

Provisions and Contingent Liabilities: UK Experience

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CFRR >>
Centre for Financial
Reporting Reform




PULSAR 

Public Sector Accounting and Reporting Program

PULSAR Program is co-funded by:

 Federal Ministry
Republic of Austria
Finance

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

Greater focus on Contingent liabilities



2






 carillion

STOP

UK Govt Action



 HM Treasury

Government as insurer of last resort:
managing contingent liabilities in the public sector

March 2020



The Balance Sheet Review



The Balance Sheet Review Report:
Improving public sector balance sheet
management

November 2020

Transparency

To assess the impact of policies on the balance sheet (short term and long term)

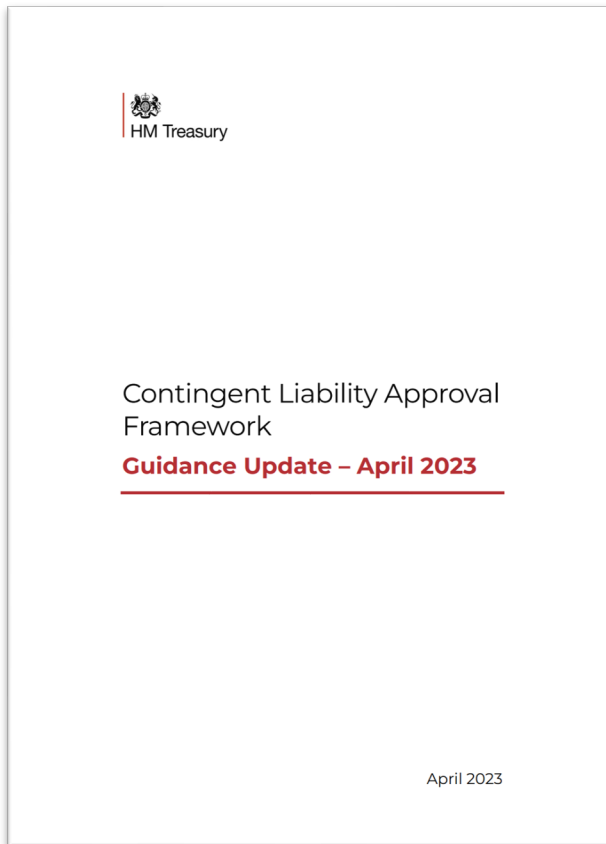
Asset Management

Impact of asset sales decisions on long term vs. short term budgetary gain
Demonstrate how improve BS management
Assets financed/managed to deliver vfm (PFI, EUCL review, LGPS, Nuclear Dec cost)

Risk Management

Inflation risk exposure from government;
Control of local government purchasing commercial property; Clinical negligence;
Charge private sector for risk borne by taxpayers

Contingent Liability Central Capability

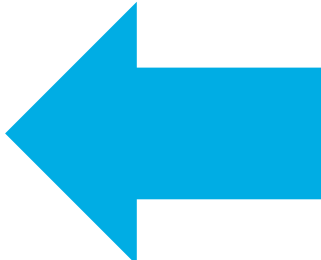


Definitions



Government responsibilities – future contingent or uncertain expenditure that the government is legally or contractually committed to incurring because of its past public sector related activities.

Government as insurer/guarantor – where, in order to achieve its objectives, government provides insurance, indemnities, or financial guarantees explicitly to support the private sector.



Guarantees

Indemnities

Legal cases

Purchaser Protections

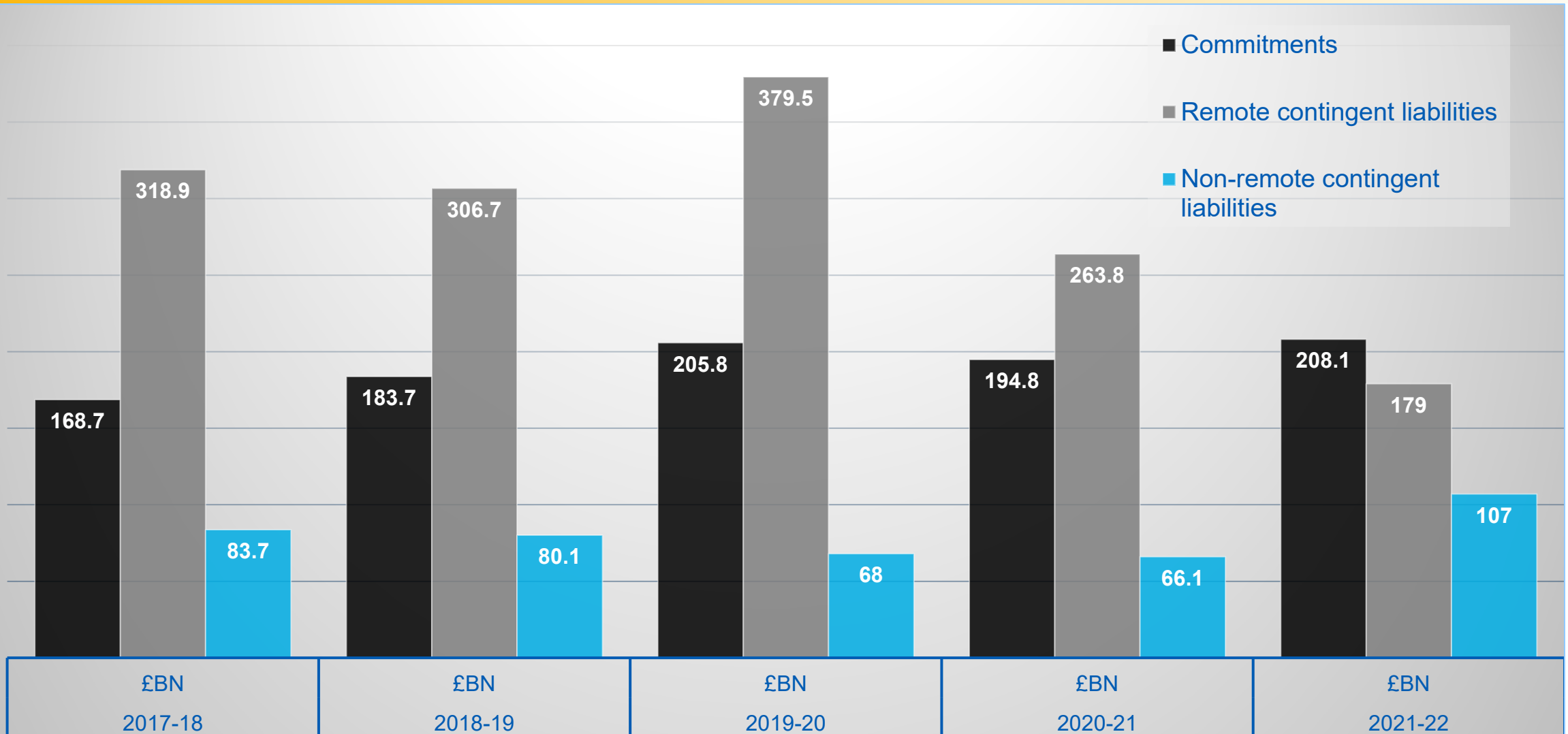
When the government agrees to pay the debts of a third party if they default.

When the government agrees to cover costs if a certain event occurs.

When a lawsuit is likely to be brought against the government while undertaking its core activities.

Where the government agrees to provide warranties or indemnities relating to asset sales.

Whole of Government Accounts 2021-22 analysis of Contingent Liabilities and Commitments



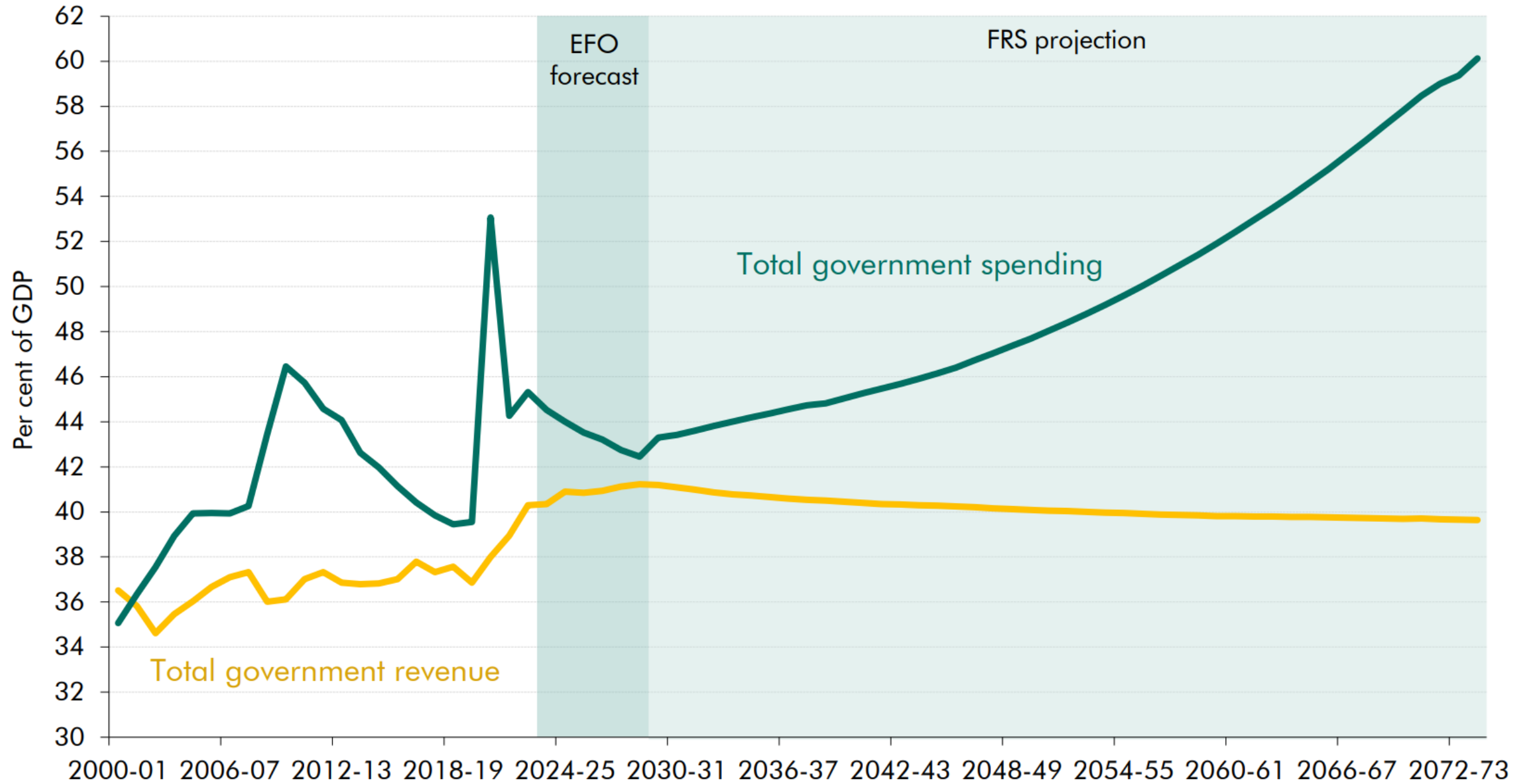


Office for **Budget Responsibility**

Fiscal Risk & Sustainability Report Sept 2024

- Climate change
- Ageing population
- Geopolitical tensions

Chart 1.1: Projected total government revenue and spending




Thank you!



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