

# Commentary on the Public Sector Finances release: March 2013

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the March 2013 Public Sector Finances this morning.<sup>1</sup> Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast.

## Summary

2. Today's release provides the first provisional outturn estimate for the full 2012-13 financial year. Public sector net borrowing (PSNB) excluding Royal Mail and Asset Purchase Facility (APF) asset transfers was £120.6 billion, £0.3 billion lower than last year and £0.3 billion lower than our estimate in the *March Economic and fiscal outlook (EFO)*.
3. Compared with our March EFO estimate, weaker than expected central government receipts and slightly higher local authority borrowing were slightly more than offset by lower central government current expenditure and lower borrowing by public corporations.
4. Even though we now have outturn data for all 12 months of the financial year, the initial estimate is still very provisional and subject to substantial change:
  - some cash receipts received in the early part of 2013-14 relate to economic activity in 2012-13 and will be accrued back to that year. April PAYE and NICs cash receipts largely relate to March salaries and will be accrued back to 2012-13. Likewise, some of the cash VAT receipts received between April and June relate to consumer spending in the first quarter of 2013 and will thus be accrued back to 2012-13. The income tax, NICs and VAT estimates included in today's release depend to a large extent on forecasts of cash receipts in early 2013-14;
  - estimates for central government current expenditure and investment will be revised as firmer information from departments becomes available; and
  - firmer data for local authorities and public corporations will not become available until September or October, and will not be final for a further 3-9 months.

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<sup>1</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/march-2013/stb---march-2013.html>

5. Past experience illustrates the scale of the potential revisions as new data come in, perhaps accompanied by changes in methodology or definitions. The initial outturn estimate of PSNB was revised down by some £5 billion in 2011-12, down by £0.2 billion in 2010-11 and down by £4.5 billion in 2009-10.
6. PSNB is currently estimated at £15.1 billion in March 2013, £1.6 billion lower than in March 2012 and below market expectations of £15.5 billion. Whilst central government current expenditure was particularly low in March, central government receipts were weak, particularly from PAYE and national insurance contributions.
7. As anticipated in our *EFO* forecast, central government current spending was much lower than in March 2012. Overall, this reflects the large reductions in spending that departments had agreed with the Treasury. But it also reflects differences in the timing of spending, where payments of grants to local authorities and transfers to the EU had been made earlier this year, compared to last year.

## March 2013 outturn

8. PSNB was £1.6 billion lower than the March 2012 outturn. Central government receipts were £2.7 billion lower than last year, while central government current expenditure was £2.6 billion lower than a year ago. This reflects the large underspends by departments, and also the profile of spending, where payments of grants to local authorities and transfers to the EU have been paid earlier this year.
9. Central government receipts were 5.7 per cent lower than last March. This is mainly due to much lower PAYE and NIC receipts, reflecting lower bonuses and that some high income taxpayers have been assumed to defer earnings from March to April to take advantage of the introduction of the 45 per cent additional rate of income tax. The March PAYE and NICs estimate is currently a forecast consistent with the March *EFO* as cash receipts of PAYE and NICs relating to March salaries are received in April. Lower income tax and NICs receipts were partially offset by higher accrued VAT receipts, which were 1.3 per cent up on last year. VAT receipts are also partly forecast at this stage. Corporation tax receipts were also higher than last year, as large repayments which were made in March 2012 were not repeated in 2013.
10. Central government capital spending and local authority net borrowing figures are very different from March 2012, because last year's March figures included a one-off net capital transfer from local authorities to central government arising from the reforms to council housing finance. This increased local authority borrowing and reduced central government borrowing by £8.1 billion in March 2012.
11. Local authority borrowing was £5.6 billion lower in March, compared to a year ago. This is largely because last year's borrowing figures were increased by the £8.1 billion transfer explained above. However this has been partly offset by the lower payments of central government grants to local authorities. The profile of payments of these grants this year has meant that more of these grants were paid earlier in the year. Grant payments have also been reduced in March this year, because these payments were boosted a year ago by the payment of £0.7 billion council tax freeze grant in March 2012.

## Provisional 2012-13 outturn

12. The provisional estimate for PSNB for 2012-13 was £0.3 billion lower than the *EFO* forecast. Of the main components:

- Central government receipts were £2.2 billion below the *EFO* estimate. This reflects weaker than expected receipts in March and some differences in measurement, where our *EFO* forecast included some elements of environmental taxes and levies that are not currently included in ONS outturn data. Some of these additional receipts were also included in our *EFO* forecast for central government spending (see below) and so are fiscally neutral;
- Total central government spending was £0.7 billion less than assumed in the *EFO*. This largely reflects measurement differences related to certain environmental levies which are currently not included in ONS outturn data. These are also included in current receipts (see above) and so are fiscally neutral. After allowing for these measurement differences, outturn is currently broadly in line with our *EFO* forecast; and
- Local authority borrowing was £0.5 billion higher than assumed in the *EFO* and public corporations borrowing was £2.4 billion lower. The lower public corporations borrowing largely reflects the £1.6 billion downward revision in last month's bulletin, which was released after the *EFO*, plus the latest month's borrowing estimate.

## Public sector receipts, expenditure and net borrowing

£ billion	March				April to March				Budget 2013 forecast			
	2013	2012	change		2012-13	2011-12	change		2012-13 Mar EFO*	2011-12 outturn	change	
			£bn	%			£bn	%			£bn	%
<b>Central Government (CG) current receipts</b>												
Taxes on production	18.6	18.4	0.2	1.2	207.1	203.1	4.0	2.0	208.6	203.1	5.5	2.7
<i>Of which: VAT (accrued)</i>	9.6	9.5	0.1	1.3	112.8	109.8	3.0	2.7	112.4	109.8	2.6	2.4
Taxes on income and wealth	13.2	14.5	-1.3	-8.8	193.8	198.1	-4.3	-2.2	194.0	198.1	-4.0	-2.0
<i>Of which:</i>												
<i>Income tax and CGT (accrued)</i>	11.7	13.2	-1.5	-11.7	151.1	152.3	-1.3	-0.8	151.5	152.3	-0.9	-0.6
<i>Corporation tax</i>	1.3	0.6	0.7	113.5	39.4	42.2	-2.7	-6.4	39.3	42.2	-2.8	-6.7
Other taxes	1.4	1.1	0.3	29.7	15.4	15.4	0.0	0.0	15.3	15.4	-0.1	-0.4
Compulsory social contributions	9.9	10.5	-0.6	-5.7	103.8	101.6	2.2	2.2	103.8	101.6	2.2	2.1
Interest & dividends	1.3	2.7	-1.4	-52.0	17.1	9.7	7.4	76.3	17.0	9.7	7.4	76.1
Other receipts	0.6	0.6	0.0	-2.2	8.3	7.9	0.4	4.7	8.9	7.9	1.0	12.5
<b>Total CG current receipts</b>	<b>45.0</b>	<b>47.7</b>	<b>-2.7</b>	<b>-5.7</b>	<b>545.4</b>	<b>535.7</b>	<b>9.7</b>	<b>1.8</b>	<b>547.6</b>	<b>535.7</b>	<b>11.9</b>	<b>2.2</b>
<b>CG Current expenditure</b>												
Interest payments	2.7	1.8	0.9	51.2	47.0	47.7	-0.7	-1.6	46.5	47.7	-1.2	-2.5
Net social benefits	15.8	15.0	0.8	5.6	191.7	181.5	10.2	5.6	192.1	181.5	10.6	5.8
Other	34.7	39.0	-4.3	-11.1	391.0	389.1	2.0	0.5	391.7	389.1	2.7	0.7
<b>Total current expenditure</b>	<b>53.2</b>	<b>55.8</b>	<b>-2.6</b>	<b>-4.7</b>	<b>629.6</b>	<b>618.2</b>	<b>11.4</b>	<b>1.8</b>	<b>630.3</b>	<b>618.2</b>	<b>12.1</b>	<b>2.0</b>
Depreciation	0.6	0.6	0.0	-3.5	7.8	7.5	0.3	4.5	8.0	7.5	0.5	6.4
<b>CG Surplus on current budget</b>	<b>-8.8</b>	<b>-8.6</b>	<b>-0.1</b>	<b>-1.4</b>	<b>-92.1</b>	<b>-90.0</b>	<b>-2.1</b>	<b>-2.3</b>	<b>-90.7</b>	<b>-90.0</b>	<b>-0.6</b>	<b>0.7</b>
CG Net investment	3.8	-0.8	4.6	558.0	-3.1	23.1	-26.2	-113.6	-3.3	23.1	-26.4	-114.2
<b>CG Net borrowing</b>	<b>12.6</b>	<b>7.8</b>	<b>4.7</b>	<b>60.8</b>	<b>88.9</b>	<b>113.1</b>	<b>-24.2</b>	<b>-21.4</b>	<b>87.4</b>	<b>113.1</b>	<b>-25.7</b>	<b>-22.8</b>
Local Authorities net borrowing	2.6	8.2	-5.6	-68.5	-0.1	7.8	-7.9	-100.8	-0.6	7.8	-8.5	-108.2
Public Corporations net borrowing	0.0	0.7	-0.7	-99.4	-2.7	0.0	-2.7	-10326.9	-0.3	0.0	-0.2	902.1
<b>Public sector net borrowing</b>	<b>15.1</b>	<b>16.7</b>	<b>-1.6</b>	<b>-9.3</b>	<b>86.2</b>	<b>120.9</b>	<b>-34.7</b>	<b>-28.7</b>	<b>86.5</b>	<b>120.9</b>	<b>-34.4</b>	<b>-28.5</b>
<b>Public sector net borrowing (ex. Royal Mail)</b>					<b>114.2</b>	<b>120.9</b>	<b>-6.7</b>	<b>-5.6</b>	<b>114.5</b>	<b>120.9</b>	<b>-6.4</b>	<b>-5.3</b>
<b>Public sector net borrowing (ex Royal Mail and APF)</b>					<b>120.6</b>	<b>120.9</b>	<b>-0.3</b>	<b>-0.3</b>	<b>120.9</b>	<b>120.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Public sector net investment</b>	<b>4.6</b>	<b>7.0</b>	<b>-2.4</b>	<b>-34.8</b>	<b>-6.0</b>	<b>28.7</b>	<b>-34.6</b>	<b>-120.8</b>	<b>-8.5</b>	<b>28.7</b>	<b>-37.2</b>	<b>-129.7</b>
<b>Public sector current budget</b>	<b>-10.6</b>	<b>-9.7</b>	<b>-0.9</b>	<b>-9.3</b>	<b>-92.1</b>	<b>-92.2</b>	<b>0.1</b>	<b>0.1</b>	<b>-89.0</b>	<b>-92.2</b>	<b>3.2</b>	<b>-3.5</b>

March 2013 EFO forecast published 20 March 2013 excluding temporary effects of financial interventions on a National Accounts basis