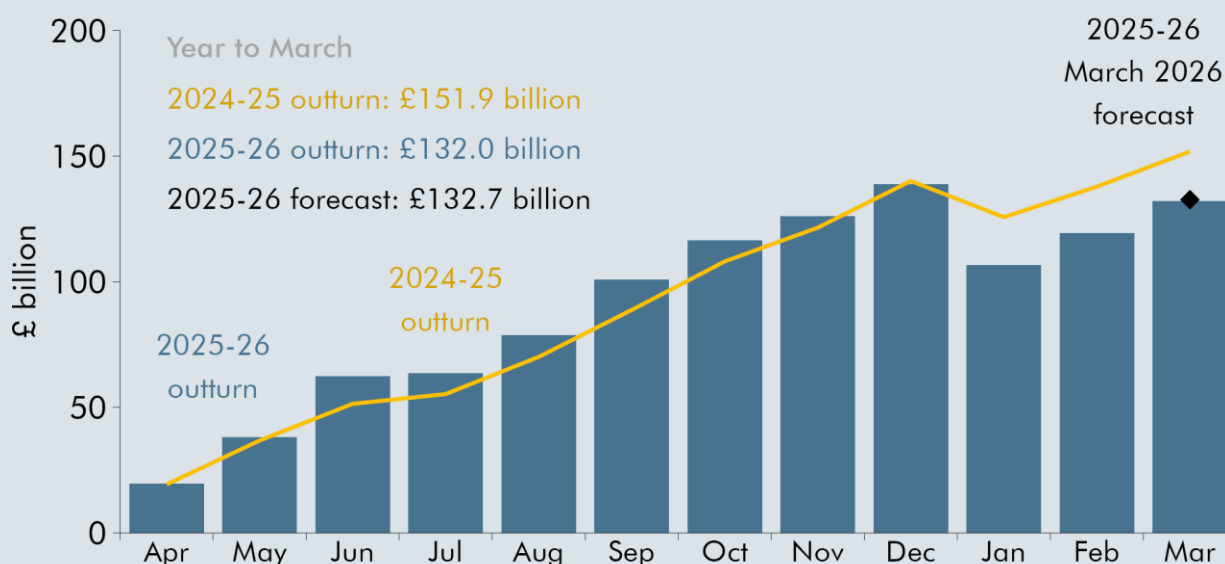


Initial estimate of 2025-26 borrowing in line with forecast

This morning's ONS release provides an initial estimate for full year 2025-26 public sector net borrowing of £132.0 billion.¹ This is £19.8 billion below the latest full year estimate of borrowing in 2024-25. As the ONS states, this initial estimate should be seen as provisional and is typically revised in future. However, it is currently close to our March 2026 forecast for 2025-26 of £132.7 billion.

Public sector net borrowing in the year to date: March 2026 OBR forecast vs latest ONS outturns



The first estimate of full-year borrowing is typically revised in subsequent months as more information becomes available, particularly relating to local authorities and public corporations, spending by government departments, and to receipts received in arrears. The central government net cash requirement for 2025-26, which is less prone to future revisions, was £135.9 billion, which is £9.4 billion (6.4 per cent) below our March forecast.

Alongside this release we have published monthly profiles for the public sector finances in 2026-27 which are consistent with our March 2026 forecast. Receipts from the new Temporary Repatriation Facility, one element of the reforms to the previous non-domicile tax regime, are expected to skew receipts towards the end of the financial year relative to most previous years. The March forecast was completed before the start of the conflict in Iran and so did not incorporate any potential impacts of the conflict on the economy and public finances.

¹ In this commentary we compare latest outturns for the fiscal year 2025-26 with our March 2026 *Economic and fiscal outlook*.

Borrowing and debt

Public sector net borrowing is estimated at £132.0 billion in 2025-26 which is £19.8 billion (13.1 per cent) below the same period last year. Within this, central government net borrowing was estimated at £124.8 billion, borrowing by local authorities was £16.3 billion, and borrowing by public corporations was -£9.1 billion (a surplus). The initial estimate of borrowing by local authorities is £16.3 billion which is unchanged on the previous year. Since 2022-23, the ONS has consistently revised up local authority spending after the end of the financial year after taking on final outturn figures, and we expect this will happen again this year (see para 4.17 of the March 2026 EFO).

The current budget deficit for 2025-26 was estimated at £50.9 billion, while the central government net cash requirement was estimated at £135.9 billion. Net debt in March stood at an estimated 93.8 per cent of GDP, up 0.6 per cent of GDP on a year earlier.

Central government receipts

Central government accrued receipts in 2025-26 were £87.2 billion (8.4 per cent) above the same period last year and £3.8 billion (0.3 per cent) below our March forecast.² The accrued receipts data in this release reflect cash payments up to the end of March plus forecasts for future months where the cash receipts received will be accrued back to 2025-26. Therefore, this estimate is likely to be revised when these receipts are actually received. For example, typically around half of financial sector bonuses made in the December-to-March bonus season are paid in March with the tax largely received in April, while cash VAT receipts received over April and June are also accrued back to 2025-26.

HMRC cash receipts for 2025-26, which are less prone to future revision, were £80.2 billion (9.3 per cent) above last year and £2.0 billion (0.2 per cent) above forecast. Within this:

- **PAYE income tax and NICs** cash receipts were £47.4 billion (11.0 per cent) above last year and £0.5 billion (0.1 per cent) above forecast. The strong year-on-year growth largely reflects the changes in the rate and thresholds for employer NICs introduced from April 2025.
- **Self-assessed income tax and capital gains tax** cash receipts were £16.6 billion (26.8 per cent) above last year, and £0.7 billion (1.0 per cent) above forecast. The strong growth largely reflects CGT receipts being boosted by disposals of assets in 2024-25 to benefit from lower rates ahead of anticipated policy changes at the Autumn 2024 Budget, with the CGT on these disposals due at the end of January 2026.
- **Cash VAT receipts** were £9.7 billion (5.7 per cent) above last year, and £0.6 billion (0.3 per cent) above forecast.
- **Corporation tax** cash receipts were £0.4 billion (0.4 per cent) below forecast, and £4.2 billion (4.6 per cent) above last year.

² Some of this difference relates to receipts that have not yet been incorporated into ONS numbers. These include the capacity markets scheme (estimated at £1.6 billion for 2024-25 and also not included in accrued spending subsidies), extended producer responsibility fees (£1.5 billion) and the Sizewell C RAB charge (£0.5 billion). As these receipts will be incorporated by the ONS in future we include them in our forecasts.

Central government accrued spending

Central government accrued spending for 2025-26 was £57.9 billion (4.9 per cent) above the same period last year and £3.8 billion (0.3 per cent) below forecast. Within this:

- **Consumption expenditure on goods and services** in 2025-26 was £27.9 billion (6.4 per cent) above the same period last year and £1.6 billion (0.3 per cent) above forecast. The strong year-on-year growth largely reflects the increase to the RDEL envelope announced at the Autumn 2024 budget.
- **Net social benefits** spending in 2025-26 was £20.7 billion (6.7 per cent) above the same period last year. The strong year-on-year growth reflects inflation-linked uprating of most benefits, and increases to state pension and health-related benefit caseloads.
- **Debt interest** spending was £12.2 billion (14.2 per cent) above the same period last year and £0.9 billion (0.9 per cent) below forecast. The strong year-on-year growth reflects higher refinancing costs associated with a higher level of redemptions and the inflation-linked uplift of index-linked gilts.
- **Subsidies** were £1.3 billion (4.4 per cent) above the same period last year and £3.0 billion (9.1 per cent) below forecast.
- **Net current grants** were £3.6 billion (2.0 per cent) above the same period last year, and £0.7 billion (0.4 per cent) below forecast.
- **Central government net investment (CGNI)** was £10.0 billion (8.6 per cent) below the same period last year and £0.2 billion (0.2 per cent) below forecast.

Revisions

In the year to February 2026, borrowing has been revised down by £6.4 billion compared to the previous estimate, which the ONS have stated is mainly due to regular updates to their central government data. This has increased their previous estimate of tax receipts earlier this year by £2 billion and reduced spending by £3.2 billion.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	April to March				
	2025-26 outturn	2024-25 outturn	Change	2025-26 forecast	Outturn vs forecast
Public sector net borrowing	132.0	151.9	-19.8	132.7	-0.7
<i>of which:</i>					
Central government net borrowing	124.8	154.1	-29.3	124.8	0.0
Local authorities net borrowing	16.3	16.3	0.0	18.3	-2.0
Public corporations net borrowing	-9.1	-18.6	9.5	-10.4	1.2
Central government current receipts	1121.5	1034.3	87.2	1125.3	-3.8
<i>of which:</i>					
Income tax	332.0	305.9	26.1	331.4	0.5
National Insurance contributions	204.5	171.4	33.1	204.0	0.5
VAT ²	181.5	173.3	8.2	180.9	0.6
Onshore corporation tax ³	95.9	90.0	5.9	96.0	-0.1
Other taxes and receipts	307.6	293.7	13.9	313.0	-5.4
Central government expenditure	1246.3	1188.5	57.9	1250.1	-3.8
<i>of which:</i>					
Interest payments	97.6	85.4	12.2	98.5	-0.9
Net social benefits	327.3	306.6	20.7	327.6	-0.3
Net current grants	179.3	175.8	3.6	180.1	-0.7
Consumption expenditure on goods and services	461.6	433.7	27.9	460.0	1.6
Subsidies	29.8	28.5	1.3	32.8	-3.0
Central government depreciation	43.5	41.1	2.4	44.1	-0.6
Central government net investment	107.3	117.3	-10.0	107.1	0.2

¹ Data and forecasts contained in this table can be found from the following sources:

ONS public sector finances:

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/march2026>

HMRC tax receipts and national insurance contributions: <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk>

OBR economic and fiscal outlook March 2026: <https://obr.uk/efo/economic-and-fiscal-outlook-march-2026>

² Excluding VAT refunds.

³ Less bank surcharge, residential property developer tax, electricity generators levy and Pillar 2.