

Article

# Economic statistics classifications and developments in public sector finances: August 2024

Includes the latest economic statistics classification updates, and information on future developments in public sector finance statistics.

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# 1 . Overview

This article provides a summary of the most recent economic statistics classification decisions and provides transparency around our current methodology work to public sector finance (PSF) statistics, including the implementation of classification decisions into the PSF.

Most methodological changes to the PSF statistics are prompted by the need to keep pace with the evolving economy, including the need to properly reflect classification decisions. 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). Where necessary, this article will outline the impact that our methodological changes have on PSF statistics. For more information about future developments, see our [Looking ahead – developments in public sector finance statistics: 2023 article](#).

Classification decisions facilitate the allocation of UK organisations to sectors of the UK economy based on their characteristics. These decisions are informed by the application of international statistical guidance contained within the [United Nations System of National Accounts \(SNA\) 2008](#), along with the [European System of Accounts \(ESA\) 2010](#) and the accompanying [Manual on Government Deficit and Debt \(MGDD\) 2022](#) where useful and appropriate. More information on classification decisions can be found in our public sector classification guide.

The guide enables the identification of those bodies classified to the public sector to inform the public sector boundary in the UK national accounts. The guide also includes other classification decisions, including transactions and schemes. Information on the organisations and transactions we expect to assess and classify in the next 12 to 18 months can be found in our forward work plan. For more information, see our [Public sector classification guide and forward work plan](#).

## 2 . Economic statistics classification announcements

A summary of the most recent classification decisions can be found later in this release. For more information on classification decisions, see our [Public sector classification guide \(713.1 KB XLSX\)](#). Classification decisions are implemented in accredited official statistics at the earliest opportunity using sound methodology. All practical considerations are taken into account, including resource availability within wider prioritisation.

### Statistical classification to the public sector article

Our [Statistical classification to the public sector article](#) was published on 8 July 2024. This article explains why entities are classified to the public sector, and the concept of public sector control and how this differs from the notion of independence.

### Office for Statistics Regulation report

As part of its [Spotlight on Quality: Assuring Confidence in Economic Statistics programme](#), the Office for Statistics Regulation (OSR) published its review into the classifications process on 23 July 2024, titled [Ensuring confidence in the economic statistics classifications process](#).

In the letter from Ed Humpherson (Director General for Regulation, OSR) to Mike Keoghan (Deputy National Statistician, ONS), this [review identified six requirements](#) to ensure that the classifications process continues to build on existing good work, and also continues to deliver good quality decisions. The Office for National Statistics (ONS) welcomed this review, and aims to publish a high-level plan on 25 October 2024, which will describe how these requirements will be addressed.

### Organisations – institutional units

In September 2024, the Global Centre of Rail Excellence (GCRE) Limited was classified to the central government subsector with effect from 24 August 2021.

### Transactions and schemes

The following transactions have been classified in September 2024:

- Common User Charge, as a payment for non-market output with effect from 30 April 2024
- charges associated with funding the activities of the Bank of England

The Bank of England Levy was established on 1 March 2024 in the [Bank of England Levy \(Amount of Levy Payable\) Regulations 2024](#). This new levy replaced the Cash Ratio Deposit (CRD) scheme. Both the payments received through the CRD scheme and the new Bank of England Levy, allow the Bank of England to undertake functions in pursuit of its monetary policy and financial stability objectives.

The Bank of England Levy has been classified with effect from 1 March 2024 as both:

- other taxes on production, rerouted as a payment levied by the central government subsector on eligible institutions in the deposit-taking corporations except the central bank subsector
- other subsidies on production, rerouted as a payment from the central government subsector to the Bank of England in the central bank subsector

The Bank of England Levy late payment charge has been classified as other miscellaneous current transfers with effect from 1 March 2024.

The CRD scheme related deposits paid to the Bank of England from 1 June 1998, and the total returned to the eligible institutions in March 2024 upon closure of the scheme, have both been classified as other deposits:

- paid by the eligible institutions in the deposit-taking corporations except the central bank subsector to the Bank of England in the central bank subsector, from 1 June 1998 to 28 February 2024
- paid by the Bank of England in the central bank subsector, to the eligible institutions in the deposit-taking corporations except the central bank subsector, in March 2024

The following payments have been classified as payments for non-market output from eligible financial corporations in the applicable financial corporations subsectors to the central bank subsector:

- Financial Market Infrastructure levy, with effect from 10 July 2018
- Prudential Regulation Authority levy, with effect from 1 April 2013

## Forward work plan

The [Forward work plan](#) (44.0 KB XLSX) contains information on the organisations and transactions we expect to assess and classify in the next 12 to 18 months, as changing priorities allow, but does not contain everything that may be classified.

The Bank of England Levy has been removed from the forward work plan following its classification this month.

For more information on our classification process, as well as our forward work plan and public sector classification guide (PSCG), see our [Economic statistics classifications web page](#).

If you have any queries about the classification decisions or the classifications process, please contact the Economic Statistics Classifications team by emailing [econstats.classifications@ons.gov.uk](mailto:econstats.classifications@ons.gov.uk).

## 3 . Improvements and data updates in public sector finances statistics

This section provides information on the changes and data updates we have implemented into the public sector finance (PSF) statistics in September 2024. In the next 12 months, we also expect to implement further classification decisions and statistical improvements. This includes implementing the classification decisions for Bulb Energy Ltd in Special Administration, Octopus Energy Operations Limited, and Octopus Energy Retail Limited [announced in August 2023](#). Additionally, we expect to implement improvements to data for the Bank of England. For more information, see our [Economic statistics classification and developments in public sector finances: June 2024 article](#).

### Changes implemented in September 2024

#### Improvements to the compilation of central government interest

This month, we have implemented improvements to the compilation of central government interest payable and, more broadly, the interest flows between the subsectors of the public sector and private sector. Our objective was to undertake a thorough review of source data and compilation methods for both interest expenditure and interest receipts. This is to ensure all information is accurately captured and any adjustments are justified and clearly applied.

Central government interest expenditure includes interest payable on financial instruments, which mainly comprises interest payable on UK government debt securities, known as gilts. Interest expenditure also includes interest on other financial liabilities of government, such as loans and Treasury bills. These central government liabilities are assets held either by the public sector or by the private sector. The compilation changes have improved our recording of central government interest paid and the associated interest received by the counterparty. In particular, we have ensured symmetrical recording of the interest associated with the central government liability and the corresponding asset, which in turn provides more accurate data at the public sector level.

Additionally, we have improved the quality of the data by using more frequent and granular information for interest flows between the subsectors of the public sector. For example, there were previous instances where we had different data sources for the two counterparties for an interest flow, causing inconsistencies between the two subsectors.

The combination of changes to compilation methods and improvements to data have caused revisions to the interest flows recorded within the public sector, and between the public sector and the private sector. The impact of these improvements on the headline fiscal aggregates is presented in Table 1.

The amounts in Table 1 are broadly similar to the provisional impacts published in our [Economic statistics classifications and developments in public sector finances: July 2024 article](#). The difference is owed to completing final quality assurance and incorporating the latest available data for the interest components in the latest complete financial year. As this change relates only to the flow of interest and not to our estimates of the associated stock of the liabilities, there are no revisions to our balance sheet statistics: public sector net debt, public sector net financial liabilities and public sector net worth.

Table 1: Impacts of the improvements to the compilation of central government debt interest (introduced in September 2024) on the latest estimates of the headline fiscal aggregates, UK

<b>Financial year (£ billion)</b>	<b>PSCBD ex</b>	<b>PSNI ex</b>	<b>PSNB ex</b>	<b>PSND ex</b>	<b>PSNFL ex</b>	<b>PSNW ex</b>
<b>1997 to 1998</b>	-0.2	0	-0.2	0	0	0
<b>1998 to 1999</b>	-0.3	0	-0.3	0	0	0
<b>1999 to 2000</b>	-0.3	0	-0.3	0	0	0
<b>2000 to 2001</b>	-0.2	0	-0.2	0	0	0
<b>2001 to 2002</b>	-0.2	0	-0.2	0	0	0
<b>2002 to 2003</b>	-0.3	0	-0.3	0	0	0
<b>2003 to 2004</b>	-0.3	0	-0.3	0	0	0
<b>2004 to 2005</b>	-0.3	0	-0.3	0	0	0
<b>2005 to 2006</b>	-0.5	0	-0.5	0	0	0
<b>2006 to 2007</b>	-0.4	0	-0.4	0	0	0
<b>2007 to 2008</b>	-0.3	0	-0.3	0	0	0
<b>2008 to 2009</b>	-0.8	0	-0.8	0	0	0
<b>2009 to 2010</b>	-0.5	0	-0.5	0	0	0
<b>2010 to 2011</b>	-0.6	0	-0.6	0	0	0
<b>2011 to 2012</b>	-0.6	0	-0.6	0	0	0
<b>2012 to 2013</b>	-0.7	0	-0.7	0	0	0
<b>2013 to 2014</b>	-0.7	0	-0.7	0	0	0
<b>2014 to 2015</b>	-0.8	0	-0.8	0	0	0
<b>2015 to 2016</b>	-0.6	0	-0.6	0	0	0
<b>2016 to 2017</b>	-0.5	0	-0.5	0	0	0
<b>2017 to 2018</b>	-1.1	0	-1.1	0	0	0
<b>2018 to 2019</b>	-0.7	0	-0.7	0	0	0
<b>2019 to 2020</b>	0.1	0	0.1	0	0	0
<b>2020 to 2021</b>	-0.1	0	-0.1	0	0	0
<b>2021 to 2022</b>	-2.4	0	-2.4	0	0	0
<b>2022 to 2023</b>	-1	0	-1	0	0	0
<b>2023 to 2024</b>	3.2	0	3.2	0	0	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.

In each financial year, the overall impact comprises of a combination of small improvements rather than one main change.

The implementation of these improvements has caused revisions to our estimates of public sector net borrowing (PSNB) from the financial year ending (FYE) March 1998 onwards. The scale of the revisions varies across the time series.

The direction of the revisions has reduced PSNB up to and including FYE March 2019. In more recent years, the impact is more noticeable and variable as interest becomes a more substantial component of the fiscal aggregates.

In FYE March 2022, PSNB decreased by £2.4 billion because of improved methods used to compile central government interest paid to the private sector.

In contrast to most years, in FYE March 2024 PSNB increased, rather than decreased, by £3.2 billion. The impact in this year is because of a combination of factors, including improved recording of interest flows to and from the Bank of England, and incorporating more frequent data for these interest flows.

The impacts on public sector current budget deficit (PSCBD) and PSNB are equal by definition, because interest payable and interest receivable is part of current expenditure and receipts.

## **Changes to the recording of Pay As You Earn schemes**

This month, HM Revenue and Customs (HMRC) have introduced improvements to their recording of Pay As You Earn (PAYE) income tax and National Insurance Contributions cash receipts. Although these changes apply from April 2023 on a cash basis, they have resulted in an upward revision to total accrued income tax and National Insurance Contribution receipts (combined) of £3.8 billion in the FYE March 2023, along with a downward revision of £0.5 billion in the FYE March 2024. For more information on this change, see [HMRC's Tax Receipts and National Insurance Contributions for UK](#).

## **Other data updates**

We have implemented some regular annual data updates in September 2024 to incorporate the latest available data. This includes data updates for student loans, national non-domestic rates, depreciation, Pool Reinsurance (Nuclear) Limited, Network Rail and the Bank of England. We expect to make further annual data updates in December, or in subsequent months, depending on when the source data are available.

A summary of the revisions attributed to these data updates and the improvements to the compilation of central government interest on public sector net borrowing is provided in our [Changes to public sector finance statistics: Appendix L](#).

# **4 . Review of emerging issues in the economy**

## Reclassification of NatWest Group plc

In August 2024, NatWest Group plc and its subsidiaries were reclassified from the public sector to the private sector, with effect from 1 June 2024.

This reclassification has been implemented into the public sector finances (PSF) in September 2024. This involved switching the counterpart to some transactions from the public sector to the private sector and removing the recording of data for NatWest Group plc and its subsidiaries from PSF statistics. This change has no impact on the headline fiscal measures reported in the [Public sector finances](#) release because they exclude public sector banks.

NatWest Group plc and its subsidiaries were the last remaining banks classified to the public sector prior to this reclassification. As a result, the fiscal measures presented in the PSF release that include and exclude public sector banks will now be equal. For further information on this classification decision, see Section 2 of our [Economics statistics classifications and developments in public sector finances: July 2024 article](#).

For any queries about the information discussed in [Section 3: Improvements and data updates in public sector finances statistics](#) and [Section 4: Review of emerging issues in the economy](#), please contact public sector inquiries by emailing [public.sector.inquiries@ons.gov.uk](mailto:public.sector.inquiries@ons.gov.uk) or telephoning +44 1633 456402.

## 5 . 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 20 September 2024

The public sector classification guide sets out a list of bodies that have been classified by the Office for National Statistics (ONS) as public sector bodies within the National Accounts. The forward work plan sets out the organisations and transactions that the ONS expects to assess and classify in the next 12 to 18 months.

### [Statistical classification to the public sector](#)

Article | Released 8 July 2024

Explains why entities are classified to the public sector, and the concept of public sector control and how this differs from the notion of independence.

### [Taxes and fees for sales of service: how they differ and why it is important](#)

Article | Released 31 May 2019

Defines and explains the main characteristics that lead to the classification of a transaction as a tax or a fee in the national accounts and public sector finances, and describes the effect that these classifications can have on economic indicators and the operation of government. [view-of-emerging-issues-in-the-economy](#))

## 6 . Cite this article

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