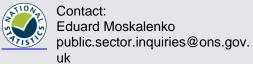Office for
National Statistics

Article

Recent and upcoming changes to public sector finance statistics: September 2021

Covers methodological changes and areas for future development.

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1 . Overview

Most methodological changes to the public sector finance statistics are prompted by the need for statistics to keep pace with the evolving economy. These changes can alter perceptions of the government's fiscal exposure, as measured by the fiscal aggregates such as public sector net borrowing (PSNB) or public sector net debt (PSND).

This article increases transparency around the methodology work, including classification reviews, that is currently underway or planned within the next 18 months.

In September 2021, we implemented several methodological changes, such as the treatment of the coronavirus (COVID-19) loan guarantee schemes and improvements to the recording of the Bank of England in the Public Sector Finances (PSF). More information about these changes can be found in previous editions of this article. This edition focuses on changes that we expect to implement in the PSF bulletin over the next 18 months.

We intend to resume the publication of a separate longer-term work plan, which was suspended during the coronavirus pandemic, at the end of 2021.

2 . Changes expected in the next annual package

In accordance with our transparency strategy and to provide increased predictability to users, we aim to package together methodological changes so that they occur, where possible, at a single point in the year. This section presents information on aspects of methodology we expect to review in the next annual package.

Treatment of leases

Historically, it was possible to use business accounting estimates as a source of leasing data. This was because the standard describing the recording of leases, the International Accounting Standard 17 (IAS 17), and the international statistical framework were closely aligned.

However, in 2016, IAS 17 was replaced by the new International Financial Reporting Standard 16 (IFRS 16), which is markedly different conceptually from both IAS 17 and the statistical framework.

We have now considered how to compile leasing data recorded in line with the new IFRS 16 standard. Through this work, we also found that even though most property leases were accounted for as operating leases under the preceding standard, IAS 17, they had substantial risk transfer from the lessor to the lessee. As such, it would have been appropriate to record them as financial leases in statistics.

Having come to this conclusion, we have worked with HM Treasury to source appropriate data for future public sector leasing and to revise the leasing data historically. This means the historical data will be compiled on a similar basis to the data we expect to collect under these new accounting standards in the future and the full time series will be measured on a consistent methodological basis.

The effects of the coronavirus (COVID-19) pandemic delayed the full implementation of IFRS 16 across the public sector organisations and the associated transition to the new method in statistics. We expect to revise the treatment of central government leases in 2022, and we will continue to monitor the reporting of leases by other public sector units to transition to the new methodology at an appropriate time.

National non-domestic rates

In the national accounts and fiscal statistics, tax receipts are generally recorded on an accruals basis rather than on a cash receipts basis. In other words, we record government revenue at the point where the tax liability arose for businesses and individuals, rather than when the tax was actually paid.

Accrued revenues for national non-domestic rates (NNDR), also known as business rates, are presently calculated using a mixture of cash information and assessments of likely receipts. Prompted by changes in business rates retention by local authorities, we are currently reviewing our methodology to establish what improvements we can make to our measurement of accrued NNDR. We are working with the relevant government departments to ensure that all aspects of NNDR will be reflected in the new accruals process, including tax receipts, the recording of reliefs, and the flows between central and local government.

While our new accruals methodology for NNDR remains under development we have ensured that, wherever possible, our existing statistics reflect the impact of the coronavirus pandemic and government policies. This includes additional business rates reliefs (alternatively described as a business rates holiday or discount) for qualifying businesses in retail, leisure and hospitality for the financial year ending (FYE) 2021.

At the end of 2020, some businesses announced their intention to make voluntary payments in lieu of the business rates relief. Considering the voluntary nature of this decision, we treat the associated payments by these businesses in respect of FYE 2021 not as business rates (taxes), but instead as capital transfers to central government from the private non-financial corporations sub-sector, recorded at the point of payment.

For FYE 2022, a formal mechanism for opting out of the reliefs was introduced which was materially different from that used in the last financial year, and so these voluntary payments are now recorded as payments of NNDR.

New statistical aggregates

In June 2021, we announced our plans to introduce an additional statistical aggregate, public sector net worth, to the public sector finance statistics and explained how it would differ from existing measures. In this announcement, we described several improvements required to ensure that the new statistic would be robust.

We will endeavor to make some of these improvements in 2022. This initial set of improvements should include better financial data, particularly in areas of the balance sheet not used to estimate public sector net debt. Other improvements, such as strengthened public sector non-financial asset data, may take longer to implement.

3 . Other developments

Alongside the development areas listed in the previous section, we will continue to make routine updates. Changes induced by economic events (such as most new policies, including the coronavirus (COVID-19) interventions) will continue to be recorded at the earliest opportunity.

London & South Eastern Railway (LSER)

On 28 September 2021, the government announced that its Operator of Last Report would take over the running of Southeastern rail services from 17 October 2021. These services are currently operated by London & South Eastern Railway (LSER) under an Emergency Recovery Measures Agreement (ERMA). Following an earlier classification review, the ERMA placed train operating companies under public sector control, therefore we do not expect there to be any further impact on the net fiscal aggregates. We will carry out a classification review of the new operating company when more details become available.

Autumn Budget 2021

We will review the statistical treatment of any schemes and measures announced in the Budget on 27 October 2021 and will review the priorities of upcoming changes in light of any new schemes.