

# Commentary on the Public Sector Finances release: April 2014

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the April 2014 Public Sector Finances this morning.<sup>1</sup> This is the first month of the 2014-15 financial year and thus provides little guide to likely trends over the full year. Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast.

## Summary

2. Public sector net borrowing (PSNB) was £7.4 billion in April, £2.6 billion higher than market expectations and £1.7 billion higher than a year ago. On an underlying basis, excluding APF transfers, borrowing was £1.9 billion higher than last year at £11.5 billion. Central government expenditure was £0.2 billion lower than last April and central government receipts (excluding APF transfers) were £0.4 billion lower. Local authority borrowing was £1.6 billion higher. Much of the fall in receipts in April can be attributed to lower receipts from income tax and NICs, which reflect timing issues related to income shifted into the early part of 2013-14, when the additional rate of income tax was reduced to 45p.
3. At this very early stage of the year, the estimate of central government spending is particularly uncertain as some departments have yet to provide any outturn data. Local authority borrowing figures are also volatile and prone to revision. The April figures are therefore unlikely to provide a meaningful guide to the trend in PSNB over 2014-15 as a whole.
4. The initial estimate for underlying PSNB for 2013-14 was revised down by £0.3 billion to £107.4 billion. This is now £0.4 billion lower than our estimate in the March *Economic and fiscal outlook (EFO)*. Past experience suggests that this outturn will be revised further over time. There will be more significant revisions relating to the switch to the 2010 European System of Accounts (ESA10) from September onwards. Further detail on the possible implications of these changes for our forecasts was contained in Annex A of our March *EFO*.

## April 2014 outturn

5. Central government receipts fell by 0.3 per cent in April 2014, compared to our March *EFO* forecast of a 5.3 per cent increase over the year as a whole. This mainly

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

reflected the fall in PAYE income tax receipts relative to last year, when April receipts were boosted by the deferral of income into 2013-14 to take advantage of the lower additional rate of income tax. (PAYE income tax receipts rose by 6.7 per cent in April last year.) Abstracting from this timing effect, receipts growth was boosted by VAT and onshore corporation tax. Stamp duty land tax was up 30 per cent on last year.

6. April receipts were also affected by the transfer of £4.1 billion from the Bank of England's Asset Purchase Facility to the Exchequer. This compares to a payment of £3.9 billion last April. Receipts excluding the APF transfer payments were 0.8 per cent lower than last year. Following the transfer of the historic cash surplus that was completed in 2013-14, transfers from the APF to the Exchequer will now be made on a quarterly basis. Further APF transfers are planned in July, October and January.
7. Central government current expenditure fell by 1.0 per cent in April, compared with our March *EFO* forecast of a 1.9 per cent full year increase. The £1.4 billion year-on-year fall in other current spending in April largely reflects lower central government grants to local authorities, which relates to changes in the timing profile for these grants. The reduction in current spending in April is partly offset by a £0.4 billion increase in capital spending, which again reflects changes in grants to local authorities. Together these changes in grants have reduced central government spending by £1 billion, compared to a year ago, and increased local authority borrowing by a broadly similar amount.

## Provisional 2013-14 outturn

8. The provisional 2013-14 outturn for underlying PSNB was revised down by £0.3 billion to £107.4 billion. This is £0.4 billion lower than the March 2014 *EFO* estimate and £7.8 billion lower than in 2012-13. The lower outturn since the initial estimate last month reflects small revisions to central government net investment spending and public corporations' net borrowing.

## Public sector receipts, expenditure and net borrowing

£ billion	April				Implied May to March				Budget 2014 forecast			
	2014	2013	change £bn	%	2014-15	2013-14	change £bn	%	2014-15 Mar EFO*	2013-14 outturn	change £bn	%
<b>Central Government (CG) current receipts</b>												
Taxes on production	17.9	17.4	0.5	3.1	215.2	203.6	11.6	5.7	233.1	221.0	12.1	5.5
<i>Of which: VAT (accrued)</i>	9.8	9.4	0.4	4.1	112.8	107.9	4.9	4.5	122.6	117.3	5.3	4.5
Taxes on income and wealth	16.5	16.9	-0.4	-2.4	195.7	182.8	12.9	7.0	212.2	199.7	12.5	6.2
<i>Of which:</i>												
<i>Income tax and CGT (accrued)</i>	11.1	11.9	-0.8	-6.8	158.0	145.7	12.3	8.5	169.1	157.6	11.5	7.3
<i>Corporation tax</i>	5.1	4.7	0.4	9.0	35.4	34.7	0.7	2.1	40.5	39.3	1.2	2.9
Other taxes	1.3	1.3	0.0	3.6	15.9	16.1	-0.2	-1.0	17.2	17.4	-0.2	-0.9
Compulsory social contributions	8.9	9.2	-0.4	-3.8	101.1	97.3	3.8	3.9	110.0	106.5	3.5	3.3
Interest & dividends	4.7	4.7	0.0	0.1	17.5	16.1	1.4	9.0	22.2	20.8	1.4	6.9
Other receipts	0.8	0.8	0.0	4.5	9.0	8.0	1.0	12.0	9.8	8.8	1.0	10.9
<b>Total CG current receipts</b>	<b>50.0</b>	<b>50.2</b>	<b>-0.1</b>	<b>-0.3</b>	<b>554.4</b>	<b>524.0</b>	<b>30.5</b>	<b>5.8</b>	<b>604.4</b>	<b>574.2</b>	<b>30.3</b>	<b>5.3</b>
<b>CG Current expenditure</b>												
Interest payments	5.3	5.2	0.2	3.7	46.8	42.8	4.0	9.3	52.1	48.0	4.1	8.5
Net social benefits	16.5	15.9	0.5	3.3	180.9	177.5	3.4	1.9	197.4	193.4	4.0	2.1
Other	41.2	42.6	-1.4	-3.2	361.7	356.2	5.6	1.6	402.9	398.8	4.2	1.0
<b>Total current expenditure</b>	<b>63.0</b>	<b>63.7</b>	<b>-0.6</b>	<b>-1.0</b>	<b>589.4</b>	<b>576.4</b>	<b>13.0</b>	<b>2.3</b>	<b>652.4</b>	<b>640.1</b>	<b>12.3</b>	<b>1.9</b>
Depreciation	0.8	0.7	0.0	4.8	8.4	7.6	0.8	10.4	9.2	8.3	0.9	10.7
<b>CG Surplus on current budget</b>	<b>-13.7</b>	<b>-14.2</b>	<b>0.5</b>	<b>3.3</b>	<b>-43.4</b>	<b>-60.0</b>	<b>16.6</b>	<b>-27.7</b>	<b>-57.1</b>	<b>-74.2</b>	<b>17.1</b>	<b>-23.0</b>
CG Net investment	2.8	2.3	0.4	19.3	28.7	24.9	3.8	15.1	31.5	27.2	4.3	15.7
<b>CG Net borrowing</b>	<b>16.5</b>	<b>16.5</b>	<b>0.0</b>	<b>-0.2</b>	<b>72.1</b>	<b>85.0</b>	<b>-12.8</b>	<b>-15.1</b>	<b>88.6</b>	<b>101.5</b>	<b>-12.8</b>	<b>-12.6</b>
Local Authorities net borrowing	-9.0	-10.6	1.6	14.9	7.1	7.3	-0.2	-2.8	-1.9	-3.3	1.4	-42.5
Public Corporations net borrowing	-0.1	-0.2	0.2	66.5	-2.8	-2.8	0.0	0.0	-2.9	-3.0	0.1	-3.4
<b>Public sector net borrowing</b>	<b>7.4</b>	<b>5.6</b>	<b>1.7</b>	<b>30.4</b>	<b>76.5</b>	<b>89.6</b>	<b>-13.1</b>	<b>-14.6</b>	<b>83.9</b>	<b>95.2</b>	<b>-11.3</b>	<b>-11.9</b>
<b>Public sector net borrowing (exc. APF)</b>	<b>11.5</b>	<b>9.5</b>	<b>1.9</b>	<b>20.3</b>	<b>84.0</b>	<b>97.9</b>	<b>-13.9</b>	<b>-14.2</b>	<b>95.5</b>	<b>107.4</b>	<b>-11.9</b>	<b>-11.1</b>
<b>Public sector net investment</b>	<b>1.3</b>	<b>1.3</b>	<b>0.0</b>	<b>3.1</b>	<b>26.6</b>	<b>23.2</b>	<b>3.4</b>	<b>14.7</b>	<b>27.9</b>	<b>24.5</b>	<b>3.4</b>	<b>13.9</b>
<b>Public sector current budget</b>	<b>-6.0</b>	<b>-4.4</b>	<b>-1.7</b>	<b>-38.5</b>	<b>-50.0</b>	<b>-66.3</b>	<b>16.3</b>	<b>-24.6</b>	<b>-56.0</b>	<b>-70.7</b>	<b>14.7</b>	<b>-20.8</b>

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