

Commentary on the Public Sector Finances release: March 2014

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the March 2014 Public Sector Finances this morning.¹ Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast.

Summary

2. Today's release provides the first provisional outturn estimate for the full 2013-14 financial year. Public sector net borrowing (PSNB) excluding Royal Mail and Asset Purchase Facility (APF) asset transfers was £107.7 billion, £7.5 billion lower than last year and £0.1 billion lower than our estimate in the *March Economic and fiscal outlook (EFO)*.
3. Compared with our March EFO estimate, lower central government expenditure and local authority borrowing was largely offset by weaker central government receipts.
4. Even though we now have outturn data for all 12 months of the financial year, the initial estimate is still very provisional and subject to substantial change:
 - some cash receipts received in the early part of 2014-15 relate to economic activity in 2013-14 and will be accrued back to that year. April PAYE and NICs cash receipts largely relate to March salaries and will be accrued back to 2013-14. Likewise, some of the cash VAT receipts received between April and June relate to consumer spending in the first quarter of 2014 and will thus be accrued back to 2013-14. The income tax, NICs and VAT estimates for March 2014 included in today's release depend to a large extent on forecasts of cash receipts in early 2014-15;
 - estimates for central government current expenditure and investment will be revised as firmer information from departments becomes available; and
 - firmer data for local authorities and public corporations will not become available until September or October, and will not be final for a further 3-9 months.
5. Past experience illustrates the scale of the potential revisions as new data come in, perhaps accompanied by changes in methodology or definitions. Revisions could be

¹ <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/march-2014/stb---march-2014.html>

in either direction, although the initial estimate of PSNB has been revised down in each of the last three years (by between £1.9 billion and £8 billion). In addition, there will be further revisions relating to the switch to the 2010 European System of Accounts (ESA10) from September onwards.

March 2014 outturn

6. PSNB was £6.7 billion in March 2014, £4.7 billion lower than in March 2013 and well below market expectations of £11.0 billion. Lower borrowing this March reflects a £2.7 billion rise in central government receipts on last year, a fall of £0.7 billion in central government spending and £1.4 billion lower local authority borrowing.
7. Central government receipts were 5.7 per cent higher than last March. This primarily reflects rises in income tax, VAT, corporation tax and stamp duty land tax (SDLT). SDLT receipts continued to show very buoyant growth in March, up 50 per cent on a year earlier. For 2013-14 as a whole, SDLT receipts were up 34 per cent.
8. Central government current spending was £0.7 billion lower than in March 2013 mainly because of changes in the profile of the timing of departments spending during 2013-14, compared with their spending during 2012-13. The additional tables which are now being published alongside the Public Sector Finances Statistical Bulletin show the detail of central government departments monthly spending, split by the main economic transactions. These tables show that departments' spending on consumption – mainly on wages and procurement of goods and services – was £1.5 billion lower in March than a year ago, and this effect was partly offset by £0.6 billion higher spending on current grants to local authorities. These timing differences for local authority grants have affected the monthly comparisons of spending through most of this past year, and these new tables will be most useful to make these differences in timing clear.

Provisional 2013-14 outturn

9. The provisional estimate for PSNB for 2013-14 was £0.1 billion lower than the *EFO* forecast. Of the main components:
 - Central government receipts were £3.0 billion below the *EFO* estimate. In particular, VAT and interest and dividend receipts were lower than expected. Lower VAT for 2013-14 reflected weak cash receipts in March. There were also some differences in measurement, where our *EFO* forecast included two environmental levies that are not currently included in ONS outturn data. These were also included in our *EFO* forecast for central government spending (see below) and so are fiscally neutral;
 - total central government spending was £1.2 billion less than assumed in the *EFO*. This largely reflects measurement differences related to certain

environmental levies which are currently not included in ONS outturn data². After allowing for these measurement differences, central government current expenditure outturn is £0.6 billion below our *EFO* forecast on this month's figures, and central government capital spending outturn is £0.8 billion above our forecast. Within current spending, the lower outturn is largely accounted for by debt interest payments, which are £0.4 billion below our forecast, and net social benefits, which are £0.5 billion below our forecast, after allowing for the environmental levies; and

- local authority borrowing was £1.8 billion lower than assumed in the *EFO* and public corporations borrowing was £0.1 billion lower. Both the *EFO* forecast and the latest PSF release estimate of local authority borrowing are based on an estimate of final quarter borrowing, which is very difficult to estimate. The first estimate of full year local authority borrowing based on actual data will only be available around September or October.

² These environmental levies consist of £0.6 billion of subsidies for Feed-in Tariffs, and £0.3 billion of net social benefits for Warm Homes Discount. In November 2012, the ONS announced their classification decision that Feed-in Tariffs should be classified as imputed tax and spend.

Public sector receipts, expenditure and net borrowing

£ billion	March				April to March				Budget 2014 forecast			
	2014	2013	change		2013-14	2012-13	change		2013-14 Mar EFO*	2012-13 outturn	change	
			£bn	%			£bn	%			£bn	%
Central Government (CG) current receipts												
Taxes on production	19.8	18.6	1.3	6.7	221.1	209.2	11.9	5.7	222.4	209.2	13.2	6.3
<i>Of which: VAT (accrued)</i>	10.0	9.5	0.6	5.8	117.2	112.1	5.1	4.5	118.0	112.1	5.9	5.3
Taxes on income and wealth	15.8	14.6	1.2	8.0	199.6	196.0	3.7	1.9	198.7	196.0	2.7	1.4
<i>Of which:</i>												
<i>Income tax and CGT (accrued)</i>	14.2	13.1	1.0	7.8	157.5	153.2	4.3	2.8	156.9	153.2	3.7	2.4
<i>Corporation tax</i>	1.5	1.3	0.2	18.5	39.3	39.5	-0.1	-0.3	39.2	39.5	-0.3	-0.8
Other taxes	1.4	1.4	0.0	-0.5	17.3	15.4	1.9	12.4	17.4	15.4	2.1	13.5
Compulsory social contributions	10.9	10.7	0.1	1.3	106.6	104.5	2.1	2.0	107.3	104.5	2.9	2.7
Interest & dividends	1.3	1.1	0.2	16.9	20.8	16.9	3.8	22.7	22.0	16.9	5.1	30.0
Other receipts	0.6	0.7	-0.1	-9.3	8.8	8.8	0.0	0.1	9.4	8.8	0.5	6.1
Total CG current receipts	49.8	47.1	2.7	5.7	574.2	550.8	23.4	4.3	577.2	550.8	26.4	4.8
CG Current expenditure												
Interest payments	2.6	2.5	0.1	4.4	48.0	47.5	0.4	0.9	48.4	47.5	0.9	1.8
Net social benefits	15.8	15.7	0.1	0.5	193.4	191.5	2.0	1.0	194.2	191.5	2.8	1.4
Other	34.0	34.9	-0.9	-2.5	398.7	392.0	6.7	1.7	399.0	392.0	7.0	1.8
Total current expenditure	52.4	53.1	-0.7	-1.3	640.2	631.1	9.1	1.4	641.7	631.1	10.6	1.7
Depreciation	0.6	0.7	-0.1	-10.9	8.3	8.3	0.0	0.1	8.8	8.3	0.5	5.5
CG Surplus on current budget	-3.2	-6.6	3.4	52.1	-74.3	-88.6	14.3	16.1	-73.3	-88.6	15.3	-17.3
CG Net investment	4.1	3.9	0.1	3.1	27.4	-3.5	30.9	880.0	26.6	-3.5	30.1	-856.9
CG Net borrowing	7.2	10.5	-3.3	-31.5	101.7	85.1	16.6	19.5	99.9	85.1	14.8	17.4
Local Authorities net borrowing	-0.1	1.2	-1.4	-110.7	-3.3	-1.3	-2.0	-157.0	-1.5	-1.3	-0.2	13.2
Public Corporations net borrowing	-0.4	-0.3	0.0	-13.6	-2.9	-3.1	0.2	7.0	-2.8	-3.1	0.3	-11.2
Public sector net borrowing	6.7	11.4	-4.7	-41.4	95.5	80.7	14.8	18.4	95.6	80.7	15.0	18.5
PSNB (ex. Royal Mail)	6.7	11.4	-4.7	-41.4	95.5	108.7	-13.2	-12.2	95.6	108.7	-13.0	-12.0
PSNB (ex. Royal Mail and APF)	6.7	11.4	-4.7	-41.4	107.7	115.1	-7.5	-6.5	107.8	115.1	-7.3	-6.4
Public sector net investment	4.2	4.7	-0.5	-10.8	24.9	-4.6	29.5	640.2	95.7	-4.6	100.4	-2176.0
Public sector current budget	-2.5	-6.7	4.2	62.9	-70.6	-85.3	14.7	17.2	0.1	-85.3	85.4	-100.1

March 2014 EFO forecast published 19 March 2014 excluding temporary effects of financial interventions on a National Accounts basis