Commentary on the Public Sector Finances: October 2026

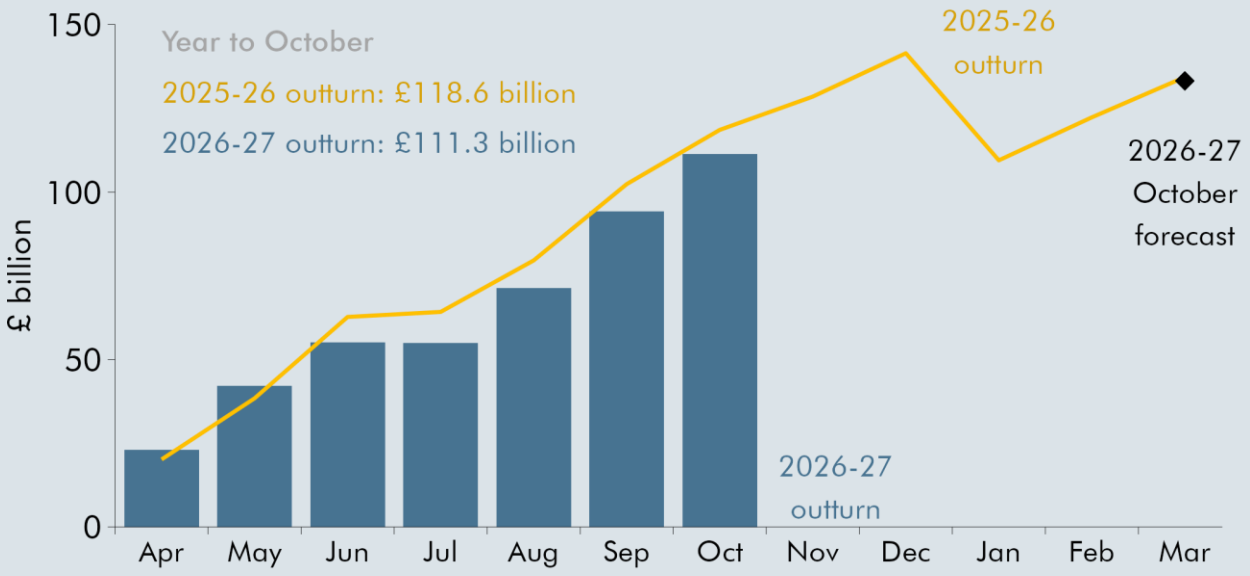
20 November 2026

Office for **Budget Responsibility**

Initial estimates of year-to-date borrowing below last year

This morning's ONS release estimates that borrowing in the first seven months of 2026-27 totalled £111.3 billion. This is £7.3 billion below the same period last year. Our October 2026 forecast expects public sector net borrowing in 2026-27 to be £1.1 billion lower than in 2025-26 – today's estimates of year-to-date borrowing is broadly in line with this forecast.

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



At this stage in the year, data remain highly provisional in several areas, in particular departmental spending and local authority and public corporation borrowing, which are typically subject to large revisions in subsequent months. We expect receipts to be more skewed towards the end of the financial year relative to most previous years, reducing borrowing in the final part of the year compared to previous years. This is partially driven by additional receipts from the new Temporary Repatriation Facility, which is one element of the reforms of the previous non-domiciled tax regime. However, as we set out when these reforms were announced, the estimated yield from this policy is highly uncertain. Our forecast also expects some areas of spending to be relatively higher in the later part of the year compared to previous years. This includes debt servicing costs although this is sensitive to the evolution of inflation which is particularly uncertain because of the current volatility in energy prices. Spending in the final months of 2026-27 will also be boosted by the £2.6 billion council tax rebate for properties in Bands A to D announced in the Budget.

We will publish our monthly profiles for 2026-27 consistent with our latest forecast ahead of our next monthly commentary. In this commentary we mainly compare provisional outturn in the first seven months of the year with the same period last year and with the full year forecast figures.

Borrowing and debt

Public sector net borrowing was £111.3 billion in the first seven months of 2026-27. This was £7.3 billion below the same period last year. Within this, central government net borrowing was £120.1 billion, £4.3 billion below the same period last year, borrowing by local authorities was £1.7 billion, £1.1 billion below the same period last year, and borrowing by public corporations was -£10.4 billion (a surplus) a £1.8 billion larger surplus than in the same period last year.

As set out above, today's estimate of year-to-date public sector net borrowing is broadly consistent with our October 2026 full-year forecast, but there are several risks to this forecast over the remainder of the year including from the path of energy prices and from the expected back-loaded distribution of receipts this year. We expect local authority borrowing to be £0.9 billion lower than last year over 2026-27 but this is also an uncertain area of the forecast and initial local authority outturn estimates have been subject to significant subsequent revisions in recent years.

The current budget deficit was £72.9 billion in the first seven months of 2026-27, £8.6 billion below the same period last year, while the central government net cash requirement was £105.5 billion, £4.7 billion (4.2 per cent) below the same period last year.

Net debt in October stood at 95.8 per cent of GDP, up 1.9 per cent of GDP on a year earlier, and 0.3 per cent of GDP above same period last year.

Central government receipts

Central government accrued receipts in the first seven months of 2026-27 are estimated to be £40.5 billion (6.6 per cent) above the same period last year. Monthly HMRC cash receipts, a more timely indicator of tax performance albeit one that can be influenced by timing effects and one-offs, were £3.9 billion (5.2 per cent) above last year. Within this:

- **PAYE income tax and NICs** cash receipts were £40.4 billion in October, £2.7 billion (7.1 per cent) above last year. For the year to date, PAYE income tax and NICs receipts are £20.1 billion (7.3 per cent) above the same period last year. In the October *EFO* forecast we revised up the forecast for full-year PAYE and NIC receipts reflecting stronger-than-expected nominal earnings growth, with frozen tax thresholds amplifying the effect on receipts. The latest outturn suggests receipts growth remains strong with year-on-year growth in both median and mean pay from the PAYE real-time information above 4 per cent.

- **Cash VAT receipts** were £20.2 billion in October, £0.1 billion (0.5 per cent) below last year. For the year to date, cash VAT receipts are £3.7 billion (3.5 per cent) above the same period last year.

- **Cash receipts of offshore corporation tax and energy profits levy** (EPL) were £1.6 billion in October, £0.3 billion (24.4 per cent) above last year. For the year to date, these receipts are £0.4 billion (12.6 per cent) below the same period last year. Oil and gas firms made the second of three instalment payments on 2026 profits in October, with receipts boosted by higher prices. However, the final instalment payment to be made in January 2027 will need to be strong to meet our full year *EFO* forecast of a £0.9 billion (18.8 per cent) rise in cash offshore CT and EPL receipts from last year.

- **Stamp duty land tax** (SDLT) cash receipts were £1.3 billion in October, £0.2 billion (12.3 per cent) below last year. We revised SDLT receipts down in the October *EFO* in light of weak receipts from both commercial and residential property markets. This weakness looks to be persisting in the latest data. With residential SDLT being a highly progressive tax, receipts have been affected by year-on-year falls in house prices in some high-price areas.

Central government accrued spending

Central government accrued spending was £36.2 billion (4.9 per cent) above the same period last year over the first seven months of 2026-27. Monthly figures for government consumption and net investment can be volatile, so the year-to-date position provides a better indicator of progress against the same period last year. Within this:

- **Debt interest** spending was £4.9 billion (7.4 per cent) above the same period last year. In the October *EFO*, we revised up the forecast for full year debt interest spending reflecting stronger-than-expected inflation associated with the conflict in the Middle East. We now expect debt interest spending in 2026-27 to be more than £15 billion higher than in 2025-26, but this is very dependent on the path of inflation over the remainder of the year.

- **Net social benefits** were £12.7 billion (6.6 per cent) above the same period last year. While the full drivers remain uncertain at this stage of the year, much of this increase reflects the inflation-linked uprating of benefits in April, the rates of which were largely known at the time of our March *EFO* forecast. The adjustment to the welfare spending forecast in the October *EFO* was therefore relatively minor.

- **Central government net investment (CGNI)** was £1.9 billion (3.3 per cent) above the same period last year. This has been primarily driven by higher spending on fixed assets with investment by the Ministry of Defence and the Department for Energy Security and Net Zero accounting for the majority of this. The strength in spending seen so far this year contributed to an upward revision to our CGNI forecast in the October *EFO*. The pattern of CGNI spending often varies significantly across the year and the latest outturn remains provisional.

- **Consumption expenditure on goods and services** were £9.3 billion (3.5 per cent) above the same period last year, in part driven by higher inflation.

- **Net current grants** and **subsidies** were both higher than the same period last year.

Revisions

Borrowing over the current and previous fiscal years has been revised:

- In the year to September, borrowing has been revised down by £3.6 billion, driven mainly by revisions to central government net borrowing, following routine data updates. It reflects a £2.2 billion increase to the previous estimate of tax receipts, alongside a £1.2 billion decrease in estimated central government expenditure.

- Borrowing over 2025-26 has been revised up by £0.1 billion.

Table 1.1: Public sector receipts, expenditure and net borrowing[1]

	October			April to October		
	2026 outturn	2025 outturn	Change	2026-27 outturn	2025-26 outturn	Change
Public sector net borrowing	**17.0**	**16.2**	**0.8**	**111.3**	**118.6**	**-7.3**
of which:						
Central government net borrowing	20.8	20.9	-0.1	120.1	124.4	-4.3
Local authorities net borrowing	1.2	1.4	-0.2	1.7	2.8	-1.1
Public corporations net borrowing	-4.9	-6.1	1.2	-10.4	-8.6	-1.8
Central government current receipts	**93.6**	**86.9**	**6.7**	**650.0**	**609.5**	**40.5**
of which:						
Income tax	24.5	21.5	3.0	179.9	166.0	13.9
National Insurance contributions	17.9	16.4	1.5	117.8	112.8	5.1
VAT[2]	16.1	15.5	0.7	110.1	104.1	6.0
Onshore corporation tax[3]	9.2	8.3	1.0	63.0	53.8	9.3
Other taxes and receipts	25.8	25.2	0.6	179.1	172.9	6.2
Central government expenditure	**114.4**	**107.8**	**6.6**	**770.1**	**733.9**	**36.2**
of which:						
Interest payments	11.2	8.4	2.8	71.9	67.0	4.9
Net social benefits	29.3	27.7	1.7	204.7	192.0	12.7
Net current grants	15.4	15.0	0.3	110.4	107.3	3.1
Consumption expenditure on goods and services	40.5	38.6	1.9	275.1	265.8	9.3
Subsidies	3.0	2.7	0.3	20.5	18.1	2.5
Central government depreciation	3.9	3.7	0.2	27.2	25.5	1.7
Central government net investment	11.1	11.8	-0.7	60.2	58.2	1.9

[1] Data and forecasts contained in this table can be found from the following sources:
ONS public sector finances:
HMRC tax receipts and national insurance contributions: https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-
OBR economic and fiscal outlook October 2026: https://obr.uk/efo/economic-and-fiscal-outlook-october-2026

[2] Excluding VAT refunds.

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