Office for National Statistics

Article

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

Covers the Autumn statement 2023, impacts on government spending and debt, and classification announcements.

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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. These changes bring PSF statistics closer in line with government's true fiscal exposure, as measured by the fiscal aggregates, such as public sector net borrowing (PSNB), or public sector net debt (PSND).

Last month, we published our Looking ahead - development in public sector finance statistics: 2023 article. This article contains our forward work plan, providing information about the areas of fiscal statistics that we aim to review and improve in the next two years, and over the longer term.

2 . Autumn Statement 2023

On 22 November 2023, the UK government announced changes to some existing taxes, benefits and to a range of other policies in the Autumn Statement 2023, published on GOV.UK.

Changes in the rates of taxes, National Insurance contributions and benefits will be reflected in the public sector finances at the earliest opportunity, effective from the dates when the new terms apply.

The UK government announced a consultation on a public consolidator for defined benefit pension funds in a new statutory vehicle run by the Pension Protection Fund (PPF). We will review this policy when more information becomes available to fully evaluate the impact it may have on our statistics.

Plans to establish a Growth Fund within the British Business Bank (BBB), designed to increase investment opportunities for pension schemes, were also announced. We will review the potential future impact of the Growth Fund on the public sector finances when further details become available.

The UK government expects to transfer the Northern Rock asset management and Bradford and Bingley funded pension schemes, held by UK Asset Resolution Ltd (UKAR), to an unfunded central government scheme by the financial year ending 2026.

The UKAR is classified in the central government subsector, therefore the relevant pension schemes are included in our statistics for public sector funded pensions. Any transfer related to these schemes will need to be reflected in our public sector pensions statistics. We will review the potential impact of the UKAR pension scheme transfer on the public sector finances when further details become available.

The UK government also announced that it intends to fully exit its shareholdings of NatWest Group by the financial year ending 2026, by way of a share sale to retail investors. We will establish the impact of the share sales on the public sector finances when further details become available.

For more information on these policies, and others announced in the 2023 Autumn Statement, see the Government's Autumn Statement 2023 policy paper.

3 . Review of public sector pensions methodology

We are undertaking a targeted review of the method and the calculations of public sector funded pensions to establish whether any amendments to the way that we process this data are required. We will provide further information in due course, within a future edition of this article. The review is expected to be conclude by the end of March 2024.

4 . Updates to public sector finances statistics

Recording of OECD Pillar 2 taxes

In the Autumn Statement 2022, the UK government announced plans to implement the globally agreed G20-Organisation for Economic Cooperation and Development (OECD) inclusive Pillar 2 framework in the UK. The framework is designed to limit opportunities for multinational enterprises (MNEs) to benefit from cross-border profit shifting and tax planning. For more information, see His Majesty's Revenue and Customs' (HMRC) policy paper on the UK adoption of OECD's Pillar 2 reforms.

This implementation includes the introduction of two new taxes, a multinational top-up tax and a domestic top-up tax, effective from any accounting periods starting on or after 31 December 2023.

The estimates for these taxes will be included in our January 2024 public sector finances, to be published in February 2024. The statistical classification of these taxes is subject to a classification assessment. As an interim measure, we will provisionally record them both within the same category as onshore corporation tax.

Data updates in December 2023

Last month, we implemented data updates for coronavirus (COVID-19) loan guarantees, public private partnerships (PPPs) and Pool Reinsurance Company Limited (Pool Re) into the public sector finances, to incorporate the latest available data. While we aim to package our regular data updates annually in September, this is not always possible. To ensure that the public sector finances are kept up to date, we implemented data updates in December 2023 where data are available.

Commentary on the impacts of these data updates on the public sector finances is available in our Recent and upcoming changes to public sector finance statistics: November 2023 article.

5 . Classification announcements

Organisations and institutional units

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

- Health Data Research UK, with effect from 27 July 2017
- Professional Standards Authority for Health and Social Care, with effect from 1 September 2012

Transactions and schemes

The following transactions were classified in December 2023:

- Professional Standards Authority for Health and Social Care Regulator Charge, as a payment for non-market output (P.131), with effect from 1 December 2012.

Warm Home Discount Scheme (England and Wales)

The Warm Home Discount Scheme is a UK government initiative providing discounts on the cost of energy to eligible domestic customers. The scheme was introduced to support households who are in receipt of the Guarantee Credit element of Pension Credit, as well as means-tested, low-income households. This scheme applies to two groups of domestic customers:

- core group 1, consisting of low-income pensioners
- core group 2, consisting of households on low income and with high energy costs

The scheme mandates eligible energy suppliers to apply a discount to the energy bills of eligible domestic customers. The scheme also enables energy suppliers to recover the cost of this scheme by charging higher bills to all domestic customers. A classification review of the scheme was undertaken to classify both the payment of the discount to eligible customers and the recovery of funds by energy suppliers.

The payment to eligible customers in core group 1 and core group 2 has been classified as a social assistance benefit in cash (D.623), with effect from 1 April 2011. Although the payment is from energy suppliers, which are generally included in the private sector, they are considered to be acting on behalf of government. Therefore, the transaction has been classified as being a payment from central government (S.1311) to households (S.14).

The payment from all domestic customers to energy suppliers to fund the discount has been classified as other current taxes (D.59) from households (S.14) to central government (S.1311), with effect from 1 April 2011. Again, while the payments are to energy suppliers, they are considered to be acting as an agent of government. Furthermore, the transaction has the purpose of redistributing wealth, as it is a compulsory, unrequited payment from all households to ineligible households. As such it has the properties of a tax.

The classifications of the Warm Home Discount Scheme are currently not reflected in the public sector finance statistics. We will review and implement these classifications in due course.

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

For more information on what these classifications mean (including the full ESA 2010 publication), see the publication details of the European system of accounts - ESA 2010 on the Eurostat website.

6 . Related links

Public sector finances, UK
Bulletin | Released monthly
How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

Looking ahead – developments in public sector finance statistics: 2023
Article | Released 21 December 2023
What the Office for National Statistics sees as areas for future development in the public sector finance statistics.

Public sector classification guide and forward work plan
Methodology | Released 19 December 2023
The forward work plan sets out the units and transactions that we expect to assess and classify in the coming 12 to 18 months.

7 . Cite this article

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