Office for National Statistics

Article

Recent and upcoming changes to public sector finance statistics: August 2023

Recent and upcoming changes to our public sector finance statistics, including annual data updates, recent changes in August 2023, an update to the classification of Bulb Energy Limited (SAR), and impact on government spending and debt.

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1 . Overview

This article increases transparency around our current methodology work, the implementation of classification decisions into the public sector, and provides impacts on the public sector aggregates. The need for statistics to keep pace with the evolving economy prompts most methodological changes to the public sector finances (PSF) statistics. This includes data updates for public sector funded pensions, student loans, coronavirus (COVID-19) loan guarantee schemes, Bank of England, national non-domestic rates and the consumption of fixed capital.

2 . Data updates in September 2023

This month, we have implemented our regular annual data updates to incorporate the latest available data. The impacts of these data updates to public finance statistical aggregates are published in our Changes to public sector finance statistics: Appendix L dataset. This includes data updates for public sector funded pensions, student loans, coronavirus (COVID-19) loan guarantee schemes, Bank of England, national non-domestic rates and the consumption of fixed capital. Of all the data updates, public sector funded pensions and student loans have the most noticeable impact on public sector finance (PSF) fiscal aggregates. This article details the relevant amounts.

In accordance with our transparency strategy, and to provide predictability to users, significant data updates usually occur on an annual basis, and we aim to package methodological changes to PSF at a single point in the year, where possible.

We are reviewing our long-term work plan and we aim to publish an update in November 2023. In the meantime, further information about developments expected in the future is available in our Looking ahead – developments in public sector finance statistics: 2022 article.

Public sector funded pensions

Pensions estimates in the public sector finances are heavily based on actuarial modelling, which is a complicated process that uses a set of assumptions. This process often includes considerations for various factors, such as salary, age at retirement, and length of service for members of the scheme. Furthermore, there is a lag of approximately two years between the relevant period and the publication of data. Therefore, the latest two financial years are modelled based on different data sources, and as such will be subject to revisions as new data become available.

For further information on how we record funded pensions in the public sector finance statistics, see our Pensions in the public sector finances: a methodological guide.

This month, we have updated our funded pensions estimates to include the latest available data.

Impacts of this data update on the latest estimates of public sector fiscal aggregates are presented in Table 1. These impacts are different from the provisional impacts published in our Recent and upcoming changes to public sector finance statistics: July 2023 article because of new outturn data for the financial years ending (FYE) March 2022 and March 2023.

Incorporating the new data and improvements to methodology causes revisions to pensions estimates back to FYE 2002. The most notable revisions are in FYE March 2022 and 2023, as these years have been updated with new outturn data. There are also smaller revisions for all of the fiscal aggregates from FYE March 2017 to FYE March 2021.

The largest impact for FYE March 2023 is to public sector net financial liabilities (PSNFL), which decreased by £25.9 billion. There is also a notable impact on PSNFL in FYE March 2022, where the revisions have led to a decrease of £38.3 billion. These changes are both because of updates to our balance sheet data, which have led to lower estimates for liabilities and higher estimates for assets than previously forecast.

This data update has led to a £1.8 billion increase to public sector net borrowing (PSNB) in FYE March 2022 and a fall in PSNB of £2.3 billion in FYE March 2023.

There are also some small revisions to public sector net investment (PSNI) and PSNB from FYE March 2002 onwards. This is because of improvements to the calculations for transfers of assets between different public sector pension schemes. These improvements have no effect on PSND or PSNFL.

In FYE March 2023 and March 2022 there are differences in the magnitude of the impacts of the data update on PSNFL and public sector net worth (PSNW). This is because of updated data for non-financial assets in these years, which are included in PSNW but not PSNFL.

Table 1: Impacts of data updates to public sector funded pensions (implemented in the September 2023 annual data update) on the latest estimates of the headline fiscal aggregates, UK

Financial year (£ billion)

	PSCBD ex	PSNI ex	PSNB ex	PSND ex	PSNFL ex	PSNW ex
2001 to 2002	0.0	0.4	0.4	0.0	0.0	0.0
2002 to 2003	0.0	0.4	0.4	0.0	0.0	0.0
2003 to 2004	0.0	0.4	0.4	0.0	0.0	0.0
2004 to 2005	0.0	0.0	0.0	0.0	0.0	0.0
2005 to 2006	0.0	0.0	0.0	0.0	0.0	0.0
2006 to 2007	0.0	0.0	0.0	0.0	0.0	0.0
2007 to 2008	0.0	0.2	0.2	0.0	0.0	0.0
2008 to 2009	0.0	0.0	0.0	0.0	0.0	0.0
2009 to 2010	0.0	0.0	0.0	0.0	0.0	0.0
2010 to 2011	0.0	0.0	0.0	0.0	0.0	0.0
2011 to 2012	0.0	0.0	0.0	0.0	0.0	0.0
2012 to 2013	0.0	0.0	0.0	0.0	0.0	0.0
2013 to 2014	0.0	0.0	0.0	0.0	0.0	0.0
2014 to 2015	0.0	0.5	0.5	0.0	0.0	0.0
2015 to 2016	0.0	0.0	0.0	0.0	0.0	0.0
2016 to 2017	0.4	0.0	0.4	0.0	0.5	-0.5
2017 to 2018	0.1	0.0	0.1	0.0	0.6	-0.6
2018 to 2019	0.2	0.0	0.2	0.0	0.0	0.0
2019 to 2020	0.0	0.1	0.1	0.0	-0.2	0.2
2020 to 2021	0.0	0.0	0.0	0.0	-0.4	0.4
2021 to 2022	-1.7	3.5	1.8	-2.5	-38.3	41.9
2022 to 2023	3.5	-5.8	-2.3	1.6	-25.9	25.0

Source: Public sector finances from the Office for National Statistics

Notes

1. PSCBD ex - represents public sector current budget deficit excluding public sector banks.

2. PSNI ex - represents public sector net investment excluding public sector banks.

3. PSNB ex - represents public sector net borrowing excluding public sector banks.

4. PSND ex - represents public sector net debt excluding public sector banks.

5. PSNFL ex - represents public sector net financial liabilities excluding public sector banks.

6. PSNW ex - represents public sector net worth excluding public sector banks.

Student loans

This month, we have updated our student loans estimates to include the latest available data.

Impacts of this data update to student loans on the latest estimates of public sector fiscal aggregates are presented in Table 2. The impacts are mostly in FYE March 2023. This routine data update to the most recent financial year is a result of including the latest student loan outturn statistics from the Student Loans Company, and the latest student loan repayment forecasts from the UK Department for Education and the devolved administrations. For FYE March 2023, this update decreases our estimate of PSNI by £1.5 billion and increases PSNB by an equal amount.

In addition to the routine data update for student loans affecting the most recent financial year, there are also some revisions to PSNFL and PSNW from FYE March 2020 to FYE March 2023. This is because of improvements to the calculation of revaluations to the student loans stock in FYE March 2020. These improvements have increased our estimate of PSNFL by £3.5 billion in each financial year from FYE March 2020 onwards (partially offset in FYE March 2023 by the routine data update), and they have an equal and opposite effect on PSNW.

For further information on how we record student loans in the public sector finance statistics, see our Student loans in the public sector finances: a methodological guide.

Table 2: Impacts of data updates to student loans (implemented in the September 2023 annual data update) on the latest estimates of the headline fiscal aggregates, UK

Financial year (£ billion)

	PSCBD ex	PSNI ex	PSNB ex	PSND ex	PSNFL ex	PSNW ex
2019 to 2020	0.0	0.0	0.0	0.0	3.5	-3.5
2020 to 2021	0.0	0.0	0.0	0.0	3.5	-3.5
2021 to 2022	0.0	0.0	0.0	0.0	3.5	-3.5
2022 to 2023	0.1	-1.5	1.5	0.0	3.4	-3.4

Source: Public sector finances from the Office for National Statistics

Notes

1. PSCBD ex - represents public sector current budget deficit excluding public sector banks.

2. PSNI ex - represents public sector net investment excluding public sector banks.

3. PSNB ex - represents public sector net borrowing excluding public sector banks.

4. PSND ex - represents public sector net debt excluding public sector banks.

5. PSNFL ex - represents public sector net financial liabilities excluding public sector banks.

6. PSNW ex - represents public sector net worth excluding public sector banks.

3 . Classification announcements

Organisations and institutional units

The following bodies were classified to the central government (S.1311) subsector in August 2023:

- Bulb Energy Limited in Special Administration as of 20 December 2022

- Digital Health and Care Wales as of 1 April 2021

- East West Railway Company as of 10 September 2018

The following body was classified to the Public Non-Financial Corporations (S.11001) subsector in August 2023:

- Octopus Energy Operations Limited (HiveCo) as of 20 December 2022

The following body was classified to the Public Captive Financial Institutions and Money Lenders (S.12701) subsector in August 2023:

- Octopus Energy Retail 2022 Limited (BidCo) as of 20 December 2022

Transactions and schemes

The following transactions and schemes were classified in August 2023:

- funding from Bulb Energy Limited in Special Administration (Bulb SAR) to Octopus Energy Operations Limited (HiveCo) as of 20 December 2022; this was classified as long-term loans (F.42)

- funding from Bulb Energy Limited in Special Administration (Bulb SAR) to Octopus Energy Operations Limited (HiveCo) as of 20 December 2022; this was classified as other capital transfers (D.99)

- Green Gas Levy as of 30 November 2021; this was classified as other taxes on production (D.29)

The letter and number classifications used are sourced from the European System of Accounts (ESA), published by Eurostat in 2010. For more information (including the full ESA 2010 publication), see the publication details of the European system of accounts – ESA 2010.

For more information on the classification decisions, see Section 3 of our Economic statistics sector classification – classification update and forward work plan: August 2023 article.

Bulb Energy Limited in special administration

In August 2023, we completed a further classification assessment on the transfer of Bulb Energy Limited (Bulb), which is in special administration, to Octopus Group Limited.

Bulb was placed into a special administration regime (SAR) by the UK government with effect from 24 November 2021, following the sustained rise in wholesale energy prices in the same period.

In April 2022, we reviewed the classification status and concluded that, at the time, Bulb was a market body subject to public sector control. As a result, Bulb was classified to the public non-financial corporations' subsector (S.11001) with effect from 24 November 2021, the date it entered special administration. The transactions made under special administration from the Department for Energy Security and Net Zero (DESNZ) were classified as other capital transfers (D.99) by central government to public corporations. These transactions related to the funding of Bulb under the original financing facility for the SAR. This classification decision was fully implemented into the public sector finances from June 2023. For more information, see our Recent and upcoming changes to public sector finance statistics: May 2023 article.

On 29 October 2022, the UK government approved an agreement between the special administrators of Bulb and Octopus Energy. For more information, see the Department for Business, Energy and Industrial Strategy's (BEIS's) press release on GOV.UK. Following this announcement there was a statutory process called the Energy Transfer Scheme (ETS). This took effect on 20 December 2022, as ordered by the High Court. The ETS transfers the relevant assets of Bulb into a new separate entity that protects its customers during the transfer process. Transactions relating to the transfer of Bulb to Octopus Energy, including the government's Post Transfer Facility, were not included as part of the June 2023 implementation. For more information, see BEIS's Bulb Energy: notification of Energy Transfer Scheme notice.

Following the ETS, two new entities were created, Octopus Energy Operations Limited (HiveCo) and Octopus Energy Retail 2022 Limited (BidCo). HiveCo is a new ringfenced entity where most of the assets, liabilities, functions, and licences of Bulb SAR have been transferred. BidCo is the new parent of HiveCo established to acquire shares in HiveCo from Bulb SAR, as part of the Share Purchase Agreement by the wider Octopus Group to establish the ringfenced structure governed under the ETS agreement.

As a result of the August 2023 classifications assessment of the transfer of Bulb SAR to Octopus, Bulb SAR has been reclassified from the public non-financial corporations subsector (S.11001) to the central government subsector (S.1311) with its controlling unit, DESNZ, from the date of the ETS on 20 December 2022. HiveCo was classified to the Public Non-Financial Corporations subsector (S.11001) and BidCo to the Public Captive Financial Institutions and money lenders subsector (S.12701) effective from 20 December 2022.

Funding from Bulb SAR to HiveCo (Octopus) through the post-completion funding facility has been transferred to HiveCo and is governed as part of the ETS agreement. These transactions have been classified as long-term loans (F.42) where there is an interest payment associated and as other capital transfers (D.99) where funding provided does not bear interest nor a sufficient rate of return. For further information on this classification decision, see Section 3 of our Economic statistics sector classification – classification update and forward work plan: August 2023 article and our media statement on the Classification of the transfer of Bulb Energy Limited (in special administration) to Octopus Group Limited.

We aim to implement in full all three newly classified bodies and relevant transactions in due course and establish the impact on the public sector finance statistics.

4 . Related links

5 . Cite this article