

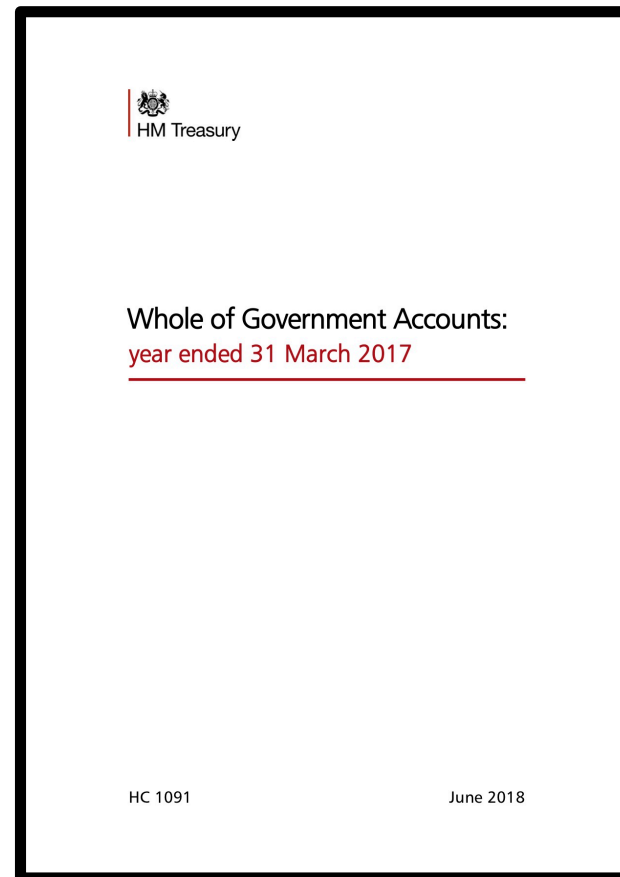


Whole of Government Accounts

THE UK GOVERNMENT'S ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2016-17

Whole of Government Accounts 2016–17

- On 28 July 2018, the UK Government published its eighth Whole of Government Accounts (WGA)
- The WGA bring together the accounts of over 7,000 public bodies in the UK across central government, devolved administrations, local government and public corporations
- The WGA is prepared in accordance with International Financial Reporting Standards (IFRS), which differ from the National Accounts rules used for calculating the fiscal deficit and public sector net debt



WGA is a report comprising



A performance analysis

- A commentary on the numbers (which this year is a significant improvement in quality over last year)

Responsibility and Governance statements

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

A remuneration and staff report

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

Financial statements

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

A report from the Comptroller & Auditor General

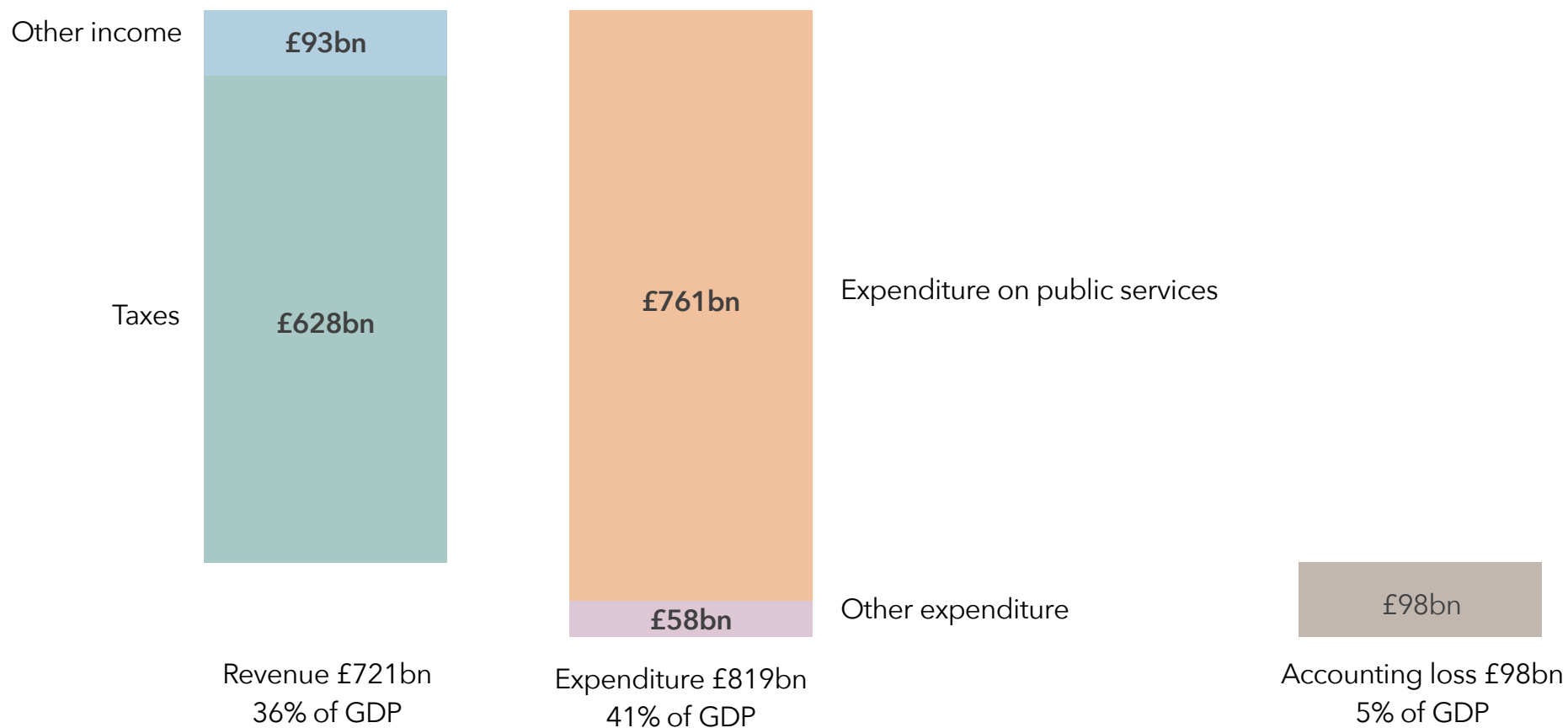
- True and fair opinion, subject to 5 qualifications: for bodies not included, central and local government inconsistencies, MoD leased assets and academy schools (twice)
- Emphasis on the risks in estimating nuclear provisions and the Hinkley Point C contract for difference valuation

A comparison to the National Accounts

- An analysis of the differences from the National Accounts

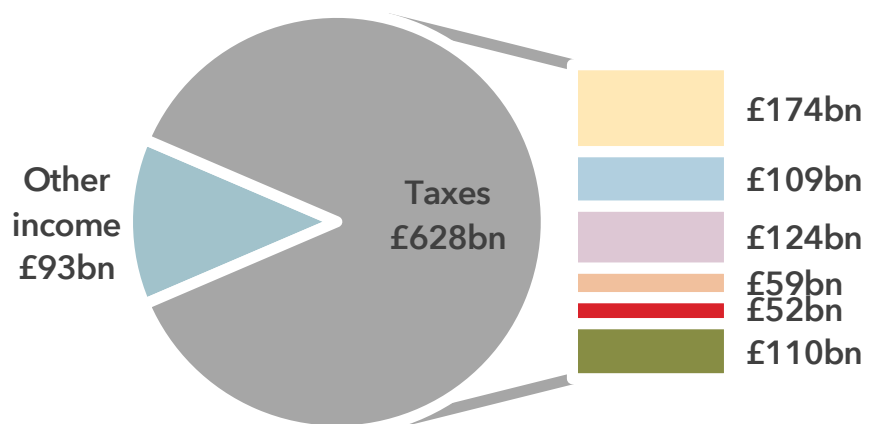


WGA accounting loss for 2016–17



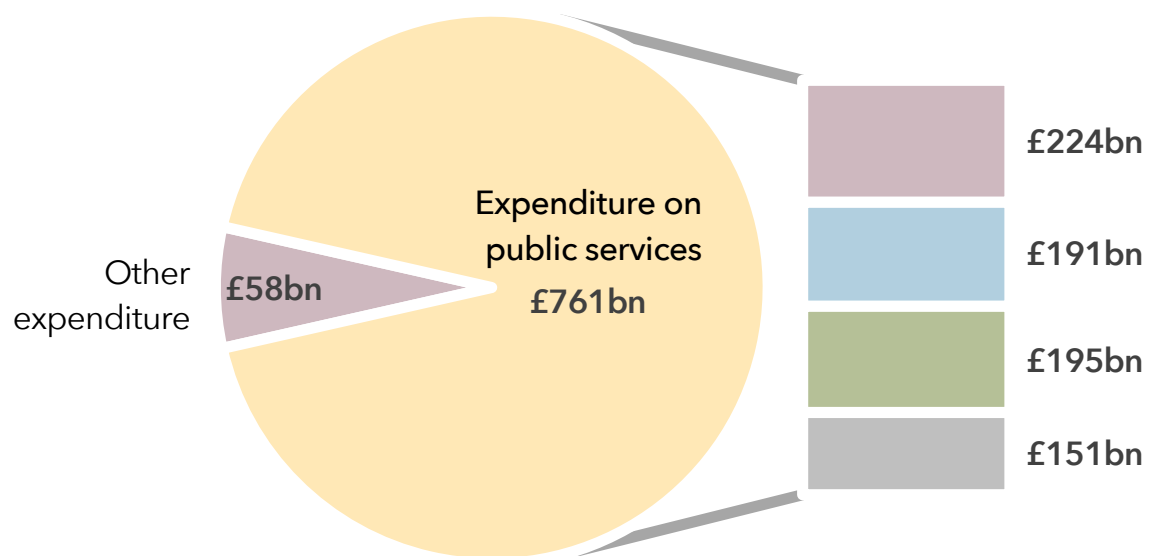
WGA revenue and expenditure for 2016–17

Revenue £721bn



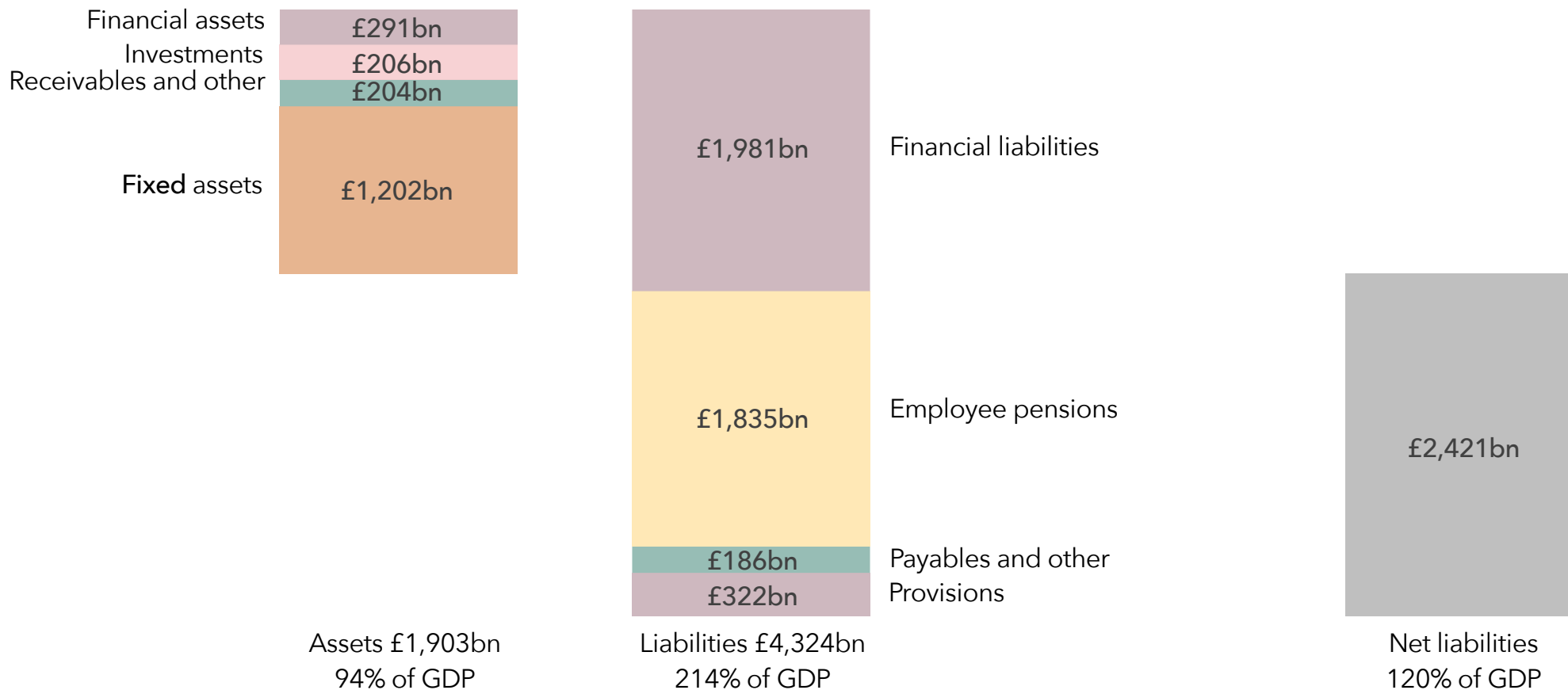
- Income tax
- VAT
- Corporation tax
- National insurance
- Local government taxes
- Other taxes

Expenditure £819bn



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

WGA balance sheet at 31 March 2017



WGA 2016–17 financial performance



- **£8bn lower loss on public services**
 - £26bn (+3.9%) in higher revenues (lower than nominal economic growth of 4.4%)
 - less: £9bn from higher provision charges
 - less: £8bn (+1.4%) from higher expenditure (constrained to less than inflation of 2.2%)
- **£148bn lower overall loss**
 - last year included a £125bn one-off charge for discount rate in provisions for long-term liabilities
 - £18bn from change from a loss of £8bn to a gain of £10bn on revaluing financial assets
 - less: £6bn higher charges on long-term liabilities
 - plus: £8bn lower loss on public services as above

	2016-17	2015-16
Revenue	721	694
Public service expenditure	(761)	(742)
Loss on public services	(40)	(48)
Other expenditures	(58)	(196)
Loss for the year	(98)	(244)

WGA 2016–17 financial position



- **£59bn increase in total assets**
 - £31bn of £49bn increase in fixed assets due to revaluations
 - £92bn increase in financial assets, including cash
 - other net movements of £20bn
- **£596bn increase in total liabilities**
 - £163bn to fund cash spending and cash increase
 - £410bn increase in pensions, including £57bn in new obligations and £353bn in other changes, including a lower discount rate
 - £17bn increase in provisions
 - £6bn increase in payables and other liabilities
- **£435bn increase in net liabilities**

	31 Mar 2017	31 Mar 2016
Fixed assets	1,202	1,153
Receivables and other assets	204	181
Investments	206	209
Financial assets including cash	291	199
Assets	1,903	1,742
Debt and financial liabilities	(1,981)	(1,818)
Pensions	(1,835)	(1,425)
Provisions	(322)	(305)
Payables and other liabilities	(186)	(180)
Liabilities	(4,324)	(3,728)
Net liabilities	(2,421)	(1,986)

WGA 2016–17 differences from the National Accounts



	2016-17	2015-16
National Accounts - fiscal deficit	(45)	(71)
Add back: net investment	38	32
National Accounts - current deficit	(7)	(39)
Increases in provisions	(16)	(128)
Net interest on pension obligations	(51)	(52)
Financial revaluations	10	(8)
PFI and other finance charges	(8)	(7)
Capital and depreciation differences	(18)	(5)
Other differences	(8)	(5)
WGA - loss for the year	(98)	(244)

	31 Mar 2017	31 Mar 2016
National Accounts - net debt	(1,727)	(1,603)
Net pension liabilities	(1,835)	(1,425)
Provisions	(322)	(306)
Payables and other liabilities	(110)	(106)
PFI contract liabilities	(33)	(33)
Fixed assets	1,203	1,153
Receivables and other assets	167	150
Housing associations not in WGA	70	67
Debt and investments	151	92
Other differences	15	25
WGA - net liabilities	(2,421)	(1,986)

WGA 2016–17 summary



Continued losses

- Loss on public expenditure £40bn (2.0% of GDP)
- Total loss for 2016–17 of £98bn (4.9%)
- WGA assets £1,903bn (94%)
- WGA liabilities £4,324bn (214%)
- WGA net liabilities £2,421bn (120%)

More comprehensive than National Accounts

- National Accounts deficit £45bn (2.3% of GDP)
- National Accounts current deficit £7bn (0.4%)
- National Accounts net debt £1,727bn (85%)

Key drivers

- Continued shortfall in revenues compared with expenditures, leading to significant increases in debt each year
 - Constrained public expenditures have reduced losses to last year
- Long-standing policy of not funding most public sector pensions means growing pension liabilities.
 - Pension discount rate reduction from 1.37% to 0.24% resulted in £361bn additional increase this year
- Low level of investment means static fixed asset base
- Historic liabilities from nuclear, and new liabilities from clinical negligence
 - Last year's one-off charge of £125bn not repeated this year.