The Government’s financial accounts

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Four years from 2009-10 to 2012-13

* In 2010-11 there was a one-off accounting gain of £126bn primarily from reducing the pension entitlements of government employees.
Different deficits

National Accounts 2012-13

Income: £593bn
Spending: £678bn
Current deficit: £85bn

Financial Accounts 2012-13

Revenue: £620bn
Expenditure: £799bn
Accounting deficit: £179bn
Very different financial positions

**National Accounts 2012-13**

- Financial assets: £203bn
- Debt: £1,388bn
- Public sector net debt: £1,185bn

**Financial Accounts 2012-13**

- Assets:
  - Property, plant & equipment: £747bn
  - Other assets: £516bn
- Liabilities:
  - Debt: £1,330bn
  - Pensions: £1,172bn
  - Other liabilities: £391bn
- Net liabilities: £1,630bn
Integrated financial accounts

Revenue and expenditure → Comprehensive income → Movements in financial position → Cash flow statement → Balance sheet
Benefits of financial accounting

**Better financial decisions**
- Provide more comprehensive financial information than the public finance numbers in the National Accounts
- Support long-term financial planning by government – for example for public sector pensions and nuclear decommissioning
- Improve financial analysis using techniques developed in the private sector

**Better accountability**
- Hold the Government to account for the management of its balance sheet as well as for its revenue and expenditure
- Restrict the ability of organisations to use financial engineering to manipulate reported results
- Use the same financial language as millions of people and businesses outside government
Evidence of progress?

Yes

• Producing financial accounts at all levels of government
• Moving towards full compliance with accounting standards
• Starting to build up a track record
• Reporting on Whole of Government Accounts to Public Accounts Committee

But

• WGA for 2012-13 took 15 months to produce with a plan to reduce to 9 months for 2014-15
• Principal financial dialogue within the UK Government remains on a National Accounts basis
• Government does not yet provide briefings on its numbers similar to those given by listed companies
• Very little media or public discussion
Summary

• 2012-13 financial accounting deficit of £179 billion rather than £85 billion
• Benefits of accounting for a wide range of government assets and liabilities
• Opportunity to improve public discussion of government finances
A world leader of the accountancy and finance profession