HM Treasury

Managing the Public Sector Balance Sheet in the UK

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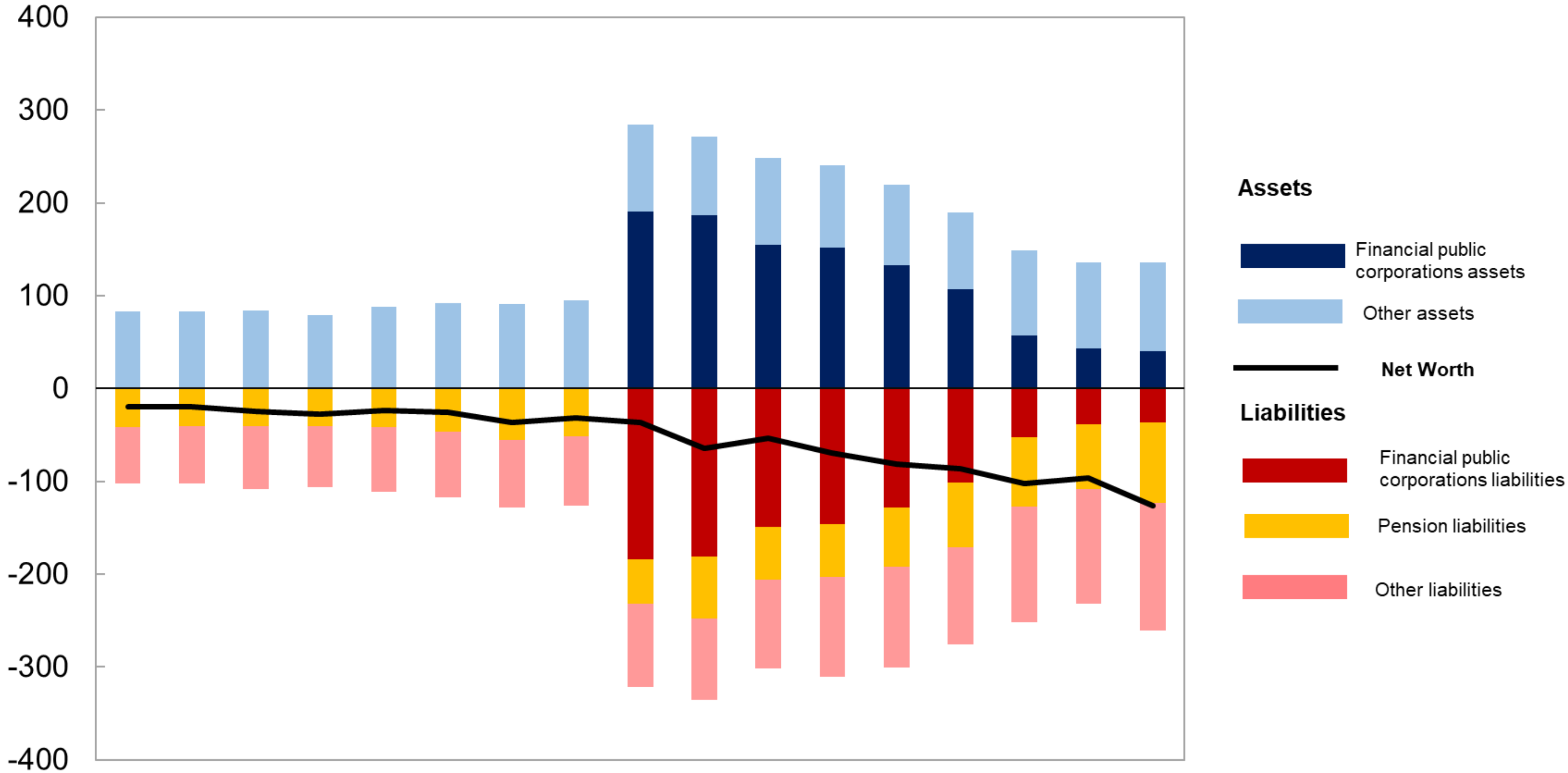
Outline

1. Evolution of the UK Public Sector Balance Sheet
2. Disposing of Financial Sector Assets
3. Managing the Bank of England Balance Sheet
4. Conducting a Balance Sheet Review
5. Getting Smart about Intellectual Property
6. Controlling Contingent Liabilities

1. Evolution of the UK Public Sector Balance Sheet

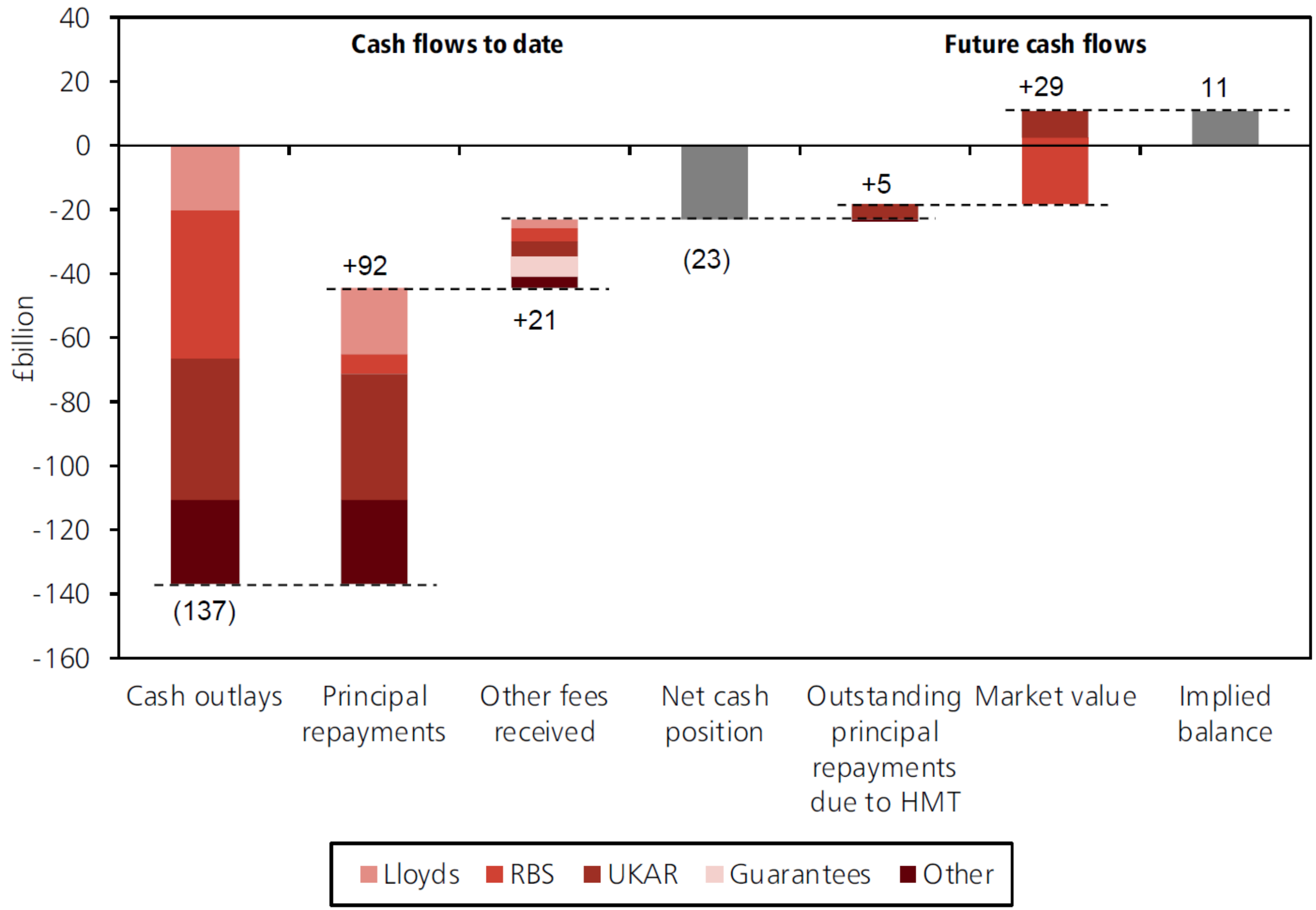
UK Public Sector Assets, Liabilities, and Net Worth
(% of GDP)



Source: IMF (2018)

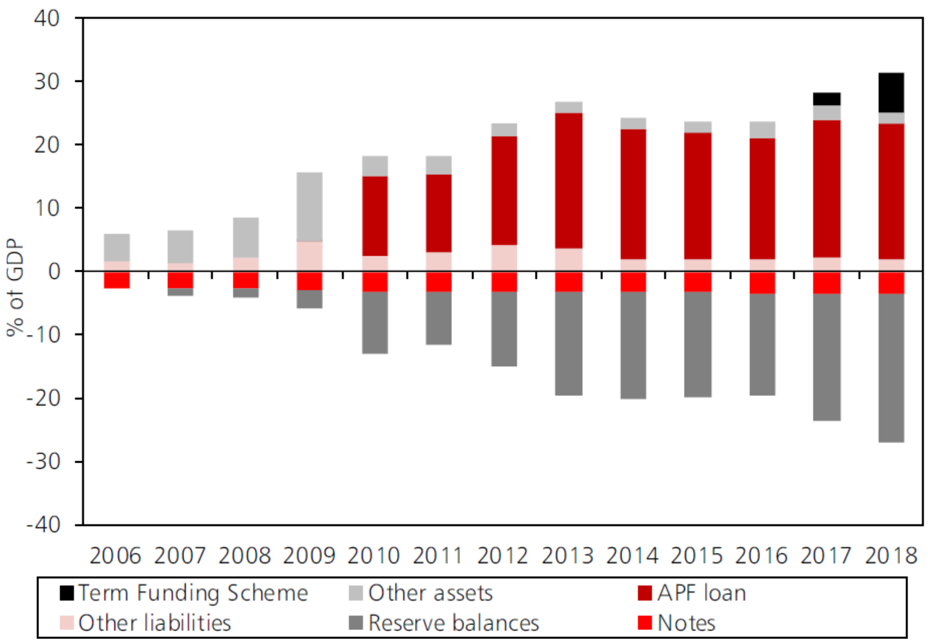
2. Returning financial assets to the private sector

Cash flows from assets acquired during the financial crisis



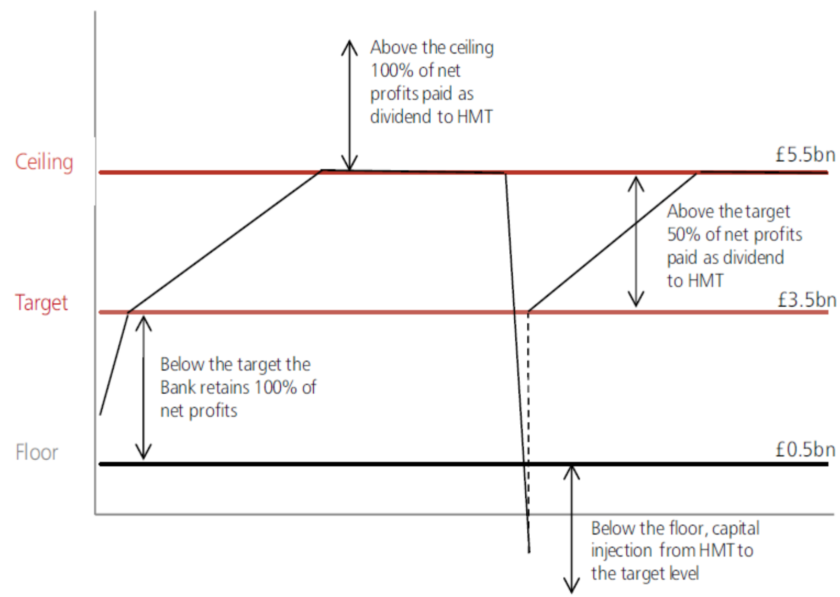
3. Managing the Bank of England's balance sheet

Bank of England Balance Sheet
(2006-18)



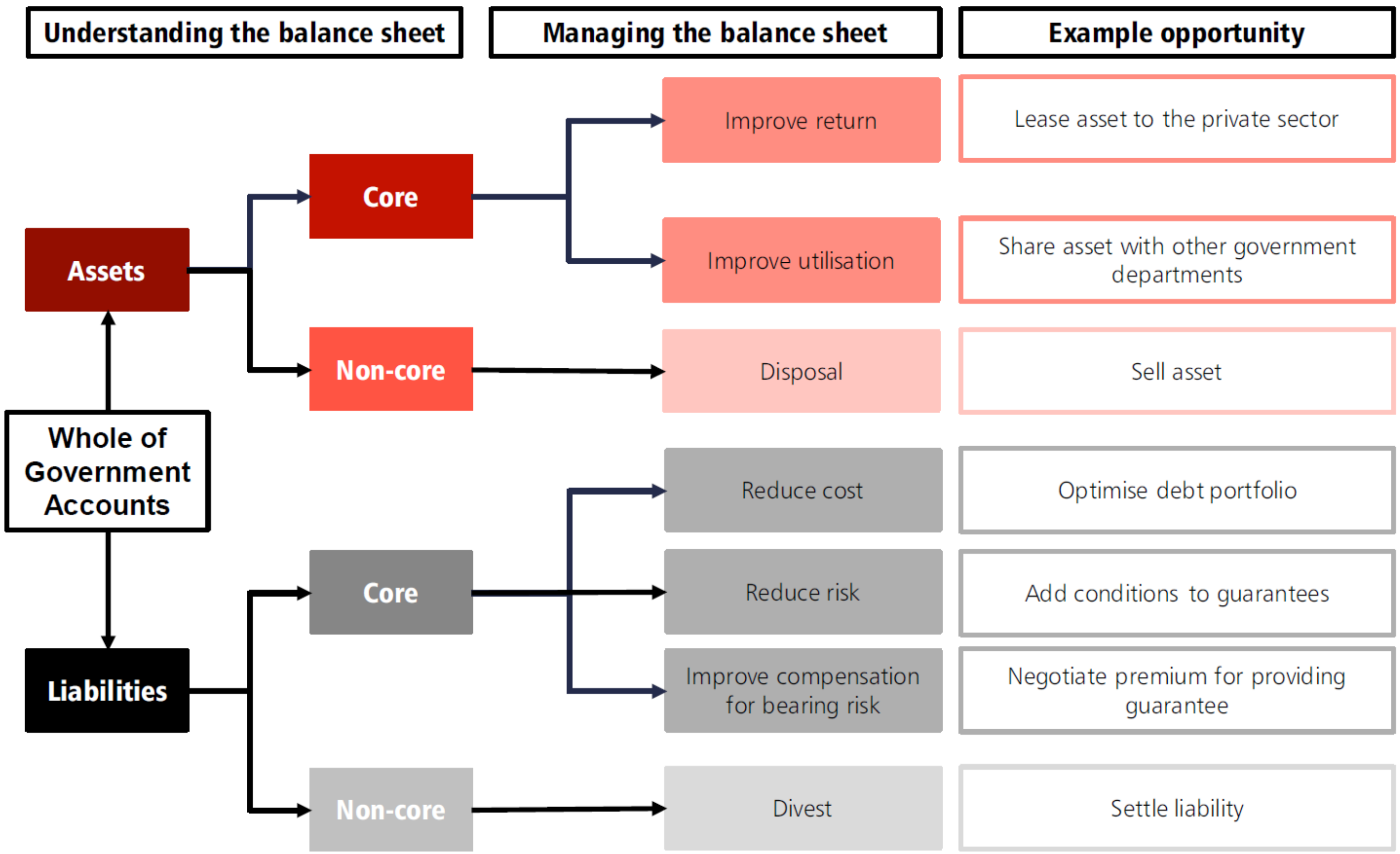
Source: Bank of England

Bank of England Capital & Income Framework
(2018)

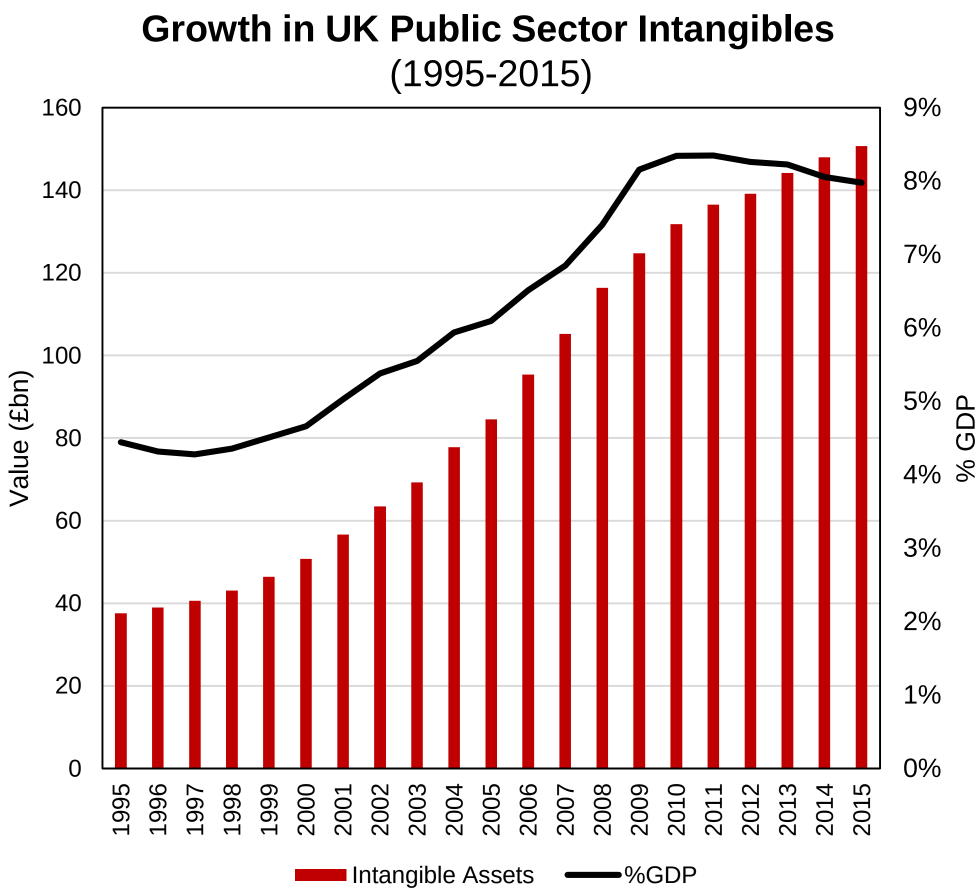


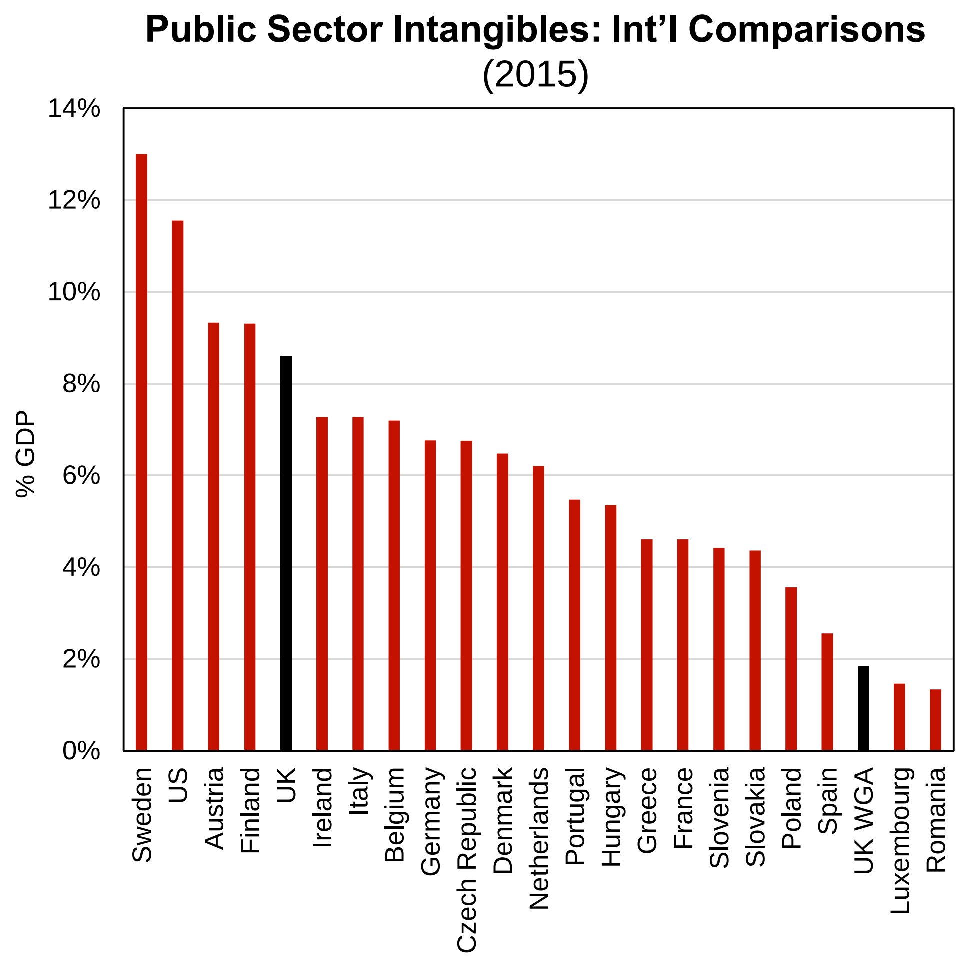
4. Conducting a Balance Sheet Review

Framework for the Balance Sheet Review



5. Getting smart about intellectual property

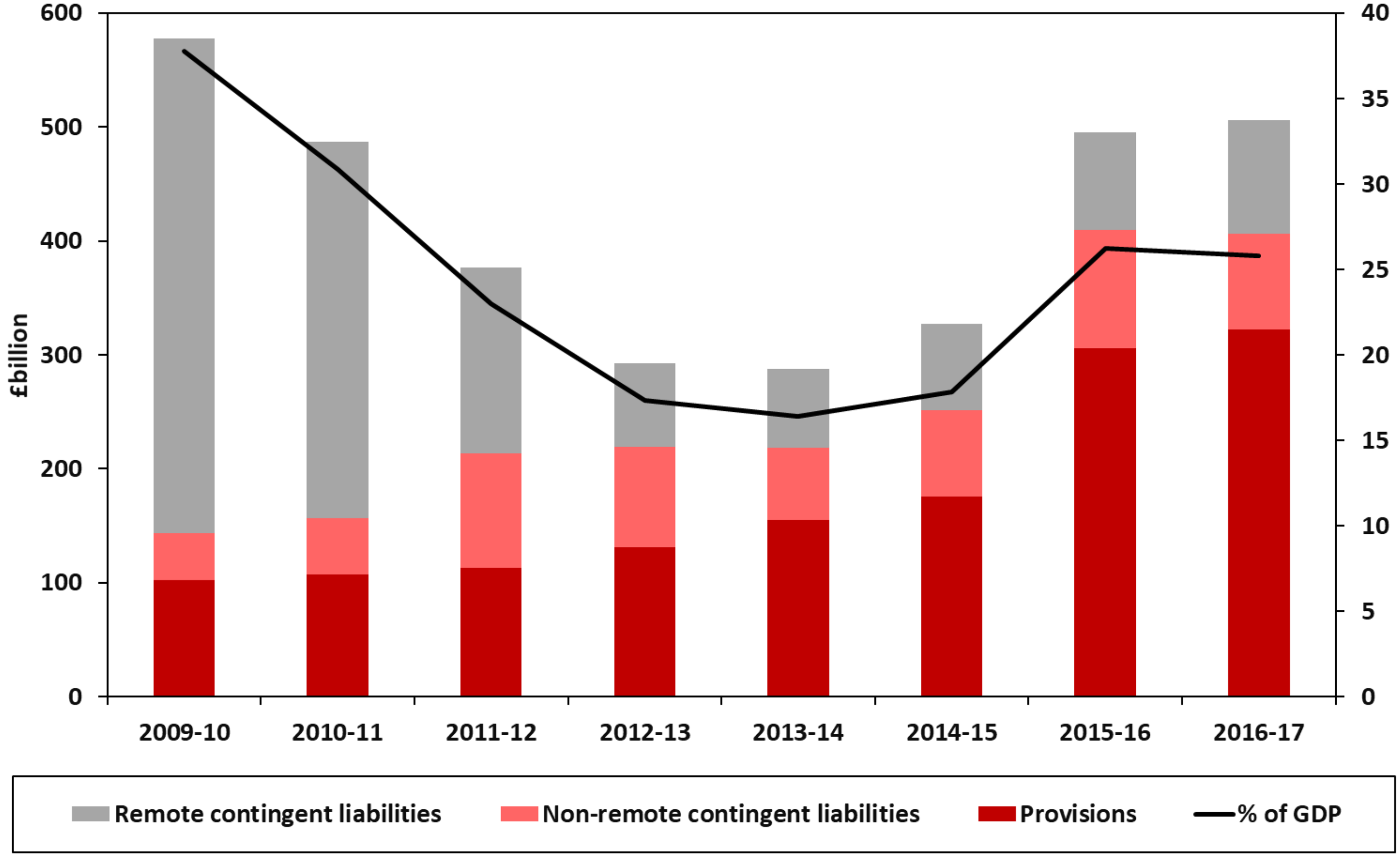




Source: OECD, SPINTAN, UK WGA

6. Controlling contingent liabilities

Profile of UK Government Contingent Liabilities



Source: HM Treasury (2018)

6. Controlling contingent liabilities

Contingent Liabilities Approval Regime

1.Rationale
- a.Why govt intervention necessary?
- b.Why a contingent liability?
- c.What alternative explored?

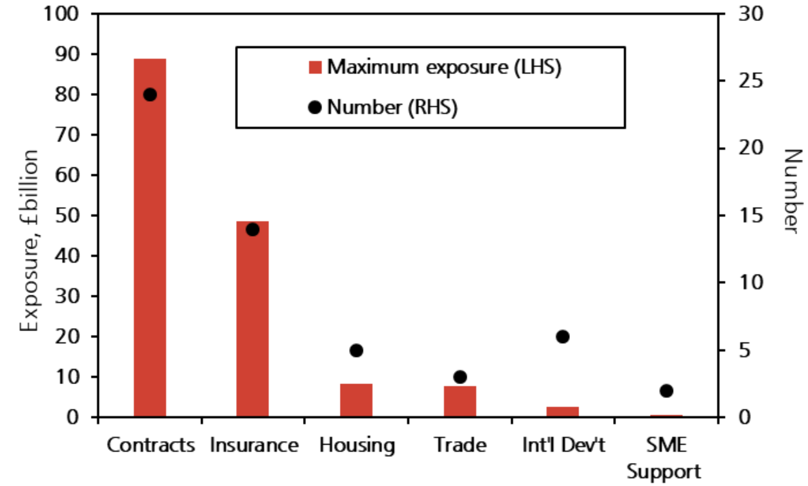
2.Exposure
- a.What is the size?
- b.What is the maturity?
- c.What is govt's exit strategy?

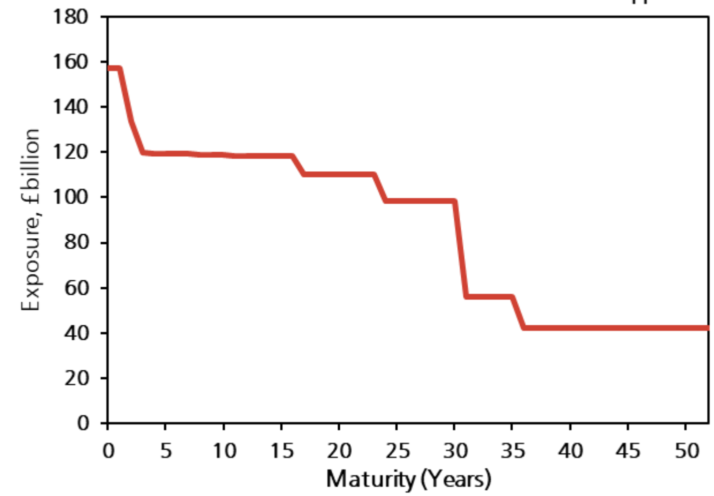
3.Risk & Return
- a.What are triggers for crystallisation?
- b.What is likelihood of crystallisation?
- c.What is expected loss vs. return?

4.Mitigation & Management
- a.Who is managing the risk?
- b.What risk mitigation tools are in place?
- c.Is the taxpayer adequately compensated?

5.Affordability
- a.Can the dept's budget absorb the risk?
- b.What is the residual fiscal exposure?
- c.What is the impact on borrowing & debt?

Contingent Liabilities Profile





Source: HM Treasury (2018)