
22 May 2015

1 Background

The Office for National Statistics (ONS) announced a review of Public Sector Finance Statistics in May 2013. The review focussed on two key areas:

- improving the presentation of the statistics to ensure they are well presented and easily understood; and
- reviewing the methodology and guidance which underpins the ‘ex-measures’ of Public Sector Net Debt and Borrowing, which were developed in response to the financial crisis, to ensure they remain robust, relevant and statistically coherent.

In addition the review sought to:

- extend the amount of underlying data available to users of public sector finances; and
- address whether a single organisation should take ownership of the monthly Public Sector Finances bulletin or whether it should remain a joint publication between ONS and Her Majesty’s Treasury (HMT).

The preliminary conclusions from the review process were published in December 2013 for public consultation with users of the public sector finance statistics. The consultation closed on 28 January 2014 and on 28 February 2014 ONS published a paper summarising the consultation responses received and setting out the actions that ONS intended to take as a result of the Review of Public Sector Finance Statistics.

2 Aim of article

This article updates users of public sector finance statistics on the implementation of the recommendations of the Review of Public Sector Finance Statistics; and 15 months on from the publication of the consultation response looks at progressing in delivering the proposed changes.

The article also reports, for the first time, on the conclusions reached about whether the joint ONS/HMT publication arrangements for the monthly public sector finances bulletin is in the best interest of users.

3 Update on implementation of review

The consultation response published by ONS on 28 February 2014 set out a proposed implementation schedule, between February 2014 and April 2015, to deliver the recommendations of the review of public sector finances and the move to the European
System of Accounts (ESA) 2010. This schedule has been closely followed and the envisaged programme of work to deliver the key requirements of the review and ESA 2010 is now complete.

Annex A provides a copy of the detailed implementation schedule published in February 2014 along with updates on each of the proposed changes. As can be seen the bulk of the changes have now been delivered but work continues in a small number of areas, the key ones being:

(i) delivering improved reconciliation tables between net cash requirement, net debt and net borrowing measures;
(ii) introducing expenditure breakdowns by department/organisation; and
(iii) publishing more detailed underlying data on revenue and transactions in assets/liabilities.

Other points to note are that:
1. The proposed tables on financial interventions (consultation tables PSFB18A and PSFB18B) have been merged with the proposed table on ‘one-off’ events (consultation table PSFB19) into a single table which has been published as an annex to the monthly Public Sector Finances since 21 August 2014.
2. Publication of monthly parallel estimates for the fiscal measures on an ESA95 basis was originally envisaged to take place between September 2014 and April 2015. ONS propose to continue to publish this table until July 2015 but after this will discontinue publication of the estimates on an ESA95 basis.

Annex B provides a detailed timeline of public sector finance publication events since the origins of the Review of Public Sector Finance Statistics in early 2013 to the present day (May 2015).

4 Review of joint publication model

An additional objective of the review was to consider whether a single organisation should take ownership of the monthly Public Sector Finances bulletin or whether it should remain a joint publication between ONS and HMT. The terms of reference for the review stipulated that the decision on the ownership of the Public Sector Finances bulletin should be one for ONS and HMT to jointly make.

An assessment was made of the merits and weaknesses of the current joint publication arrangements against a publication model with only one institution responsible for the publication. This assessment considered the impacts of the different options on the following areas:

- statistical governance
- quality assurance
- independence of statistics
- resources
- international practice.
Senior management in both ONS and HMT debated the issues raised by the assessment and ultimately concluded that the current joint publication arrangements did not present any serious weaknesses and offered some advantages over the single organisation publication model as the two organisations working together provided an additional degree of resilience when it came to quality assurance. Therefore, ONS and HMT have agreed to continue to publish the monthly Public Sector Finances as a joint publication. However, it was acknowledged in making this decision that there should be greater clarity for users about the different roles and responsibilities of HMT and ONS in the production of the Public Sector Finances (and related Excessive Deficit Procedure and Government Finance statistics). Annex C aims to provide this clarity through an overview of the roles and responsibilities of HMT and ONS in each phase of the statistical production process.

In discussions between ONS and HMT it was emphasised that:
- the Public Sector Finances were compiled by members of the Government Statistical Service (GSS) in ONS and HMT, who are bound by the National Statistics Code of Practice, and so although public perception of independence might be strengthened slightly by ONS taking sole responsibility for the statistics, in practice the statistics would remain independently produced as now;
- quality assurance was enhanced by statisticians in the two separate organisations compiling the statistics according to the same National Accounts principles but using different systems and applying somewhat different expertise;
- ONS remained independently responsible for National Accounts classification and methodology decisions as well as for compiling quarterly National Accounts and the biannual Excessive Deficit Procedure statistics.

5 Conclusion

All key recommendations of the Review of Public Sector Finance Statistics have now been implemented. Further planned improvements to the Public Sector Finances include developing improved reconciliation tables between the key fiscal measures and publishing more detailed underlying data in some areas, such as receipts.

ONS and HMT senior management have carefully considered whether it would be appropriate to change the current joint publication arrangement for the monthly public sector finances statistical bulletin and concluded that the current joint publication model should be retained.

6 Contact

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### Annex A  
**Update on implementation schedule of Review of public sector finances**

<table>
<thead>
<tr>
<th>Publication month(s)</th>
<th>Change to be introduced</th>
<th>Update</th>
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<tbody>
<tr>
<td></td>
<td>Introduction of new table for central government with net expenditure items disaggregated into expenditure and receipt components so as to provide total expenditure and total revenue - Table PSFB7B in consultation</td>
<td>Completed – 21 Feb 2014</td>
</tr>
<tr>
<td></td>
<td>Introduction of new more detailed tables for local government current expenditure, current receipts and net investment – Tables PSFB8A, PSFB8B, PSFB8C, PSFB8D &amp; PSFB8E in consultation</td>
<td>Completed – 22 May 2014</td>
</tr>
<tr>
<td>June 2014</td>
<td>First estimates of public sector debt and net borrowing after implementation of ESA10 and the Review of the Public Sector Finance statistics (including the new measures which exclude banks only)</td>
<td>Completed – 20 Jun 2014</td>
</tr>
<tr>
<td>July 2014</td>
<td>Introduction of table on Asset Purchase Facility (APF) – Table PSFB16 in consultation</td>
<td>Completed – 22 Jul 2014</td>
</tr>
<tr>
<td></td>
<td>Updated estimates of public sector debt and net borrowing after implementation of ESA10 and the Review of the Public Sector Finance statistics (including the new measures which exclude banks only)</td>
<td>Completed – 22 Jul 2014</td>
</tr>
<tr>
<td>August 2014</td>
<td>Introduction of table on impact of ‘one-off’ events – Table PSFB19 in consultation, but following consultation responses will be revised as a more detailed supplementary table in Excel format</td>
<td>Completed – 21 Aug 2014</td>
</tr>
<tr>
<td>Publication month(s)</td>
<td>Change to be introduced</td>
<td>Update</td>
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<tr>
<td><strong>September 2014</strong></td>
<td>Updated estimates of public sector debt and net borrowing after implementation of ESA10 and the Review of the Public Sector Finance statistics (including the new measures which exclude banks only)</td>
<td>Completed – 21 Aug 2014</td>
</tr>
<tr>
<td></td>
<td>Introduction of ESA10 and the new ex-measure excluding only public sector banking groups</td>
<td>Completed – 23 Sep 2014</td>
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<tr>
<td></td>
<td>Introduction of the new presentational framework in the bulletin and corresponding changes to the narrative of the bulletin</td>
<td>Completed – 23 Sep 2014</td>
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<tr>
<td></td>
<td>A re-ordering of tables in the bulletin to include all tables from PSFB1 (in consultation) to PSFB14B (in consultation) as well as the APF Table (PSFB16) and ‘one-off’ events table (PSFB19 or equivalent)</td>
<td>Completed – 23 Sep 2014</td>
</tr>
<tr>
<td></td>
<td>Estimates of public sector debt and net borrowing to continue to be published on the old basis (i.e. based on ESA95 and ex-measures excluding impacts of financial interventions)</td>
<td>Completed – 23 Sep 2014</td>
</tr>
<tr>
<td><strong>October 2014 to April 2015</strong></td>
<td>Updated estimates of public sector debt and net borrowing to continue to be published on the old basis (i.e. based on ESA95 and ex-measures excluding impacts of financial interventions)</td>
<td>Completed – monthly</td>
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</table>
| **January 2015 to March 2015** | Introduction of:  
- reconciliation tables between net cash requirement and net debt (tables PSFB15A and PSFB15B in consultation)  
- impact of financial interventions tables (tables PSFB18A and PSFB18B in consultation)  
- table showing transactional flows by sub-sector and economic transaction (table PSFB17 in consultation) | Partially complete – further work ongoing |
| **April 2014 to March 2015** | Introduction of improved public sector finances documentation for users including:  
- a glossary of terms and definitions  
- articles setting the public sector finance measures in context | Completed |
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<th>Publication month(s)</th>
<th>Change to be introduced</th>
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</table>
| April 2015 and beyond | Introduction of:  
- departmental expenditure table (table PSFB20 in consultation)  
Extension to suite of documents and tables which provide metadata, context and supporting information | Not yet complete – work ongoing |
### Timeline of events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>21 Feb 2013</td>
<td>ONS announce classification decision for cash flows between Bank of England Asset Purchase Facility and HM Treasury</td>
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<tr>
<td>21 Mar 2013</td>
<td>UK Statistics Authority announce that they will investigate and report on the classification decision for cash flows between Bank of England Asset Purchase Facility and HM Treasury</td>
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<td>22 May 2013</td>
<td>Review of Public Sector Finance Statistics announced by ONS in the monthly Public Sector Finances bulletin and work on Review commences</td>
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<tr>
<td>12 June 2013</td>
<td>UK Statistics Authority publish their report on the classification decision for cash flows between Bank of England Asset Purchase Facility and HM Treasury</td>
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<tr>
<td>30 August 2013</td>
<td>ONS publish an article explaining how classification decisions are made that impact on the Public Sector Finances</td>
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</table>
| 17 December 2013| ONS launch public consultation on the recommendations of the Public Sector Finances Review. Alongside the consultation ONS release:  
  (i) example PSF bulletin based on Review recommendations;  
  (ii) article on the expected impacts on public sector finance statistics of the introduction of the new European System of Accounts 2010 (ESA 2010);  
  (iii) article on the overall expected impacts on the fiscal aggregates as a result of the introduction of both ESA 2010 and the recommendations of the Review of Public Sector Finance Statistics. |
| 17 December 2013| ONS announce the statistical reclassification of Network Rail from a private corporation to a government body under new ESA 2010 rules. The classification was to apply from September 2014, the date on which ESA 2010 was being implemented across Europe. |
| 17 December 2013| ONS hold a public user event in London:  
  (i) to announce the expected impact of the reclassification of Network Rail;  
  (ii) to launch the public consultation on the recommendations of the Review of Public Sector Finance Statistics. |
| 23 December 2013| ONS publish details of new monthly government expenditure and revenue tables to be published in 2014 and explain how |
these will provide users with more monthly information and comply with the “six pack” EU legislation.


17 February 2014  ONS publish an article providing time series information for public sector expenditure and revenue over the last 15 years.

21 February 2014  Monthly Public Sector Finances bulletin includes for the first time:

(i) a new Central Government expenditure and revenue table to comply with “six pack” EU legislation;
(ii) a glossary of terms.

28 February 2014  ONS publish results of the public consultation on the Review of Public Sector Finance Statistics. Alongside the consultation response ONS release:

(i) an update article on the expected impacts on public sector finance statistics of the introduction of new ESA 2010;
(ii) an update article on the overall expected impacts on the fiscal aggregates as a result of the introduction of both ESA 2010 and the recommendations of the Review of Public Sector Finance Statistics.

7 April 2014  ONS present to users, at the ONS Economic Forum, the expected impacts on the Public Sector Finances of the introduction of ESA 2010 and the implementation of the recommendations of the Review of Public Sector Finance Statistics.

23 April 2014  Monthly Public Sector Finances bulletin includes for the first time new Central Government revenue, current expenditure and net investment tables as recommended in Review.

22 May 2014  Monthly Public Sector Finances bulletin includes for the first time:

(i) new Local Government revenue, current expenditure and net investment tables as recommended in Review;
(ii) a new Local Government expenditure and revenue table to comply with “six pack” EU legislation.

20 June 2014  Monthly Public Sector Finances bulletin includes for the first time a table showing the estimated impact that the introduction of ESA 2010 and the PSF Review changes, in September 2014, would have on the key fiscal aggregates of
current budget deficit, net investment, net borrowing and net debt.

20 June 2014  ONS publish an article on the overall expected impacts on the fiscal aggregates as a result of the introduction of both ESA 2010 and the recommendations of the Review of Public Sector Finance Statistics. The article was an update to the one released on 28 February 2014.

16 July 2014  UK Statistics Authority publish an update on their 12 June report, which shows all actions from the report to have been completed.

22 July 2014  Monthly Public Sector Finances bulletin includes for the first time a table showing the flows and stocks related to the Bank of England Asset Purchase Facility Fund.

21 August 2014  Monthly Public Sector Finances bulletin includes for the first time a table showing the impact of large ‘one-off’ events (during the last 15 years) on the fiscal measures of total receipts, current expenditure, current budget deficit, net investment, net borrowing, net cash requirement and net debt.

23 September 2014  ESA 2010 and the recommendations of the Review of Public Sector Finance Statistics are implemented in the monthly Public Sector Finances for the first time. The implementation includes:

   (i) introduction of new ESA 2010 methodologies and classifications (including Network Rail);
   (ii) implementation of new “ex-measures” methodology recommended by the Review;
   (iii) switch from reporting Surplus on Current Budget to reporting Current Budget Deficit, as recommended by the Review;
   (iv) inclusion of new presentational framework in the monthly Public Sector Finances bulletin;
   (v) reporting of debt and deficit, using Maastricht definitions, within monthly bulletin;
   (vi) re-ordering of tables in monthly bulletin and restructuring of monthly bulletin text;
   (vii) inclusion of ESA 2010 version of the table showing the impacts of large ‘one-off’ events on the fiscal measures;
   (viii) inclusion of a new table showing estimated figures under the previous ESA95 for the key fiscal aggregates of current budget deficit, net investment,
net borrowing and net debt.

Note: the initial release of the monthly bulletin did not include any recent year figures as a % of GDP as the ESA 2010 version of GDP for these years was not published until 30 September 2014.

23 September 2014  ONS hold a public user event in London to help explain to users the changes in the monthly Public Sector Finances as a result of the move to ESA 2010 and the implementation of the recommendations of the Review of Public Sector Finance Statistics.

30 September 2014  The monthly Public Sector Finances bulletin is updated with full time series of aggregates as a % of GDP following the publication of the ESA 2010 GDP on the same day.

17 October 2014  ONS publish an info graphic showing how levels of government debt vary between the 28 EU Member States.

21 November 2014  The monthly Public Sector Finances bulletin includes for the first time a reconciliation table between Central Government Net Cash Requirement (CGNCR) and Central Government Net Debt (CGND) on an initially experimental statistics basis.

21 November 2014  The monthly Public Sector Finances bulletin includes for the first time a separate summary of the key figures and points within that month's Public Sector Finances.

21 November 2014  ONS publish an article on treatment of public sector banks in the monthly public sector finances.

22 December 2015  ONS publish information on certain specific contingent liabilities and potential obligations of government. These include the size of government guarantees, non-performing loans and off balance sheet public-private partnerships as well as the liabilities of public corporations and the amount of capital participation of government in corporations.

16 January 2015  The previously biannual bulletin on UK debt and deficit under EU Maastricht definitions is released by ONS for the first time as a restructured quarterly publication.


22 May 2015  ONS publish an update article on the successful implementation of the Review of Public Sector Finance Statistics.
Annex C  Roles & Responsibilities in PSF production

The below table provides an overview of the different roles and responsibilities assumed by ONS and HMT when specifying, compiling and publishing the Public Sector Finance (PSF) statistics, Excessive Deficit Procedure (EDP) statistics and Government Finance Statistics (GFS). These responsibilities are grouped according to the Generic Statistical Business Process Model (GSBPM).

Responsibilities of the ONS and HMT in the compilation of Public Sector Finances

<table>
<thead>
<tr>
<th>Phase of GSBPM</th>
<th>ONS…</th>
<th>HM Treasury…</th>
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</table>
| **Specify Needs** (determine needs, consult & confirm needs, establish output objectives, identify concepts) | • liaise with Eurostat over statistical issues relating to the reporting of PSF, EDP and GFS  
• apply National Accounts and EDP rules and guidelines in defining statistical aggregates  
• decide on the National Accounts’ boundary of the public sector and the classification of units and transactions within this boundary (via the ONS National Accounts Classification Committee)  
• consult with the wider statistics community on whether the existing PSF and GFS statistics meet their needs | • agree, via the Economic and Finance Committee, the strategic direction for the monitoring of government finances and National Accounts in the EU |
| **Design** (design outputs, design data collection methodology, design statistical processing methodology, design production systems) | • responsibility for the design of the statistical processing systems used by ONS to compile the PSF, EDP and GFS data  
• liaise with data providers, such as the Department for Communities (DCLG), HM Revenue & Customs, Devolved Administrations and the Bank of England to ensure that their surveys are designed in such a way as to provide the data required for PSF, EDP and GFS | • responsibility for the design of the public sector wide OSCAR* data collection system and HM Treasury’s cash management systems to meet the statistical requirements of PSF, EDP and GFS  
• responsibility for the design of other administrative systems to ensure that departments follow international statistical accounting rules within their data supply  
• ensure the existence of expertise and guidance to allow departments to supply data correctly on a National Accounts’ basis |
<table>
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<tr>
<th>Phase of GSBPM</th>
<th>ONS....</th>
<th>HM Treasury....</th>
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<tbody>
<tr>
<td><strong>Build</strong> (build data collection instrument, build or enhance process components, test and finalise production systems)</td>
<td>• responsibility for the build of statistical processing systems used by ONS to compile PSF, EDP and GFS</td>
<td>• responsibility for the build of the reporting outputs from the public sector wide OSCAR* data collection system and HM Treasury’s cash management systems to provide data required for PSF, EDP and GFS • responsibility for the build of administrative systems to ensure that departments follow international statistical accounting rules within their data supply</td>
</tr>
<tr>
<td><strong>Collect</strong> (set up collection, run collection)</td>
<td>• manage the direct collection of required data from public corporations and some government organisations (e.g. UK Asset Resolution Ltd) • work with a range of public sector data suppliers (including HMT, HM Revenue &amp; Customs (HMRC) and the Bank of England) to receive data from their surveys and/or administrative systems</td>
<td>• manage the direct collection of the required government data through the OSCAR* data system and the HMT cash management systems • work with departments and internal teams with departmental spending responsibilities to assure the quality of the data collected through OSCAR* and other HMT systems</td>
</tr>
<tr>
<td><strong>Process</strong> (integrate data, classify &amp; code, review/validate &amp; edit, impute, derive new variables &amp; statistical units, calculate aggregates, finalise data files)</td>
<td>• primary responsibility for the application of National Accounts’ principles in classifying and coding transactions (e.g. assignment of COFOG and ESA categories), although in practice much of the coding is done on OSCAR by data suppliers • impute where deemed appropriate (e.g. imputation of taxes/subsidies, the effect of government guarantees on loan rates) • apply adjustments to supplied data (e.g. for local government) when deemed necessary to comply with National Accounts’ principles • responsibility for finalising PSF, EDP and GFS datasets</td>
<td>• aggregate and quality assure the OSCAR* data applying adjustments where necessary to correct for supplier errors or move the data onto a National Accounts basis • ensure that the OSCAR* data model is updated to take account of changing PSF and EDP statistical requirements • provide to ONS planned EDP data for future years based on the forecasts of the Office for Budgetary Responsibility (OBR)</td>
</tr>
<tr>
<td>Phase of GSBPM</td>
<td>ONS....</td>
<td>HM Treasury....</td>
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<tr>
<td><strong>Analyse</strong> (prepare draft outputs, validate outputs, scrutinize &amp; explain, apply disclosure control, finalise outputs)</td>
<td>• apply quality assurance checks to data supplied for use in PSF, EDP and GFS to ensure measures conform to statistical standards. (Some quality assurance is conducted by ONS and HMT with both calculating aggregates and then comparing their results.)</td>
<td>• apply quality assurance checks to data supplied for use in PSF, EDP and GFS. (Some quality assurance is conducted by ONS and HMT both calculating aggregates and then comparing their results.)</td>
</tr>
<tr>
<td><strong>Disseminate</strong> (produce dissemination products, manage release of dissemination products, promote dissemination products, manage user support)</td>
<td>• ensure the content and general release of PSF, EDP and GFS outputs comply with the UK and ESS Code of Practice • manage pre-release access for PSF, EDP and GFS data • respond to statistical enquiries from users</td>
<td>• provide written and oral briefing to ministers and senior management</td>
</tr>
<tr>
<td><strong>Archive</strong> (manage archive repository, preserve data and associated metadata)</td>
<td>• responsibility for maintaining an archive of PSF, EDP and GFS transmissions and publications • ensure that data used in the PSF, EDP and GFS production are archived according to the data archiving policy</td>
<td>• manage the OSCAR* and Treasury cash management systems data archiving process and ensuring that data sent to ONS for PSF, EDP and GFS are archived according to the data archiving policy</td>
</tr>
<tr>
<td><strong>Evaluate</strong> (gather evaluation inputs, conduct evaluation, agree action plan)</td>
<td>• conduct evaluation of the PSF, EDP and GFS output and its compilation processes • collect user views via the ONS functional email, online surveys and face to face meetings • jointly run the cross-government Public Finances Statistics Data Group which meets quarterly to identify and monitor issues and actions relating to PSF, EDP and GFS</td>
<td>• jointly run the cross-government Public Finances Statistics Data Group which meets quarterly to identify and monitor issues and actions relating to PSF, EDP and GFS</td>
</tr>
</tbody>
</table>

* OSCAR is the HM Treasury’s Online System for Central Accounting and Reporting
Annex D  References

1  Changes to cash management arrangements between the Bank of England Asset Purchase Facility and HM Treasury (Feb 2013)
2  UK Statistics Authority report on Statistics relating to transfers from the Asset Purchase Facility Fund (Jun 2013)
3  UK Statistics Authority update report on progress against actions in report on Statistics relating to transfers from the Asset Purchase Facility Fund (Jul 2014)
4  Public Sector Finances – Clarifying how Public Sector Finances classification decisions are made (Aug 2013)
5  Developments to Public Sector Finances (Dec 2013)
6  ESA 2010: impact on PSF (Dec 2013)
7  Consultation on Proposals from the Review of Public Sector Finance Statistics (Dec 2013)
8  Classification of Network Rail under European System of Accounts 2010 (Dec 2013)
9  Comparison of Government Expenditure and Revenue statistics in the monthly Public Sector Finances and quarterly National Accounts (Dec 2013)
10 Consultation response on 2013 Review of Public Sector Finance Statistics (Feb 2014)
11 Transition to ESA 2010: update to impact on PSF (Feb 2014)
12 Developments to PSF Statistics – February 2014 update (Feb 2014)
13 Government finances explained: Expenditure and revenue in the last 15 years (Feb 2014)
14 Developments to PSF Statistics – June 2014 update (Jun 2014)
15 Treatment of public sector banks in PSF (Nov 2014)
16 Longer term trends in public sector finances (Nov 2014)