

24 May 2011

Commentary on the Public Sector Finances release: April 2011

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the April 2011 Public Sector Finances this morning. Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast.

April 2011 outturn

2. Public sector net borrowing (PSNB) totalled £10.0 billion in April 2011, around £2.7 billion higher than in April 2010. This is the first month of the 2011-12 financial year, for which the OBR predicted a total PSNB of £122 billion in its March *Economic and fiscal outlook* (EFO).
3. The rise in PSNB compared with April last year is more than accounted for by the fact that April 2010 included £3.5 billion of receipts from the bank payroll tax which were not repeated this year. If these receipts are excluded from the year-on-year comparison, accrued receipts were up 7.9 per cent on April 2010, close to the increase forecast for the whole of 2011-12 in the EFO.
4. Receipts other than the bank payroll tax were £3.2 billion higher last month than in April 2010, but this increase was largely offset by a £2.6 billion increase in central government current spending on interest payments, social security benefits and public services. In the early months of the year, central government spending figures taken from departmental monitoring data sometimes include estimates derived from full year plans and so they are often revised considerably in future months.
5. Borrowing by local authorities and public corporations was little changed on April 2010.

Provisional outturn for 2010-11

6. The March EFO forecast PSNB of £145.9 billion for 2010-11. The April release provided the first provisional outturn estimate for 2010-11 of £141.1 billion. Today's release has revised this down by a further £1.8 billion to £139.4 billion.
7. The further fall in the outturn estimate for 2010-11 mainly reflects:
 - Central government current receipts being revised up by £1.8 billion. Cash receipts of PAYE, NICs and VAT in April were all stronger than expected. These receipts relate to economic activity in 2010-11 and are therefore accrued back to

that year. For example, cash receipts in April of PAYE and national insurance contributions (NICs) in the non-financial sector were stronger than anticipated. Since these relate mainly to March salaries, this boosted the 2010-11 numbers. This leaves central government current receipts up by £1.7 billion relative to the March EFO forecast.

- Central government expenditure being revised down by a further £0.7 billion, which includes downward revisions of £0.3 billion for current spending and £0.4 billion for capital spending. This leaves central government spending £3.1 billion lower than in the March EFO forecast. A large amount of this difference is in accounting adjustments, where the official public finances release currently scores some of these in a different way to the EFO.
 - These revisions were partly offset by higher local authority borrowing.
8. A substantial element of the undershoot in 2010-11, relative to the EFO forecast, is due to public corporations borrowing £3.9 billion less than the EFO forecast, partly offset by local authorities borrowing £2.2 billion more. We explained in the EFO that forecasts for these sectors are subject to particular uncertainties due to the very limited amount of in-year outturn data. We expect that the initial estimate of aggregate borrowing by local authorities and public corporations in 2010-11 may be revised up in future months.
9. Even though the ONS has published a revised estimate for PSNB in 2010-11, the estimate remains very provisional and subject to substantial change:
- Some cash receipts, particularly for VAT, received in May and June will relate to economic activity in 2010-11 and will be accrued back to that year. This could alter the 2010-11 estimate further;
 - We expect ONS estimates for central government current expenditure and investment to be revised in September to reflect departments' provisional outturn, and also some methodological changes in accounting adjustments; and
 - Firm data for local authorities and public corporations is only available with a longer lag.

Public sector receipts, expenditure and net borrowing

£ billion	April				Implied May to March				Full Year			
					change							
	2011	2010	£bn	%	2011-12	2010-11	£bn	%	Budget 2011*	2010-11	outturn	change £bn
<u>Central Government (CG) current receipts</u>												
Taxes on production	16.7	18.6	-1.9	-10.0	193.0	172.4	20.6	11.9	209.7	191.0	18.7	9.8
Of which VAT (accrued)	9.0	7.8	1.2	14.7	104.1	89.7	14.4	16.1	113.1	97.5	15.6	16.0
Taxes on income and wealth	15.5	14.9	0.6	4.1	192.0	179.3	12.7	7.1	207.5	194.2	13.3	6.8
Other taxes	1.1	1.1	0.0	-1.8	12.0	11.9	0.1	0.8	13.0	13.0	0.1	0.6
Compulsory social contributions	8.4	7.5	0.9	11.6	92.3	90.2	2.1	2.3	100.7	97.7	2.9	3.0
Interest & dividends	0.4	0.4	0.0	4.1	6.7	5.8	0.9	15.5	7.1	6.2	0.9	14.8
Other receipts	0.8	0.7	0.0	6.4	8.5	8.0	0.6	6.9	9.3	8.7	0.6	6.9
Total CG current receipts	42.9	43.2	-0.3	-0.8	504.4	467.6	36.9	7.9	547.3	510.8	36.5	7.2
<u>CG Current expenditure</u>												
Interest payments	4.6	3.6	1.0	26.6	44.0	39.5	4.5	11.4	48.6	43.2	5.5	12.7
Net social benefits	14.7	14.0	0.7	5.1	165.8	159.2	6.6	4.2	180.5	173.2	7.3	4.2
Other	34.8	34.0	0.9	2.6	362.5	353.2	9.3	2.6	397.4	387.1	10.2	2.6
Total current expenditure	54.1	51.5	2.6	5.0	572.4	551.9	20.5	3.7	626.5	603.5	23.0	3.8
Depreciation	0.6	0.6	0.0	6.6	7.0	6.6	0.4	6.4	7.6	7.2	0.5	6.4
CG Surplus on current budget	-11.9	-8.9	-2.9	32.9	-74.9	-90.9	16.0	-17.6	-86.8	-99.9	13.0	
CG Net investment	1.3	1.6	-0.3	-18.1	22.2	35.3	-13.2	-37.3	23.4	36.9	-13.5	-36.5
CG Net borrowing	13.1	10.5	2.7	25.3	97.1	126.3	-29.2	-23.1	110.2	136.8	-26.5	-19.4
Local Authorities net borrowing	-2.6	-2.5	-0.1		14.1	8.0	6.0		11.5	5.5	5.9	
Public Corporations net borrowing	-0.6	-0.7	0.1		0.7	-2.2	2.8		0.0	-2.9	3.0	
Public sector net borrowing	10.0	7.3	2.7	37.3	111.8	132.1	-20.3	-15.4	121.8	139.4	-17.6	-12.6
Public sector net investment	1.6	1.7	-0.1	-6.2	30.3	38.2	-7.9	-20.8	31.8	39.9	-8.0	-20.1
Public sector current budget	-8.4	-5.6	-2.8	50.3	-81.6	-93.9	12.4		-89.9	-99.5	9.6	

* March 2011 Budget forecast published 23 March 2011 excluding temporary effects of financial interventions on a National Accounts basis