

21 April 2011

## Commentary on the Public Sector Finances release: March 2011

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

### March 2011 outturn

2. Public sector net borrowing (PSNB) totalled £18.6 billion in March 2011, around £1.1 billion lower than in March 2010. March is usually a high borrowing month, because investment spending tends to peak at the end of the financial year.
3. The fall in PSNB since March last year reflects lower borrowing by local authorities and public corporations. Central government net borrowing was virtually unchanged, with a 1.6 per cent fall in current receipts and a 0.1 per cent rise in current spending offset by a 6.4 per cent fall in net investment. Our March 2011 *Economic and fiscal outlook* (EFO) warned that accrued receipts in March last year were boosted by unexpectedly high PAYE and NIC receipts, probably due to forestalling ahead of the introduction of the 50 pence rate. This helps explain the fall in receipts compared to last year.

### Provisional outturn for 2010-11

4. The March EFO forecast PSNB of £145.9 billion for 2010-11. Today's release provided the first provisional outturn estimate for 2010-11. It shows PSNB coming in £4.8 billion lower than we expected at £141.1 billion. This mainly reflects:
  - Public corporations borrowing £4.0 billion less than the EFO forecast, partly offset by local authorities borrowing £1.5 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.
  - Central government current expenditure coming in £2.0 billion below the EFO forecast and net investment £0.4 billion below the EFO forecast. Large parts of these differences are in accounting adjustments rather than in

departmental spending. The official public sector finances release currently scores some of these in a different way to the EFO.

- Central government current receipts coming in close to the EFO forecast, reflecting two offsetting factors:
  - Cash receipts of PAYE and national insurance contributions (NICs) from the financial sector were stronger than expected in the EFO. In part this is likely to reflect unexpectedly large current year and deferred bonus payments, but it is impossible to quantify this precisely;
  - The EFO forecast assumed that income tax repayments by HMRC, relating to the introduction of the new PAYE service, would be accrued back to earlier years. Currently these repayments are still included in the 2010-11 outturn statistics.

5. 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 (such as for PAYE, NICs and VAT) received in the early part of 2011-12 relate to economic activity in 2010-11 and will be accrued back to that year. For example, April PAYE and NIC cash receipts largely relate to March salaries and will be accrued back to 2010-11. If these are different to the current March estimate included in the latest release, this will alter the 2010-11 outturn;
- Estimates for central government current expenditure and investment will be revised as firmer information from departments becomes available; and
- Firm data for local authorities and public corporations is only available with a longer lag.

## Issues for the next PSF release: April 2011

6. In this section we highlight issues that are likely to affect the next month's release:

- Year-on-year growth in receipts in April 2011 will be suppressed because April 2010 included £3.5 billion of receipts from the bank payroll tax which will not be repeated this year; and
- Medium and large onshore firms will be paying a corporation tax instalment payment relating to 2010 profits in April. The impact of high oil prices on oil and gas revenues will not be seen until July and October 2011 and January 2012, when oil and gas firms pay their three corporation tax instalment payments on 2011 profits.

## Central government accrued receipts and expenditure

£ billion	March				April to March				Budget 2011 forecast			
	2011	2010	change		2010-11	2009-10	change		2010-11	2009-10	change	
			£bn	%			£bn	%	Budget 2011*	outturn	£bn	%
<b>Current receipts</b>												
Taxes on production	16.7	15.4	1.3	8.6	189.9	169.7	20.2	11.9	191.3	169.7	21.6	12.7%
<i>Of which VAT (accrued)</i>	9.3	8.0	1.3	16.3	96.5	83.6	12.9	15.4	97.0	83.6	13.4	16.0%
Taxes on income and wealth	14.5	15.8	-1.3	-8.4	194.0	182.5	11.6	6.3	194.0	182.5	11.6	6.3%
Other taxes	1.2	1.2	0.0	-0.8	13.0	12.3	0.6	5.2	12.7	12.3	0.4	3.0%
Compulsory social contributions	10.0	10.8	-0.9	-8.0	97.2	96.6	0.6	0.6	96.5	96.6	-0.2	-0.2%
Interest & dividends	1.0	0.9	0.1	16.0	6.2	6.8	-0.6	-8.8	5.8	6.8	-1.0	-14.8%
Other receipts	0.7	0.7	0.0	0.7	8.7	8.2	0.6	6.8	8.9	8.2	0.7	8.8%
<b>Total current receipts</b>	<b>44.1</b>	<b>44.8</b>	<b>-0.7</b>	<b>-1.6</b>	<b>508.9</b>	<b>476.0</b>	<b>32.9</b>	<b>6.9</b>	<b>509.1</b>	<b>476.0</b>	<b>33.1</b>	<b>6.9%</b>
<b>Current expenditure</b>												
Interest payments	2.4	2.4	0.0	-0.4	43.1	30.9	12.2	39.6	43.1	30.9	12.2	39.6%
Net social benefits	14.3	14.0	0.3	2.3	173.2	167.1	6.2	3.7	173.6	167.1	6.6	3.9%
Other	35.8	36.1	-0.3	-0.8	387.5	376.4	11.0	2.9	389.0	376.4	12.6	3.3%
<b>Total current expenditure</b>	<b>52.6</b>	<b>52.5</b>	<b>0.0</b>	<b>0.1</b>	<b>603.8</b>	<b>574.4</b>	<b>29.4</b>	<b>5.1</b>	<b>605.8</b>	<b>574.4</b>	<b>31.4</b>	<b>5.5%</b>
Depreciation	0.6	0.6	0.0	0.3	7.2	6.7	0.5	7.6	7.2	6.7	0.5	8.1%
<b>Surplus on current budget</b>	<b>-9.0</b>	<b>-8.3</b>	<b>-0.8</b>	<b>9.1</b>	<b>-102.0</b>	<b>-105.0</b>	<b>3.0</b>	<b>-2.8</b>	<b>-103.9</b>	<b>-105.0</b>	<b>1.1</b>	
Net investment	8.2	8.8	-0.6	-6.4	37.3	51.4	-14.2	-27.5	37.6	51.4	-13.8	-26.8%
<b>CG Net borrowing</b>	<b>17.3</b>	<b>17.1</b>	<b>0.2</b>	<b>0.0</b>	<b>139.3</b>	<b>156.4</b>	<b>-17.1</b>	<b>-11.0</b>	<b>141.6</b>	<b>156.4</b>	<b>-14.9</b>	<b>-9.5%</b>
Local Authorities net borrowing	0.7	0.9	-0.2		4.9	2.9	2.0	68.1	3.4	2.9	0.5	
Public Corporations net borrowing	0.7	1.8	-1.1		-3.0	-2.8	-0.2		1.0	-2.8	3.8	
<b>Public sector net borrowing</b>	<b>18.6</b>	<b>19.8</b>	<b>-1.1</b>	<b>-5.7</b>	<b>141.1</b>	<b>156.5</b>	<b>-15.4</b>	<b>-9.8</b>	<b>145.9</b>	<b>156.5</b>	<b>-10.6</b>	<b>-6.8%</b>
<b>Public sector net investment</b>	<b>8.2</b>	<b>8.3</b>	<b>-0.1</b>	<b>-1.2</b>	<b>40.2</b>	<b>49.2</b>	<b>-9.0</b>	<b>-18.3</b>	<b>41.1</b>	<b>49.2</b>	<b>-8.2</b>	<b>-16.6%</b>
<b>Public sector current budget</b>	<b>-10.4</b>	<b>-11.5</b>	<b>1.0</b>	<b>-8.9</b>	<b>-100.9</b>	<b>-107.3</b>	<b>6.3</b>		<b>-104.8</b>	<b>-107.3</b>	<b>2.4</b>	

\* March 2011 Budget forecast published 23 March 2011 excluding financial interventions on a National Accounts basis

