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Coverage  
United Kingdom

## National Accounts classification decisions

The Office for National Statistics (ONS) has today announced two National Accounts classification decisions, relating to the Channel Tunnel Rail Link, and a proposed scheme for international aid to support immunisation programmes. Both involve securitisation of future income streams.

In November 2003 London and Continental Railways (LCR) issued £1.25bn of bonds securitised on future income from government. ONS has decided that these bonds should be classified as government borrowing. This classification accords with Eurostat's rules on securitisations involving governments and Eurostat agrees with this decision.

The proposed International Finance Facility for Immunisation (IFFIM) is an initiative where an international vaccination and immunisation alliance would securitise donations from several governments. Eurostat has today announced that IFFIM should be classified as an 'international organisation' in the Rest of the World sector for National Accounts. IFFIM's debts would be recorded in that sector. The donations from governments would be classified as current transfer payments and would be recorded when the annual payments are due, affecting Public Sector net borrowing at that point. The National Statistician has authorised adoption of Eurostat's decision for use in the UK National Accounts.

This scheme relates specifically to immunisation and is viewed as a pilot scheme for the larger scale International Finance Facility (IFF). The IFFIM decisions do not set any precedents for the IFF: the features of the schemes may differ and each case is examined on its separate merits.

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## BACKGROUND NOTES

1. ONS is responsible for the classification of institutions and their transactions to the public, private and rest of the world sectors for the purpose of the UK National Accounts. The decisions are consistent with the principles of the international statistical manuals, mainly the 1995 European System of National Accounts (ESA95), the 1993 System of National Accounts (SNA93) and supporting manuals and case law.
2. ONS has an established and transparent process for classification decisions. Each case is initially considered by the National Accounts Classification Committee (NACC), an expert ONS committee that advises the National Statistician on the classification of an institution or transaction. The established process was followed in these cases. After reaching preliminary conclusions, ONS requested a European consultation on IFFIM. The consultation was judged necessary because it involved interpretation of ESA95 rules. ONS also judged that, as the proposed scheme would involve the participation of other EU member states, it would require a consistent classification across Europe.
3. Eurostat, the statistical office of the European Union, which is responsible for the application of the National Accounts standards set out in ESA 95, passed the request for a consultation on to the Committee on Monetary Financial and Balance of Payments Statistics (CMFB). The CMFB has responsibility for these consultations and provided Eurostat with the opinion of its expert members. Eurostat then reached its decision. The CMFB opinion is published on the CMFB website (weblink: [www.cmfb.org](http://www.cmfb.org)) and the Eurostat decision on the Eurostat website (weblink: [www.europa.eu.int/comm/eurostat](http://www.europa.eu.int/comm/eurostat)). The NACC views on whether government borrowing and debt should be recorded are consistent with Eurostat's decision.
4. In line with established procedure a detailed article on IFFIM, recording the conclusions and the reasoning behind them has been published today. The article is available on the National Statistics website at: [www.statistics.gov.uk/immunisation](http://www.statistics.gov.uk/immunisation)
5. A summary of the LCR securitised bonds case is also available at: [www.statistics.gov.uk/lcr](http://www.statistics.gov.uk/lcr)
6. Revisions due to the classification of securitised LCR bonds as government borrowing will be included in the 18 August Public Sector Finances First Release. Public Sector Net Debt will increase, from November 2003, as a result. The other main public sector finance statistics, Public Sector Current Budget and Public Sector Net Borrowing are unaffected.
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