Commentary on the Public Sector Finances: August 2026

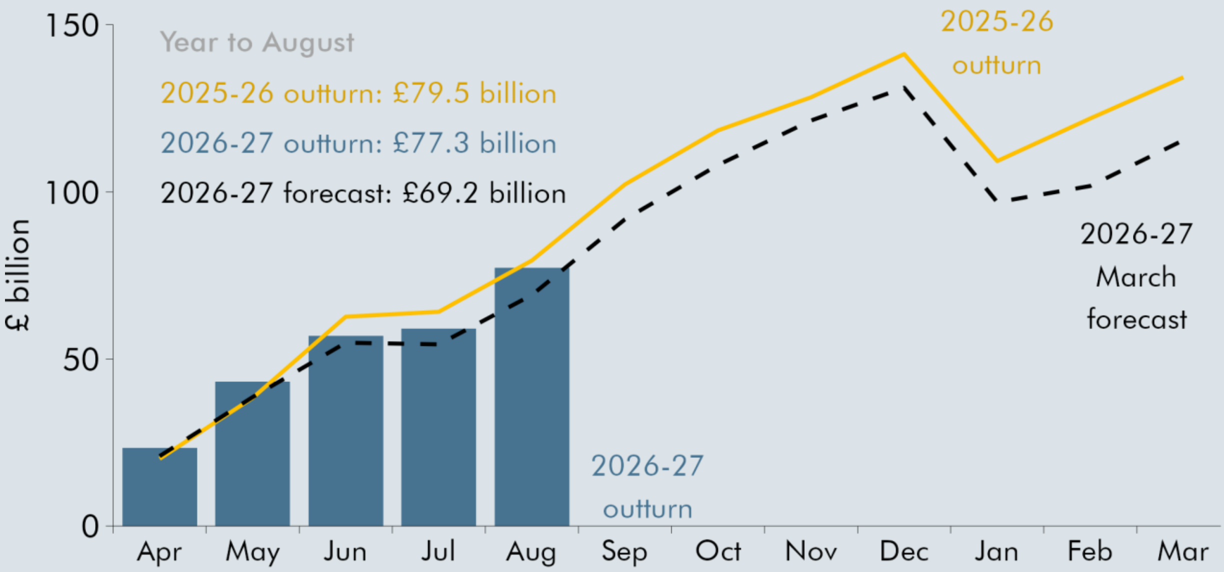
22 September 2026

Office for **Budget Responsibility**

Latest year-to-date borrowing estimate above March forecast profile

This morning's ONS release[1] estimates that borrowing in the first five months of 2026-27 totalled £77.3 billion. This is £2.2 billion below the same period last year and £8.1 billion above the monthly profile consistent with our March forecast. This is driven by £7.4 billion of higher-than-forecast central government spending in the year-to-date, driven by net social benefits and debt interest. Central government receipts for the year-to-date are £1.1 billion above the forecast profile, primarily driven by strength in onshore corporation tax and PAYE income tax and NICs.

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



At this stage in the year, data remains provisional in areas including departmental expenditure, local authority and public corporation borrowing, which are typically subject to 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. As we set out when these reforms were announced, the estimated yield from this policy is highly uncertain.

Our next forecast will be published alongside the Budget on the 28th of October, and our next monthly commentary will be published on the 20th of November.

[1] In this commentary we compare latest outturns with monthly profiles consistent with our March *Economic and fiscal outlook*.

Borrowing and debt

Public sector net borrowing was £77.3 billion in the first five months of 2026-27. This was £2.2 billion below the same period last year and £8.1 billion above our March 2026 forecast profile. Within this, central government net borrowing was £85.6 billion, £6.3 billion above forecast, while borrowing by local authorities was -£2.5 billion (a surplus), a £0.3 billion larger surplus than forecast, and borrowing by public corporations was -£5.8 billion (a surplus), a £2.2 billion smaller surplus than forecast.

The current budget deficit was £51.9 billion in the first five months of 2026-27, £4.8 billion (10.3 per cent) above forecast, while the central government net cash requirement was £72.8 billion, £2.7 billion (3.8 per cent) above forecast.

Net debt in August stood at 93.8 per cent of GDP, down 1.3 per cent of GDP on a year earlier, and 0.8 per cent of GDP below forecast.

Central government receipts

Central government accrued receipts in the first five months of 2026-27 were £1.1 billion (0.2 per cent) above forecast. Monthly HMRC cash receipts, a more timely indicator of tax performance albeit one that can be influenced by timing effects and one-offs, were £0.7 billion (1.0 per cent) below forecast and £5.8 billion (9.3 per cent) above last year in August. Within this:

- **PAYE income tax and NICs** cash receipts were £40.7 billion in August, £2.3 billion (5.9 per cent) above forecast, and £3.9 billion (10.6 per cent) above last year. For the year to date, PAYE income tax and NICs receipts are £4.6 billion (2.2 per cent) above forecast. Earnings growth has slowed by less than expected compared with our March forecast, particularly in the public sector.

- **Cash VAT receipts** were £15.9 billion in August, £0.6 billion (3.5 per cent) below forecast, and £2.9 billion (21.9 per cent) above last year. For the year to date, cash VAT receipts are £0.5 billion (0.6 per cent) below forecast.

- **Onshore corporation tax** cash receipts were £2.4 billion in August, £1.2 billion (33.1 per cent) below forecast, and £0.7 billion (22.5 per cent) below last year. August is a quiet month for CT receipts. For the year to date, onshore corporation tax receipts are £1.6 billion (5.3 per cent) above forecast with strength in receipts from both non-financial and financial firms. Strength has been concentrated in receipts from very large companies who will pay their next instalment payment in September.

- **Stamp duty land tax** (SDLT) receipts were £1.2 billion in August, £0.5 billion (27.4 per cent) below forecast, and £0.1 billion (7.0 per cent) below last year. For the year to date, SDLT receipts were £1.2 billion below forecast. This reflects weakness in both residential and commercial property markets. With residential SDLT a highly progressive tax, receipts have been hit by year-on-year falls in house prices in some of the most highly priced areas of London.

Central government accrued spending

Central government accrued spending was £7.4 billion (1.4 per cent) above forecast over the first five 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 forecast. Within this:

- **Debt interest** spending was £2.0 billion (4.1 per cent) above forecast. This largely reflects higher-than-forecast RPI inflation due to the conflict in the Middle East, which has increased index-linked debt interest spending.

- **Net social benefits** spending was £2.5 billion (1.8 per cent) above forecast. At this stage, the drivers of this remain uncertain.

- **Central government net investment (CGNI)** was £2.5 billion (6.6 per cent) above forecast. As we have previously noted, the pattern of CGNI spending often varies significantly across years and this outturn data is provisional, meaning differences to the profile may unwind.

- **Consumption expenditure on goods and services**, **net current grants** and **subsidies** were all broadly close to profile.

Revisions

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

- In the year to July, borrowing has been revised up by £2.3 billion, reflecting a downward revision in the ONS's previous estimate for tax receipts.

- Borrowing over 2025-26 has been revised up by £4.5 billion, driven mainly by local government borrowing reflecting the incorporation of England capital and Scottish revenue and capital spending data.

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

	August					April to August				
	2026 outturn	2025 outturn	Change	2026 forecast	Outturn vs forecast	2026-27 outturn	2025-26 outturn	Change	2026-27 forecast	Outturn vs forecast
Public sector net borrowing	**18.3**	**15.4**	**2.9**	**14.8**	**3.5**	**77.3**	**79.5**	**-2.2**	**69.2**	**8.1**
of which:										
Central government net borrowing	13.3	11.7	1.6	11.2	2.1	85.6	83.6	2.0	79.4	6.3
Local authorities net borrowing	4.5	3.0	1.5	3.6	0.9	-2.5	-1.0	-1.5	-2.2	-0.3
Public corporations net borrowing	0.5	0.7	-0.2	0.0	0.5	-5.8	-3.1	-2.7	-8.0	2.2
Central government current receipts	**89.8**	**86.5**	**3.3**	**89.6**	**0.2**	**460.7**	**437.1**	**23.6**	**459.6**	**1.1**
of which:										
Income tax	24.4	22.9	1.5	22.9	1.6	131.2	123.1	8.1	129.3	1.9
National Insurance contributions	17.3	16.8	0.6	16.4	0.9	82.9	79.9	3.0	81.0	1.8
VAT[2]	15.4	15.2	0.2	15.6	-0.2	76.7	73.5	3.3	77.6	-0.9
Onshore corporation tax[3]	8.2	7.7	0.5	8.3	-0.1	42.8	38.0	4.7	40.7	2.0
Other taxes and receipts	24.4	23.9	0.5	26.4	-2.0	127.2	122.7	4.5	130.9	-3.8
Central government expenditure	**103.1**	**98.2**	**4.9**	**100.8**	**2.3**	**546.3**	**520.8**	**25.6**	**539.0**	**7.4**
of which:										
Interest payments	8.8	8.4	0.4	8.0	0.8	50.0	49.3	0.7	48.0	2.0
Net social benefits	29.2	27.4	1.9	28.8	0.4	145.0	135.3	9.7	142.5	2.5
Net current grants	13.2	14.0	-0.8	13.9	-0.7	81.0	79.2	1.7	80.7	0.3
Consumption expenditure on goods and services	39.8	37.7	2.2	38.5	1.3	196.2	189.1	7.1	195.8	0.4
Subsidies	2.8	2.6	0.2	2.8	0.0	13.7	12.8	0.9	14.0	-0.3
Central government depreciation	3.9	3.6	0.3	3.9	0.0	19.3	18.2	1.2	19.4	0.0
Central government net investment	5.3	4.5	0.8	4.9	0.4	41.1	36.9	4.2	38.6	2.5

[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/august2026

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.