

Office for  
**Budget  
Responsibility**

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Budget 2010:

The economy & public finances  
– supplementary material

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June 2010



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The economy & public finances  
– supplementary material

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June 2010



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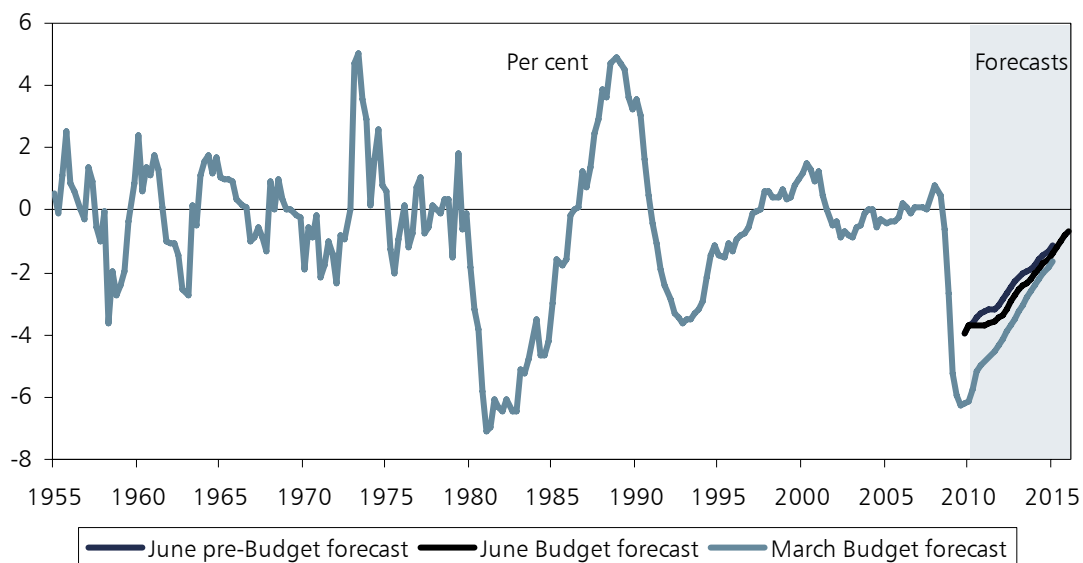
# 1

## The economy

The Budget published by HM Treasury on 22 June 2010 includes economic and fiscal forecasts made by the Office for Budget Responsibility in Annex C. These forecasts take into account the effects of policy measures on the economy and public finances. The present document reproduces charts and tables contained in that Annex, and also includes additional information in the form of more detailed charts and tables. The charts and tables are consistent with output, income and expenditure data to the first quarter of 2010, released by the Office for National Statistics on 25 May 2010.

### The degree of spare capacity

Chart 1.1: The output gap



<sup>1</sup> Output gap estimates on a quarterly basis, based on the latest National Accounts data and expressed as actual output less trend output as a percentage of trend output (non-oil basis).

**Table 1.1: Trend growth assumptions<sup>1</sup>**

	Estimated trend rates of growth, per cent per annum, unless otherwise stated					Trend output
	Trend output per hour worked <sup>2, 3</sup>		Trend average hours worked <sup>3</sup>	Trend employment rate <sup>3</sup>	Population <sup>4</sup>	
	Underlying (1)	Unadjusted (2)	(3)	(4)	(5)	
2010Q2 to 2013Q4	1.93	2.0	-0.2	-0.15	0.7	<b>2.35</b>
2014Q1 to 2016Q1	1.9	2.0	-0.2	-0.2	0.5	<b>2.10</b>

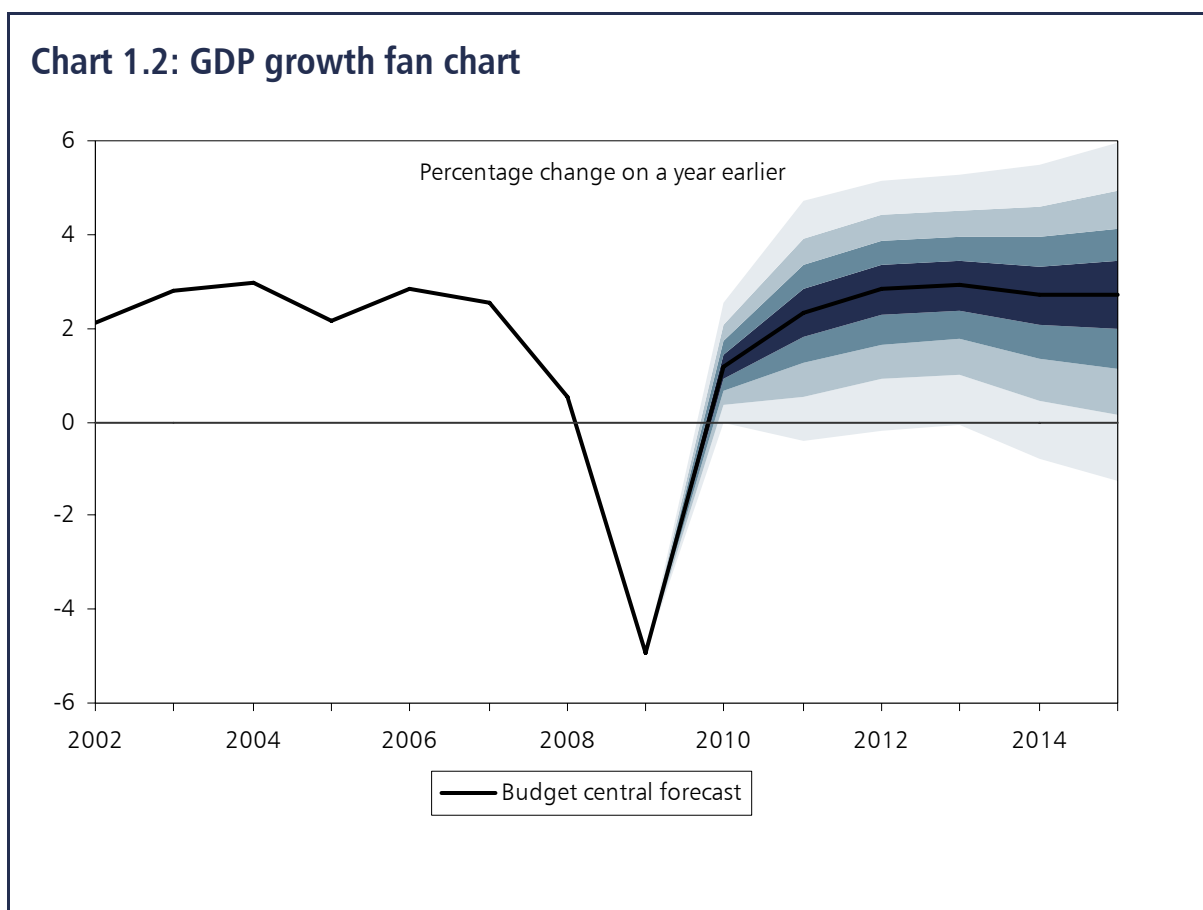
<sup>1</sup> For further information see Annex B in Pre-Budget forecast, Office for Budget Responsibility, June 2010.

<sup>2</sup> The underlying trend rate is the unadjusted trend rate adjusted for changes in the employment rate, i.e. assuming the employment rate had remained constant. Column (1) = column (2) + (1-a).column (4), where a is the ratio of new to average worker productivity levels. The figuring is consistent with this ratio being of the order of 50 per cent, informed by econometric evidence and Labour Force Survey (LFS) data on real wages.

<sup>3</sup> The decomposition allows for employment and hours worked lagging output. Employment is assumed to lag output by around three quarters, so that on-trend points for employment come three quarters after on-trend points for output, an assumption that can be supported by econometric evidence. Hours are easier to adjust than employment, and so the decomposition assumes that average hours worked lag output by just one quarter, although this lag is harder to support by econometric evidence.

<sup>4</sup> UK resident household basis (LFS). Population aged 16 and over.

## Gross domestic product (GDP)





**Table 1.2: Contributions to GDP growth<sup>1</sup>**

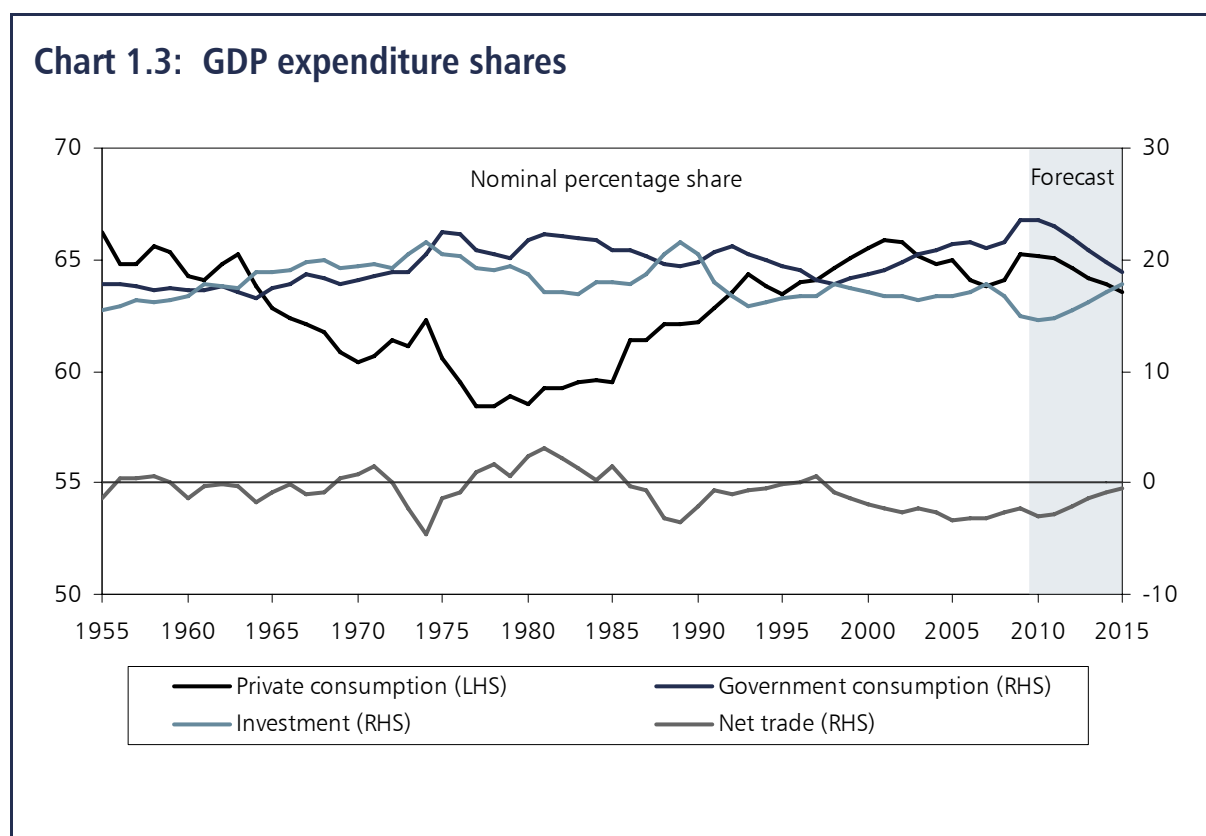
	Average 1999 to 2008	Percentage points, unless otherwise stated						
		2009	Forecast					
			2010	2011	2012	2013	2014	2015
<b>GDP growth, per cent</b>	2.6	-4.9	1.2	2.3	2.8	2.9	2.7	2.7
<b>Main contributions</b>								
Private consumption	1.9	-2.1	0.2	0.8	1.1	1.3	1.4	1.4
Business investment	0.3	-2.1	0.1	0.8	1.0	1.1	1.1	1.0
Dwellings investment <sup>2</sup>	0.1	-0.6	-0.2	0.2	0.2	0.3	0.2	0.2
Government <sup>3</sup>	0.7	0.8	0.3	-0.7	-0.6	-0.6	-0.6	-0.4
Change in inventories	0.0	-1.2	1.2	0.4	0.0	0.0	0.0	0.0
Net trade	-0.3	0.7	-0.5	0.9	0.9	0.7	0.5	0.5

<sup>1</sup> Components may not sum to total due to rounding, omission of transfer costs of land and existing buildings, and the statistical discrepancy.

<sup>2</sup> The sum of public corporations and private sector investment in new dwellings and improvements to dwellings.

<sup>3</sup> The sum of government consumption and general government investment.

**Chart 1.3: GDP expenditure shares**



## The household sector

**Table 1.3: Household sector<sup>1</sup> expenditure and income**

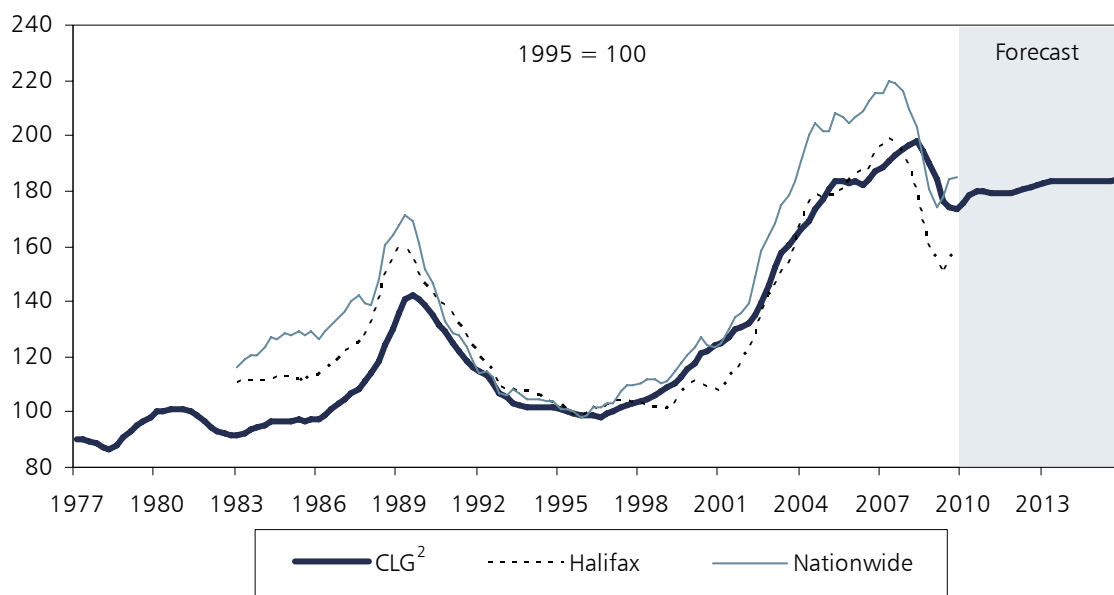
	Average 1999 to 2008	Percentage change on a year earlier, unless otherwise stated						
		2009	Forecast					
			2010	2011	2012	2013	2014	2015
Household consumption <sup>2</sup>	2.9	-3.2	0.2	1.3	1.7	2.1	2.2	2.2
Real household disposable income	2.2	3.2	0.2	1.2	1.3	1.5	1.7	1.8
Saving ratio <sup>3</sup>	4.0	7.0	6.9	6.8	6.4	6.0	5.6	5.4

<sup>1</sup> Including non-profit institutions serving households.

<sup>2</sup> Chained volume measure.

<sup>3</sup> Total household resources less consumption expenditure as a per cent of total resources, where total resources comprise households' disposable income plus the change in their net equity in pension funds.

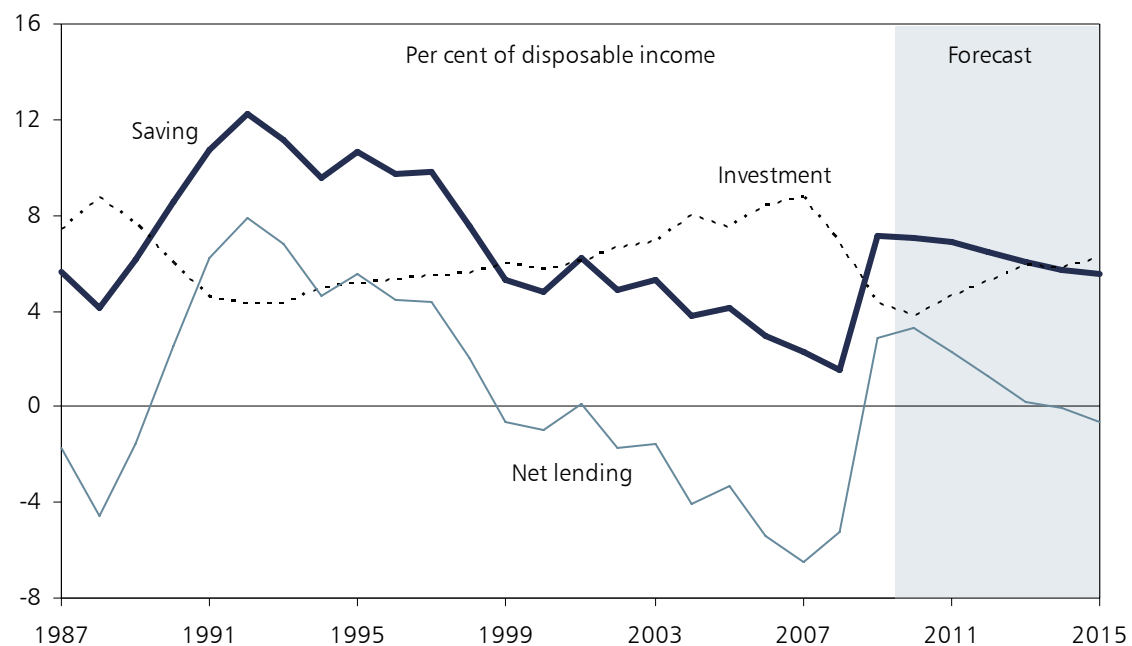
**Chart 1.4: House price-earnings ratio<sup>1</sup>**



<sup>1</sup> Ratio of CLG / Halifax / Nationwide house prices to wages and salaries per employee.

<sup>2</sup> Four-quarter moving average.

**Chart 1.5: Household sector<sup>1</sup> net lending**



<sup>1</sup> Includes non-profit institutions serving households.

## Investment

**Table 1.4: Gross fixed capital formation**

	Average 1999 to 2008	Percentage change on a year earlier						
		Forecast						2015
		2009	2010	2011	2012	2013	2014	
Whole economy <sup>1</sup>	3.1	-14.9	-0.5	3.9	7.9	8.8	8.0	6.9
of which:								
Business <sup>2,3</sup>	3.4	-19.3	1.4	8.1	10.0	10.9	9.5	8.2
Private dwellings <sup>3</sup>	2.0	-19.7	-6.5	5.6	8.2	8.5	7.1	6.6
General government <sup>3</sup>	6.7	15.7	-4.9	-19.0	-8.5	-6.6	0.6	2.0

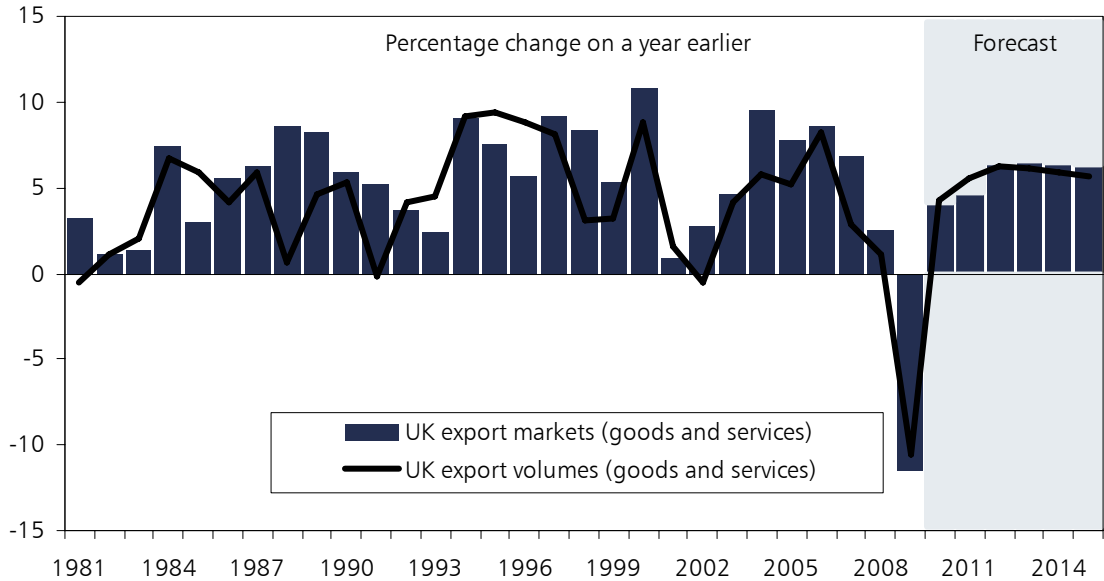
<sup>1</sup> Includes costs associated with the transfer of ownership of land and existing buildings.

<sup>2</sup> Private sector and public corporations' non-residential investment; includes investment under the Private Finance Initiative.

<sup>3</sup> Excludes purchases less sales of land and existing buildings.

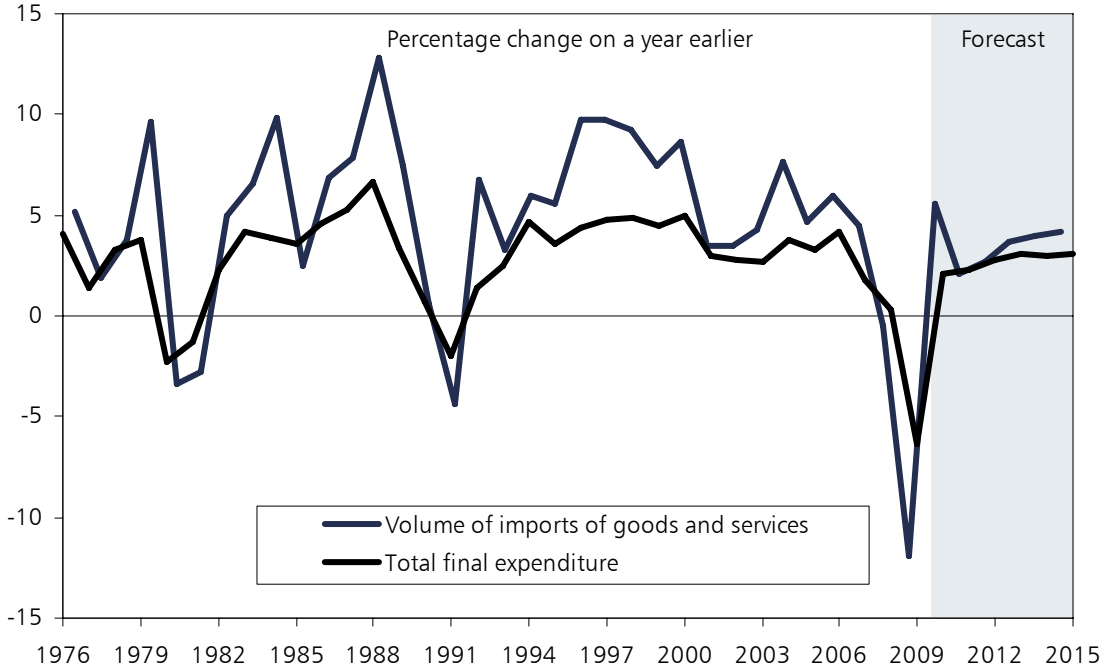
# Trade and the balance of payments

**Chart 1.6 Exports<sup>1</sup> and overseas demand**



<sup>1</sup> Volumes excluding the effects of activity relating to Missing Trader Intra-Community (MTIC) fraud.

**Chart 1.7 Imports<sup>1</sup> and total final expenditure**



<sup>1</sup> Volumes excluding the effects of activity relating to Missing Trader Intra-Community (MTIC) fraud.

**Table 1.5: Trade in goods and services**

	Average 1999 to 2008	Percentage change on a year earlier, unless otherwise stated							
		2009	Forecast					2014	2015
			2010	2011	2012	2013			
Volumes (ex. MTIC) <sup>1</sup>									
Exports	4.0	-10.6	4.3	5.5	6.3	6.2	5.9	5.7	
Imports	4.9	-11.9	5.5	2.1	2.7	3.7	4.0	4.2	
Prices <sup>2</sup>									
Exports	2.1	2.9	2.2	0.5	1.0	1.5	1.7	1.7	
Imports	1.8	3.8	3.2	2.9	2.1	1.6	1.7	1.7	
Terms of trade <sup>3</sup>	0.3	-0.8	-0.9	-2.4	-1.0	-0.1	0.0	0.0	
Goods and service balance (£ billion)	-31	-33	-44	-42	-33	-24	-15	-8	

<sup>1</sup> Table 1.10 contains figures including the effects of MTIC-related activity. The forecast is therefore based on the neutral assumption that the level of MTIC-related activity stays flat at the latest quarterly estimate throughout the forecast.

<sup>2</sup> Average value indices.

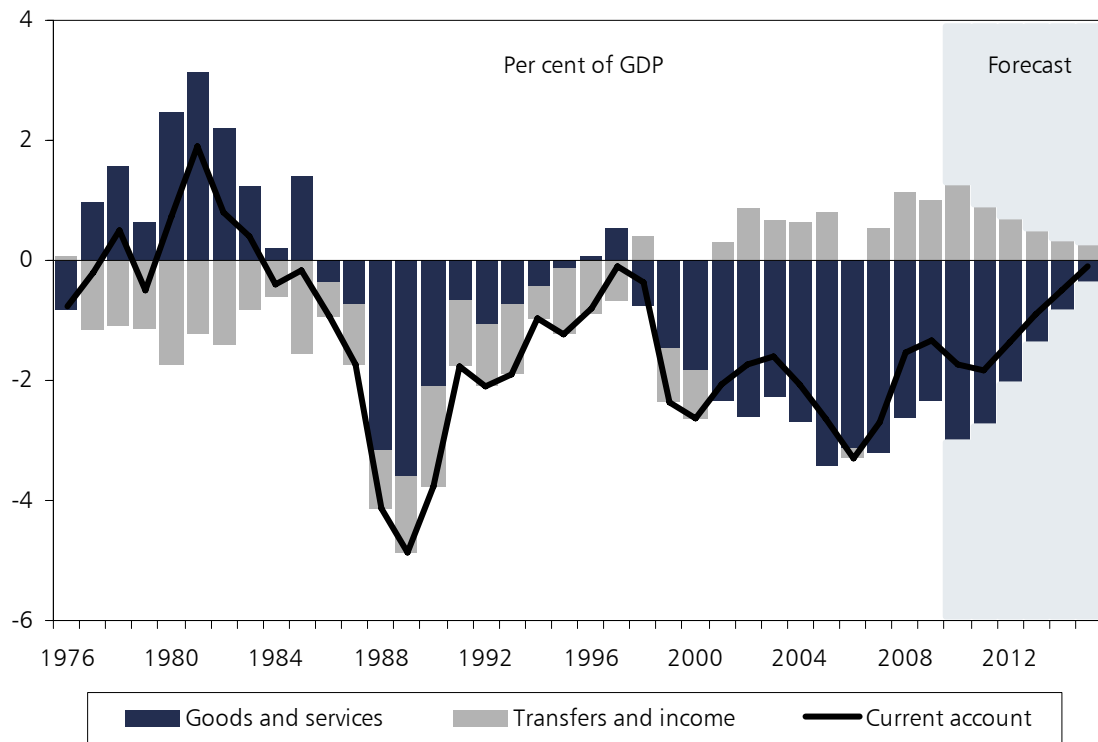
<sup>3</sup> Ratio of export to import prices.

**Table 1.6: The current account**

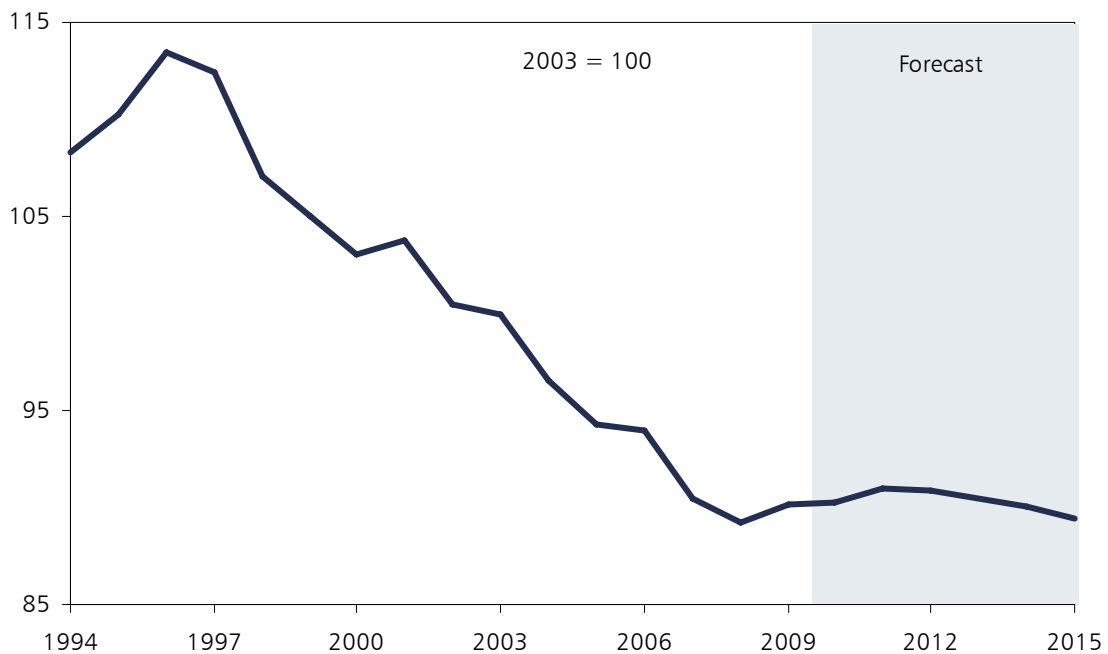
	£ billion						
	2009	2010	2011	Forecast			2015
				2012	2013	2014	
Trade in goods and services	-33	-44	-42	-33	-24	-15	-8
Non-oil	-29	-43	-39	-28	-17	-6	3
Oil	-3	-1	-3	-5	-7	-9	-11
Transfers	-15	-19	-20	-20	-21	-23	-23
Income balance <sup>1</sup>	29	38	34	32	30	29	29
Current balance	-18	-25	-28	-22	-15	-9	-2

<sup>1</sup> Includes investment and employee income.

**Chart 1.8: The current account**

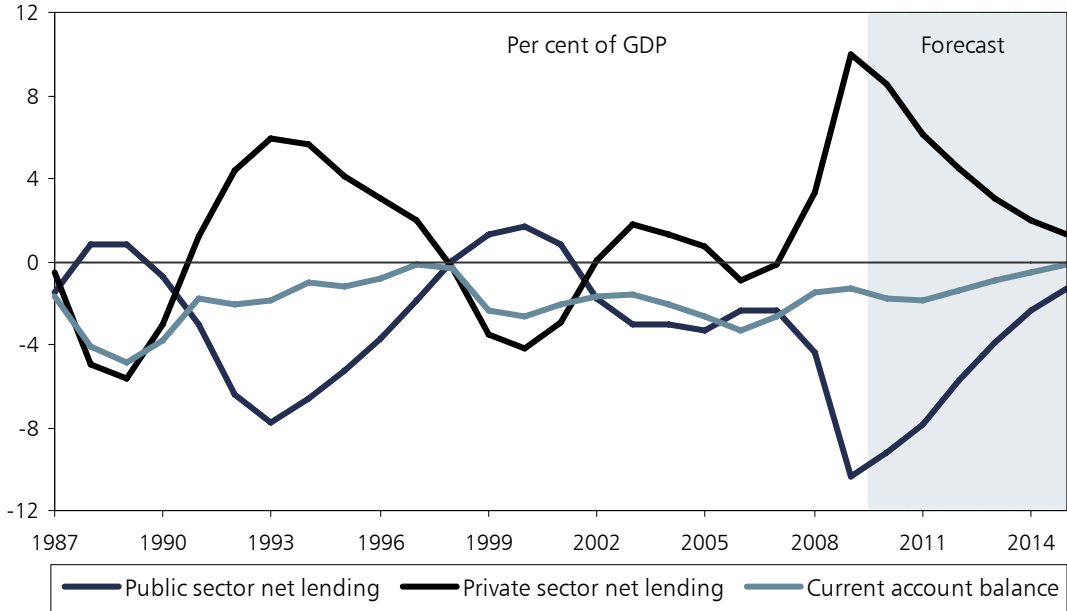


**Chart 1.9 UK export market share<sup>1</sup>**



# Net lending by sector

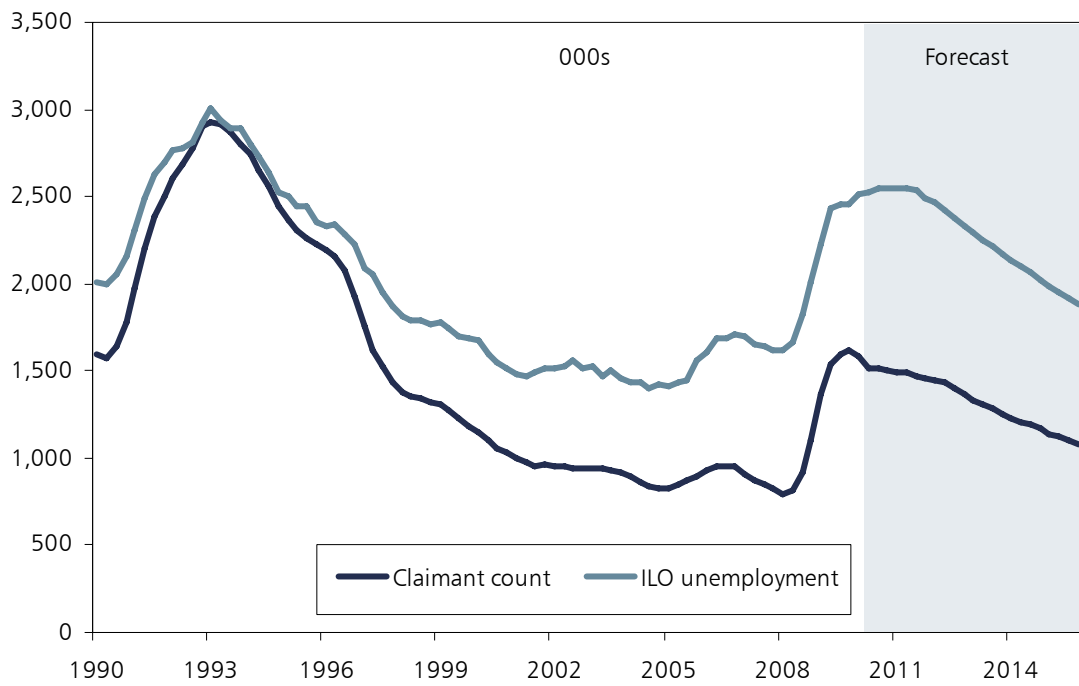
**Chart 1.10: Private sector net lending, public sector net lending, and the current account balance<sup>1</sup>**



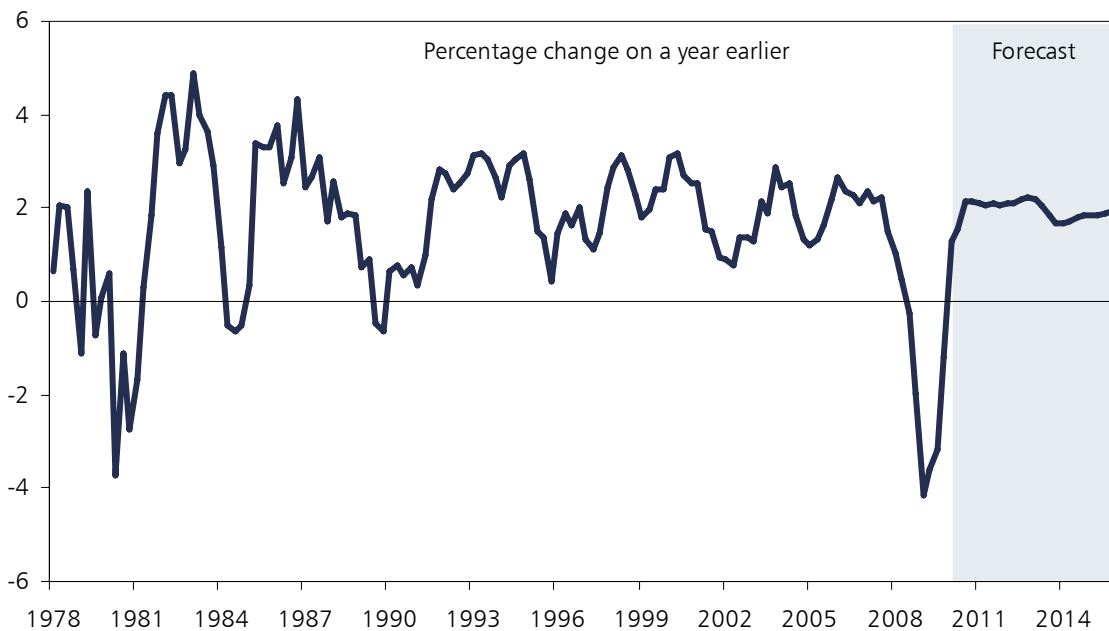
<sup>1</sup> The current account balance approximately equals net lending to the rest of the world, adjusted for net capital transfers and the net acquisition of non-produced non-financial assets.

# The labour market

**Chart 1.11: Unemployment levels**



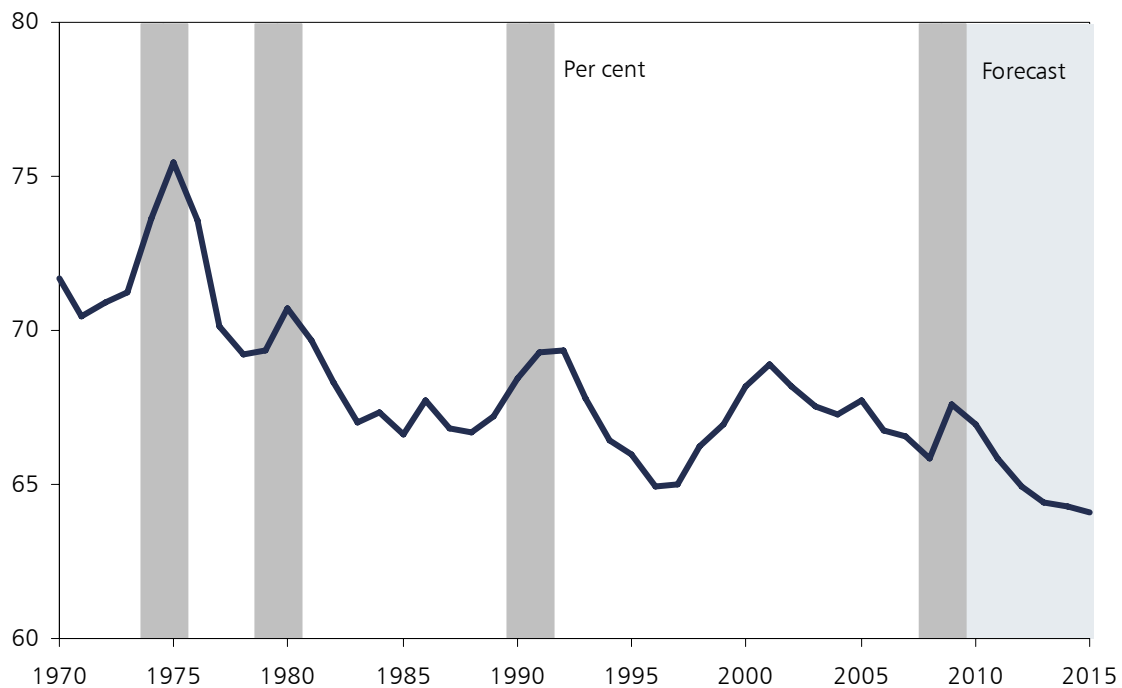
**Chart 1.12: Output per worker<sup>1</sup>**



<sup>1</sup> Estimated non-oil output (GVA) per LFS worker.



Chart 1.13: The labour share<sup>1, 2</sup>



<sup>1</sup> Total compensation of employees and mixed income as a share of nominal GVA.

<sup>2</sup> Recessions are highlighted by the dark grey bars.

## Inflation

**Table 1.7A: Consumer prices and producer output prices**

	Percentage change on a year earlier													
	2009		2010		2011		2012		2013		2014		2015	
	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q4
CPI	2.1	2.1	3.5	2.7	2.4	2.4	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Producer output prices <sup>1</sup>	-0.5	2.0	6.7	6.7	3.0	2.7	2.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0

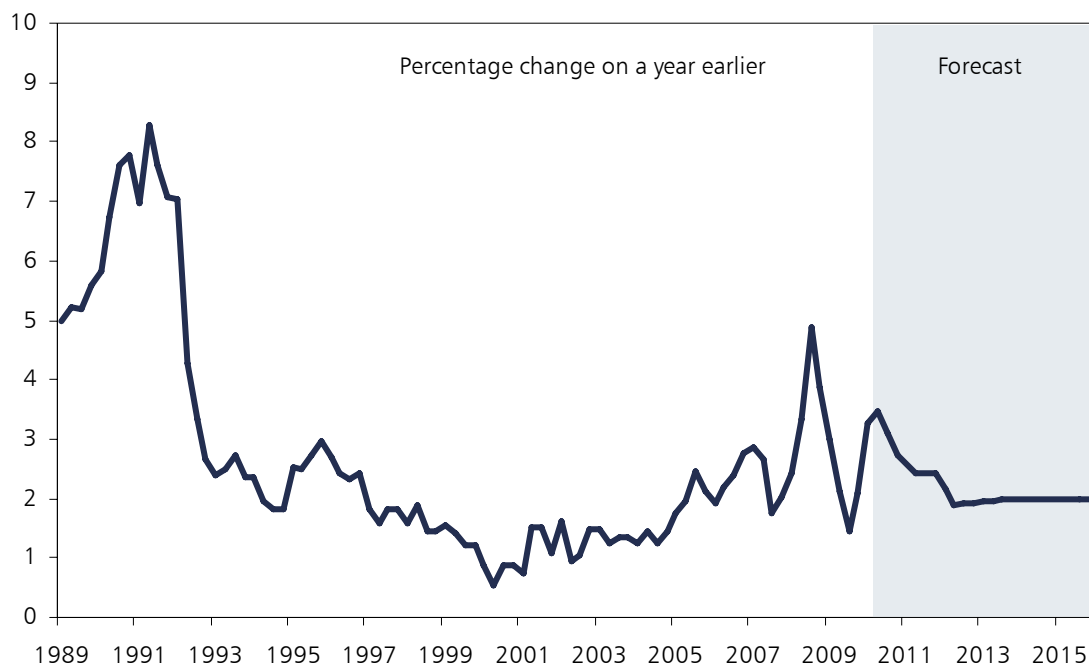
<sup>1</sup> Excludes excise duties.

**Table 1.7B: Consumers' expenditure deflator**

	Percentage change on a year earlier, unless otherwise stated								
	2009		2010	2011	2012	2013	2014	2015	
	Level								
CED <sup>1</sup>	111.9	2.1	3.5	2.9	2.6	2.7	2.7	2.7	

<sup>1</sup> Consumers' expenditure deflator, Q4.

**Chart 1.14: CPI<sup>1</sup>**



<sup>1</sup> Outturns until 2010Q1; forecasts for every second quarter from 2010Q2 to 2015Q4.

## Comparison with the March Budget and June pre-Budget forecasts

Table 1.8: Comparison with the March Budget and June pre-Budget forecasts

		Percentage change on a year earlier, unless otherwise stated		
		March 2010	June 2010	June 2010
		Budget	pre-Budget	Budget
Gross domestic product	2010	1 to 1½	1.3	1.2
	2011	3 to 3½	2.6	2.3
	2012	3¼ to 3¾	2.8	2.8
	2013		2.8	2.9
	2014		2.6	2.7
CPI inflation (per cent, Q4)	2010	2	2.3	2.7
	2011	1½	1.6	2.4
	2012	2	2.0	1.9
	2013		2.0	2.0
	2014		2.0	2.0
Current account (£ billion)	2010	-35	-25	-25
	2011	-36	-30	-28
	2012	-30	-25	-22
	2013		-20	-15
	2014		-15	-9

## Comparison with independent forecasts

Table 1.9: June Budget 2010 and independent forecasts<sup>1</sup>

	Percentage change on a year earlier, unless otherwise stated					
	2010			2011		
	June Budget	Independent		June Budget	Independent	
		Average	Range		Average	Range
GDP growth	1.2	1.2	0.9 to 2.2	2.3	2.2	1.2 to 3.2
CPI (Q4)	2.7	2.6	1.5 to 3.5	2.4	1.8	0.3 to 3.3
Current account (£ billion)	-25	-19.8	-42.3 to 8.1	-28	-18.7	-62.9 to 17.8
Claimant count (Q4, millions)	1.5	1.67	1.45 to 2.00	1.5	1.68	1.43 to 2.30

<sup>1</sup> Forecasts for the UK economy: A comparison of independent forecasts, June 2010.

## Summary tables

**Table 1.10: Detailed summary of central forecast<sup>1</sup>**

	Percentage change on a year earlier, unless otherwise stated						
	2009	Forecast					
		2010	2011	2012	2013	2014	2015
<b>World economy</b>							
World GDP at purchasing power parity	-0.8	4.0	4.2	4.5	4.5	4.6	4.6
Euro Area GDP	-4.0	0.7	1.4	1.7	1.9	2.3	2.4
World trade in goods and services	-11.0	6.1	6.2	7.2	7.3	7.3	7.4
UK export markets <sup>2</sup>	-11.5	4.1	4.7	6.4	6.6	6.5	6.4
<b>UK economy</b>							
Gross domestic product (GDP)	-4.9	1.2	2.3	2.8	2.9	2.7	2.7
<b>Expenditure components of GDP</b>							
Domestic demand	-5.3	1.6	1.4	1.9	2.2	2.2	2.3
Household consumption <sup>3</sup>	-3.2	0.2	1.3	1.7	2.1	2.2	2.2
General government consumption	2.2	1.7	-1.1	-2.0	-2.3	-3.0	-2.1
Fixed investment	-14.9	-0.5	3.9	7.9	8.8	8.0	6.9
Business	-19.3	1.4	8.1	10.0	10.9	9.5	8.2
General government	15.7	-4.9	-19.0	-8.5	-6.6	0.6	2.0
Private dwellings	-19.7	-6.5	5.6	8.2	8.5	7.1	6.6
Change in inventories <sup>4</sup>	-1.2	1.2	0.4	0.0	0.0	0.0	0.0
Exports of goods and services <sup>5</sup>	-10.6	4.3	5.5	6.3	6.1	5.9	5.7
Imports of goods and services <sup>5</sup>	-11.9	5.6	2.1	2.7	3.6	4.0	4.2
<b>Balance of payments current account</b>							
£ billion	-18	-25	-28	-22	-15	-9	-2
Per cent of GDP	-1.3	-1.7	-1.8	-1.4	-0.9	-0.5	-0.1
<b>Inflation</b>							
CPI (Q4)	2.1	2.7	2.4	1.9	2.0	2.0	2.0
RPI (Q4)	0.6	3.7	3.2	3.2	3.3	3.4	3.5
Terms of trade <sup>6</sup>	-0.8	-0.9	-2.4	-1.0	-0.1	0.0	0.0
GDP deflator at market prices	1.3	3.2	2.1	2.1	2.6	2.7	2.7
<b>Labour market</b>							
Employment (millions)	29.0	28.8	28.9	29.2	29.5	29.8	30.1
Wages and salaries	-1.0	1.2	2.3	3.1	4.9	5.4	5.4
Average earnings <sup>7</sup>	1.0	2.1	1.9	2.3	3.8	4.4	4.4
ILO unemployment (% rate)	7.6	8.1	8.0	7.6	7.0	6.5	6.1
Claimant count (Q4, millions)	1.6	1.5	1.5	1.4	1.3	1.2	1.1
<b>Household sector</b>							
Real household disposable income	3.2	0.2	1.2	1.3	1.5	1.7	1.8
Saving ratio (level, per cent)	7.0	6.9	6.8	6.4	6.0	5.6	5.4
House prices	-7.8	5.9	1.6	3.9	4.5	4.5	4.5
<b>Nominal indicators</b>							
GDP	-3.6	4.4	4.4	5.0	5.6	5.4	5.5
Non-oil PNFC profits <sup>8</sup>	-5.1	1.5	9.0	10.1	9.3	7.6	8.7

<sup>1</sup> All growth rates in this table are rounded to the nearest 1 decimal place. This is not intended to convey a degree of unwarranted accuracy.

<sup>2</sup> Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

<sup>3</sup> Includes households and non-profit institutions serving households.

<sup>4</sup> Contribution to GDP growth, percentage points.

<sup>5</sup> Trade levels are distorted by MTIC fraud.

<sup>6</sup> Ratio of export to import prices.

<sup>7</sup> Wages and salaries divided by employees.

<sup>8</sup> Private non-oil non-financial corporations' gross trading profits.

**Table 1.11: Gross domestic product and its components**

£ billion chained volume measures at market prices, seasonally adjusted										
	Household consumption <sup>1</sup>	General government consumption	Fixed investment	Change in inventories	Domestic demand <sup>2</sup>	Exports of goods and services	Total final expenditure	Less imports of goods and services	Plus statistical discrepancy <sup>3</sup>	GDP at market prices
<b>2009</b>	825.5	288.8	197.6	-15.2	1297.9	323.3	1621.2	353.4	-3.2	1264.6
<b>2010</b>	827.5	293.9	196.7	-0.1	1318.2	337.2	1655.4	373.2	-3.0	1279.3
<b>2011</b>	837.8	290.5	204.4	4.5	1337.2	355.8	1693.0	380.8	-3.0	1309.2
<b>2012</b>	852.1	284.8	220.5	4.8	1362.3	378.1	1740.4	391.1	-3.0	1346.3
<b>2013</b>	869.9	278.2	239.8	4.9	1392.8	401.3	1794.1	405.4	-3.0	1385.7
<b>2014</b>	888.9	269.8	259.1	5.0	1422.9	424.8	1847.7	421.4	-3.0	1423.3
<b>2015</b>	908.7	264.1	277.0	5.1	1455.0	448.9	1903.9	438.9	-3.0	1462.0
Percentage change on a year earlier <sup>4</sup>										
<b>2009</b>	-3.2	2.2	-14.9	-1.2	-5.3	-10.6	-6.4	-11.9	-0.2	-4.9
<b>2010</b>	0.2	1.7	-0.5	1.2	1.6	4.3	2.1	5.6	0.0	1.2
<b>2011</b>	1.3	-1.1	3.9	0.4	1.4	5.5	2.3	2.1	0.0	2.3
<b>2012</b>	1.7	-2.0	7.9	0.0	1.9	6.3	2.8	2.7	0.0	2.8
<b>2013</b>	2.1	-2.3	8.8	0.0	2.2	6.1	3.1	3.6	0.0	2.9
<b>2014</b>	2.2	-3.0	8.0	0.0	2.2	5.9	3.0	4.0	0.0	2.7
<b>2015</b>	2.2	-2.1	6.9	0.0	2.3	5.7	3.0	4.2	0.0	2.7

<sup>1</sup> Includes households and non-profit institutions serving households.

<sup>2</sup> Also includes acquisitions less disposals of valuables.

<sup>3</sup> Expenditure adjustment.

<sup>4</sup> For change in inventories and the statistical discrepancy, changes are expressed as a per cent of GDP.

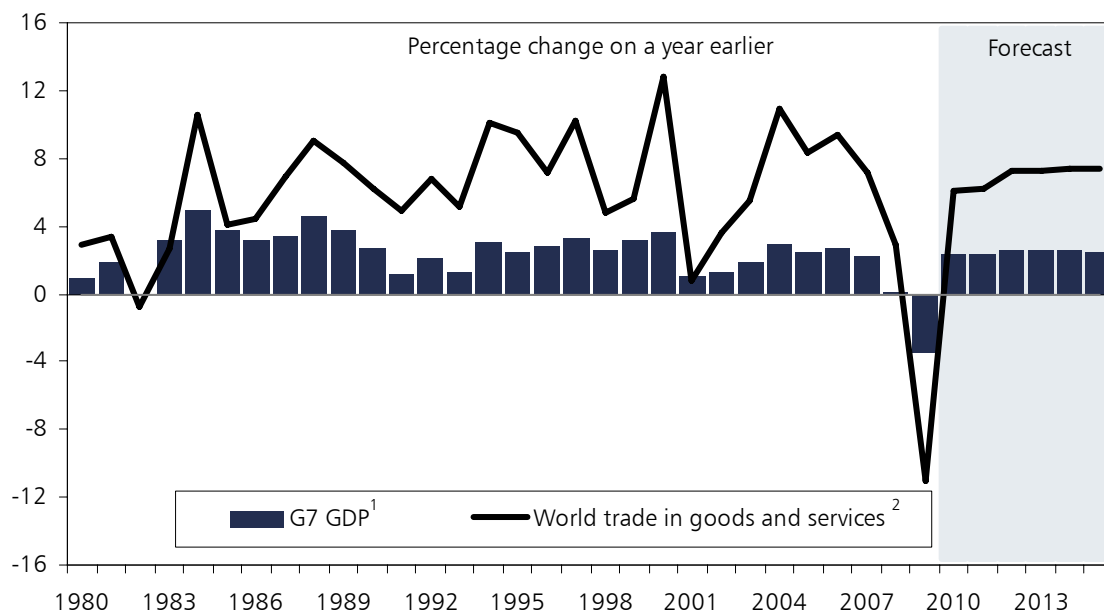
# The world economy

**Table 1.12: The world economy**

	Percentage change on a year earlier, unless otherwise stated						
	2009	Forecast					2015
		2010	2011	2012	2013	2014	
World GDP at purchasing power parity	-0.8	4.0	4.2	4.5	4.5	4.6	4.6
<i>Major 7 countries: <sup>1</sup></i>							
Real GDP	-3.5	2.3	2.3	2.6	2.6	2.5	2.5
Consumer price inflation <sup>2</sup>	0.6	1.1	1.4	2.0	2.0	1.9	2.0
Euro area GDP	-4.0	0.7	1.4	1.7	1.9	2.3	2.4
World trade in goods and services	-11.0	6.1	6.2	7.2	7.3	7.3	7.4
UK export markets <sup>3</sup>	-11.5	4.1	4.7	6.4	6.6	6.5	6.4

<sup>1</sup> G7: US, Japan, Germany, UK, France, Italy and Canada.  
<sup>2</sup> Per cent, Q4.  
<sup>3</sup> Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

**Chart 1.15: G7 GDP and world trade**



<sup>1</sup> Real GDP (major 7 countries) at constant prices.

<sup>2</sup> HM Treasury estimates based on OECD data.

# 2

## The public finances

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The Budget published by HM Treasury on 22 June 2010 includes economic and fiscal forecasts made by the Office for Budget Responsibility (OBR) in Annex C. The present document contains additional information on the OBR fiscal forecast, in the form of further charts and tables. The charts and tables are consistent with the data in the June 2010 *Public Sector Finances Statistical Bulletin*, released jointly by the Office for National Statistics and HM Treasury on 18 June 2010.

Table 2.1 provides information on accounting adjustments, and Table 2.2 provides information on loans and sales of assets.

Table 2.3 divides the net public service pensions forecast from the Budget into gross outlays and receipts.

Tables 2.4 to 2.5ii present the public finances by sub-sector and economic category up to 2010-11. This is currently the final year for which Departmental Expenditure Limits (DEL) have been set.

Tables 2.6 to 2.9, containing information on the Private Finance Initiative and payments to the European Union, have been provided by HM Treasury and are not part of the OBR's forecast. The information in Tables 2.10 to 2.11 on reconciliation of the alternative bases for public sector net borrowing and public sector net debt has also been provided by HM Treasury. The OBR's Budget forecast is on the basis which excludes the temporary effects of the financial interventions.

## Supplementary DEL and AME analysis

Table 2.1: Accounting adjustments<sup>1</sup>

	£ billion							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Resource accounting adjustments</b>								
Other central government programmes	-0.1	0.0	0.6	1.3	1.7	2.2	2.6	3.0
VAT refunds	10.0	9.4	11.5	12.0	13.4	13.4	13.5	14.0
Central government capital consumption	6.5	6.9	7.2	7.6	7.9	8.2	8.5	8.8
Non-cash items not in TME	-12.9	-15.7	-16.3	-16.3	-16.3	-16.3	-16.3	-16.3
Expenditure financed by revenue receipts	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Resource items <sup>2</sup>	-0.2	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4
Capital budget items <sup>3</sup>	5.7	5.4	6.8	6.1	6.2	6.4	6.6	6.8
Local authorities	6.6	6.0	9.1	9.8	10.3	10.8	11.4	11.9
General government consolidation	-5.4	-5.2	-5.3	-5.9	-5.9	-6.0	-6.1	-6.3
Public corporations	0.7	0.6	0.9	0.9	0.9	0.9	0.9	0.9
Other accounting adjustments	1.0	0.1	-0.8	-0.5	-0.4	0.1	0.5	1.0
<b>Total resource accounting adjustments</b>	<b>12.6</b>	<b>7.9</b>	<b>14.1</b>	<b>15.3</b>	<b>18.1</b>	<b>20.1</b>	<b>21.8</b>	<b>24.0</b>
<b>Capital accounting adjustments</b>								
VAT refunds	2.0	1.8	2.0	1.7	1.8	1.7	1.8	1.8
Resource items <sup>2</sup>	0.2	0.1	0.3	0.3	0.3	0.3	0.3	0.4
Capital budget items <sup>3</sup>	-5.7	-5.4	-6.8	-6.1	-6.2	-6.4	-6.6	-6.8
Local authorities	-4.1	-3.6	-2.4	-2.6	-2.7	-2.8	-2.8	-2.8
Financial transactions	0.1	-0.9	-1.1	-0.7	-0.7	-0.6	-0.6	-0.7
Other accounting adjustments	-0.7	-0.9	0.1	0.2	0.2	0.2	0.2	0.3
<b>Total capital accounting adjustments</b>	<b>-8.2</b>	<b>-8.8</b>	<b>-7.9</b>	<b>-7.1</b>	<b>-7.2</b>	<b>-7.5</b>	<b>-7.7</b>	<b>-7.9</b>

<sup>1</sup> This table is the breakdown of accounting adjustments found in Table C13 of June *Budget 2010*.

<sup>2</sup> Treated as capital in the National Accounts.

<sup>3</sup> Treated as current in the National Accounts.



**Table 2.2: Loans and sales of assets**

	£ billion		
	Outturn	Estimate	Forecast
	2008-09	2009-10	2010-11
<b>Sales of fixed assets</b>			
Central government	1.0	0.8	1.5
Local authorities	1.0	1.0	1.5
Housing Revenue Account <sup>1</sup>	0.6	0.5	0.5
<b>Total sales of fixed assets</b>	<b>2.6</b>	<b>2.4</b>	<b>3.5</b>
<b>Loans and sales of financial assets</b>			
Sale of shares in British Energy	4.4	0.0	0.0
Sale of shares in QinetiQ	0.3	0.0	0.0
Sale of shares in UKAEA	0.0	0.1	0.0
Other loans and transactions in financial assets <sup>2</sup>	-5.8	-5.5	-7.0
<b>Total loans and sales of financial assets</b>	<b>-1.1</b>	<b>-5.4</b>	<b>-7.0</b>
<b>Total loans and sales of assets</b>	<b>1.5</b>	<b>-3.1</b>	<b>-3.5</b>

<sup>1</sup> Capital transactions by local authorities' Housing Revenue Accounts are no longer classified to the local authority sub-sector and so are shown separately.

<sup>2</sup> Excluding purchases of RBS and Lloyds shares.

**Table 2.3: Public sector pensions**

	£ billion							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Net public service pensions<sup>1</sup></b>	3.1	3.1	4.0	5.1	5.8	7.3	8.9	10.3
<i>of which:</i>								
Gross expenditure <sup>2</sup>	22.5	24.3	25.4	26.8	28.3	29.9	31.3	32.9
Pensions receipts <sup>3</sup>	-19.4	-21.2	-21.3	-21.6	-21.5	-21.5	-21.4	-21.6
Cap and share <sup>4</sup>					-1.0	-1.0	-1.0	-1.0

<sup>1</sup>These figures cover unfunded schemes in central government only; they exclude expenditure and receipts for locally administered public service schemes such as the Local Government Pension Scheme, and police and firefighters' schemes.

<sup>2</sup>Gross expenditure refers to pensions in payment, lump sums and transfers out.

<sup>3</sup>Pensions receipts refer to employer and employee contributions, the purchase of additional scheme pension and transfers in.

<sup>4</sup>The estimated savings from the previous Government's policy. For an explanation of this policy, see Box 6.A of the 2009 Long Term Public Finance Report.

## Analysis by sub-sector and economic category

**Table 2.4: General government transactions by economic category**

	£ billion		
	Outturn 2008-09	Estimate 2009-10	Forecast 2010-11
<b>Current receipts</b>			
Taxes on income and wealth	200.8	182.3	192.7
Taxes on production and imports	167.9	170.3	188.8
Other current taxes	33.3	33.9	34.7
Taxes on capital	2.9	2.4	2.2
Compulsory social contributions	96.6	96.9	98.7
Gross operating surplus	13.8	14.5	15.2
Rent and other current transfers	1.5	1.5	1.6
Interest and dividends from private sector and abroad	6.7	2.7	3.5
Interest and dividends from public sector	1.8	2.1	1.3
<b>Total current receipts</b>	<b>525.2</b>	<b>506.8</b>	<b>538.8</b>
<b>Current expenditure</b>			
Current expenditure on goods and services	318.0	329.1	346.8
Subsidies	8.5	9.9	9.5
Net social benefits	171.9	188.4	194.5
Net current grants abroad	-1.4	0.4	2.0
Other current grants	36.2	41.5	40.4
Interest and dividends paid	31.0	31.0	43.5
<b>Total current expenditure</b>	<b>564.2</b>	<b>600.1</b>	<b>636.6</b>
Depreciation	13.8	14.5	15.2
<b>Surplus on current budget</b>	<b>-52.7</b>	<b>-107.9</b>	<b>-113.0</b>
<b>Capital expenditure</b>			
Gross domestic fixed capital formation	33.3	37.1	35.4
Less depreciation	-13.8	-14.5	-15.2
Increase in inventories	0.0	0.0	0.0
Capital grants (net) within public sector	-9.0	8.4	0.4
Capital grants to private sector	41.5	20.3	16.6
Capital grants from private sector	-8.0	-1.2	-0.7
<b>Net investment</b>	<b>44.0</b>	<b>50.1</b>	<b>36.6</b>
<b>Net borrowing<sup>1</sup></b>	<b>96.7</b>	<b>158.0</b>	<b>149.6</b>
<i>of which:</i>			
Central government net borrowing	92.3	155.4	143.5
Local authority net borrowing	4.4	2.6	6.0
<b>Gross debt (Maastricht basis)</b>			
Central government	732.8	930.9	1086.2
Local government	67.3	71.9	76.0

<sup>1</sup>Although this is based on the ESA95 definition of general government net borrowing (GGNB), the forecast for 2010-11 are identical to GGNB calculated on a Maastricht definition.

**Table 2.5i: Public sector transactions by sub-sector and economic category**

	£ billion			
	2009-10			
	General government		Public corporations	Public sector
	Central government	Local authorities		
<b>Current receipts</b>				
Taxes on income and wealth	182.3	0.0	-0.3	182.0
Taxes on production and imports	170.1	0.3	0.0	170.3
Other current taxes	9.8	24.2	0.0	33.9
Taxes on capital	2.4	0.0	0.0	2.4
Compulsory social contributions	96.9	0.0	0.0	96.9
Gross operating surplus	6.9	7.7	15.8	30.3
Rent and other current transfers	1.5	0.0	0.0	1.5
Interest and dividends from private sector and abroad	2.6	0.1	0.9	3.5
Interest and dividends from public sector	4.2	-2.1	-2.1	0.0
<b>Total current receipts</b>	<b>476.7</b>	<b>30.1</b>	<b>14.3</b>	<b>521.0</b>
<b>Current expenditure</b>				
Current expenditure on goods and services	200.4	128.6	0.0	329.1
Subsidies	6.2	3.7	0.0	9.9
Net social benefits	167.2	21.2	0.0	188.4
Net current grants abroad	0.6	-0.2	0.0	0.4
Current grants (net) within public sector	127.5	-127.5	0.0	0.0
Other current grants	41.5	0.0	0.0	41.5
Interest and dividends paid	30.9	0.0	0.4	31.4
<b>Total current expenditure</b>	<b>574.3</b>	<b>25.8</b>	<b>0.4</b>	<b>600.6</b>
Depreciation	6.9	7.7	5.2	19.7
<b>Surplus on current budget</b>	<b>-104.5</b>	<b>-3.4</b>	<b>8.7</b>	<b>-99.3</b>
<b>Capital expenditure</b>				
Gross domestic fixed capital formation	19.3	17.8	8.6	45.7
<i>Less</i> depreciation	-6.9	-7.7	-5.2	-19.7
Increase in inventories	0.0	0.0	0.0	0.0
Capital grants (net) within public sector	21.4	-13.1	-8.4	0.0
Capital grants to private sector	17.2	3.1	0.0	20.3
Capital grants from private sector	-0.2	-1.0	-0.5	-1.7
<b>Net investment</b>	<b>50.9</b>	<b>-0.9</b>	<b>-5.5</b>	<b>44.5</b>
<b>PSNB including temporary effects of financial interventions</b>	<b>155.4</b>	<b>2.6</b>	<b>-14.2</b>	<b>143.8</b>

**Table 2.5ii: Public sector transactions by sub-sector and economic category**

	£ billion			
	2010-11			
	General government		Public corporations	Public sector
	Central government	Local authorities		
<b>Current receipts</b>				
Taxes on income and wealth	192.7	0.0	-0.3	192.4
Taxes on production and imports	188.4	0.4	0.0	188.8
Other current taxes	10.3	24.4	0.0	34.7
Taxes on capital	2.2	0.0	0.0	2.2
Compulsory social contributions	98.7	0.0	0.0	98.7
Gross operating surplus	7.2	8.0	9.6	24.7
Rent and other current transfers	1.6	0.0	0.0	1.6
Interest and dividends from private sector and abroad	3.2	0.3	1.0	4.5
Interest and dividends from public sector	3.6	-2.2	-1.3	0.0
<b>Total current receipts</b>	<b>507.9</b>	<b>30.8</b>	<b>8.9</b>	<b>547.7</b>
<b>Current expenditure</b>				
Current expenditure on goods and services	206.9	139.8	0.0	346.8
Subsidies	5.3	4.2	0.0	9.5
Net social benefits	172.4	22.1	0.0	194.5
Net current grants abroad	2.1	-0.1	0.0	2.0
Current grants (net) within public sector	135.9	-135.9	0.0	0.0
Other current grants	40.4	0.0	0.0	40.4
Interest and dividends paid	43.3	0.2	0.7	44.2
<b>Total current expenditure</b>	<b>606.2</b>	<b>30.4</b>	<b>0.7</b>	<b>637.3</b>
Depreciation	7.2	8.0	5.4	20.6
<b>Surplus on current budget</b>	<b>-105.5</b>	<b>-7.5</b>	<b>2.8</b>	<b>-110.2</b>
<b>Capital expenditure</b>				
Gross domestic fixed capital formation	17.2	18.3	8.1	43.6
<i>Less</i> depreciation	-7.2	-8.0	-5.4	-20.6
Increase in inventories	0.0	0.0	0.0	0.0
Capital grants (net) within public sector	14.1	-13.7	-0.4	0.0
Capital grants to private sector	14.0	2.6	0.0	16.6
Capital grants from private sector	-0.1	-0.6	0.0	-0.7
<b>Net investment</b>	<b>38.0</b>	<b>-1.5</b>	<b>2.3</b>	<b>38.9</b>
<b>PSNB excluding temporary effects of financial interventions</b>	<b>143.5</b>	<b>6.0</b>	<b>-0.5</b>	<b>149.1</b>

## Private Finance Initiative (HM Treasury)

**Table 2.6: Departmental estimate of capital spending by the private sector (signed deals)<sup>1, 2, 3, 4</sup>**

	£ million	
	Forecasts	
	2010-11	2011-12
Communities and Local Government	230	92
Culture, Media and Sport	51	8
Education	574	143
Environment, Food and Rural Affairs	325	166
Transport	749	838
Health	584	356
Work and Pensions	56	55
Home Office	40	0
Defence	702	542
Northern Ireland Executive	242	109
Scotland	156	44
Wales	0	0
Other Departments <sup>5</sup>	8	3
<b>Total</b>	<b>3722</b>	<b>2363</b>

<sup>1</sup> Figures based on departmental returns.

<sup>2</sup> Investment in assets scored on the public sector balance sheet also score as public sector net investment.

<sup>3</sup> PFI activity in local authority projects is included under the sponsoring government department.

<sup>4</sup> Figures do not include PFI projects undertaken by public corporations.

<sup>5</sup> Other departments include BIS, CPS, FCO, GCHQ, HMT, HMRC, MOJ and NSG.

**Table 2.7: Estimated aggregated capital value of projects reaching preferred bidder stage<sup>1, 2</sup>**

	£ million	
	Forecasts	
	2010-11	2011-12
Communities and Local Government	424	438
Education	917	450
Environment, Food and Rural Affairs	1101	1496
Health	13	1094
Transport	1649	1156
Home Office	69	188
Ministry of Justice	0	500
Northern Ireland Executive	703	0
Scottish Assembly	0	621
<b>Total</b>	<b>4876</b>	<b>5943</b>

<sup>1</sup> Figures based on departmental returns.

<sup>2</sup> These figures are the total capital value of projects; the actual annual capital spending figures will be lower, as capital spending on large projects is typically spread over several years.

**Table 2.8: Estimated payments under PFI contracts (signed deals)<sup>1, 2</sup>**

£ million			
Forecasts			
2010-11	8555	2023-24	8403
2011-12	8936	2024-25	8552
2012-13	9175	2025-26	8443
2013-14	9593	2026-27	8196
2014-15	9667	2027-28	8100
2015-16	9854	2028-29	7883
2016-17	9859	2029-30	7587
2017-18	10043	2030-31	7003
2018-19	8688	2031-32	6462
2019-20	8817	2032-33	6073
2020-21	8710	2033-34	5387
2021-22	8411	2034-35	4993
2022-23	8368	2035-36	4333

<sup>1</sup> The figures between 2010-11 and 2017-18 include estimated payments for the LUL tube lines PPP PFI contracts. These contracts contain periodic reviews every 7.5 years and therefore the service payments are not fixed after 2017-18.

<sup>2</sup> Figures based on departmental returns.

## UK contribution to the European Union (HM Treasury)

**Table 2.9: UK contribution to the European Union**

	£ billion							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Net expenditure transfers to EU institutions <sup>1</sup>	3.1	6.4	8.3	8.3	8.3	9.3	10.3	8.7
Net payments to EU institutions <sup>2</sup>	2.2	3.8	6.8	6.6	6.6	7.6	8.6	7.3
Net contribution to the EU budget <sup>3</sup>	3.0	4.7	7.7	7.6	7.6	8.6	9.5	8.2

<sup>1</sup> These net contributions are scored in current AME - see table 13 in the OBR Annex C to the Budget document

<sup>2</sup> Latest estimates for total net payments to EU institutions. These total net payments also include receipts scored in DEL, VAT based contributions which score as negative receipts and some payments which have no effect on the UK public sector in the National Accounts. They exclude the UK's contribution to the cost of EU aid to non-Member States (which is attributed to the aid programme) and other costs attributed to Departmental DELs

<sup>3</sup> The UK's net contribution to the EU budget is equal to the net payments but also includes the attributed costs outlined in note 2

## Financial interventions and Bank of England schemes – impact on fiscal aggregates (HM Treasury)

**Table 2.10: Financial interventions and Bank of England schemes – impact on PSNB**

	£ billion		
	Outturn 2008-09	Estimate 2009-10	Forecast 2010-11
<b>PSNB including temporary effects of financial interventions</b>	<b>86.5</b>	<b>143.8</b>	<b>140</b>
<b>Temporary effects excluded from PSNB ex:</b>			
Public sector banks, Special Liquidity Scheme and Asset Purchase Facility: transactions with private sector <sup>1</sup>	1.3	8.3	11
<b>Permanent effects included in PSNB ex:</b>			
Public sector banks: transactions with government <sup>2</sup>	-1.1	-5.1	-2
Equity injections into RBS and Lloyds	6.1	6.3	0
Capital injection into Northern Rock	0.0	1.4	0
Depositor compensation: Bradford & Bingley	3.3	0.0	0
<b>PSNB excluding temporary effects of financial interventions</b>	<b>96.1</b>	<b>154.7</b>	<b>149</b>
<b>Difference between PSNB inc and PSNB ex</b>	<b>9.6</b>	<b>10.9</b>	<b>9</b>
<i>of which:</i>			
Current receipts	-0.3	6.4	9
Depreciation	-0.1	0.0	0
Net investment	10.0	4.5	0

<sup>1</sup> Illustrative projections for the purposes of the public finances only. Do not represent the Government's view on the future profits of public sector banks or the net interest income of the Asset Purchase Facility.

<sup>2</sup> This includes fees that are expected for 2010-11.

**Table 2.11: Financial interventions and Bank of England schemes – impact on PSND**

	£ billion		
	Outturn 2008-09	Estimate 2009-10	Forecast 2010-11
<b>PSND including temporary effects of financial interventions</b>	<b>742.2</b>	<b>889.5</b>	<b>1043</b>
<b>Temporary effects excluded from PSND ex:</b>			
Public sector banks: Bank balance sheets <sup>1</sup>	-122.3	-105.1	-104
Depositor compensation: Icelandic banks & Dunfermline Building Society	-9.0	-8.1	-8
Special Liquidity Scheme and Asset Purchase Facility	-2.2	-14.9	-8
<b>Permanent effects included in PSND ex:</b>			
Public sector banks: transactions with government <sup>2</sup>	-0.7	-6.3	-8
Equity injections into RBS and Lloyds	6.1	12.4	12
Capital injection into Northern Rock	0.0	1.4	1
Depositor compensation: Bradford & Bingley	2.7	2.7	3
<b>PSND excluding temporary effects of financial interventions</b>	<b>616.9</b>	<b>771.5</b>	<b>932</b>

<sup>1</sup> Includes receipts from take up by private sector of share issues.

<sup>2</sup> This includes fees that are expected for 2010-11.









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