Office for National Statistics

Statistical bulletin

Public sector finances, UK: March 2018

How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

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Table of contents

1 . Main points

- This bulletin presents the first provisional estimates of UK public sector finances for the complete financial year ending March 2018 (April 2017 to March 2018); these are not final figures and will be revised over the coming months as we replace our initial estimates with provisional and then final outturn data.

- Public sector net borrowing (excluding public sector banks) decreased by £3.5 billion to £42.6 billion in the latest financial year (April 2017 to March 2018), compared with the previous financial year; this is the lowest net borrowing since the financial year ending March 2007.

- The Office for Budget Responsibility (OBR) forecast that public sector net borrowing (excluding public sector banks) for the latest financial year (April 2017 to March 2018) would be £45.2 billion, that is, £2.6 billion more than the provisional estimate of £42.6 billion.

- Public sector net borrowing (excluding public sector banks) decreased by £0.8 billion to £1.3 billion in March 2018, compared with March 2017; this is the lowest March net borrowing since 2004.

- Public sector net debt (excluding public sector banks) was £1,798.0 billion at the end of March 2018, equivalent to 86.3% of gross domestic product (GDP), an increase of £71.2 billion (or 1.0 percentage point as a ratio of GDP) on March 2017.

- Public sector net debt (excluding both public sector banks and Bank of England) was £1,590.1 billion at the end of March 2018, equivalent to 76.3% of GDP, a decrease of £17.9 billion (or 3.2 percentage points as a ratio of GDP) on March 2017.

- Central government net cash requirement decreased by £27.5 billion to £39.5 billion in the latest financial year (April 2017 to March 2018), compared with the previous financial year; this is the lowest central government net cash requirement since the financial year ending March 2008.

2 . Things you need to know about this release

Public sector net borrowing excluding public sector banks (PSNB ex) measures the gap between revenue raised (current receipts) and total spending (current expenditure plus net investment (capital spending less capital receipts)). Public sector net borrowing is often referred to by commentators as “the deficit”.

The public sector net cash requirement (PSNCR) represents the cash needed to be raised from the financial markets over a period of time to finance the government’s activities. This can be close to the deficit for the same period but there are some transactions, for example, loans to the private sector, which need to be financed but do not contribute to the deficit. It is also close but not identical to the changes in the level of net debt between two points in time.

Public sector net debt excluding public sector banks (PSND ex) represents the amount of money the public sector owes to private sector organisations including overseas institutions, largely as a result of issuing gilts and Treasury Bills, less the amount of cash and other short-term assets it holds.

While borrowing (or the deficit) represents the difference between total spending and receipts over a period of time, debt represents the total amount of money owed at a point in time.

The debt has been built up by successive government administrations over many years. When the government borrows (that is, runs a deficit), this normally adds to the debt total. So reducing the deficit is not the same as reducing the debt.

If you’d like to know more about the relationship between debt and deficit, please refer to our article The debt and deficit of the UK public sector explained.

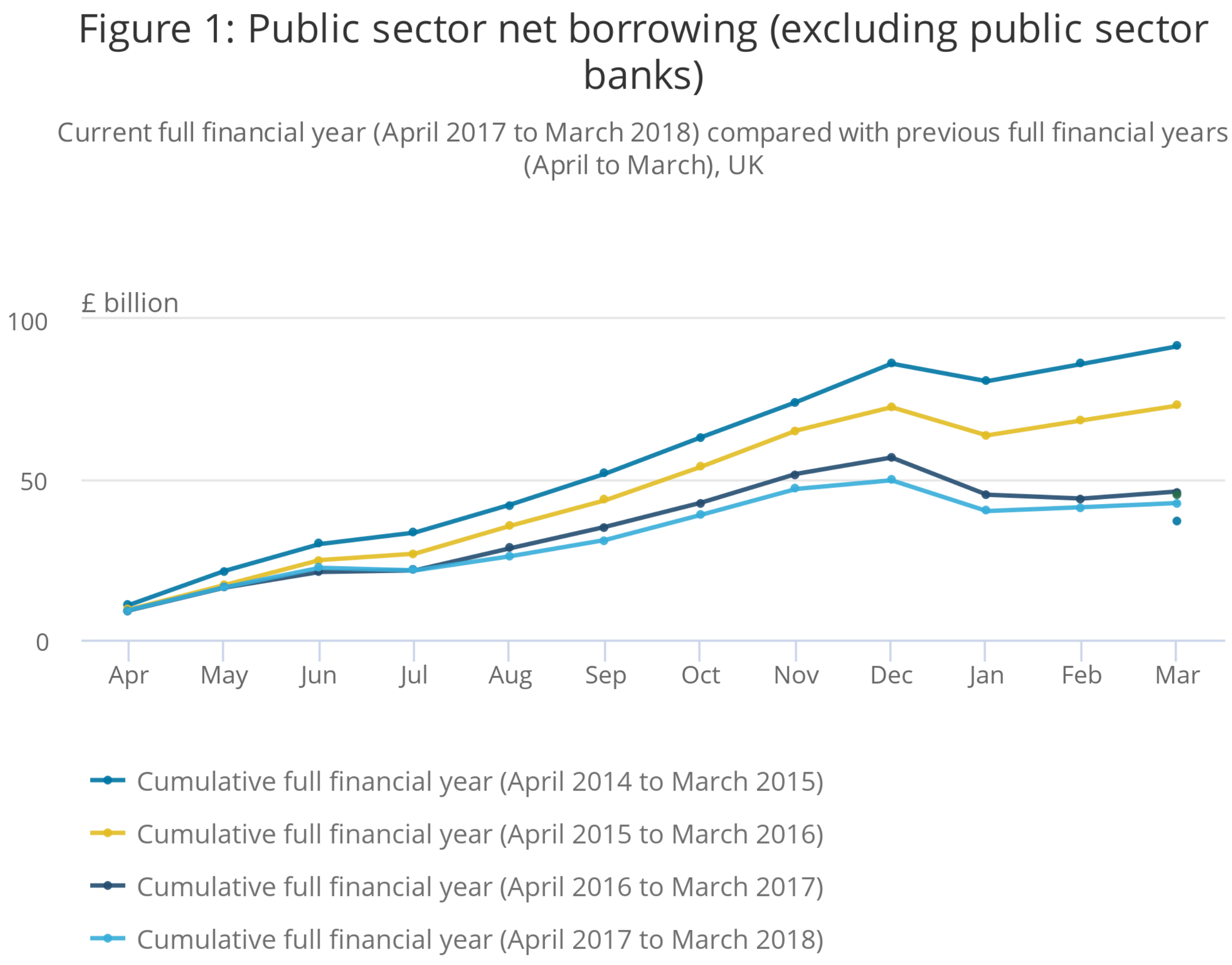
3 . In summary

Public sector net borrowing (excluding public sector banks) over the last 12 months was £42.6 billion; that is, £3.5 billion less than in the previous financial year (April 2016 to March 2017) and £2.6 billion less than official expectations.

Over the next 12 months the Office for Budget Responsibility, who produce the official government forecasts, expect the public sector to borrow £37.1 billion; around one-quarter of what it borrowed between March 2009 and April 2010, at the peak of the financial crisis.

Figure 1: Public sector net borrowing (excluding public sector banks)

Current full financial year (April 2017 to March 2018) compared with previous full financial years (April to March), UK



Source: Office for National Statistics

Notes:

1. OBR forecast for public sector net borrowing excluding public sector banks from March 2018 Economic and Fiscal Outlook (EFO).

4 . What’s changed in this release?

This section presents information on aspects of data or methodology that is important to understand when reading this bulletin.

How early estimates of the components of net borrowing are improved over time

This bulletin presents the first provisional estimates of UK public sector finances for the complete financial year ending March 2018 (April 2017 to March 2018); these are not final figures and will be revised over the coming months as we replace our initial estimates with provisional and then final outturn data.

Appendix F: Revisions to the first reported estimate of financial-year-end public sector net borrowing (excluding public sector banks) by sub-sector; summarises revisions to the first estimate of public sector borrowing (excluding public sector banks) by sub-sector for the last six financial years. Revisions are shown at 6 and 12 months after year end.

We have published an article, Public Sector Finances – Sources summary and their timing (PDF, 22.8KB) , which provides a brief summary of the different sources used and the implications of using those data in the monthly public sector finances (PSF) statistical bulletin.

Figures expressed as a ratio of gross domestic product

At the end of each financial year, while data for current budget deficit, net investment and net borrowing for the final quarter of the financial year (January to March) are available, gross domestic product (GDP) for the corresponding period is not. To enable us to publish estimates of these figures as ratios of GDP for the latest full financial year, the final quarter of the GDP denominator is estimated based on forecasts produced by the Office for Budget Responsibility (OBR).

This estimate of GDP will be used in the March, April and May publications and revised in the June publication when the published value of GDP becomes available.

Public sector net financial liabilities

When the supplementary fiscal aggregate of public sector net financial liabilities (PSNFL) was first introduced as an Experimental Statistic in November 2016, we explained that we would work to improve the quality of the underlying data.

To date, the most significant improvement has been to the estimate of the net liability of government in relation to funded public sector pension schemes, which were introduced in August 2017. Our programme of work includes improving holdings of other public sector assets and liabilities; recently further progress has been made in improving loan assets and equity holdings. We will be introducing these over the course of the year, with initial improvements being made in the March 2018 bulletin (published 24 April 2018).

As a result of these improvements, public sector net financial liabilities excluding public sector banks (PSNLF ex) is no longer an Experimental Statistic. To further reflect these improvements we have migrated our presentation of PSNLF to our main table presentation in Public sector finances Tables 1 to 10: Appendix A .

5 . How much is the public sector borrowing?

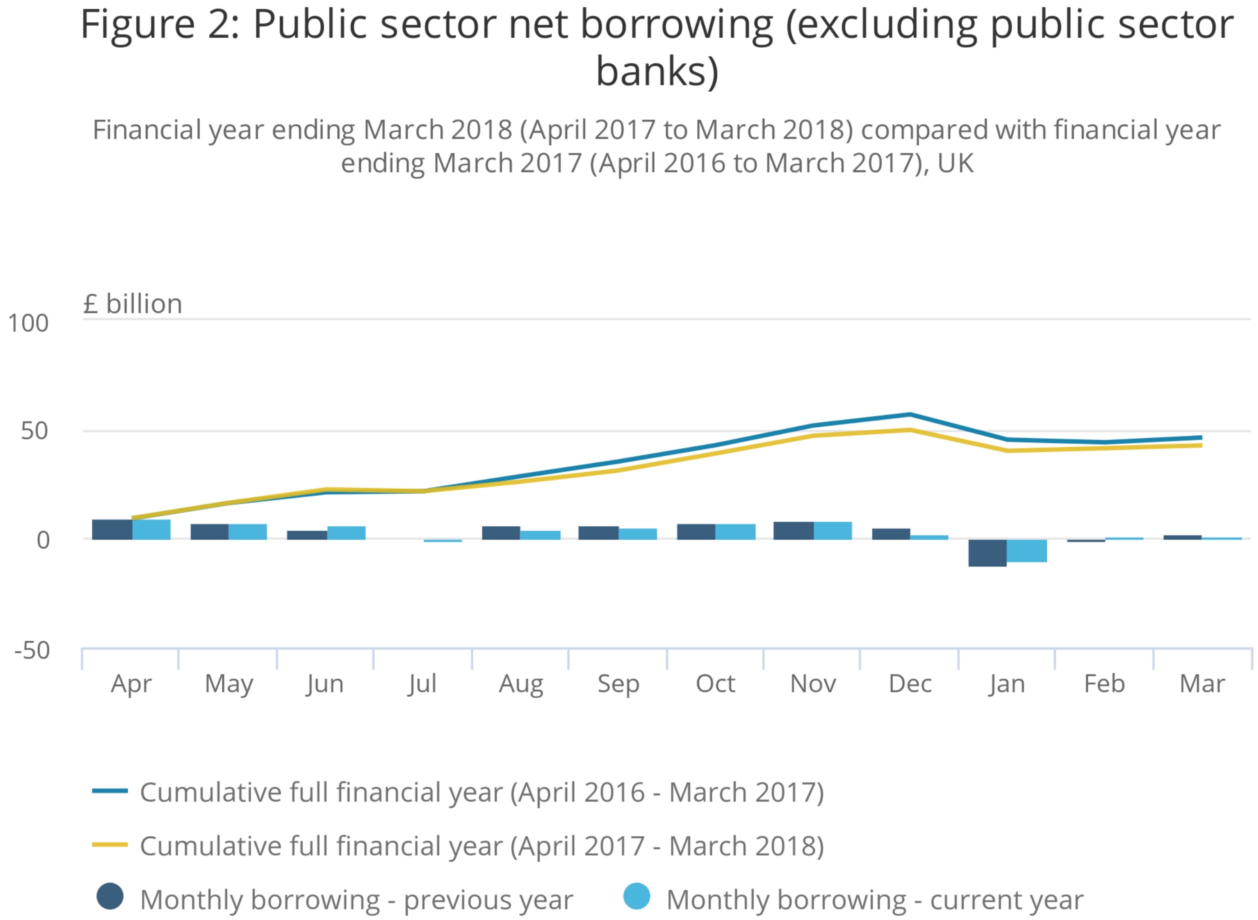
In the latest financial year (April 2017 to March 2018), the public sector spent more money than it received in taxes and other income. This meant it had to borrow £42.6 billion; that is, £3.5 billion less than in the previous financial year.

Of this £42.6 billion of public sector net borrowing excluding public sector banks (PSNB ex), £42.7 billion related to capital spending (or net investment) such as infrastructure, while the cost of the "day-to-day" activities of the public sector (the current budget deficit) was in surplus by £0.1 billion. This current budget deficit surplus is the first annual surplus since the financial year ending March 2002. However, it must be remembered that this is a provisional estimate and compares with an Office for Budget Responsibility (OBR) forecast of £1.6 billion deficit for the same period.

Figure 2 presents both monthly and cumulative public sector net borrowing (excluding public sector banks) in the latest financial year and compares these with the previous financial year.

Figure 2: Public sector net borrowing (excluding public sector banks)

Financial year ending March 2018 (April 2017 to March 2018) compared with financial year ending March 2017 (April 2016 to March 2017), UK



Source: Office for National Statistics

The difference between central government's income and spending makes the largest contribution to the amount borrowed by the public sector. In the latest financial year, of the £42.6 billion borrowed by the public sector, £37.5 billion was borrowed by central government.

In the latest financial year, central government received £701.1 billion in income, including £527.2 billion in taxes. This was around 3% more than in the previous financial year.

Over the same period, central government spent £720.5 billion, around 3% more than in the previous financial year. Of this amount, just below two-thirds was spent by central government departments (such as health, education and defence), around one-third on social benefits (such as pensions, unemployment payments, Child Benefit and Maternity Pay), with the remaining being spent on capital investment and interest on government's outstanding debt.

Appendix D to this release contains a detailed breakdown of public sector current receipts.

Figure 3 summarises public sector borrowing by sub-sector in the latest financial year (April 2017 to March 2018) and compares these with the previous financial year.

This presentation splits PSNB ex into each of its four sub-sectors: central government, local government, public corporations and Bank of England.

A further breakdown (receipts, expenditure (both current and capital) and depreciation) is provided for central government, local government and public corporations, with central government current receipts and current expenditure being presented in further detail.

Figure 3: Contributions to public sector net borrowing (excluding public sector banks) by sub-sector

Current full financial year (April 2017 to March 2018), UK

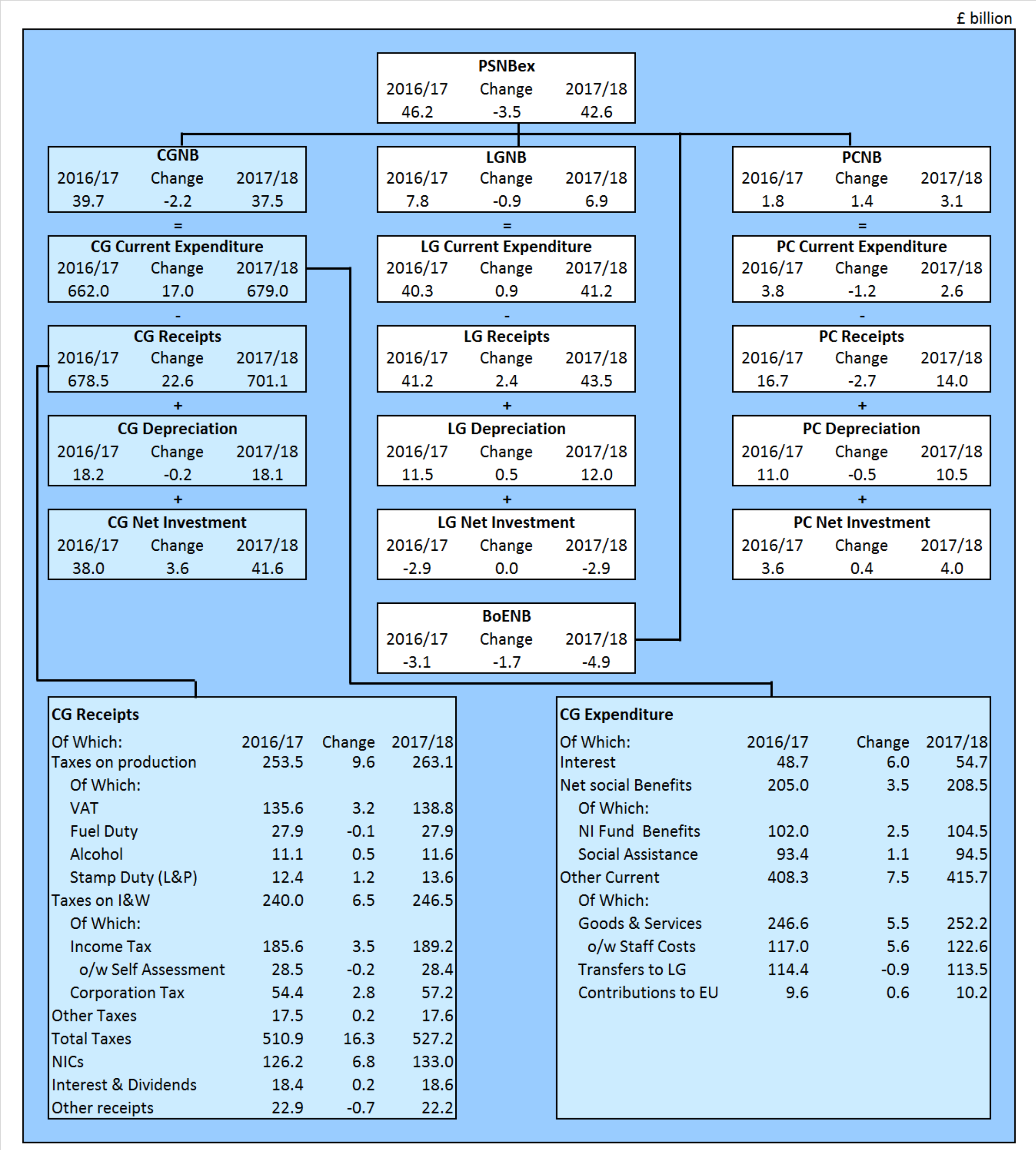
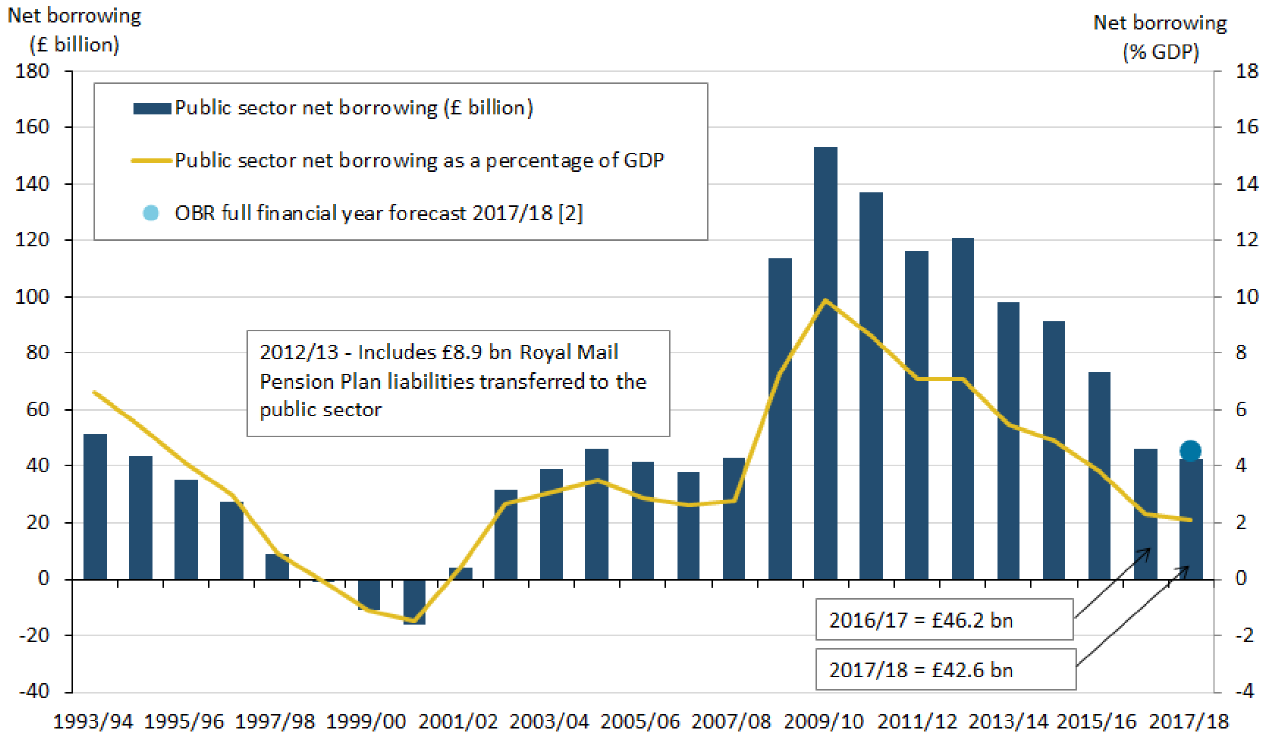


Figure 4 illustrates that annual borrowing has generally been falling since the peak in the financial year ending March 2010 (April 2009 to March 2010).

The £42.6 billion (or 2.1% of gross domestic product (GDP)) borrowed by the public sector was around one-third of public sector net borrowing (excluding public sector banks) in the financial year ending March 2010, when borrowing was £153.0 billion (or 9.9% of GDP).

Figure 4: Public sector net borrowing (excluding public sector banks)

April 1993 to March 2018, UK



Since the first estimate of public sector net borrowing (excluding public sector banks) for the financial year ending March 2017 (April 2016 to March 2017) was published on 25 April 2017, the estimate has been revised downward by £5.8 billion, from £52.0 billion to £46.2 billion. However, these are not final figures and may be revised further over the coming months as we replace our provisional estimates with final outturn data.

Currently, for the financial year ending March 2017:

- central government net borrowing comprises largely audited account data
- local government data are mainly based on final outturn figures published by the Ministry of Housing, Communities and Local Government (MHCLG) and the devolved administrations
- public corporations' net borrowing is based on provisional returns from HM Treasury Whole of Government Accounts for the financial year ending March 2017, final outturn figures published by the MHCLG, published accounts for individual public corporations and OBR forecasts

The data for the latest month of every release contain some forecast data. The initial outturn estimates for the early months of the financial year, particularly April, contain more forecast data than other months, as profiles of tax receipts, along with departmental and local government spending are still provisional. This means that the data for these months are typically more prone to revision than other months and can be subject to sizeable revisions in later months.

Appendix F shows revisions to the first reported estimate of financial-year-end public sector net borrowing (excluding public sector banks) by sub-sector. It summarises revisions to the first estimate of public sector net borrowing (excluding public sector banks) by sub-sector for the last six financial years. Revisions are shown at 6 and 12 months after year-end.

We have published an article, Public Sector Finances – Sources summary and their timing (PDF, 23KB), which provides a brief summary of the different sources used and the implications of using those data in the monthly public sector finances (PSF) statistical bulletin.

Focusing on the latest month

In March 2018, the public sector spent more money than it received in taxes and other income. This meant it had to borrow £1.3 billion; that is, £0.8 billion less than in March 2017.

The amount central government spends on interest on its outstanding debt is typically low in March compared with the rest of the year. This phenomena is largely due to the movements in the Retail Prices Index (RPI) over the Christmas period influencing the yield of index-linked gilts. In March 2017, central government paid £324 billion interest on outstanding debt, this is the lowest monthly payment on record (records began in April 1997). See section 15 for more details.

Figure 5 summarises public sector borrowing by sub-sector in March 2018 and compares this with the equivalent measures in the same month a year earlier (March 2017).

This presentation splits public sector net borrowing excluding public sector banks (PSNB ex) into each of its four sub-sectors: central government, local government, public corporations and Bank of England.

A further breakdown (receipts, current expenditure, capital expenditure and depreciation) is provided for central government, local government and public corporations. Central government current receipts and current expenditure are presented in further detail.

Both local government and public corporations data for March 2018 are provisional estimates.

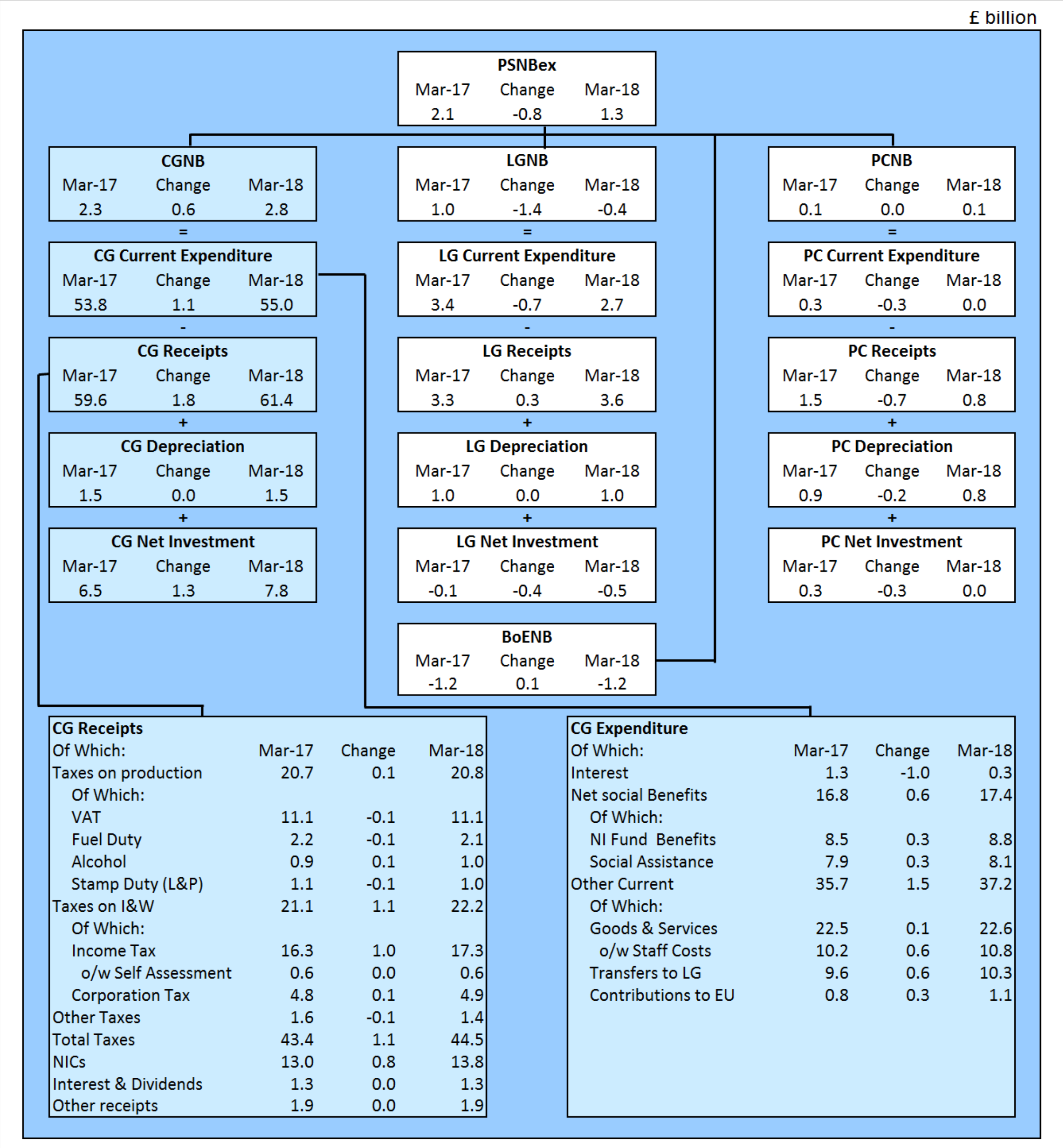
While some components of local government net borrowing are still based on Office for Budget Responsibility (OBR) forecasts, principally these have now been replaced with budget data received from MHCLG and the devolved administrations.

Components of public corporations' net borrowing remain calculated by Office for National Statistics (ONS) and are based on estimates for financial year ending March 2017 for the majority of public corporations, and a combination of quarterly survey returns and OBR forecasts for larger public corporations.

For both local government and public corporations, administrative source data are used for transfers to each of these sectors from central government.

Figure 5: Contributions to public sector net borrowing (excluding public sector banks) by sub-sector

March 2018, compared with March 2017, UK



6 . How big is public sector debt?

At the end of March 2018, the amount of money owed by the public sector to the private sector stood at around £1.8 trillion, which equates to 86.3% of the value of all the goods and services currently produced by the UK economy in a year (or gross domestic product (GDP)).

This £1.8 trillion (or £1,798.0 billion) debt at the end of March 2018 represents an increase of £71.2 billion since the end of March 2017.

The introduction of the [Term Funding Scheme] (TFS) in September 2016 led to a rise in net debt, as the loans provided under the scheme are not liquid assets and therefore do not net off in public sector net debt (against the liabilities incurred in providing the loans).

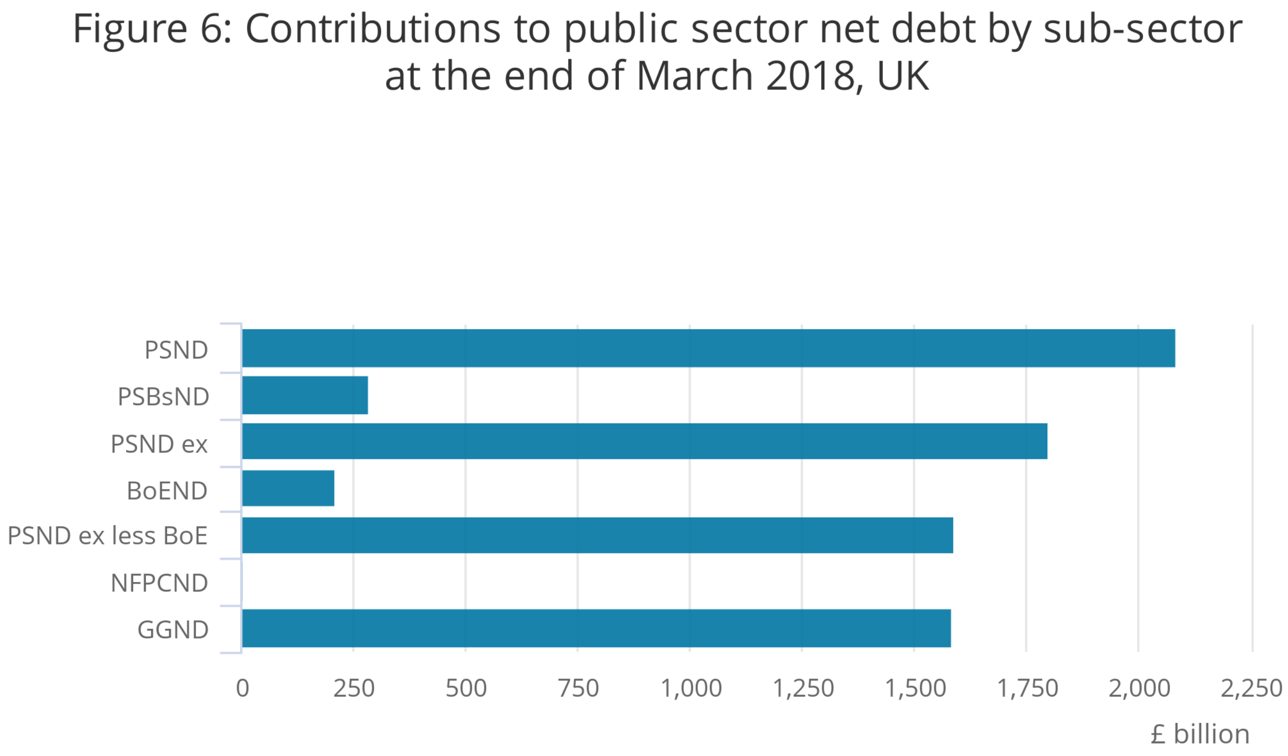
Since March 2017, the net debt associated with Bank of England (BoE) increased by £89.0 billion to £207.9 billion. Nearly all of this growth was due to the activities of the Asset Purchase Facility, which includes £73.5 billion from the TFS.

The TFS closed for drawdowns on 28 February 2018 with a loan liability of £127 billion.

If we were to exclude the activities of the BoE in the estimation of public sector net debt (excluding public sector banks), then public sector net debt (excluding both public sector banks and BoE) would reduce by £207.9 billion, from £1,798.0 billion to £1,590.1 billion, or from 86.3% of GDP to 76.3%.

Figure 6 breaks down outstanding public sector net debt at the end of March 2018 into the sub-sectors of the public sector. In addition to public sector net debt excluding public sector banks (PSND ex), this presentation includes the effect of public sector banks on debt.

Figure 6: Contributions to public sector net debt by sub-sector at the end of March 2018, UK



Source: Office for National Statistics

Notes:

1. PSND - Public sector net debt.
2. PSBsND - Public sector Banks net debt.
3. PSNDex - Public sector net debt excluding public sector banks.
4. BoEND - Bank of England's contribution to net debt.
5. PSND ex Boe - Public sector net debt excluding both public sector banks and Bank of England.
6. NFPCND - Non-financial public corporations' net debt.
7. GGND - General government net debt.

Net debt is defined as total gross financial liabilities less liquid financial assets, where liquid assets are cash and short-term assets, which can be released for cash at short notice without significant loss. These liquid assets comprise mainly of foreign exchange reserves and bank deposits.

Figure 7 presents public sector net debt excluding public sector banks (PSND ex) at the end of March 2018 by sub-sector. Time series for each of these component series are presented in Tables PSA8A to D in the [Public sector finances Tables 1 to 10: Appendix A dataset].

Figure 7: Contributions to public sector net debt (excluding public sector banks) by sub-sector at the end of March 2018, UK

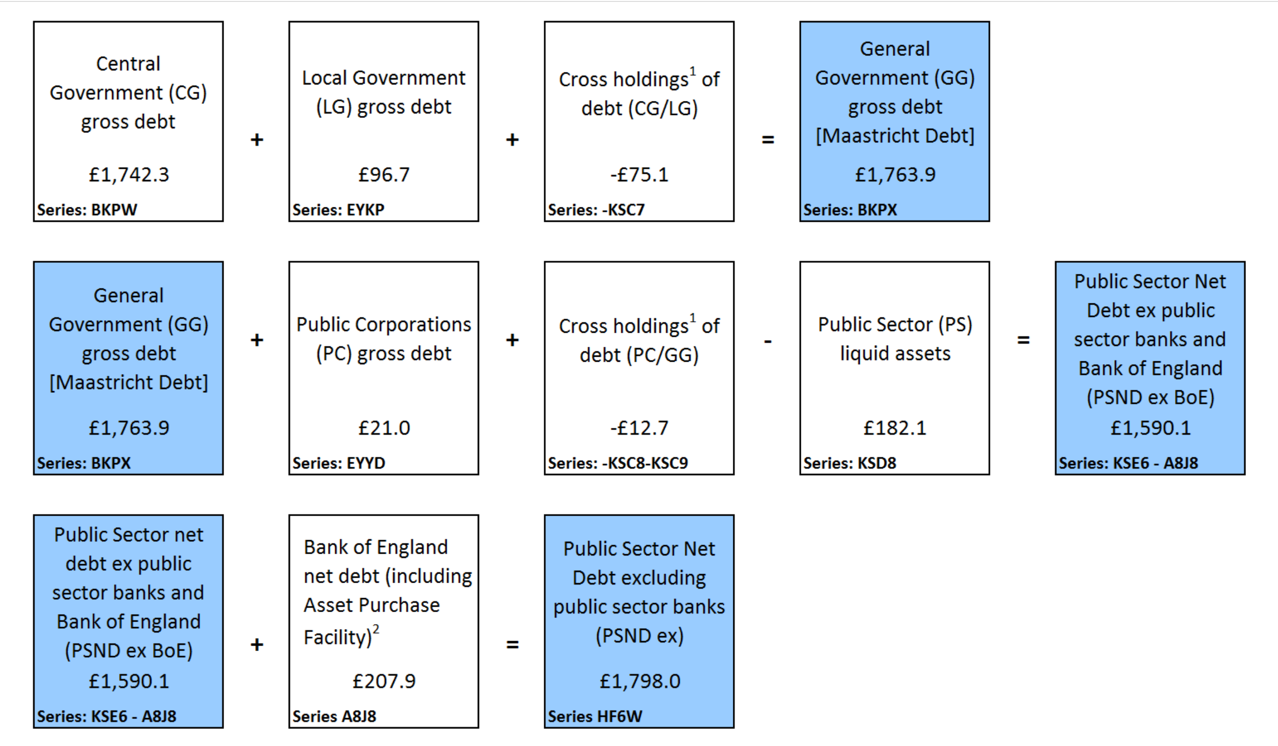
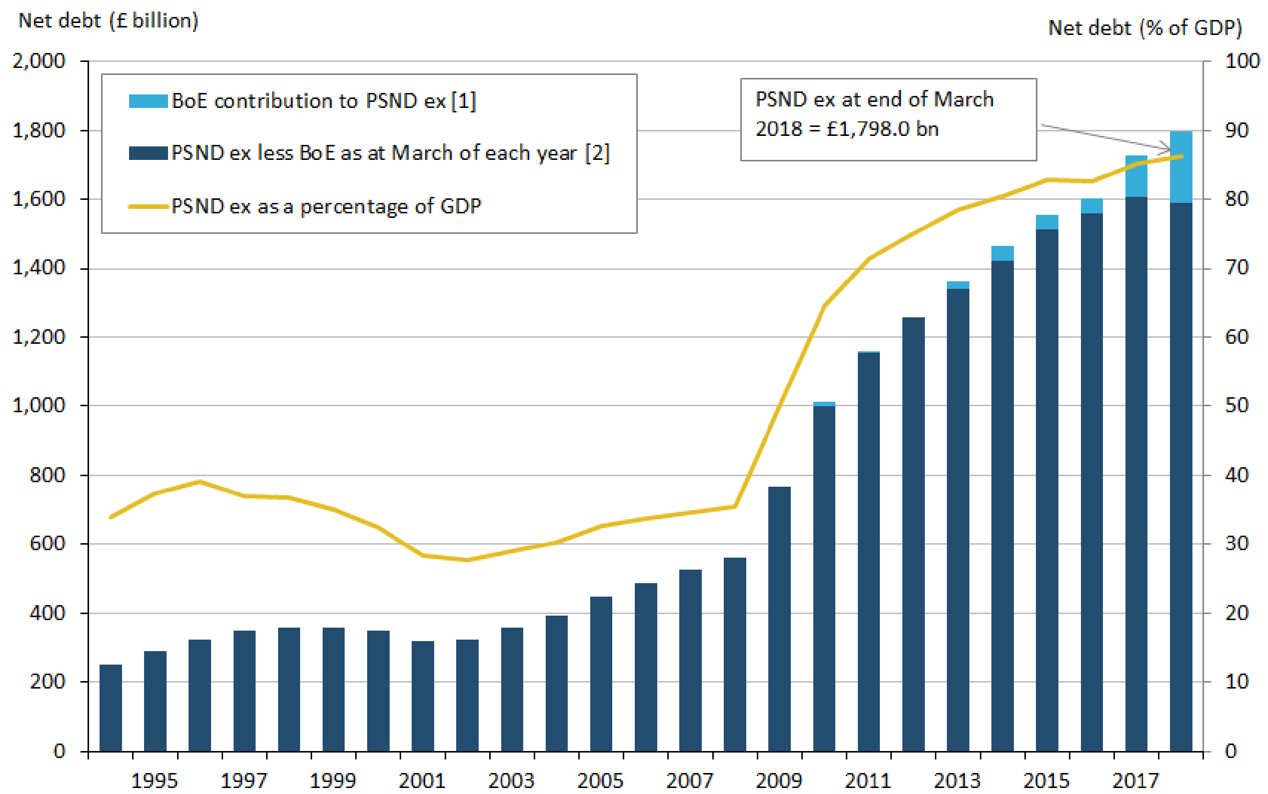


Figure 8 illustrates PSND ex from the financial year ending March 1994 to the end of March 2018, highlighting the BoE contribution to net debt; due largely to its quantitative easing measures, through the activities of the Asset Purchase Facility (including the Term Funding Scheme).

Figure 8: Public sector net debt (excluding public sector banks)

March 1994 to the end of March 2018, UK



PSND ex increased at the time of the economic downturn. Since then, it has continued to increase but at a slower rate.

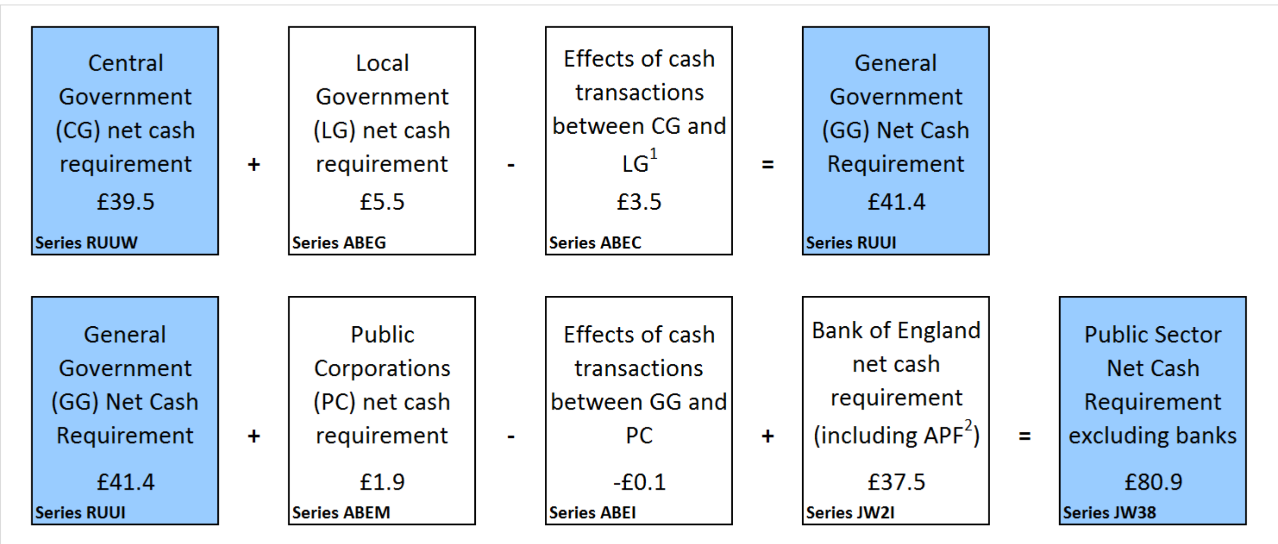
7 . How much cash does the public sector need to raise?

The net cash requirement is a measure of how much cash the public sector needs to raise from the financial markets (or pay out from its cash reserves) to finance its activities. This amount can be close to net borrowing for the same period but there are some transactions, for example, lending to the private sector or the purchase of shares, that need to be financed but do not contribute to net borrowing. Similarly, repayments of principal on loans extended by government or sales of shares will reduce the level of financing necessary but not reduce the net borrowing.

Figure 9 presents public sector cash requirement by sub-sector in the latest financial year (April 2017 to March 2018). Time series for each of these component series are presented in Table PSA7A in the [Public sector finances Tables 1 to 10: Appendix A dataset].

Figure 9: Contributions to public sector net cash requirement (excluding public sector banks) by sub-sector

Current full financial year (April 2017 to March 2018) (£ billion), UK



Central government net cash requirement (CGNCR) is a focus for some users, as it provides an indication of the volume of gilts (government bonds) the Debt Management Office may issue to meet the government's borrowing requirements.

In the latest financial year (April 2017 to March 2018), CGNCR was £39.5 billion, that is, £27.5 billion less than in the previous year. A number of one-off factors have contributed to this decrease.

The sale of central government assets

The sale of £11.8 billion of Bradford and Bingley loans to Prudential plc in April 2017, reduced CGNCR by a corresponding amount in the latest financial year.

The redemption of index-linked gilts

The redemption of any government security requires the raising of cash to pay investors:

- the redemption of a 2.5% index-linked gilt in July 2016 required £9.4 billion to repay investors
- the redemption of a 1.25% index-linked gilt in November 2017 required £4.2 billion to repay investors

While both these redemptions increased CGNCR by a corresponding amount in their respective financial year, £5.2 billion less cash was required in the latest financial year than in the corresponding period in the previous financial year.

CGNCR is quoted both including and excluding the net cash requirement of Network Rail (NR) and UK Asset Resolution Ltd (UKAR, which manages the closed mortgage books of both Bradford and Bingley, and Northern Rock Asset Management). It is the CGNCR excluding NR and UKAR that is the particular focus of users with an interest in the gilt market.

CGNCR excluding NR and UKAR decreased by £30.4 billion to £40.7 billion in the latest financial year (April 2017 to March 2018) compared with the financial year ending March 2017.

8 . How was debt in the latest financial year accumulated?

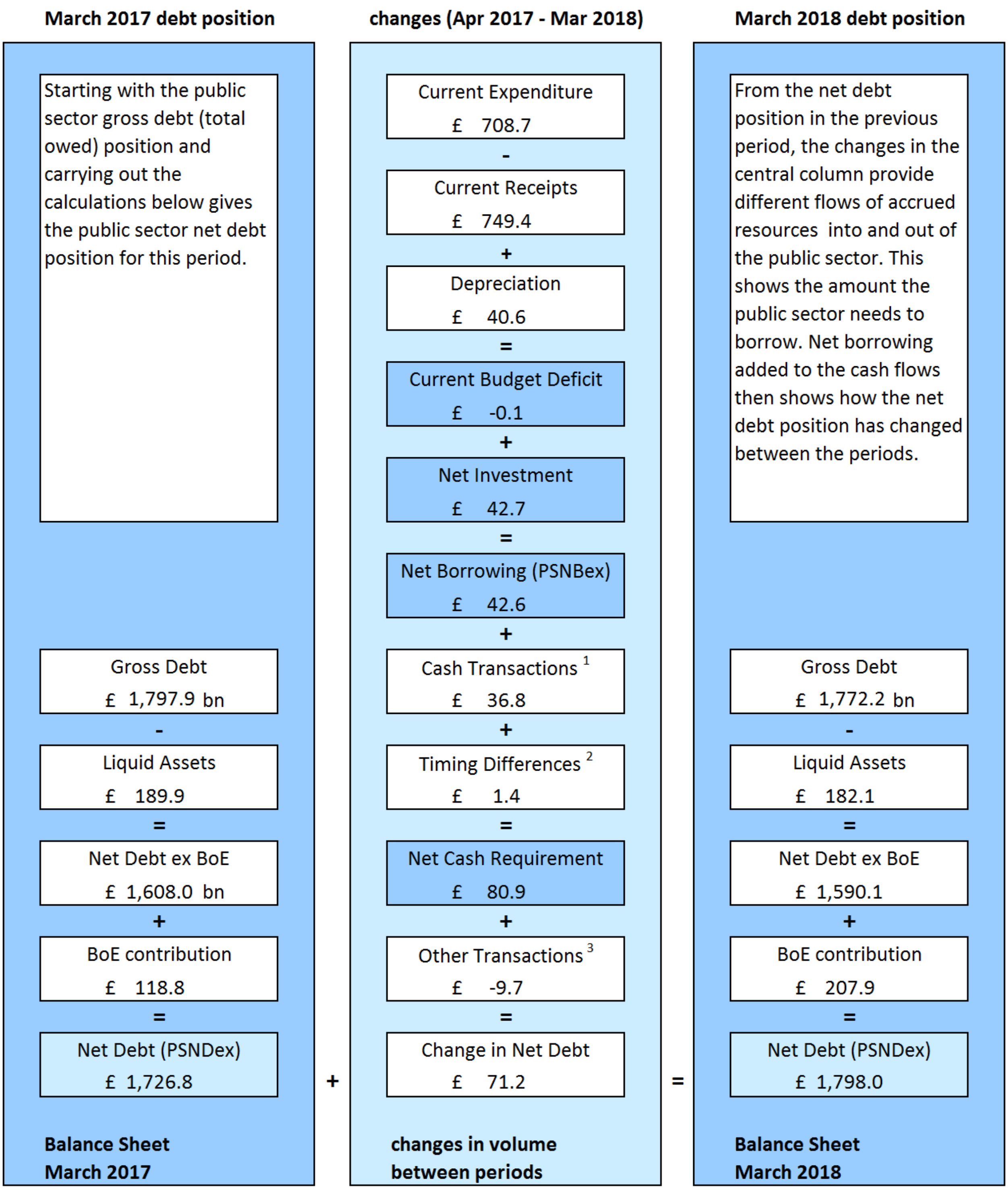
Figure 10 brings together the borrowing components detailed in Figure 3 to illustrate how the differences between income and spending (both current and capital) have led to the accumulation of debt in the latest financial year (April 2017 to March 2018).

This presentation excludes public sector banks, focusing instead on the public sector net borrowing excluding public sector banks (PSNB ex) measure.

The reconciliation between public sector net borrowing and net cash requirement is presented in more detail in Table REC1 in the Public sector finances Tables 1 to 10: Appendix A dataset.

Figure 10: Components of net debt

How the difference in expenditure and receipts affect public sector net debt (excluding public sector banks), UK



9 . How do these figures compare with official forecasts?

The Office for Budget Responsibility (OBR) normally produces forecasts of the public finances twice a year (currently in March and November). The government has adopted OBR forecasts as its official forecast.

OBR forecasts used in this bulletin are based on those published on 13 March 2018.

Public sector net borrowing (excluding public sector banks) in the last 12 month was £42.6 billion; that is, £3.5 billion less than in the previous financial year (April 2016 to March 2017) and £2.6 billion less than the £45.2 billion forecast by OBR. However, this £42.6 billion represents our first estimate and will be revised over the coming months as we replace our initial estimates with provisional and then final outturn data.

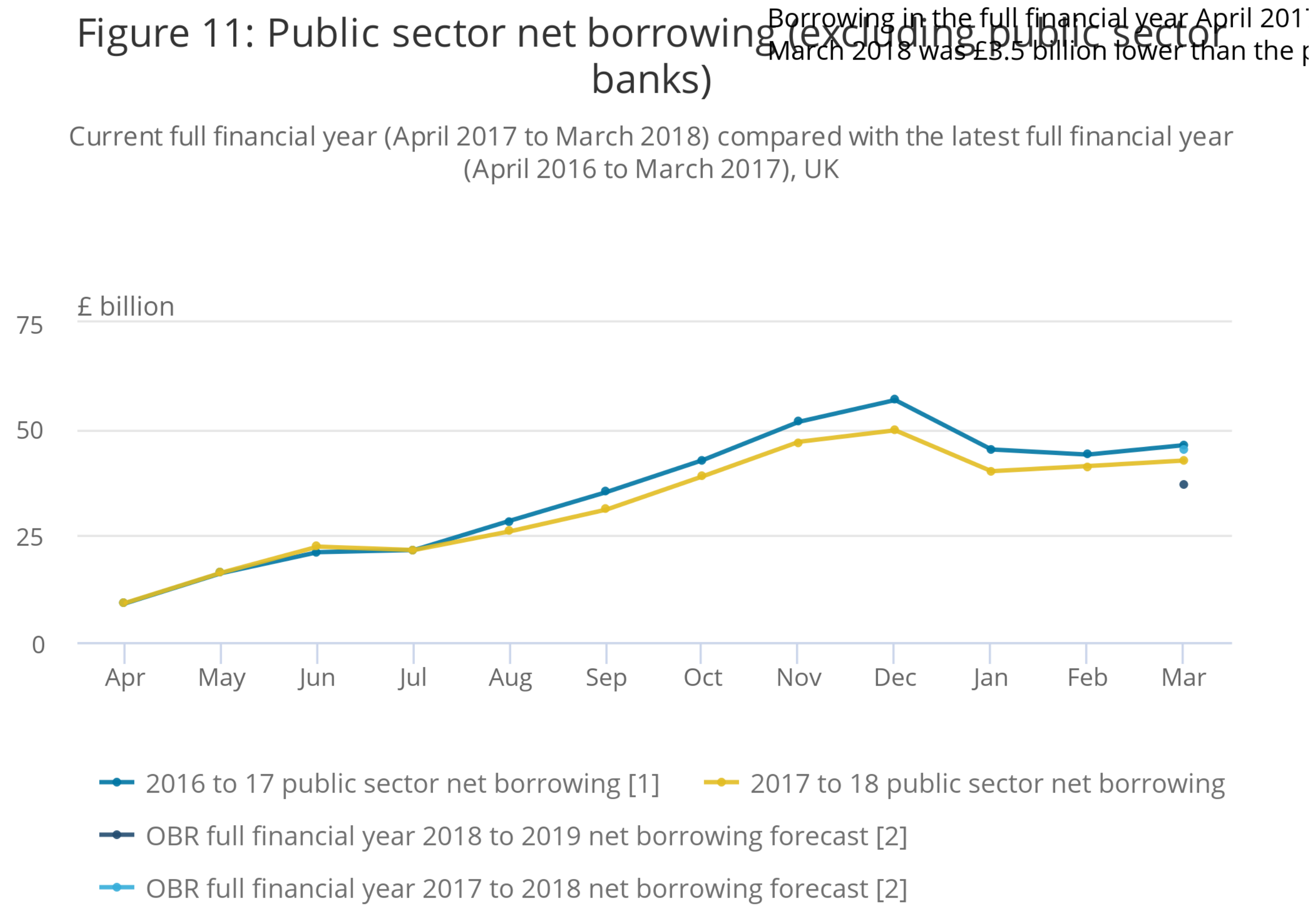
Over the next 12 months OBR expect the public sector to borrow £37.1 billion; around one-quarter of what it borrowed between March 2009 and April 2010, at the peak of the financial crisis.

Figure 11 presents the cumulative public sector net borrowing for the latest and previous full financial years. The figure also presents the OBR forecasts for the latest and coming financial year.

The monthly path of spending and receipts is not smooth within the financial year and also can vary compared with previous years, both of which can affect year-on-year comparisons.

Figure 11: Public sector net borrowing (excluding public sector banks)

Current full financial year (April 2017 to March 2018) compared with the latest full financial year (April 2016 to March 2017), UK



Source: Office for National Statistics

Notes:

1. For the financial year ending 2017 (April 2016 to March 2017). 2 OBR forecast for public sector net borrowing excluding public sector banks from March 2018 Economic and Fiscal Outlook (EFO).

Table 1 compares the current outturn estimates for each of our main public sector (excluding public sector banks) aggregates for the latest full financial year with corresponding OBR forecasts for the following financial year. Further, it compares the latest year outturn estimates with those of the previous financial year.

Caution should be taken when comparing public sector finances data with OBR figures for the full financial year, as data are not finalised until sometime after the financial year ends, with initial estimates made soon after the end of the financial year often subject to sizeable revisions in later months as forecasts are replaced with audited outturn data.

There may also be known methodological differences between OBR forecasts and outturn data.

Table 1: Latest outturn estimates compared with Office for Budget Responsibility forecasts

Forecasts in the current financial year (April 2017 to March 2018) compared with the previous full financial year (April 2016 to March 2017), UK

Excluding public sector banks — **£ billion[1] (not seasonally adjusted)**

	Full financial year			
	2017/18[7] Outturn	2017/18[7] OBR forecast[8]	2017/18[7] % change	2018/19 OBR forecast[8]
Current budget deficit[2]	-0.1	1.6	-1.7	-1.9
Net investment[3]	42.7	43.5	-0.8	39.0
Net borrowing [4]	42.6	45.2	-2.6	37.1
Net debt [5]	1,798.0	1,783.0	15.0	1,835.0
Net debt as a percentage of GDP [6]	86.3	85.6	0.7	85.5

Source: Office for National Statistics

Notes:

1. Unless otherwise stated.

2. Current budget deficit is the difference between current expenditure (including depreciation) and current receipts.

3. Net investment is gross investment (net capital formation plus net capital transfers) less depreciation.

4. Net borrowing is current budget deficit plus net investment.

5. Net debt is financial liabilities (for loans, deposits, currency and debt securities) less liquid assets.

6. GDP at current market price.

7. 2017/18 refers to financial year ending in March 2018 and 2016/17 refers to financial year ending in March 2017.

8. All OBR figures are from the OBR Economic and Fiscal Outlook published in March 2018.

9. NA means "not applicable".

10 . Revisions since previous release

Revisions can be the result of both updated data sources and methodology changes. This month, the reported revisions are as a result of updated data sources.

Table 2 presents the revisions to the headline statistics presented in this bulletin compared with those presented in the previous publication (published on 21 March 2018).

Table 2: Revisions to main aggregates

Revisions since the previous public sector finances bulletin (published 21 March 2018), UK

£ billion[1] (not seasonally adjusted)

Period	Net borrowing							
	CG[2]	LG[3]	NFPC s[4]	BoE[5]	PSNB ex[6]	PSND ex[7]	PSND % of GDP	PSNCR ex[8]
2014/15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015/16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016/17	0.2	0.0	0.0	0.0	0.2	0.0	-0.3	0.0
2017/18 ytd[10]	-0.2	0.1	0.0	0.0	-0.1	0.3	-0.2	0.2
2017 April	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.3	0.0
2017 May	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.3	0.0
2017 June	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.3	0.0
2017 July	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
2017 August	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.3	0.0
2017 September	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0
2017 October	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.2	0.0
2017 November	0.1	0.0	0.0	0.0	0.1	0.1	-0.2	0.0
2017 December	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.1
2018 January	0.5	0.0	0.0	0.0	0.4	0.2	-0.2	0.1
2018 February	-0.3	0.1	0.0	0.0	-0.1	0.3	-0.2	0.2

Source: Office for National Statistics

Notes:

1. Unless otherwise stated.

2. Central government.

3. Local government.

4. Non-financial public corporations.

5. Bank of England.

6. Public sector net borrowing excluding public sector banks.

7. Public sector net debt excluding public sector banks.

8. Public sector net cash requirement excluding public sector banks.

9. 2016/17 represents financial year ending 2017 (April 2016 to March 2017).

10. Ytd means year-to-date, April to February 2018.

Revisions to public sector net borrowing excluding public sector banks in the current financial year-to-date

Public sector net borrowing excluding public sector banks (PSNB ex) for the period April 2017 to February 2018 has been revised down by £0.1 billion compared with figures presented in the previous bulletin (published on 21 March 2018).

Figure 12 breaks down this revision to PSNB ex by each of its four sub-sectors: central government, local government, non-financial public corporations and Bank of England (BoE). A further breakdown of central government current receipts and current expenditure is provided to reflect the significance of these components' contribution to borrowing at a public sector level.

While central government net borrowing was only revised down by £0.2 billion, there are a number of larger off-setting revisions in its components.

Revisions to tax receipts are not unusual and occur to varying extents each month as (provisional) outturn data replace forecasts. Previous estimates of both Income Tax and Value Added Tax (VAT) were revised downward by £0.7 billion and £ 0.2 billion respectively. Over the same period, estimates of National Insurance contributions rose by £0.7 billion.

Revisions to public sector net borrowing excluding public sector banks in previous financial years

PSNB ex for the period April 2016 to March 2017 has been revised up by £0.2 billion compared with figures presented in the previous bulletin due to a £0.2 billion decrease in the estimate of Income Tax in that period.

Revisions to public sector net debt excluding public sector banks

Public sector net debt (excluding public sector banks) at the end of February 2018, has been revised up by £0.3 billion compared with figures presented in the previous bulletin (published on 21 March 2018).

This change is largely the result of a downward revision of £0.2 billion to the estimate of liquid assets.

Revisions to both public sector net borrowing and debt including public sector banks

Estimates of the net borrowing, net cash requirement and net debt of public sector banks are derived from the profit and loss accounts and balance sheets of these organisations, supplied to us by the Bank of England twice annually.

This month we received balance sheet data covering the period January to June 2017 for the first time, enabling us to update previous estimates of the net debt associated with public sector banks. Further, estimates covering the period July 2017 to date have also been updated to reflect this new information.

As a consequence of receiving these data, our estimates of public sector net debt including public sector banks at the end of February 2018 has reduced by £12.9 billion.

The reporting of errors in the public sector finances dataset

It is important to note that revisions do not occur as a result of errors; errors lead to corrections and are identified as such when they occur. There are no errors to report in this bulletin.

Figure 12: Revisions to net borrowing

Latest data covering April 2017 to February 2018, compared with that presented in the previous bulletin (21 March 2018), UK

£ billion

PSNBex

Previous	Revision	Latest
41.4	-0.1	41.3

CGNB

Previous	Revision	Latest
34.9	-0.2	34.7

=

CG Current Expenditure

Previous	Revision	Latest
624.0	0.0	624.0

-

CG Receipts

Previous	Revision	Latest
639.9	-0.3	639.6

+

CG Depreciation

Previous	Revision	Latest
16.6	0.0	16.6

+

CG Net Investment

Previous	Revision	Latest
34.2	-0.4	33.8

LGNB

Previous	Revision	Latest
7.2	0.1	7.2

=

LG Current Expenditure

Previous	Revision	Latest
38.6	-0.1	38.5

-

LG Receipts

Previous	Revision	Latest
39.9	0.0	39.9

+

LG Depreciation

Previous	Revision	Latest
11.0	0.0	11.0

+

LG Net Investment

Previous	Revision	Latest
-2.5	0.2	-2.3

BoENB

Previous	Revision	Latest
-3.7	0.0	-3.7

PCNB

Previous	Revision	Latest
3.1	0.0	3.1

=

PC Current Expenditure

Previous	Revision	Latest
2.6	0.0	2.6

-

PC Receipts

Previous	Revision	Latest
13.2	0.0	13.2

+

PC Depreciation

Previous	Revision	Latest
9.7	0.0	9.7

+

PC Net Investment

Previous	Revision	Latest
4.0	0.0	4.0

CG Receipts

Of Which:	Previous	Revision	Latest
Taxes on production	242.6	-0.3	242.3
Of Which:			
VAT	127.9	-0.2	127.7
Fuel Duty	25.8	0.0	25.8
Alcohol	10.6	-0.1	10.6
Stamp Duty (L&P)	12.6	0.0	12.6
Taxes on I&W	224.9	-0.7	224.3
Of Which:			
Income Tax	172.5	-0.7	171.8
o/w Self Assessment	27.9	-0.1	27.8
Corporation Tax	52.4	-0.1	52.3
Other Taxes	16.2	0.0	16.2
Total Taxes	483.7	-0.9	482.7
NICs	118.6	0.7	119.3
Interest & Dividends	17.3	0.0	17.3
Other receipts	20.4	0.0	20.4

CG Expenditure

Of Which:	Previous	Revision	Latest
Interest	54.2	0.2	54.4
Net social Benefits	191.3	-0.2	191.1
Of Which:			
NI Fund Benefits	95.8	0.0	95.7
Social Assistance	86.5	-0.1	86.4
Other Current	378.5	0.0	378.5
Of Which:			
Goods & Services	229.5	0.0	229.6
o/w Staff Costs	111.8	0.0	111.8
Transfers to LG	103.1	0.1	103.2
Contibutions to EU	9.1	0.0	9.1

11 . International comparisons of borrowing and debt

The UK government debt and deficit statistical bulletin is published quarterly (in January, April, July and December each year), to coincide with when the UK and other EU member states are required to report on their deficit (or net borrowing) and debt to the European Commission.

On 17 April 2018, we published UK government debt and deficit: December 2017, consistent with Public sector finances, UK: February 2018 (published on 21 March 2018). In this publication we stated that:

- general government gross debt was £1,786.3 billion at the end of December 2017, equivalent to 87.7% of gross domestic product (GDP); 27.7 percentage points above the Maastricht reference value of 60%
- general government deficit (or net borrowing) was £39.4 billion in 2017, equivalent to 1.9% of GDP; 1.1 percentage points below the Maastricht reference value of 3%

This bulletin reports a downward revision of £0.4 billion to deficit, while the estimate of general government gross debt is unchanged compared with that published on 17 April 2018.

Eurostat published their analysis based on the data submitted by each of the 28 European Union (EU) member states on 23 April 2018.

It is important to note that the GDP measure, used as the denominator in the calculation of the debt ratios in the UK government debt and deficit statistical bulletin, differs from that used within the Public sector finances statistical bulletin.

An article, The use of GDP in public sector fiscal ratio statistics, explains that for debt figures reported in the monthly public sector finances, a 12-month GDP total centred on the month is employed, while in the UK government debt and deficit statistical bulletin, the total GDP for the preceding 12 months is used.

12 . Background information

What does the public sector include?

In the UK, the public sector consists of five sub-sectors: central government, local government, public non-financial corporations, Bank of England and public financial corporations (or public sector banks).

Unless otherwise stated, the figures quoted in this bulletin exclude public sector banks (that is currently only Royal Bank of Scotland (RBS)), as the reported position of debt (and to a lesser extent borrowing) would be distorted by the inclusion of RBS's balance sheet (and transactions). This is because government does not need to borrow to fund the debt of RBS, nor would surpluses achieved by RBS be passed on to government, other than through any dividends paid as a result of government equity holdings.

The sub-sector breakdown of public sector net borrowing is summarised in Table PSA2 in the Public sector finances Tables 1 to 10: Appendix A dataset.

Should I look at monthly or financial year-to-date data to understand public sector finances?

A financial year is an accounting period of 12 months running from 1 April one year to 31 March the following year. For example, the financial year ending March 2016 comprises the months from April 2015 to March 2016.

Due to the volatility of the monthly data, the cumulative financial year-to-date borrowing figures provide a better indication of the position of the public finances than the individual months.

Are our figures adjusted for inflation?

All monetary values in the public sector finances (PSF) bulletin are expressed in terms of “current prices, that is, they represent the price in the period to which the expenditure or revenue relates and are not adjusted for inflation.

In order to compare data over long time periods, to aid international comparisons and provide an indication of a country’s ability to service borrowing and debt, commentators often discuss changes over time to fiscal aggregates in terms of gross domestic product (GDP) ratios. GDP represents the value of all the goods and services currently produced by the UK economy in a period of time.

The use of GDP in public sector fiscal ratio statistics

An article, The use of GDP in public sector fiscal ratio statistics, explains that for debt figures reported in the monthly public sector finances, a 12-month GDP total centred on the month is employed, while in the UK government debt and deficit statistical bulletin, the total GDP for the preceding 12 months is used.

As a consequence of using a centred GDP estimate, our estimates include a degree of official forecast data produced by the Office for Budget Responsibility (OBR) and are subject to revision when the OBR updates its estimates (usually in March and November each year).

Are our figures adjusted for seasonal patterns?

All monetary values in the PSF bulletin are not seasonally adjusted. We recommend you use year-on-year comparisons (be it cumulative financial year-to-date or individual monthly borrowing figures) rather than making month-on-month comparisons.

Are our monthly figures likely to change over time?

Each PSF bulletin contains the first estimate of public sector borrowing for the most recent period and is likely to be revised in later months as more data become available.

In publishing monthly estimates, it is necessary to use a range of different types of data sources. Some of these are subject to revision as budget estimates (forecasts) are replaced by outturn data and these then feed into the published aggregates.

In addition to those that stem from updated data sources, revisions can also result from methodology changes. An example of the latter is the changes that were due to the introduction of improved methodology for the recording of Corporation Tax, Bank Corporation Tax Surcharge receipts and Bank Levy implemented in the PSF estimates released in February 2017.

Why do some of the tax figures quoted by HMRC differ from those presented in this bulletin?

There are a number of differences between the presentation of tax receipts reported by both Office for National Statistics (ONS) and HM Revenue and Customs (HMRC) in their respective publications.

HMRC present their data on a cash basis, while we present the corresponding data on both a cash basis (in the calculation of central government net cash requirement – Table PSA7D) and on a time-adjusted (or accruals) basis (in the calculation of central government net borrowing – Table PSA6B and 6D).

Further, we roll some individual taxes together to form aggregates, where HMRC may not. For example, we present Corporation Tax as an aggregate of Corporation Tax, Bank Surcharge and Diverted Profit Tax, while HMRC present these taxes individually.

The differences between HMRC and ONS's tax presentation is discussed further in Section 7 of the PSF Quality and Methodology Information (QMI) report, with a focus on three of the largest tax headings: Value Added Tax (VAT), Corporation Tax and Income Tax.

13 . Planned changes for future releases

This section presents information on aspects of data or methodology that are planned but not yet included in the public sector finances.

Soft Drinks Industry Levy

On 6 April 2018, the Soft Drinks Industry Levy Regulations 2018 came into force. From this date, producers and importers of added sugar soft drinks are subject to levy rates depending on sugar content; 18 pence per litre and 24 pence per litre for the two sugar bands at 5 grams per 100 millilitres and 8 grams per 100 millilitres, respectively.

These government receipts will be included in the public sector finances as soon as the data become available from HM Revenue and Customs (HMRC).

The Welsh Revenue Authority

The Welsh Revenue Authority (WRA) has been established to take responsibility for the collection and management of Welsh devolved taxes.

On 1 April 2018 the WRA began collection in Wales of the Land Transaction Tax (LTT) and Landfills Disposal Tax (LTT). These new taxes are the Welsh equivalent of Stamp Duty Land Tax and Landfill Tax, respectively, collected by HMRC in England and Northern Ireland. The devolution of these taxes in Wales is similar to the devolution of the same two taxes in Scotland in April 2015.

We are working with the WRA to ensure that these taxes are appropriately included in central government receipts and so in central government net cash requirement and net borrowing.

Ministry of Defence Inventories

The Ministry of Defence has been granted a one-off amnesty to remove obsolete items from its balance sheet in the financial year ending March 2018. Latest estimates suggest that this could result in the writing off or disposal of up to £0.5 billion worth of obsolete items.

We are working with the Ministry of Defence to source the data we need to ensure that the impacts of this amnesty are fully reflected in the public sector finances.

Sales of 4G mobile and future 5G services spectrum

On 5 April 2018, Ofcom announced the sale of two bands of 4G and 5G spectrum to the owners of the UK's main mobile operators (EE, Three, O2 and Vodafone) in an auction that has raised £1.4 billion.

We will announce the impact of this sale on the public sector finances once the sale has been completed and we have reviewed the full terms of the sale.

14 . Recent events that may impact on public sector finances

This section acknowledges recent government announcements that may have future implications on public sector finances.

EU withdrawal agreement

On 8 December 2017, the government published a joint report on progress during phase 1 of negotiations between the European Union and the UK (PDF, 383KB), under article 50 of the Treaty on European Union (TEU) on the UK's orderly withdrawal from the EU.

Although the Office for Budget Responsibility (OBR) discusses the EU settlement in Annex B (PDF, 2.49MB) of their Economic and Fiscal Outlook – March 2018, the details in the report are still subject to negotiation and so there is insufficient certainty at this stage for us to complete a formal assessment of impact on the UK public sector finances.

Carillion insolvency

Following Carillion plc declaring insolvency on 15 January 2018, the UK government announced that it will provide the necessary funding required by the Official Receiver, to ensure continuity of public services through an orderly liquidation. The Official Receiver has been appointed by the court as liquidator, along with partners at PwC that have been appointed Special Managers. The defined benefit pension schemes of former Carillion employees are currently being assessed by the Pension Protection Fund (PPF) prior to any transition into the PPF scheme.

We are currently investigating the various impacts of the liquidation of Carillion on the public sector finances, including in relation to the public-private partnership projects in which Carillion was involved and the additional funding that government has provided in order to maintain public services. We will announce our findings in due course.

Prior to liquidation, Carillion held approximately 450 contracts with government, representing 38% of Carillion's 2016 reported revenue.

Student loans in the national accounts

The Treasury Select Committee published the report of its inquiry into the student loan system and related financial implications on 18 February 2018. The report recommends that Office for National Statistics (ONS) re-examine the classification of student loans as financial assets, that is, loans, and hence consider whether there is a basis to treat them differently from other loans in the national accounts and public sector finances.

Student loans in the UK are different from typical loans. Notably, they have a high degree of contingency in that repayments are conditional on subsequent income and under certain conditions the loan obligation itself may be cancelled. Estimates of the proportion of student loans that will be cancelled, or written off, in the future have been rising in recent years and are a significant proportion of the total value.

However, the national accounts and public sector finances in the UK are compiled to international standards. These accounting standards are very clear on the treatment of loans and it is this treatment that ONS currently applies to student loans. Where the guidance in these standards is more difficult, and subject to interpretation, is around the recording of financial assets with a significant expected loss – student loans with their contingency on future income are a financial asset with this feature.

To consider the treatment of such financial assets and the accounting issues they raise, we have begun work with international agencies and other National Statistical Offices. This is a complex topic that could have potential implications for all countries with income-contingent loans. However, it is planned that through this work, initiated by ONS, an appropriate statistical treatment in national accounts can be agreed internationally. If this treatment were different to that currently applied to student loans then we would aim to implement it as soon as possible after the new treatment has been agreed, although the time required could depend on the complexity of any new accounting approach.

Any new statistical treatment would almost certainly have no impact on the public sector net cash requirement (PSNCR) and public sector net debt (PSND), this is because these measures are only affected by the actual cash flows relating to student loans and not, for example, any interest that is accrued but not paid. By contrast there could be an impact on public sector net borrowing (PSNB) and public sector net financial liabilities (PSNFL) as these measures are impacted by interest that is accrued but not paid and loan cancellations. The extent of any impact is unknown and would depend on the details of any new internationally-agreed treatment.

Student loan sale

On 6 December 2017, the government announced it had sold part of the student loan “book” for £1.7 billion. We have now completed a formal classification review of the sale and its accounting treatment and have announced the conclusions today. We have concluded that the sale is a “genuine” sale that transfers ownership and control of an asset from the public sector to the private sector. The implications for the public sector finances are that the PSNCR and PSND are both reduced by the £1.7 billion cash value received from the sale, PSNFL is increased by approximately £1.8 billion – the difference between the nominal value of the loans sold and the sale price – while PSNB is not impacted. These impacts have been reflected in the public sector finances.

This classification and the impact on the public sector finances is consistent with the international standards for the accounting of loans. However, as noted previously, we have begun to consider with the international statistical community how UK student loans are most appropriately recorded within national accounts. Following this work and its conclusion, if the recording of student loans was revised then consequently the recording of the student loan sale might also need to be changed. However, whether there would be an impact and the extent of any such impact depends on the details of any new internationally-agreed treatment.

Protection Fund and public sector pension schemes

In January 2018, we reconfirmed the national accounts sector classification of the Pension Protection Fund (PPF) as a public financial corporation, identifying it specifically as a public pension fund, a slight change from the previous classification as a public insurance corporation.

Currently, the PPF is not included in the outturn statistics of the public sector finances and before we implement any change to this position we have initiated a wider review of the recording of public sector pension funds (including the PPF) within the public sector finances. This is necessary, as although the UK public sector finances are based on the principles and building blocks of national accounts, and in particular the European System of Accounts 2010: ESA 2010, there are still decisions to be made regarding how public sector pension funds (including the PPF) should best be reflected within the fiscal aggregates published in public sector finances (such as whether funded pension schemes should be recorded from the perspective of the net pension liabilities of the government as an employer or whether the transactions, assets and liabilities of the pension funds themselves should also be included).

Given the relatively complex nature of the different options for the statistical recording of pensions, the Public Sector Finances Technical Advisory Group (PSFTAG) is evaluating the different options to arrive at a series of recommendations on which we will then be consulting. This consultation is likely to take place in late spring or early summer.

The PPF was established in 2005 under the provisions of the Pensions Act 2004. It is a statutory fund of last resort providing compensation to members of defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer. It is funded by levies paid by the pension schemes for which it provides protection as well as the assets of schemes that transfer into the PPF and its own investments.

The latest published accounts for the PPF show that as of March 2017, it had actuarial pension liabilities of £22.0 billion and net assets of £28.7 billion, with £17.0 billion of these assets stated to be government bonds.

In September 2017, we published an article explaining the national accounts recording of public sector employee pension schemes and how these are currently reflected in the public sector finances.

On 7 March 2018, we published official statistics on the total obligations, or gross liabilities, of UK pension providers including the UK government. This article included estimates for State Pensions, funded and unfunded public sector employee pension schemes and private sector pension schemes.

15 . Quality and methodology

The public sector finances Quality and Methodology Information (QMI) report contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

This report was last updated on 7 March 2018.

How is the debt interest paid by the government affected by movements in the level of Retail Prices Index?

Index-linked gilts, a form of government bond, are indexed to the Retail Prices Index (RPI). When the RPI rises, the inflation uplift that applies to index-linked cash flows (both regular coupon payments and final payment at gilt maturity) also rises. If the RPI should fall, the inflation uplift would also fall. In this way, the returns to the investor from holding index-linked gilts are maintained in real terms – as measured by the RPI.

Taking £100 as the unit price for a gilt, an index-linked gilt will pay more than £100 at redemption if the RPI increases over the life of the gilt. Similarly, if the RPI increases over the life of the gilt each coupon payment will be higher than the previous one; while if the RPI were to decrease, a coupon payment could be lower than the previous one.

Both the uplift on coupon payments and the uplift on the redemption value are recorded as debt interest paid by the government, so month-on-month there can be sizeable movements in payable government debt interest as a result of movements in the RPI.

The RPI applied to index-linked gilts is typically lagged by three months (though some older gilts have an eight-month lag). As a result of this lag, the amount central government spends on interest on its outstanding debt is typically low in March compared with the rest of the year. In January, prices are typically discounted (for example, due to January sales), so depressing the RPI and decreasing the uplift on index gilts in March, three months later.

Time series of central government debt interest (series identifier NMFX) and the index-linked gilt capital uplift (series identifier MW7L) are available in Tables PSA6B and REC3 in the tables associated with this release or by searching directly by series identifier.

Adjustments to local government data in the current financial year

Most local government data are annual, relating to financial years (April to March), and based on information collected from local authorities by the Ministry of Housing, Communities and Local Government, and the devolved administrations.

The data are collected in two main phases: budget, before the start of the financial year, and outturn, after the end of the financial year.

Some information is available within the year and this is taken into account wherever possible.

In recent years, planned expenditure initially reported in budgets has systematically been higher than the final outturn expenditure reported in the audited accounts. We therefore include adjustments to reduce the amounts reported at the budget stage and this affects the figures for the latest financial year. Each quarter, this underspend adjustment is reviewed such that it reflects the latest available information.

UK Statistics Authority assessment of public sector finances

On 20 June 2017, the UK Statistics Authority published a letter confirming the designation of the monthly public sector finances bulletin as a National Statistic. This letter completes the 2015 assessment of public sector finances.

In order to meet the requirements of this assessment we published an article, Quality assurance of administrative data used in the UK public sector finances. This report provides an assessment of the administrative data sources used in the compilation of the public sector finances statistics in accordance with the UK Statistics Authority's Administrative Data Quality Assurance Toolkit.

We introduced a new supplementary fiscal aggregate of public sector net financial liabilities (PSNFL) as an Experimental Statistic in November 2016, explaining that there would be an ongoing programme of work to improve the quality of it's underlying data. As a result of improvements to date, in April 2018, public sector net financial liabilities excluding public sector banks (PSNLF ex) was redesignated from an Experimental Statistic to an official statistic.

How classification decisions are made

Each quarter we publish a forward workplan outlining the classification assessments we expect to undertake over the coming 12 months. To supplement this, each month a classifications update is published, which announces classification decisions made and includes expected implementation points (for different statistics) where possible.

Classification decisions are reflected in the public sector finances at the first available opportunity and, where necessary, outlined in this section of the statistical bulletin.

The Monthly statistics on the public sector finances: a methodological guide (PDF, 360KB) was last updated in August 2012. We are currently working to update this publication.

Pre-release access to ONS statistics

On 15 June 2017, the National Statistician announced that from 1 July 2017 pre-release access to Office for National Statistics (ONS) statistics would cease. While there is no longer any pre-release access granted to the public sector finances bulletin, it should be noted that this bulletin remains jointly produced by members of the Government Statistical Service (GSS) working in both ONS and HM Treasury.

GSS staff will continue to work together to produce the bulletin but ministers and those officials not directly involved in the production and release of statistics will not have access to them in advance of publication.

Time series data

We recently reviewed and improved the content of our downloadable time series data file consistent with the data underlying each public sector finances statistical bulletin and the accompanying public sector finances borrowing by sub-sector presentation.

All data contained within these publications are available to download via the Public sector finances time series dataset. From April 1997 to date, where available, time series are presented as monthly data, with series extending further back in time, generally presented on a quarterly or financial year basis.

Time series exclusive to the public sector finances borrowing by sub-sector presentation are only available as quarterly time series, though these extend back to 1946.

Supporting documentation

Documentation supporting this publication is available in appendices to the bulletin:

- Public sector finances Tables 1 to 10: Appendix A
- Large impacts on public sector fiscal measures excluding banking groups: Appendix B
- Public sector finances revisions analysis on main fiscal aggregates: Appendix C
- Public sector current receipts: Appendix D
- Impact of the reclassification of housing associations into the public sector: Appendix E
- Revisions to the first reported estimate of public sector net borrowing: Appendix F

Public sector borrowing by sub-sector

Each month, at 9:30am on the working day following the public sector finances statistical bulletin, we publish Public sector finances borrowing by sub-sector. This release contains an extended breakdown of public sector borrowing in a matrix format and also estimates of total managed expenditure (TME).