Dear Ms Hillier,

UPDATE ON THE BALANCE SHEET REVIEW

In its report on the Whole of Government Accounts 2016-17, the Public Accounts Committee asked the Treasury for an update on the progress of the Balance Sheet Review.

The aim of the Review is to improve returns on the Government’s assets, and reduce the cost of its liabilities. The 2018 Budget provided an interim progress report, announcing a number of new measures:

- The OBR's first detailed forecast of the Government's financial balance sheet over the next five years, providing greater transparency over the public finances and the impact of policies across the balance sheet.
- A report making recommendations on how to generate greater value from the public sector’s £150 billion of Intellectual property and other intangible assets.
- Ending the Private Finance Initiative as a means of financing public infrastructure, recognising that the model was inflexible, too complex and a source of significant fiscal risk for the taxpayer.
- The intention to reduce the Government’s inflation exposure through a reduction in the proportion of index-linked gilt issuance in a measured fashion over the medium term.
- The first-ever geo-spatial Digital National Asset Register to enable better optimisation and commercialisation of public property assets.
- New performance management measures and continued central support to improve the recovery of debt owed to government.
- The implementation of a new control regime for contingent liabilities.
- The intention to publish new Asset Sales Disclosure Guidance to increase transparency on the value for money of asset sales and their impact on the public finances.
Since the 2018 Budget, there has been further progress in several areas.

**In-Year Comprehensive Balance Sheet Statistics**

In response to recommendations in the IMF’s Fiscal Transparency Evaluation of the UK, and in line with the Government’s commitment in Managing Fiscal Risks 2018 to comply with the IMF’s Government Financial Statistics Manual 2014 (GFSM2014), the ONS is now producing comprehensive balance sheet statistics, in line with the GFSM2014 standards, to provide more frequent and timely in-year data on the Government’s balance sheet.

**Asset Sales Disclosure Guidance**

In March, the Treasury introduced new Asset Sales Disclosure guidance, requiring departments to demonstrate that a sale delivers value for money and improves the sustainability of the public finances, by disclosing the policy rationale for a sale, the justification of the timing, and both the initial and long-term impact on the public-sector balance sheet. This applies to sales from April 2019 onwards.

**The recovery of debt owed to Government**

To improve the recovery of over £20 billion of overdue debt, the Treasury introduced new debt performance management measures for departments and their ALBs in the 2019-2020 Consolidated Budgeting Guidance. This was published in March 2019.

**Managing contingent liabilities**

The new control regime has now been applied to over 80 new contingent liabilities, with over £1.5 billion of new liabilities rejected outright, and the vast majority approved after either more comprehensive information was provided to demonstrate the risk was well understood and managed, or substantive policy changes were made to reduce the risk.

**Reducing inflation exposure**

The 2019-20 financing remit includes a 2 percentage point reduction in index-linked gilt issuance compared to that planned at the start of the previous year.

**Next steps**

Work continues in all the areas identified at the Budget. The Balance Sheet Review will conclude as a part of the Spending Review, which will include a full report on what it has achieved. The Treasury is determined to ensure that it has a lasting impact on the cost-effective management of the Government’s assets and liabilities.

Yours,

Tom Scholar

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