

Public sector net financial liabilities (PSNFL)

An explanation of the financial assets and liabilities captured in public sector net financial liabilities (PSNFL), how PSNFL compares with public sector net debt (PSND) and how it has changed over time.

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1 . Overview of PSNFL

Statistics on the public finances present a range of balance sheet measures, which summarise the overall position on what the public sector owes or is owed. These measures are crucial for understanding the sustainability of public sector finances. These fiscal statistics apply different definitions as to which assets and liabilities should be included within each given balance sheet measure, with some applying relatively narrow definitions and some applying relatively broad definitions.

The Autumn Budget 2024 highlights the specific measure public sector net financial liabilities (PSNFL), particularly the financial assets and financial liabilities that are included. We explain what this balance sheet indicator captures, how it compares with public sector net debt (PSND) and how PSNFL has changed over time.

2 . Measures of the public sector balance sheet

The best known of these measures is public sector net debt (PSND). PSND is a relatively narrow measure, including three categories of "debt" liabilities: currency and deposits, loans, and debt securities. These are the categories selected for debt in the Manual on Government Deficit and Debt and are also referenced in the International Monetary Fund Government Finance Statistics Manual (GFSM).

These categories are significant because they largely represent the stock of past borrowing by the government and other public sector bodies. Certain categories of assets are then netted off to obtain PSND. These are specifically those that are considered "liquid" for the purposes of public sector finance statistics, which are mostly currency and deposits, and the sterling and foreign currency assets of government cash management vehicles.

In recent years, the coverage of public sector finances has seen growing attention paid to alternative balance sheet measures, typically with broader definitions such as public sector net financial liabilities (PSNFL) and public sector net worth (PSNW). For instance, reference has been made to assessing public finances from a "broader perspective", with a view to better identifying and managing risk, and evaluating the long and short-term impact of government activity. While more comprehensive measures, they are less well known and well developed than PSND.

PSNFL is broadened by including a wider range of liabilities to which the public sector has committed, while netting off a wider range of assets held by the public sector on which it might expect a return. These additional financial assets and liabilities covered by PSNFL are all recognised within the UK National Accounts. PSNW is a broader measure still, including non-financial assets such as land and buildings.

For all balance sheet measures, we can also consider "ex" measures such as PSND ex and PSNFL ex. These measures exclude public sector banks for those periods from 2008 to 2024 when certain monetary financial institutions were classified within the public sector. These "ex" measures are most frequently used in our publications. "Ex" measures provide a more accurate reflection of the underlying position of the public finances during the period from 2008 to 2024.

For balance sheet measures such as PSND ex and PSNFL ex, we often consider their value as a percentage of gross domestic product (GDP). This is because considering debt relative to the size of the economy gives us a better view on the affordability of that debt than if we focus on the level of debt alone. This also helps to enable historical and international comparisons as the levels of these balance sheet measures are not adjusted for inflation.

Table 1 shows the range of public sector balance sheet measures that are produced, including which assets and liabilities are captured by these fiscal statistics. PSND is the one that has been most established in the UK to date. The wider definition of PSNFL covers a range of additional assets and liabilities.

Table 1: The coverage of different public sector finance balance sheet measures

	Instrument	Central Government Gilts	General Government Gross Debt	PSND ex	PSNFL ex	PSNW ex
Asset	Non-financial					x
Asset	Illiquid financial				x	x
Asset	Liquid financial			x	x	x
Liability	Currency & Deposits		x	x	x	x
Liability	Gilts	x	x	x	x	x
Liability	Loans & other securities		x	x	x	x
Liability	Other financial				x	x

Source: Public sector finances from the Office for National Statistics

3 . Comparisons of PSND ex and PSNFL ex

Public sector net debt (PSND) ex focuses on liquid assets and immediate liabilities, while public sector net financial liabilities (PSNFL) ex includes a broader range of financial assets and liabilities. We focus on a few main examples to help explain how PSND ex and PSNFL ex differ, particularly around the treatment of illiquid financial assets and other financial liabilities.

Loan assets, including student loans and Help to Buy schemes

The wider coverage of PSNFL ex incorporates loan assets that are not captured within PSND ex. One example of this refers to student loans, where PSND ex captures only the incoming and outgoing cash payments. The value of loan assets is not included in this measure. However, PSNFL ex captures the net value of the student loan book that is expected to be repaid, and is therefore a more comprehensive measure of its long-term impact on the government finances.

This difference in treatment between the two measures extends to how we consider the sale of any part of the student loan book. For PSNFL ex, it would be neutral if sold at book value as it nets off the payment received for the asset against the loss of the asset itself. If not sold at book value, then PSNFL would change by the difference between the amount received for any portion of the loan book sold and its book value. By contrast, an equivalent sale would reduce PSND ex as the loss of the loan asset is not part of the measurement.

Another example of the treatment to loans is offered via Help to Buy schemes. PSNFL ex additionally captures the loan asset created when the public sector extends loans to those within these schemes, with PSND ex capturing only the liability.

Equity assets

The largest component of equity assets is those assets that correspond to public sector funded pension schemes. These assets made up a significant majority of the £550 billion of equity assets also captured by PSNFL ex, but not in PSND ex at financial year ending (FYE) 2024. Equity assets also include those equity stakes in financial institutions that were acquired during the financial crisis, which net off against PSNFL but not PSND. For instance, this includes shareholdings in banks including NatWest group.

Pension liabilities for public sector funded pension schemes

This includes liabilities such as the local government pension scheme. The liability position of these schemes was £507 billion at FYE 2024. However, PSNFL ex does not include the far larger net liabilities associated with unfunded (or pay-as-you-go) public sector pensions. These are reported annually in the Whole of Government Accounts (WGA) and in Government Finance Statistics Manual (GFSM) estimates of public sector net worth.

Asset Purchase Facility and Term Funding Scheme

The Asset Purchase Facility (APF) was established in response to the financial crisis to undertake the Bank of England's quantitative easing programme. This involved creating reserves that were used to purchase government bonds on the secondary market. In 2016, the APF was expanded to include the purchase of corporate bonds, while at the same time, a new initiative called the Term Funding Scheme (TFS) was introduced, providing near Bank Rate loans to its participants.

Prior to 2016, the government bonds that were purchased and the reserves created to do so were largely netted off against each other within the public sector. This meant that PSND ex through this period captured both the asset and liability side of intervention and so the impact on the measure itself was consistent with PSNFL ex. Both PSND ex and PSNFL ex are affected by the same amount in the situation where the value of a government bond at the time of sale or redemption differs from its face value.

Since 2016, the purchase of corporate bonds through the expanded APF and the provision of long-term loans through the TFS saw the public sector create or take on assets that were not "liquid", unlike the reserves created to fund these actions. In the specific case of the expanded APF, undertaken activity was not netted off within the public sector. We therefore saw increases in PSND ex, as the creation of reserves (a liability) was included, but not the illiquid assets purchased. PSNFL ex, however, captures both the assets and liabilities.

Other accounts payable and receivable

Other accounts payable is a liability for the public sector, and usually represents a timing difference between cash and accruals recording of transactions. For example, government may have an obligation to make a payment, perhaps of a benefit, at a future date. Other accounts receivable is an asset for the public sector and represents the equivalent situation in reverse.

For example, a business may owe government a payment, perhaps of a tax, which has not yet been received. The two items can be relatively large individually, but over time tend largely to offset each other and so play a limited role in explaining the difference between PSND ex and PSNFL ex.

Table 2 shows the differences between PSND ex and PSNFL ex for FYE 2024, noting that APF and TFS differences are not captured under specific headings. It captures the additional other financial liabilities that are included in PSNFL ex, such as pension liabilities. However, it also includes additional illiquid financial assets, which are then netted off from PSNFL ex.

The main contributor to the difference between PSND ex and PSNFL ex in 2024 was pension liabilities, which added £507 billion of liabilities to PSNFL ex that were not captured in PSND ex. Loan and equity assets offset this by £348 billion and £550 billion, respectively. There were then a small number of other differences, for example, arising from Special Drawing Rights and other accounts payable and receivable.

Table 2: Differences between PSND ex and PSNFL ex at financial year end 2024, £ billions

	£ billion
PSND ex	2,699.6
Liabilities (+) and assets (-) not included in PSND ex	-414.4
o/w SDR liabilities	30.9
o/w Pension liabilities	507.3
o/w Loan assets	-348.1
o/w Equity assets	-550.0
o/w Accounts payable/receivable	-37.4
o/w Other	-17.1
PSNFL ex	2,285.2

Source: Public Sector Finances from the Office for National Statistics

Notes

1. Special drawing rights (SDR) liabilities are the UK government's liabilities to the International Monetary Fund. SDRs are also liquid assets as part of the official reserves which were captured within PSND ex.
2. Accounts payable/receivable. This is money that the public sector owes to suppliers or others such as gilt holders who are paid in arrears, less money that it is owed by taxpayers and others such as the recipients of student loans who usually pay in arrears.
3. Other is the net balance on a range of smaller liabilities and assets. These include insurance and standardised guarantee schemes, financial derivatives and other assets not included as liquid assets in PSND ex.

4 . Changes in PSND ex and PSNFL ex over time

Figure 1 shows the paths of public sector net debt (PSND) ex and public sector net financial liabilities (PSNFL) ex since financial year ending (FYE) 1998. These show the impact of the global financial crisis, where there were significant increases in loan and equity assets held from 2008 related to financial interventions that the UK government and the Bank of England have made.

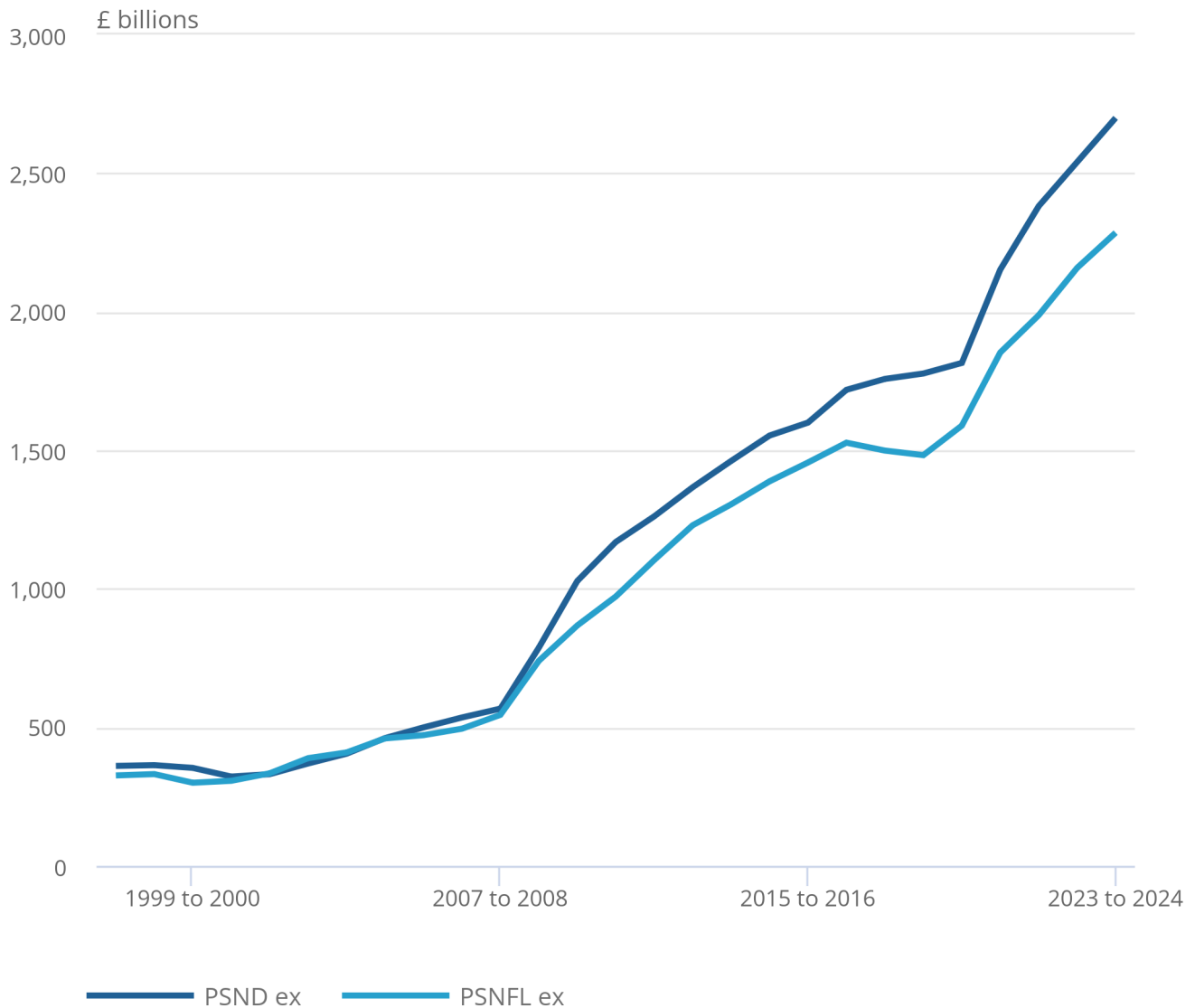
Prior to the global financial crisis and recession of the late 2000s, PSND ex and PSNFL ex were of similar size. Both measures increased sharply during and after the financial crisis, though PSND ex rose much faster than PSNFL ex.

The purchase of shares in the public sector banks increased PSND ex as the gilts issued to fund the purchase were a liability within PSND ex. However, the value of corresponding bank equities was an illiquid asset that was not included in PSND ex. The opposite effect would occur when the government sells its shares in the public sector banks.

A broader measure, such as PSNFL ex, which captures the same liability but nets off the value of illiquid assets acquired would not be affected, unless the shareholdings were sold at a profit or loss (relative to the values held in the accounts), in which case PSNFL ex would increase because the cash value received was lower than the value of the asset sold.

Figure 1: PSND ex and PSNFL ex at financial year ends (FYE)

Figure 1: PSND ex and PSNFL ex at financial year ends (FYE)



Source: Public sector finances from the Office for National Statistics

Between FYE 2011 and 2017 the gap stabilised, partly because of the sales of Lloyds and Royal Bank of Scotland (RBS) shares, and the repayment of loans to UK Asset Resolution, which was the bank containing the remnants of Northern Rock, and Bradford and Bingley. On the public sector balance sheet, illiquid assets (equity and long-term loans) were changed into a liquid asset (cash and deposits), reducing PSND ex but with relatively small effect on PSNFL ex.

Student loan assets also account for some of the wedge between PSND ex and PSNFL ex. These assets have increased in value from £50 billion at FYE 2014 to £130 billion at FYE 2024, accounting for between a quarter and a third of the gap between the two balance sheet measures over this period. This reflects the value of these student loans recorded as an asset under PSNFL ex.

Monetary policy actions taken in 2016 further widened the gap between PSND ex and PSNFL ex as loans were offered for policy purposes through the Term Funding Scheme (TFS). The loans are illiquid assets for the public sector, but to fund the lending the public sector incurs a financial liability. When this occurs, PSND ex increases as the liability is not offset by an asset. In contrast, PSNFL ex will not change, as long as the value of the asset is exactly equal to the liability incurred.

The reopening of the TFS between April and September 2020, in the midst of the coronavirus (COVID-19) pandemic, by providing four-year loans to small and medium-sized enterprises at rates near the Bank Rate (TFSME) will have contributed to a further widening of the gap between PSND ex and PSNFL ex. However, when the loans are repaid, this will contribute to a narrowing of the gap.

As a result of the inclusion of additional financial assets and liabilities, the drivers of changes over time in PSNFL ex are not always the same as in PSND ex. This has been pronounced following the public sector's interventions in the UK economy following the global financial crisis. These measures are seen to have a greater effect on PSND ex than the broader PSNFL ex measure, which is less affected.

However, movements in holdings of other financial assets and liabilities, such as public sector funded pension liabilities and student loans, also have the potential to impact PSNFL ex, whereas they are not included in PSND ex and so have no impact on this aggregate. Therefore, the main contributors to the gap in the future need not necessarily be related to interventions in the financial sector but through other components of the financial balance sheet. For instance, a restatement of public sector funded pension liabilities, or a change in the expected repayments on student loans debt, would impact PSNFL ex but not PSND ex.

5 . Revisions to PSNFL

Our estimates of public sector net financial liabilities (PSNFL) are subject to revisions because of the trade-off between timeliness and accuracy. Early provisional data that inform these estimates are replaced and/or supplemented with higher quality but more lagged data sources, which can lead to changes in the estimates. These revisions are important for ensuring the accuracy and reliability of the fiscal statistics.

Office for National Statistics (ONS) public sector finance statistics use the latest available data, but there are gaps and time-lags of varying lengths between the reference period and the point at which data related to that period are available. This necessitates a degree of estimation within our data, particularly when the first figures are released.

Revisions are made to the statistics when updated source information becomes available and is incorporated. The public sector finances release draws this uncertainty to readers' attention by labelling the first estimates as "initial" or "provisional" and by including warning messages when the effect is particularly relevant, such as the first estimate of the position at the end of a financial year (end of March).

Relative to public sector net debt (PSND), estimates of PSNFL are usually subject to greater levels of revision extended over a longer period as source data in some cases come with longer lags. For example, the time-lag for public sector funded pensions liabilities data can be between three and five years, depending on when valuation assessments are made. Within the public sector finance statistics, this is the data source with the longest time-lag. Analysis of the last such set of revisions showed that the impact on PSND was small, while the impact on PSNFL was large by comparison.

Revisions can also occur when planned methodology improvements are introduced in the public finances. ONS provides information about such developments in two places. Forthcoming changes are explained in a monthly article, which supports our [Economic statistics classifications and developments in public sector finances articles](#). Long-term plans are described in our [Looking ahead - developments in public sector finance articles](#), which are updated every 12 to 18 months.

6 . Data for public sector net financial liabilities

[Public sector finances tables 1 to 10: Appendix A](#)

Dataset | Released 22 October 2024

The data underlying the public sector finances statistical bulletin are presented in the tables PSA 1 to 10.

[Public sector balances sheet tables: Appendix N](#)

Dataset | Released 22 October 2024

A reconciliation of the latest public sector balance sheet measures.

7 . Glossary

Public sector

In the UK, the public sector consists of six subsectors: central government, local government, public non-financial corporations, public sector funded pensions, the Bank of England, and public financial corporations (including public sector banks). The headline figures presented in the Public sector finances statistical bulletin exclude the public sector banks and are denoted as "ex" measures.

Public sector net debt

The total or gross debt of the public sector represents the amount of money owed to organisations in the UK private sector and overseas (in the form of loans, debt securities, deposit holdings and currency). However, the public sector also holds liquid financial assets, such as foreign reserves and bank deposits, which can be used to offset its gross debt. Therefore, public sector net debt reflects gross debt net of liquid financial assets held. Public sector net debt is often referred to by commentators as "the national debt".

Public sector net financial liabilities

Public sector net financial liabilities (PSNFL) is a wider measure of the balance sheet than public sector net debt and includes all financial assets and liabilities recognised in the national accounts.

Public sector net worth

Public sector net worth (PSNW) is the widest measure of the balance sheet, broadening the PSNFL measure by considering the public sector's non-financial assets.

8 . Data sources and quality

Methodology guides

The Office for National Statistics publishes an accompanying [methodological guide](#) and [Quality and methodology information report](#) outlining the strengths, limitations and appropriate uses of government finance statistics.

9 . Related links

[Effects of the economy on public sector net debt, UK: April 2024](#)

Article | Released 10 May 2024

Examines the economic reasons behind the large increase in public sector net debt as a percentage of GDP over the last two decades.

[Wider measures of the public sector balance sheet: public sector net worth](#)

Methodology | Released 22 June 2021

This article outlines plans to introduce an additional statistical aggregate to the public sector finance statistics and explains how it will differ from existing measures.

[Student loans in the public sector finances: a methodological guide](#)

Methodology | Released 22 January 2020

Explains the methods we will use to partition student loans into government expenditure and a financial transaction.

[Pensions in the public sector finances: a methodological guide](#)

Methodology | Released 22 January 2020

Explains the methods and data sources we use to record pensions in fiscal statistics.

[Autumn statement: Supplementary fiscal aggregates: 2016](#)

Methodology | Released 23 November 2016

This methodology paper defines the two new supplementary fiscal aggregates announced by the Chancellor in the 2016 Autumn Statement and explains the coverage of the aggregates and what they represent. It also discusses the quality of the different data sources underpinning the new aggregates.

10 . Cite this article

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