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 2013 was £717 billion. This figure is consistent with the amount spent in 2012.

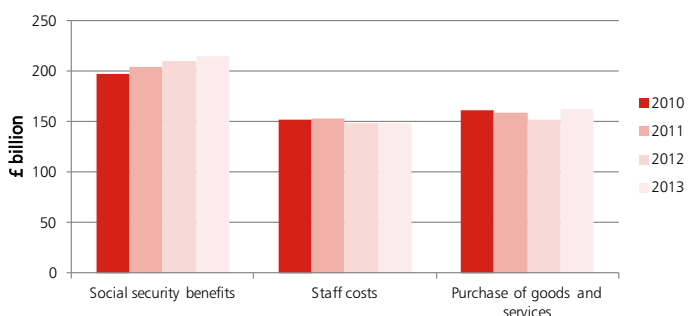
The most significant elements of expenditure were social security benefit payments, goods and services purchased to meet operational requirements, and the cost of employing staff in the public sector. Other expenses include depreciation of property plant and equipment, the write-off of debt not collectible, as well as other costs associated with the delivery of front-line services.

Social security benefits, goods and services, and staff costs

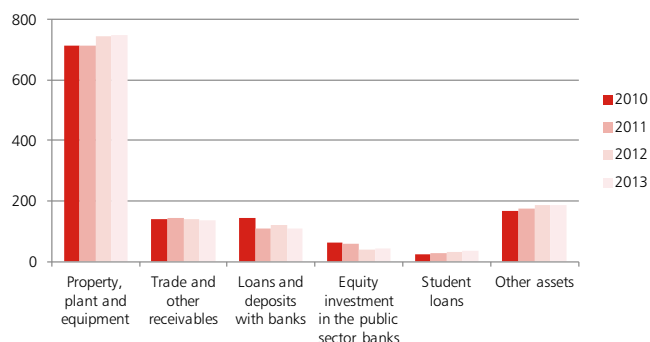
Social benefit payments have increased in the year to £215 billion, an increase of £5 billion from the previous year, reflecting the impact of inflation, and an increase in the number of pensioners. Housing benefit fell by £1.5 billion from £30.0 billion to £28.5 billion (5%), as a result of a cap on the maximum rent amounts payable to private sector landlords, and a fall in market rent prices associated with the economic slowdown.

Purchase of goods and services have increased by £9 billion. The largest area of spend (£49 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 slight decrease in wages and salaries which continuing pay restraint in the sector.



Government assets



	2010	2011	2012	2013
	£bn	£bn	£bn	£bn
Property, plant and equipment	713	714	745	747
Trade and other receivables	139	145	142	137
Loans and deposits with banks	145	110	122	111
Equity investment in the public sector banks	61	60	41	45
Student loans	24	30	33	36
Other assets	167	176	188	188
Total assets	1,249	1,235	1,271	1,264

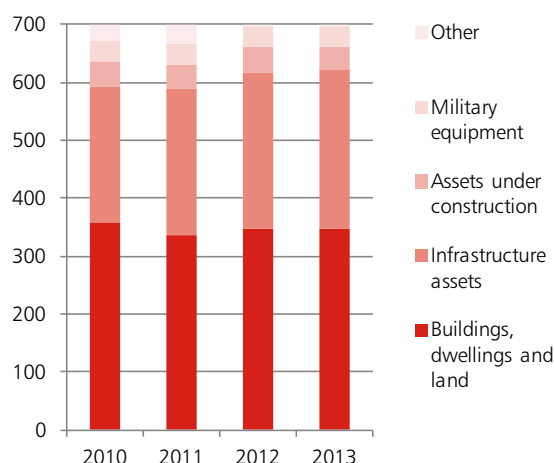
Property, plant and equipment

Property, plant and equipment included £348 billion of land, buildings and dwellings, £274 billion infrastructure and £36 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 £5 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 £220 billion.

PFI assets: the net book value of assets funded from Private Finance Initiative (PFI) projects was £37 billion.



Trade and other receivables

Trade receivables included tax debtors of £27 billion, which are amounts notified to taxpayers but not yet collected, and an estimate of tax due but not yet advised to taxpayers of £82 billion. This decreased by £3 billion in the year. Included in this was a provision for debt which might not be recovered of £10 billion, reflecting the risk of non-payment of tax, for example, because of insolvency.

Other assets

Other assets included investments of £88 billion (such as equity investments, debt securities and investment properties), intangible assets of £35 billion (such as military equipment and software licences), cash of £20 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.

The government had investments of £45 billion in public sector banks in 2013. 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 increased by £4 billion in the year, largely driven by an increase in the price of shares for Lloyds.

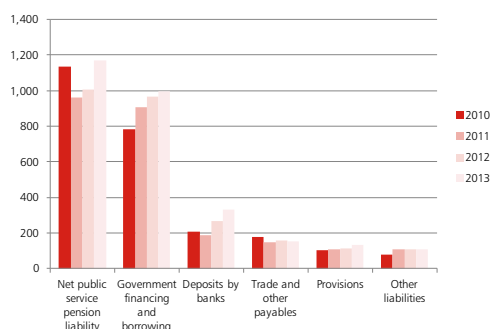
As at 31 March 2013, the total outstanding support to the financial sector stood at £92 billion.

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

	2011	2012	2013
	£bn	£bn	£bn
Equity investment	60	41	45
Loans and advances	55	51	47
Total support to the financial sector impacting the balance sheet	114	92	92
Capital support to RBS and Northern Rock	10	10	10
Remote contingent liabilities			
Asset Purchase Scheme*	110	55	-
Credit Guarantee Scheme*	115	24	-
Guarantees to depositors	21	14	12

*since closed, so contingent liability is now nil.

Government liabilities



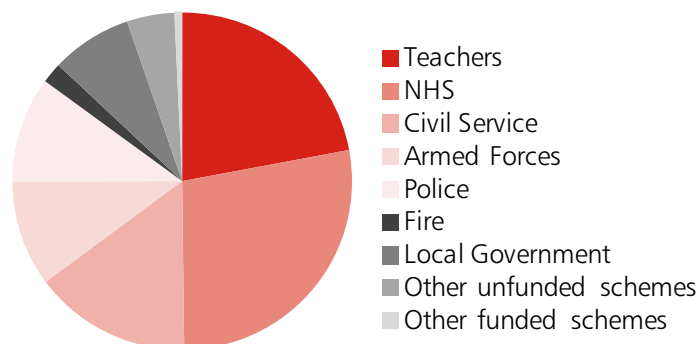
	2010	2011	2012	2013
	£bn	£bn	£bn	£bn
Net public service pension liability	1,135	961	1,006	1,172
Government financing and borrowing	782	908	966	996
Deposits by banks	206	189	267	334
Trade and other payables	177	149	159	152
Provisions	102	107	113	131
Other liabilities	78	106	107	108
Total liabilities	2,480	2,420	2,618	2,893

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.

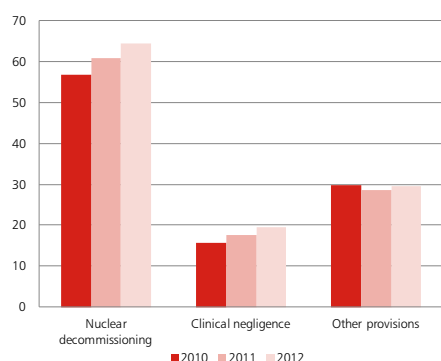
More than half the total liability related to teachers and staff within the NHS.

The pension liability increased by £166 billion from 2013 due to a change in valuation of future pension costs, and a change in the underlying assumptions that are used – for example mortality rates.



Provisions

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



Nuclear decommissioning (£70 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 £6 billion reflecting changes to the estimates of future decommissioning costs.

Clinical negligence (£24 billion) – reflected an assessment of the probable cost of settling known claims taking account of previous experience. It increased by £5 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 (£37 billion) – related to a range of things such as taxes subject to challenge, legal cases, medical matters and oil and gas field decommissioning revenues.

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 £31 billion (£37 billion in 2012).

The policy of quantitative easing continued during 2012-13, to provide liquidity insurance to the banking system, with the objective of reviving consumer spending and economic growth.

Deposits by banks included £334 billion as part of the government's cash management operations. This increased by £68 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%. As at 31 March 2013, the government estimated contingent liabilities of £88 billion, a decrease of £13 billion on 2012. This is because of oil and gas field decommissioning revenues, which have moved from contingent liabilities to provisions. This move between categories reflects that the probability of occurrence for this item now exceeds the 50% threshold.

	2010	2011	2012	2013
	£bn	£bn	£bn	£bn
Supporting international organisations	2	1	33	32
Oil and gas field decommissioning revenues	0	0	20	0
Taxes subject to challenge	6	10	15	15
Financial stability intervention	10	10	10	10
Clinical negligence	8	8	8	11
Other	17	21	15	20
Total quantifiable contingent liabilities	41	50	101	88