

# Commentary on the Public Sector Finances: December 2025

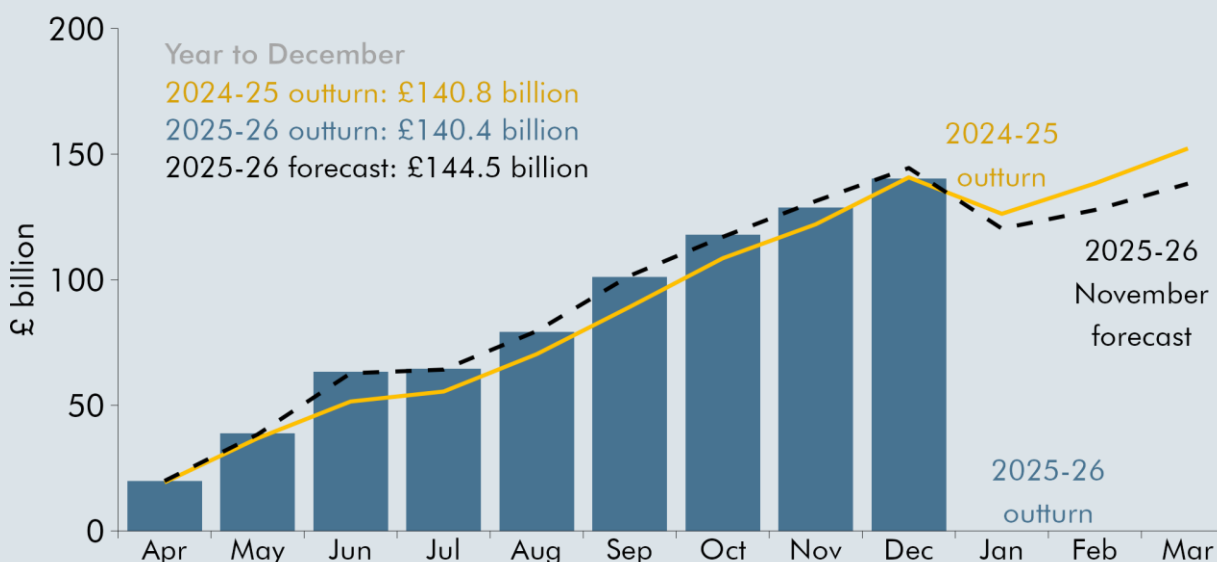
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Office for  
Budget  
Responsibility

## Year to date borrowing slightly below forecast profile

This morning's ONS release<sup>1</sup> estimates that borrowing in the first nine months of 2025-26 totalled **£140.4 billion**. This is £0.3 billion below the same period last year and £4.1 billion below the monthly profile consistent with our November forecast. Lower than expected borrowing for the year to date is explained by central government net borrowing, which is £2.8 billion below profile due to lower than expected spending, and local authority net borrowing which is £1.3 billion below profile.

### Public sector net borrowing in the year to date: November 2025 OBR forecast vs latest ONS outturns



The November forecast expected lower borrowing relative to last year in the final three months of the financial year. January is always a key month for receipts with self-assessed (SA) income tax and capital gains tax due on 31 January. The forecast profile assumes a large rise of approximately 50 per cent in CGT receipts from a year earlier, driven by the disposal of assets in 2024-25 to benefit from lower rates ahead of anticipated CGT tax rises at Autumn Budget 2024. The exact scale of this forestalling behaviour is highly uncertain, and is therefore a risk to the forecast, but leading indicators suggest it was significant.

Alongside this commentary we have published monthly profiles for receipts and spending over 2025-26 which are consistent with our November 2025 *Economic and fiscal outlook*. Our next forecast will be published alongside the Spring Statement on 3 March, and our next monthly commentary will be published on 20 March.

<sup>1</sup> In this commentary we compare latest outturns with monthly profiles consistent with our November *Economic and fiscal outlook*.

## Borrowing and debt

Public sector net borrowing was £140.4 billion in the first nine months of 2025-26. This was £0.3 billion (0.2 per cent) below the same period last year and £4.1 billion (2.8 per cent) below forecast. Within this, central government net borrowing was £140.2 billion, £2.8 billion (2.0 per cent) below forecast, while borrowing by local authorities was £8.3 billion, £1.3 billion (13.9 per cent) below forecast. Borrowing by public corporations was -£8.1 billion (a surplus), £0.1 billion (0.9 per cent) above forecast.

The current budget deficit was £94.9 billion in the first nine months of 2025-26, £0.3 billion (0.3 per cent) above forecast, while the central government net cash requirement was £138.3 billion, £2.8 billion (2.0 per cent) below forecast.<sup>2</sup>

Net debt in December stood at 95.5 per cent of GDP, up 0.9 per cent of GDP on a year earlier, and 0.9 per cent of GDP below forecast.

## Central government receipts

Central government accrued receipts in the first nine months of 2025-26 were £2.5 billion (0.3 per cent) below forecast. The shortfall relative to forecast reflects receipts streams not yet included in the ONS release<sup>3</sup> and weaker-than-expected interest and dividend receipts. Monthly HMRC cash receipts, a more timely indicator of tax performance albeit one that can be influenced by timing effects and one-offs, were £4.7 billion (6.3 per cent) above forecast and £8.8 billion (12.5 per cent) above last year in December. Within this:

- **PAYE income tax and NICs** cash receipts were £38.8 billion in December, £0.4 billion (1.0 per cent) above forecast, and £4.4 billion (12.9 per cent) above last year. For the year to date, PAYE income tax and NICs receipts are £0.5 billion (0.1 per cent) below forecast. As in previous months of 2025-26, strong growth in receipts compared to last year primarily reflects the changes in the rate and thresholds for employer NICs announced at the Autumn Budget 2024.
- **Self-assessed income tax and capital gains tax** cash receipts were £3.3 billion in December, £0.4 billion (13.6 per cent) above forecast, and £0.5 billion (18.2 per cent) above last year. For the year to date, SA income tax and CGT receipts are £0.4 billion (1.8 per cent) above forecast.
- **Cash VAT receipts** were £9.7 billion in December, close to forecast, and £1.1 billion (12.2 per cent) above last year. For the year to date, cash VAT receipts are £0.7 billion (0.5 per cent) above forecast.
- **Corporation tax** cash receipts were £18.3 billion in December, £2.6 billion (16.8 per cent) above forecast, and £1.7 billion (10.5 per cent) above last year. For the year to date, corporation tax receipts are £1.3 billion (1.9 per cent) above forecast. Some of the strength may be timing of small company corporation tax payments around their due date on 1 January, but instalment payments from very large companies held up better than expected.

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<sup>2</sup> Central government net cash requirement excluding NRAM, B&B, and Network Rail.

<sup>3</sup> Our forecast includes receipts from the capacity markets scheme and extended producer responsibility fees that are not yet in the ONS release. This explains around £2 billion of the receipts shortfall against forecast. Both these receipts streams are fiscally neutral.

## Central government accrued spending

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. Central government accrued spending was £5.3 billion (0.6 per cent) below forecast over the first nine months of 2025-26.

Within this:

- **Consumption expenditure on goods and services** and **net social benefits** spending, the largest components of central government spending, were £3.8 billion (1.1 per cent) and £1.0 billion (0.4 per cent) above forecast over the first nine months of 2025-26, respectively.
- Higher-than-expected spending on these areas was partially offset by lower current spending on **subsidies** and **net current grants** which were £0.1 billion (0.3 per cent) and £2.8 billion (2.0 per cent) below forecast over the first nine months of 2025-26, respectively.
- **Debt interest** spending was £3.8 billion (4.5 per cent) below forecast, reflecting lower-than-forecast RPI inflation since our November forecast.
- **Central government net investment (CGNI)** was £3.2 billion (4.4 per cent) below forecast. The November 2025 forecast assumed a 3.7 per cent real increase in spending on capital departmental expenditure limits in 2025-26, but there is always uncertainty around how much capital spending departments can deliver in any year against plans.

## Revisions

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

- In the year to November, borrowing has been revised down by £3.5 billion. This is mostly due to a £3.3 billion upward revision to tax receipts, including a £1.9 billion upward revision to corporation tax receipts.
- Borrowing over 2024-25 has been revised down by £0.3 billion also due to revised corporation tax data.

Table 1.1: Public sector receipts, expenditure and net borrowing<sup>1</sup>

	December					April to December				
	2025 outturn	2024 outturn	Change	2025 forecast	Outturn vs forecast	2025-26 outturn	2024-25 outturn	Change	2025-26 forecast	Outturn vs forecast
<b>Public sector net borrowing</b>	<b>11.6</b>	<b>18.7</b>	<b>-7.1</b>	<b>13.2</b>	<b>-1.6</b>	<b>140.4</b>	<b>140.8</b>	<b>-0.3</b>	<b>144.5</b>	<b>-4.1</b>
<i>of which:</i>										
Central government net borrowing	8.2	15.0	-6.7	10.3	-2.0	140.2	147.9	-7.7	143.0	-2.8
Local authorities net borrowing	3.0	2.4	0.6	2.4	0.6	8.3	8.4	0.0	9.7	-1.3
Public corporations net borrowing	0.3	1.3	-0.9	0.5	-0.1	-8.1	-15.5	7.4	-8.2	0.1
<b>Central government current receipts</b>	<b>94.0</b>	<b>86.3</b>	<b>7.7</b>	<b>93.2</b>	<b>0.7</b>	<b>789.9</b>	<b>733.8</b>	<b>56.1</b>	<b>792.4</b>	<b>-2.5</b>
<i>of which:</i>										
Income tax	27.5	25.0	2.6	26.8	0.7	216.4	199.7	16.7	215.1	1.3
National Insurance contributions	18.2	15.1	3.1	17.9	0.2	147.6	123.6	24.0	148.2	-0.6
VAT <sup>2</sup>	15.5	14.9	0.6	15.7	-0.2	135.0	129.4	5.6	134.6	0.4
Onshore corporation tax <sup>3</sup>	8.5	7.8	0.7	8.0	0.5	73.0	67.2	5.9	71.4	1.7
Other taxes and receipts	24.3	23.5	0.7	24.8	-0.5	217.9	213.9	4.0	223.1	-5.2
<b>Central government expenditure</b>	<b>102.2</b>	<b>101.2</b>	<b>1.0</b>	<b>103.5</b>	<b>-1.3</b>	<b>930.0</b>	<b>881.7</b>	<b>48.4</b>	<b>935.4</b>	<b>-5.3</b>
<i>of which:</i>										
Interest payments	9.1	8.9	0.2	8.0	1.1	79.9	66.9	13.0	83.6	-3.8
Net social benefits	28.1	26.0	2.1	27.8	0.3	247.2	230.2	17.0	246.2	1.0
Net current grants	13.7	15.3	-1.6	15.2	-1.4	134.1	131.4	2.7	136.8	-2.8
Consumption expenditure on goods and services	39.3	37.0	2.3	37.6	1.8	345.1	320.9	24.2	341.3	3.8
Subsidies	2.6	2.5	0.1	2.8	-0.2	22.6	21.4	1.2	22.5	0.1
Central government depreciation	3.6	3.4	0.2	3.7	-0.1	32.4	30.5	1.9	32.9	-0.5
Central government net investment	5.7	8.1	-2.4	8.5	-2.7	68.8	80.6	-11.8	71.9	-3.2

<sup>1</sup> 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/deceember2025>

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 November 2025: <https://obr.uk/efo/economic-and-fiscal-outlook-november-2025>

<sup>2</sup> Excluding VAT refunds.

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