



# Whole of Government Accounts 2013-14

## 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 **2013-14 account**.

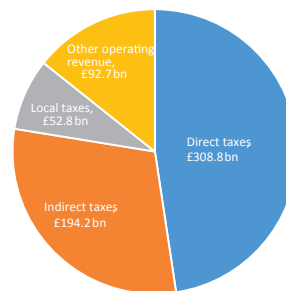
### Headline figures

Operating revenue:	£649 billion	Total assets:	£1,337 billion
Operating expenditure:	£718 billion	Total liabilities:	£3,189 billion
Net financing costs:	£79 billion	Net liabilities:	£1,852 billion
Net expenditure:	£149 billion		

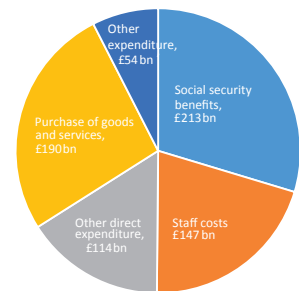
### Revenue and expenditure

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

Net expenditure reduced by £30 billion from £179 billion in the 2012-13 to £149 billion in 2013-14 largely due to increased tax revenues and stabilisation of overall expenditure.



Total revenue  
£649 billion



Total operating expenditure  
£718 billion

### Assets and liabilities

**Total liabilities** increased to £3,189 billion from £2,925 billion (restated) in 2012-13, and comprised:

- £1,302 billion liability for public service pensions
- £1,096 billion of debt in the form of government borrowing
- £791 billion of trade and other payables, provisions and other liabilities.

**Total assets** increased to £1,337 billion from £1,298 (restated) billion in 2012-13, and comprised:

- £763 billion of land, buildings, dwellings, infrastructure and other property, plant and equipment
- £574 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 £443 billion.

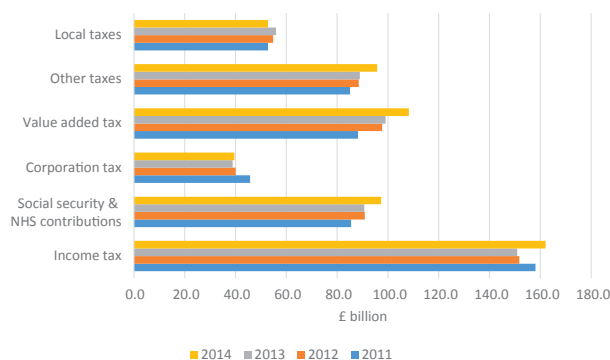
It included £212 billion of government borrowing due to be repaid within one year as part of normal financing arrangements of its operations.

	2010-11	2011-12	2012-13	2013-14
	£bn	£bn	£bn	£bn
Property, plant and equipment	714	744.5	746.8	762.6
Gold, cash and other financial assets	254.6	282.1	311.2	324
Trade receivables	145.1	141.9	138.9	149.1
Equity in public sector banks	59.5	40.8	40	43
Intangible assets	34.8	35.2	34.5	31.9
Other physical assets	26.3	26.1	26.1	26.7
<b>Total Assets</b>	<b>1,234.30</b>	<b>1,270.60</b>	<b>1,297.50</b>	<b>1,337.30</b>
Public sector pensions	961	1,005.80	1,171.90	1,301.90
Government borrowing	908.2	965.5	996.2	1,096.10
Financial liabilities	295.4	374.3	472.8	490.6
Trade payables	148.4	158.9	153.5	158.7
Provisions	107	113	131	141.8
<b>Total Liabilities</b>	<b>2,420.00</b>	<b>2,617.50</b>	<b>2,925.40</b>	<b>3,189.10</b>
Net Liabilities	1,185.70	1,346.90	1,627.90	1,851.80
% of GDP	75%	83%	100%	111%

# Government operating revenue and expenditure

## Revenue

	2011	2012	2013	2014
	£bn	£bn	£bn	£bn
Direct taxes	296	291	289	309
Indirect taxes	166	178	179	194
Local taxes	53	55	56	53
Other revenue	99	93	96	93
<b>Total operating revenue</b>	<b>614</b>	<b>617</b>	<b>621</b>	<b>649</b>



The primary source of revenue is taxation, being 86% 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 in 2013-14 to £556 billion from £524 billion in 2012-13, a £32 billion increase overall in tax receipts comprising:

a £20 billion increase in direct tax receipts; a £15 billion increase in indirect tax receipts such as VAT; offset by a £3 billion decrease in receipts from local taxes.

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

## Expenditure

	2011	2012	2013	2014
	£bn	£bn	£bn	£bn
Social security benefits	204	210	215	213
Purchase of goods and services	187	178	182	190
Wages and salaries	153	149	148	147
Grants and subsidies	68	62	56	60
Other expenses	51	49	65	54
<b>Direct spend</b>	<b>663</b>	<b>648</b>	<b>666</b>	<b>664</b>
Expenditure relating to revaluations	(38)	67	51	54
<b>Total operating expenditure</b>	<b>625</b>	<b>715</b>	<b>717</b>	<b>718</b>

**Direct spend in 2013-14** was £2 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 2013-14** was £718 billion. This figure is consistent with the amount spent in 2012-13.

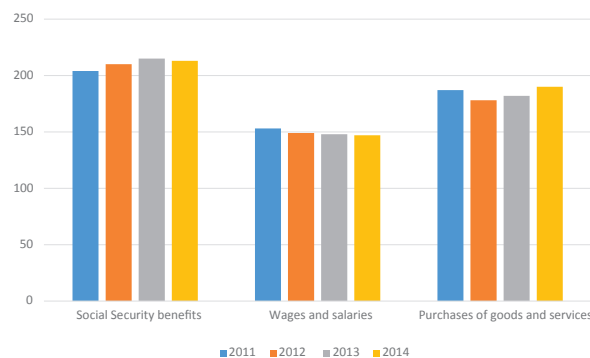
The most significant elements of expenditure were social security benefit payments, goods and services purchased to meet operational requirements, and the cost of employing staff in the public sector. Other expenses include depreciation of property plant and equipment, the write-off of debt not collectible, 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 decreased in the year to £213 billion, a decrease of £2 billion from the previous year. Housing benefit fell by £1.2 billion from £28.5 billion to £27.3 billion (4.2%), this is due to continuing welfare reforms.

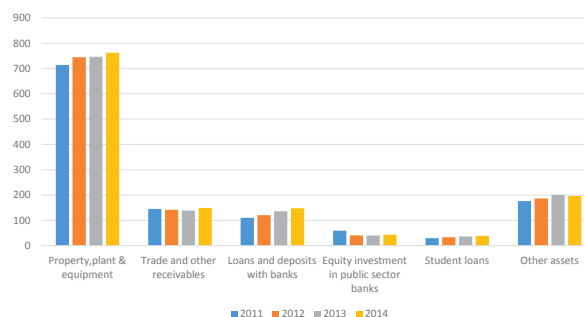
**Purchase of goods and services** have increased by £7.5 billion. The largest area of spend (£54 billion) was on health for the purchase of clinical supplies, medical services and costs of prescriptions, with the remaining costs spread across all areas of the public sector.

**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 due to continuing pay restraint in the sector.



## Government assets

	2011	2012	2013	2014
	£bn	£bn	£bn	£bn
Property, plant and equipment	714.0	744.5	746.8	762.6
Trade and other receivables	145.1	141.9	138.9	149.1
Loans and deposits with banks	110.0	121.7	135.7	147.8
Equity investment in the public sector banks	59.5	40.8	40.0	43.0
Student loans	29.6	33.1	36.0	39.0
Other assets	176.1	188.6	200.1	195.8
<b>Total assets</b>	<b>1,234.3</b>	<b>1,270.6</b>	<b>1,297.5</b>	<b>1,337.3</b>



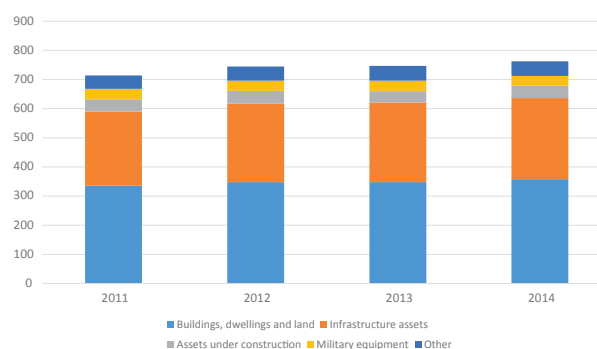
### Property, plant and equipment

**Property, plant and equipment** included £358 billion of land, buildings and dwellings, £278 billion of infrastructure and £33 billion of military equipment.

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

**Infrastructure assets** were the next largest asset category and include 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 £200 billion.

**PFI assets:** the net book value of assets funded from Private Finance Initiative (PFI) projects was £38.6 billion.



### Trade and other receivables

**Trade receivables** included tax debtors of £31 billion, which are amounts notified to taxpayers but not yet collected, and an estimate of tax due but not yet advised to taxpayers of £89 billion. This increased by £7 billion in the year. Included in this was a provision for debt which might not be recovered of £11 billion, reflecting the risk of non-payment of tax, for example, because of insolvency.

### Other assets

**Other assets** included investments of £98 billion (such as equity investments, debt securities and investment properties), intangible assets of £32 billion (such as military equipment and software licences), cash of £25.5 billion and gold of £8 billion.

## Financial interventions

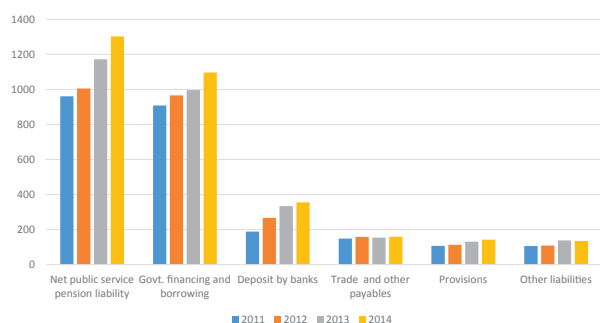
In response to the financial crisis, the government has made a number of interventions to support the stability of the financial sector. These included equity investments in banks which are now classified to the public sector, as well as the creation of the Bank of England Asset Purchase Facility Fund.

During the year 9.8 billion shares in Lloyds were sold generating revenue of £7.4 billion. The book value of these shares were £4.8 billion, resulting in a net gain of £2.6 billion. Treasury reduced its share holdings of Lloyds to 24.9%, and Lloyds was reclassified back to the private sector from March 2014. The rise in bank share prices resulted in a fair value increase of £4.6 billion for Lloyds and £3.2 billion for RBS. The closing position of equity investments in the remaining banks is £43.0 billion.

As at 31 March 2014, the total outstanding support to the financial sector stood at £47 billion.

	2011	2012	2013	2014
	£bn	£bn	£bn	£bn
Equity investment	60	41	40	43
Loans and advances	55	51	47	4
<b>Total support to the financial sector impacting the balance sheet</b>	<b>115</b>	<b>92</b>	<b>87</b>	<b>47</b>

## Government liabilities



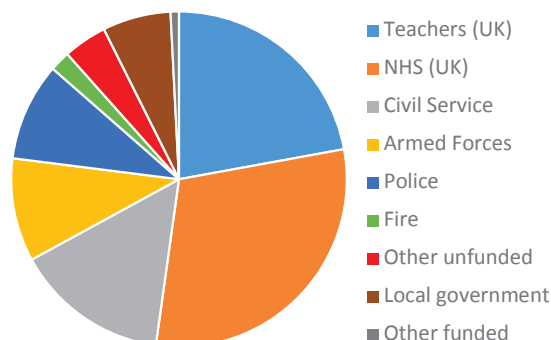
	2011	2012	2013	2014
	£bn	£bn	£bn	£bn
Net public service pension liability	961	1,005	1,172	1,302
Government financing and borrowing	908	966	996	1,096
Deposits by banks	189	267	334	355
Trade and other payables	149	158	154	159
Provisions	107	113	131	142
Other liabilities	106	109	138	135
<b>Total liabilities</b>	<b>2,420</b>	<b>2,618</b>	<b>2,925</b>	<b>3,189</b>

### 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.

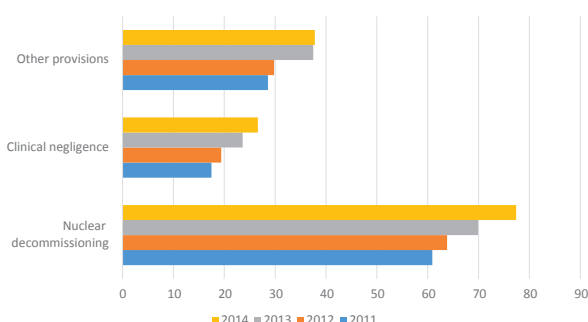
More than half the total liability related to teachers and staff within the NHS.

The pension liability increased by £130 billion in 2013-14 due to a change in valuation of future pension costs, and a change in the underlying assumptions that are used – for example expected increases in salary.



### 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** (£77 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 £7 billion of which £5.1 billion relates to increased costs at the Sellafield site.

**Clinical negligence** (£27 billion) – reflected an assessment of the probable cost of settling known claims taking account of previous experience. It increased by £3 billion, mainly driven by higher claims volumes.

**Other provisions** (£38 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 by £99.9 billion, 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 £32 billion (£31 billion in 2012-13).

Deposits by banks included £319 billion as part of the government's cash management operations. This increased by £22 billion in the year largely because of increased deposits with the Bank of England.

### 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 2014, the government estimated contingent liabilities of £63 billion, a decrease of £25 billion on 2012-13. This is partly due to the contingent liability of £30 billion in relation to the European Investment Bank, under 'Supporting International Organisations', now being deemed as too remote to be categorised as meeting the reporting requirements under International Accounting Standard 37; although this is still reported as a remote contingent liability.

	2011	2012	2013	2014
	£bn	£bn	£bn	£bn
<b>Restated figures</b>				
Financial stability interventions	10	10	10	-
Export guarantees and insurance	10	10	13	12
Clinical negligence	8	8	10	12
Taxes subject to challenge	10	15	15	29
Supporting international organisations	1	33	32	1
Transport infrastructure projects	3	3	4	5
Military contracts	1	1	1	1
Oil and gas field decommissioning	-	20	-	-
Other	7	1	3	3
<b>Total quantifiable contingent liabilities</b>	<b>50</b>	<b>101</b>	<b>88</b>	<b>63</b>