Commentary on the Public Sector Finances: July 2026

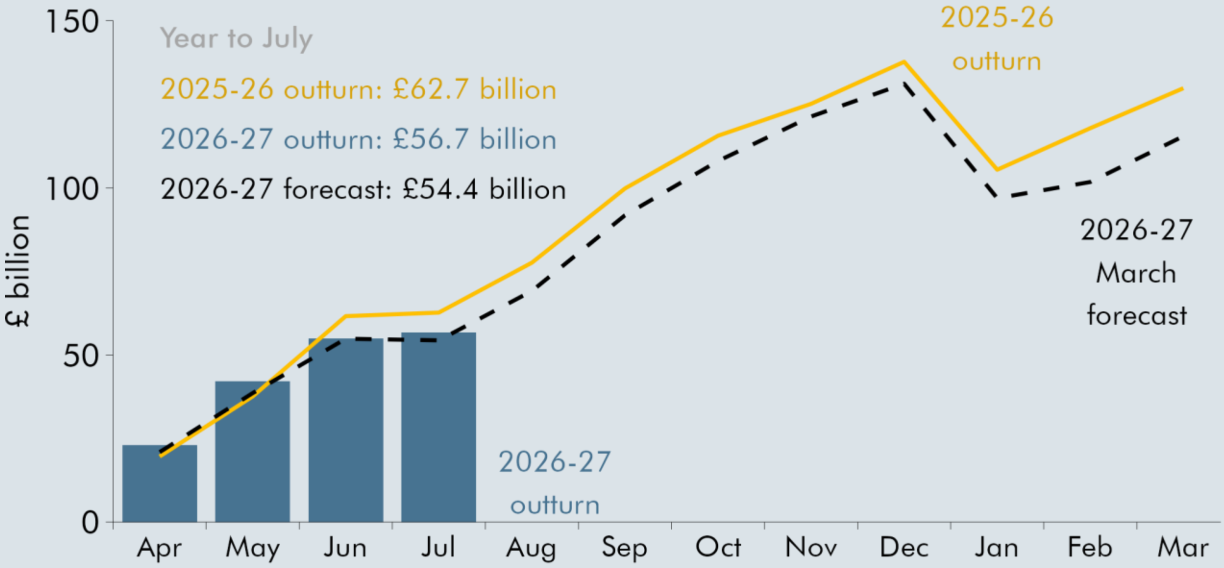
21 August 2026

Office for **Budget Responsibility**

Year-to-date borrowing slightly above forecast profile

This morning's ONS release[1] estimates that borrowing in the first four months of 2026-27 totalled £56.7 billion. This is £6.0 billion below the same period last year but £2.3 billion above the monthly profile consistent with our March 2026 forecast. Central government receipts for the year-to-date are £2.8 billion above the forecast profile, primarily driven by strength in onshore corporation tax and PAYE income tax and NICs. This is offset by £5.1 billion of higher-than-forecast central government spending in the year-to-date. However, estimates of spending in the early part of the year are highly provisional and particularly prone to revision.

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



At this early stage in the year, data remains highly provisional with several areas, in particular departmental spending and local authority and public corporation borrowing, 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. As we set out when these reforms were announced, the estimated yield from this policy is highly uncertain.

[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 £56.7 billion in the first four months of 2026-27. This was £6.0 billion below the same period last year and £2.3 billion above our March 2026 forecast profile. Within this, central government net borrowing was £70.5 billion, £2.3 billion above forecast, while borrowing by local authorities was -£8.2 billion (a surplus), a £2.5 billion larger surplus than forecast, and borrowing by public corporations was -£5.6 billion (a surplus), a £2.4 billion smaller surplus than forecast.

The current budget deficit was £37.5 billion in the first four months of 2026-27, £0.8 billion (2.3 per cent) above forecast, while the central government net cash requirement was £62.9 billion, £4.8 billion (8.2 per cent) above forecast.

Net debt in July stood at 94.1 per cent of GDP, down 0.8 per cent of GDP on a year earlier, and 0.3 per cent of GDP below forecast.

Central government receipts

Central government accrued receipts in the first four months of 2026-27 were £2.8 billion (0.8 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, in in July were £2.1 billion (2.1 per cent) above forecast and £5.2 billion (5.6 per cent) above last year. Within this:

- **PAYE income tax and NICs** cash receipts were £42.5 billion in July, very close to forecast, and £1.6 billion (3.8 per cent) above last year. For the year to date, PAYE income tax and NICs receipts are £2.3 billion (1.4 per cent) above forecast. Earnings growth has slowed by less than expected compared with our March forecast, particularly in the public sector.

- **Self-assessed (SA) income tax** cash receipts were £17.1 billion in July, £0.4 billion (2.2 per cent) below forecast, and £1.7 billion (10.9 per cent) above last year. For the year to date, SA income tax receipts are £0.3 billion (1.7 per cent) below forecast.

- **Cash VAT receipts** were £20.2 billion in July, £0.6 billion (3.2 per cent) above forecast, and largely unchanged from last year. Year-to-date cash VAT receipts are very close to forecast.

- **Onshore corporation tax** cash receipts were £6.0 billion in July, £0.3 billion (5.6 per cent) above forecast, and £1.1 billion (21.8 per cent) above last year. For the year to date, corporation tax receipts are £2.8 billion (10.4 per cent) above forecast with strength in receipts from both non-financial and financial firms. The latter is consistent with robust profit announcements from both retail and investment banks in recent months.

- **Offshore corporation tax and energy profit levy** cash receipts were £1.1 billion in July, very close to forecast, and £0.7 billion (39.9 per cent) below last year. The conflict in the Middle East has meant that oil and gas prices are significantly higher than assumed in our March forecast, but this has not yet fed into higher receipts from the sector.

Central government accrued spending

Central government accrued spending was £5.1 billion (1.2 per cent) above forecast over the first four 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 £1.0 billion (2.4 per cent) above forecast. This largely reflects higher-than-forecast RPI inflation due to the conflict in the Middle East, which increased index-linked debt interest spending.

- **Net social benefits** spending was £2.2 billion (1.9 per cent) above forecast. At this stage, the drivers of this remain uncertain.

- **Central government net investment (CGNI)** was £2.1 billion (6.3 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 June, borrowing has been revised down by £2.7 billion. Central government net borrowing was revised down by £1.3 billion, driven by an upward revision to receipts of £1.6 billion. Central government expenditure was revised up by £0.3 billion. Within the central government revision, central government grants to local government were revised up £1.4 billion, which also reduces the year to June estimate of local government borrowing by £1.4 billion. However, this estimate will be subject to significant further revision as there is not yet any 2026-27 quarterly outturn data on local government current expenditure,

- Borrowing over 2025-26 has been revised up by £1.8 billion driven by revisions to the receipts data.

- The tax revisions incorporated in this month's bulletin are a result of methodology improvements as well as latest data. HM Revenue and Customs have aligned its provisional tax receipts data for the previous financial year with accounting data and has also introduced monthly alignment of some of its largest receipts categories including VAT, income tax and NICs to further improve data quality.

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

	July					April to July				
	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	**1.8**	**1.1**	**0.7**	**-0.5**	**2.3**	**56.7**	**62.7**	**-6.0**	**54.4**	**2.3**
of which:										
Central government net borrowing	6.4	5.2	1.1	3.9	2.4	70.5	71.3	-0.8	68.2	2.3
Local authorities net borrowing	-2.1	-1.7	-0.4	-1.5	-0.7	-8.2	-5.3	-3.0	-5.8	-2.5
Public corporations net borrowing	-2.4	-2.4	0.0	-3.0	0.5	-5.6	-3.4	-2.2	-8.0	2.4
Central government current receipts	**104.3**	**99.8**	**4.6**	**105.6**	**-1.2**	**372.8**	**350.2**	**22.6**	**370.0**	**2.8**
of which:										
Income tax	38.4	36.3	2.1	38.4	0.0	108.0	100.2	7.8	106.4	1.5
National Insurance contributions	16.5	16.1	0.5	16.4	0.2	65.6	63.1	2.5	64.6	1.0
VAT[2]	15.5	14.5	1.0	15.6	0.0	63.2	58.3	4.9	62.0	1.2
Onshore corporation tax[3]	8.4	7.7	0.7	8.4	0.0	34.9	30.3	4.6	32.4	2.5
Other taxes and receipts	25.4	25.2	0.3	26.8	-1.4	101.1	98.3	2.8	104.5	-3.5
Central government expenditure	**110.7**	**105.0**	**5.7**	**109.5**	**1.2**	**443.3**	**421.5**	**21.7**	**438.2**	**5.1**
of which:										
Interest payments	7.7	7.0	0.7	8.3	-0.6	41.0	40.9	0.0	40.0	1.0
Net social benefits	29.5	27.5	2.0	28.9	0.5	115.8	107.9	7.9	113.7	2.2
Net current grants	17.3	16.4	0.9	16.9	0.3	67.5	65.2	2.3	66.7	0.8
Consumption expenditure on goods and services	39.8	38.7	1.2	40.5	-0.7	156.7	151.2	5.4	157.4	-0.7
Subsidies	2.7	2.4	0.3	2.8	0.0	10.9	9.7	1.3	11.2	-0.2
Central government depreciation	3.9	3.6	0.3	3.9	0.0	15.5	14.4	1.1	15.5	0.0
Central government net investment	9.8	9.4	0.5	8.1	1.7	35.8	32.2	3.7	33.7	2.1

[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/july2026

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.