

Statistical bulletin

Public sector finances, UK: September 2015

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



Contact:
Fraser Munro
fraser.munro@ons.gsi.gov.uk
+44 (0)1633 456402

Release date:
21 October 2015

Next release:
20 November 2015

Table of contents

1. [Main points](#)
2. [Summary publication](#)
3. [EU Government Deficit and Debt Return](#)
4. [Contents](#)
5. [Understanding this release](#)
6. [Summary of latest net borrowing and debt](#)
7. [Net debt and borrowing compared with OBR forecast](#)
8. [Public sector and sub-sector net borrowing](#)
9. [Net cash requirement](#)
10. [Public sector net debt](#)
11. [Central government account](#)
12. [Recent events and methodological changes](#)
13. [Revisions since previous bulletin](#)
14. [New for the bulletin](#)
15. [Background notes](#)

1 . Main points

- Public sector net borrowing excluding public sector banks decreased by £7.5 billion to £46.3 billion in the current financial year-to-date (April 2015 to September 2015) compared with the same period in 2014
- Public sector net borrowing excluding public sector banks decreased by £1.6 billion to £9.4 billion in September 2015 compared with September 2014
- Public sector net debt excluding public sector banks at the end of September 2015 was £1,524.1 billion, equivalent to 80.6% of Gross Domestic Product; an increase of £70.5 billion compared with September 2014
- General Government Gross Debt at the end of September 2015 was £1,638.2 billion, equivalent to 86.3% of Gross Domestic Product; an increase of £78.8 billion compared with September 2014
- Central government net cash requirement decreased by £11.3 billion to £43.8 billion in the current financial year-to-date (April 2015 to September 2015) compared to the same period in 2014
- Due to the volatility of the monthly data, the cumulative financial year-to-date borrowing figures provide a better indication of the progress of the public finances than the individual months

2 . Summary publication

A summary version of this publication is available [Public Sector Finances, September 2015: A summary of the UK government's financial position](#) which some users may find helpful.

3 . EU Government Deficit and Debt Return

On 16 October 2015, ONS published the latest [EU Government Deficit and Debt Return](#). In this publication we report that:

- general Government Net Borrowing (Maastricht Borrowing) in the financial year ending 2015 (April 2014 to March 2015) was £93.5 billion, equivalent to 5.1% of Gross Domestic Product
- general Government Gross Debt (Maastricht Debt) at the end of March 2015 was £1,601 billion, equivalent to 87.5% of Gross Domestic Product

The data used to produce this publication are consistent with those used in the production of the Public Sector Finances statistical bulletin published on 22 September 2015.

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

It is important to note that the Gross Domestic Product (GDP) measure used as the denominator in the calculation of the debt ratios in the EU Government Deficit and Debt Return differs from that used within the Public Sector Finances bulletin. An article, the [use of GDP in fiscal ratio statistics \(70.8 Kb Pdf\)](#), 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 EU Government Deficit and Debt Return the total GDP for the preceding 12 months is used.

4 . Contents

Understanding this release Introduces a number of important terms used within this release and how they fit together.

Summary of latest net borrowing and debt Provides the latest public sector finance headline data and supporting information.

Net borrowing and debt data compared with OBR forecast Compares the latest available data with Office for Budget Responsibility forecasts for borrowing and debt.

Public sector and sub-sector net borrowing Shows how the public sector net borrowing position is made up of central government, local government and public corporations' net borrowing.

Public sector net cash requirement Provides the net cash requirement for the public sector (a measure of borrowing on a cash basis).

Public sector net debt Shows the amount the public sector owes (the accumulation of its borrowing).

Central government account Information about the central government account focusing on factors including the timing of receipts, expenditure and net investment.

Recent events and methodological changes Information on events which have had an impact on the public sector finances in the last 12 to 18 months.

Revisions since previous bulletin Information on the revisions between this publication and last month's publication.

New for this bulletin Information on new or recently added tables included in (or associated with) the current or future publications.

5 . Understanding this release

This statistical bulletin provides important information on the United Kingdom (UK) government financial position. It enables government, the public, economists and financial analysts to monitor public sector expenditure, receipts, investments, borrowing and debt. By comparing these data with forecasts from [The Office for Budget Responsibility \(OBR\)](#) the current UK fiscal position can be evaluated.

The following table and diagram are intended to provide users with the important terms needed to understand these data and how the statistics relate to each other.

Definition Table: the main terms needed to understand the data

| Term | Description |
|------------------------------------|--|
| Accruals /accrued recording | – financial recording based on when ownership transfers or the service is provided (sometimes different to when cash is paid). |
| Asset Purchase Facility Fund (APF) | – an arm of The Bank of England able to purchase financial assets including government securities (gilts). The APF has earned interest which is periodically transferred back to central government. These payments are public sector borrowing neutral. |
| Cash recording | – financial recording based on when cash is paid or received. Net cash requirement is recorded on a cash basis and net debt is close to being a cash measure. |
| Current budget deficit | – the gap between current expenditure and current receipts (having taken account of depreciation). |
| Current expenditure | – spending on government activities including: social benefits, interest payments, and other government department spending (excluding spending on capital assets). |
| Current receipts | – income mainly from taxes (e.g. VAT, income and corporation taxes) but also includes interest, dividend and rent income. |
| ESA 1995 | – European System of Accounts 1995 was the European legal requirement for the production of National Accounts prior to September 2014. |
| ESA 2010 | – European System of Accounts 2010 is the European legal requirement for the production of National Accounts from September 2014. |
| Maastricht deficit | – general government net borrowing as defined within the Maastricht Treaty and Stability and Growth Pact (and as supplied to Eurostat) |
| Maastricht debt | – general government gross debt as defined within the Maastricht Treaty and Stability and Growth Pact (and as supplied to Eurostat). |
| Net borrowing | – measures the gap between revenue raised (current receipts) and total spending (current expenditure plus net investment). A positive value indicates borrowing while a negative value indicates a surplus. |
| Net cash requirement | – is a measure of how much cash the government needs to borrow (or lend) to balance its accounts (see cash recording). |
| Net debt | – is a measure of how much the government owes at a point in time. |
| Net investment | – spending on capital assets, e.g. infrastructure projects, property and I.T equipment, both as grants and by public sector bodies themselves minus capital receipts (sale of capital assets). |

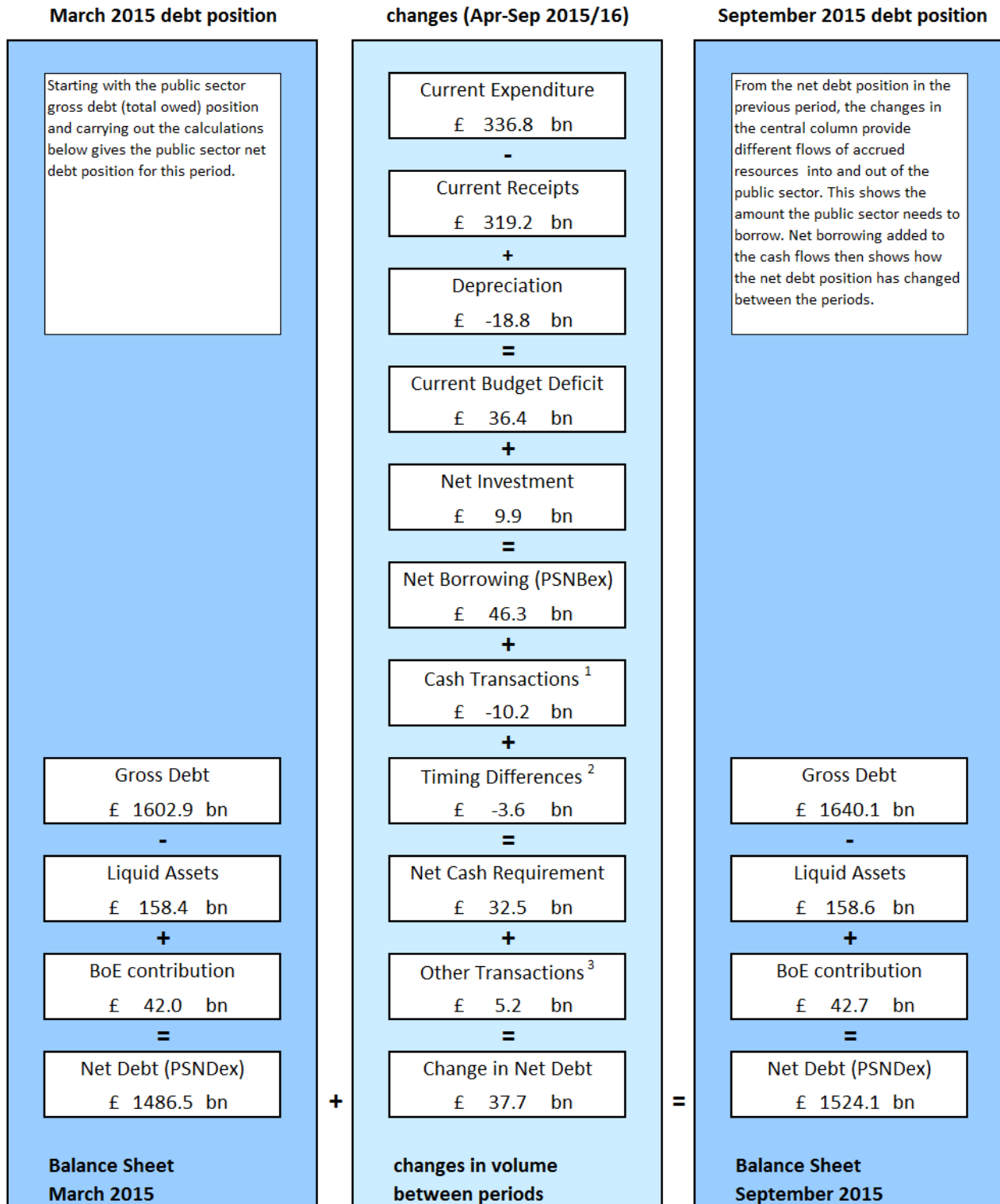
Diagram 1 illustrates how debt between periods changes as a result of transaction flows (for example expenditure and receipts) on an accrued and cash basis. The transaction flows are provided for the current financial year-to-date (April 2015 to September 2015).

The headline measures of current budget deficit, net borrowing, net cash requirement and net debt are highlighted in the diagram as they provide the important indicators for the performance of the UK public finances.

When expenditure is greater than income, the public sector runs a deficit, known as the current budget deficit. Net borrowing is made up of the current budget deficit plus net investment (spending on capital less capital receipts). The diagram shows how net borrowing contributes to the change in net debt.

The net cash requirement is closely related to net debt (the amount owed). It is important because it represents the cash needed to be raised from the financial markets to service the government's borrowing deficit. Changes in net debt between two points in time are normally similar to the net cash requirement for the intervening period, though the relationship is not an exact one.

Diagram 1: Changes in Public Sector Finances (excluding public sector banks) Financial year-to-date ending 2016 (£ billion)



Notes

1. Cash transactions in (non-financing) financial assets which do not impact on net borrowing
2. Timing differences between cash and accrued data
3. Revaluation of foreign currency debt (for example foreign currency). Debt issuances or redemptions above /below debt valuation (for example Bond premia/discounts and capital uplifts). Changes in volume of debt not due to transactions (for example Sector reclassification)

We value your feedback

The public sector finances can be complex. To ensure these important statistics are accessible to all, we welcome your feedback on how best to explain concepts and trends in these data. Please contact us at: psa@ons.gsi.gov.uk

6 . Summary of latest net borrowing and debt

Table 1: Headline Public Sector Finances data, by month and financial year to date

United Kingdom, excluding public sector banks

| | £ billion ¹ (not seasonally adjusted) | | | | | |
|--|--|---------|--------|-------------------------------------|---------|--------|
| | September | | | Financial year-to-date ⁷ | | |
| | 2015 | 2014 | Change | 2015/16 | 2014/15 | Change |
| Current Budget Deficit ² | 7.3 | 8.8 | -1.5 | 36.4 | 44.9 | -8.4 |
| Net Investment ³ | 2.1 | 2.2 | -0.1 | 9.9 | 8.9 | 1.0 |
| Net Borrowing ⁴ | 9.4 | 11.0 | -1.6 | 46.3 | 53.8 | -7.5 |
| Net Debt ⁵ | 1,524.1 | 1,453.6 | 70.5 | 1,524.1 | 1,453.6 | 70.5 |
| Net Debt as a % of annual GDP ⁶ | 80.6 | 79.5 | 1.1 | 80.6 | 79.5 | 1.1 |

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 = Gross Domestic Product (at current market price)
7. 2015/16 refers to financial year ending in March 2016 and 2014/15 refers to financial year ending in March 2015

Net borrowing for the financial year-to-date (April 2015 to September 2015)

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

In the financial year-to-date (April 2015 to September 2015), public sector net borrowing excluding banking groups (PSNB ex) was £46.3 billion; a decrease of £7.5 billion, or 13.9% compared with the same period in 2014.

This decrease in net borrowing was predominantly due to a decrease of £8.6 billion in central government net borrowing, partially offset by an increase of £1.6 billion in local government net borrowing.

Central government receipts for the financial year-to-date (April 2015 to September 2015) were £300.5 billion, an increase of £11.7 billion, or 4.0%, compared with the same period in 2014. Of which:

- income tax-related payments increased by £3.1 billion, or 4.2%, to £76.9 billion
- VAT receipts increased by £2.7 billion, or 4.4%, to £63.9 billion
- social (national insurance) contributions increased by £2.5 billion, or 4.7%, to £55.2 billion
- corporation tax increased by £1.5 billion, or 7.9%, to £20.3 billion

Central government expenditure (current and capital) for the financial year-to-date (April 2015 to September 2015) was £343.7 billion, an increase of £3.0 billion, or 0.9%, compared with the same period in 2014. Of which:

- other current expenditure (mainly departmental spending) increased by £1.6 billion, or 0.8%, to £203.0 billion; largely as a result of increases in departmental spending on goods and services, partially offset by decreases in transfers to local government
- net social benefits (mainly pension payments) increased by £1.0 billion, or 1.0%, to £101.7 billion; largely as a result of increases in state pension payments (within National Insurance Fund benefits), being partially offset by a fall in public sector pension contributions
- central government net investment (capital expenditure) increased by £0.7 billion, or 5.3%, to £14.5 billion; largely as a result of an increase in gross capital formation
- debt interest decreased by £0.3 billion, or 1.3%, to £24.5 billion; of this £24.5 billion, £7.1 billion is the interest payable to the Bank of England Asset Purchase Facility on its gilt holdings (see Table PSA9) which are PSNB ex neutral

Local government net borrowing (LGNB) for the financial year-to-date (April 2015 to September 2015) was estimated to be in surplus by £3.0 billion, a decrease in surplus of £1.6 billion on the same period in the previous year, mainly due to decreases in grants received from central government, particularly in April. Local government data for the current financial year-to-date are provisional estimates mainly based on budget figures received from the Department for Communities and Local Government (DCLG) and the devolved administrations.

Public corporations' net borrowing (PCNB) for the financial year-to-date (April 2015 to September 2015) was estimated to be in surplus by £1.0 billion, an increase in surplus of £0.2 billion compared with the same period in 2014, mainly due to decreases in grants received from the public sector. Public corporation data for the current financial year-to-date are mainly provisional estimates.

Net borrowing in September 2015

In September 2015, public sector net borrowing excluding public sector banks (PSNB ex) was £9.4 billion; a decrease in borrowing of £1.6 billion, or 14.3% compared with September 2014.

This decrease in net borrowing was largely due to a decrease of £1.2 billion in central government net borrowing, combined with a decrease of £0.2 billion in local government net borrowing.

Central government receipts in September 2015 were £47.5 billion, an increase of £1.8 billion, or 3.9% compared with September 2014. Of this:

- income tax-related payments increased by £0.4 billion, or 4.1%, to £11.4 billion
- social (national insurance) contributions increased by £0.4 billion, or 4.5%, to £9.1 billion
- interest & dividends increased by £0.4 billion, or 59.2%, to £1.2 billion
- VAT receipts increased by £0.3 billion, or 3.2%, to £10.7 billion
- corporation tax increased by £0.3 billion, or 12.7%, to £2.5 billion

Central government expenditure (current and capital) in September 2015 was £55.6 billion, an increase of £0.5 billion, or 1.0%, compared with September 2014. Of this:

- other current expenditure (mainly departmental spending) increased by £0.9 billion, or 2.8%, to £33.6 billion; largely as a result of increases in expenditure on goods and services
- net social benefits (mainly pension payments) increased by £0.1 billion, or 0.7%, to £17.1 billion; largely as a result of increases in payments (within National Insurance Fund benefits) and social assistance payments being largely offset by a fall in public sector pension contributions
- central government net investment (capital expenditure) decreased by £0.1 billion, or 3.2%, to £2.3 billion; largely as a result of a decrease in capital transfers to the other sectors being largely offset by an increase in gross capital formation
- debt interest decreased by £0.4 billion, or 14.1%, to £2.6 billion; of this £2.6 billion, £1.2 billion is the interest paid to the Asset Purchase Facility Fund (APF) on its gilt holdings (see Table PSA9) which are PSNB ex neutral

In September 2015, local government net borrowing (LGNB) was estimated at £1.1 billion, a decrease of £0.2 billion on the previous year, due to a decrease in expenditure, largely on goods and services. Local government data for September 2015 are provisional estimates mainly based on budget figures received from the Department for Communities and Local Government (DCLG) and the devolved administrations.

In September 2015, public corporations' net borrowing (PCNB) was estimated to be in surplus by £0.2 billion, an increase in surplus of £0.1 billion on the previous year. Public corporation data for September 2015 are mainly provisional estimates.

Public sector net debt

Public sector net debt excluding public sector banks (PSND ex) was £1,524.1 billion (80.6% GDP) at the end of September 2015, which was £70.5 billion, or 4.9% higher than in September 2014.

Debt is built up by successive government administrations over many years. When the government borrows, this adds to the debt total.

The £70.5 billion increase in debt between September 2014 and September 2015 was a result of:

- £82.7 billion of public sector net borrowing
- less £0.4 billion in timing differences between cash flows for gilt interest payments and the accrued gilt interest flows
- less £11.8 billion in net cash transactions related to acquisition or disposal of financial assets of equivalent value (for example loans) and timing of recording

7 . Net debt and borrowing compared with OBR forecast

The [Office for Budget Responsibility \(OBR\)](#) normally produces forecasts of the public finances twice a year (normally in March and December). The latest OBR forecast was published on 8 July 2015.

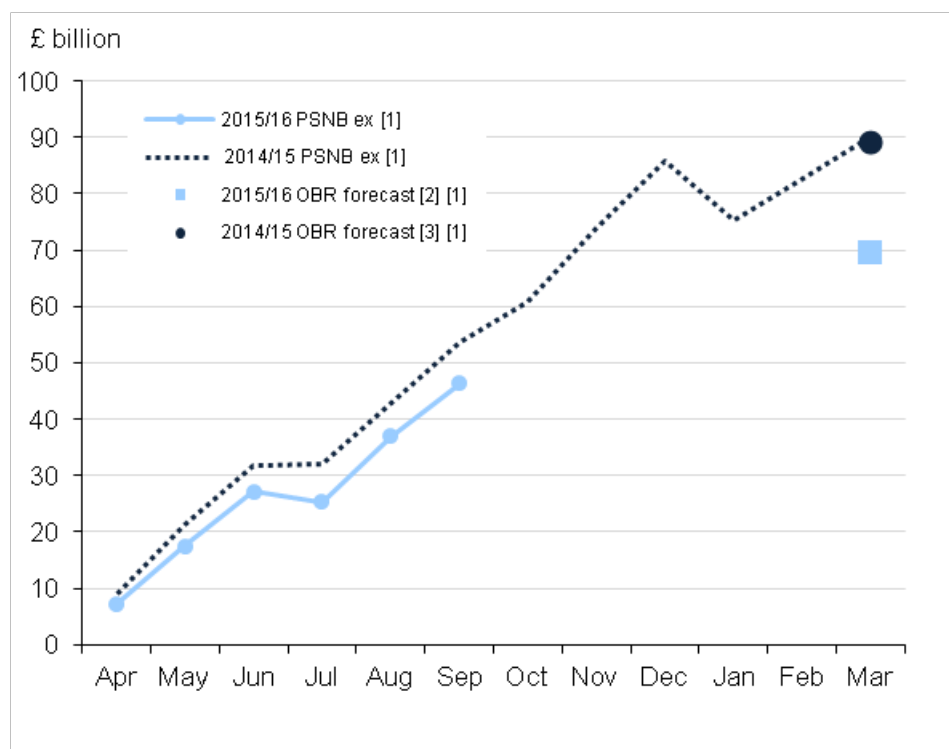
Figure 1 and Table 2 enable users to compare emerging data against the OBR forecasts. Caution should be taken when comparing public finance data with OBR figures for the full financial year, as data are not finalised until after the financial year ends. Initial estimates soon after the end of the financial year can be subject to sizeable revisions in later months. In addition, in-year timing effects on spending and receipts can affect year-to-date comparisons with previous years.

There can also be some methodological differences between OBR forecasts and outturn data. In its latest publication, OBR published a table within their [Economic and fiscal outlook supplementary fiscal tables July 2015](#) annex titled 'Table: 2.42 Items included in OBR forecasts that ONS have not yet included in outturn'.

Figure 1 illustrates the public sector net borrowing excluding public sector banks (PSNB ex) for the financial year ending 2015 (April 2014 to March 2015), along with the first 6 month's borrowing of the financial year ending 2016 (April to September 2015).

Figure 1: Cumulative public sector net borrowing by month

All data excluding public sector banks, United Kingdom



Source: Office for National Statistics

Notes:

1. For the financial year ending 2015 (April 2014 to March 2015) and the financial year ending 2016 (April 2015 to March 2016)
2. OBR forecast for PSNB ex from March 2015 Economic & Fiscal Outlook (EFO)
3. OBR forecast for PSNB ex from July 2015 Economic & Fiscal Outlook (EFO)

In the financial year-to-date (April to September 2015), borrowing fell by £7.5 billion to £46.3 billion compared with the same period in 2014.

The OBR forecast for the financial year ending 2015 (April 2014 to March 2015) was £89.2 billion which was £0.9 billion below the outturn in financial year ending 2015 (April 2014 to March 2015) presented in this bulletin.

The OBR forecast for the financial year ending 2016 (April 2015 to March 2016) is £69.5 billion which is £20.6 billion below the outturn in financial year ending 2015 (April 2014 to March 2015) presented in this bulletin.

At this halfway point in the year it may seem reasonable to multiply the year-to-date borrowing by 2 to arrive at an estimate of the likely final full-year borrowing. Figure 1 illustrates why this calculation is likely to be misleading.

Referring to the financial year ending 2015 (April 2014 to March 2015); the year-to-date borrowing position at this point last year was £53.8 billion. If we were to base an end of financial year borrowing estimate on this, we would expect borrowing to have been £107.6 billion. This estimate would have overstated the actual financial year borrowing position of £90.1 billion by £17.5 billion, or £18.4 billion compared to the OBR forecast.

Table 2 summarises the percentage change between the latest data for the financial year-to-date (April to September 2015) and in the previous financial year (April to September 2014). It contrasts these data with the percentage change between the latest full year outturn data for the financial year ending 2015 (April 2014 to March 2015) and the OBR forecast for the financial year ending 2016 (April 2015 to March 2016) (as published in July 2015).

Table 2: Public Sector Latest Outturn Estimates vs Office for Budget Responsibility (OBR) Forecasts

United Kingdom, excluding public sector banks

| | £ billion ¹ (not seasonally adjusted) | | | | | |
|-------------------------------------|--|----------|---------------------|-----------------------------------|-----------------|------------------------------|
| | Financial year-to-date: April-September | | | Financial Year ⁷ | | |
| | 2015 /16 | 2014 /15 | Increase/Decrease % | 2015/16 OBR Forecast ⁶ | 2014/15 Outturn | Forecast Increase/Decrease % |
| Current Budget Deficit ² | 36.4 | 44.9 | -18.8 | 40.8 | 59.7 | -31.7 |
| Net Investment ³ | 9.9 | 8.9 | 11.1 | 28.7 | 30.4 | -5.7 |
| Net Borrowing ⁴ | 46.3 | 53.8 | -13.9 | 69.5 | 90.1 | -22.9 |
| Net Debt ⁵ | 1,524.1 | 1,453.6 | 4.9 | 1,532.0 | 1,486.5 | 3.1 |
| Net Debt as a % of GDP | 80.6 | 79.5 | - | 80.3 | 80.0 | - |

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. All OBR figures are from the OBR Economic and Fiscal Outlook published on 08 July 2015
7. Full financial year ending 2015 (April 2014 to March 2015) and full financial year ending 2016 (April 2015 to March 2016)

On the same day as this bulletin is released, the OBR publishes a commentary on the latest figures and how these reflect on its forecasts. The OBR provides this commentary to help users interpret the differences between the latest outturn data and the OBR forecasts by providing contextual information about assumptions made during the OBR's forecasting process.

8 . Public sector and sub-sector net borrowing

In the UK, the public sector consists of 5 sub-sectors: central government, local government, public non-financial corporations, Bank of England and public financial corporations (that is, public sector banks). Table 3 summarises the current monthly and year-to-date borrowing position of each of these sub-sectors along with the public sector aggregates. Full time series for these data can be found in Table PSA2.

Table 3: Sub-sector Breakdown of Public Sector Net Borrowing

United Kingdom

| | September | | | Financial year-to-date ¹ | | |
|-----------------------------------|-----------|------|--------|-------------------------------------|---------|--------|
| | 2015 | 2014 | Change | 2015/16 | 2014/15 | Change |
| General Government | 10.7 | 12.1 | -1.5 | 49.2 | 56.2 | -7.0 |
| of which Central Government | 9.5 | 10.8 | -1.2 | 52.2 | 60.8 | -8.6 |
| of which Local Government | 1.1 | 1.3 | -0.2 | -3.0 | -4.7 | 1.6 |
| Public Non-Financial Corporations | -0.2 | -0.1 | -0.1 | -1.0 | -0.7 | -0.2 |
| Bank of England | -1.0 | -1.0 | 0.0 | -1.9 | -1.6 | -0.2 |
| Public Sector ex (PSNB ex) | 9.4 | 11.0 | -1.6 | 46.3 | 53.8 | -7.5 |
| Public Financial Corporations | -0.8 | -0.8 | 0.0 | -4.7 | -4.3 | -0.4 |
| Public Sector (PSNB) | 8.6 | 10.2 | -1.6 | 41.7 | 49.5 | -7.8 |

Source: Office for National Statistics

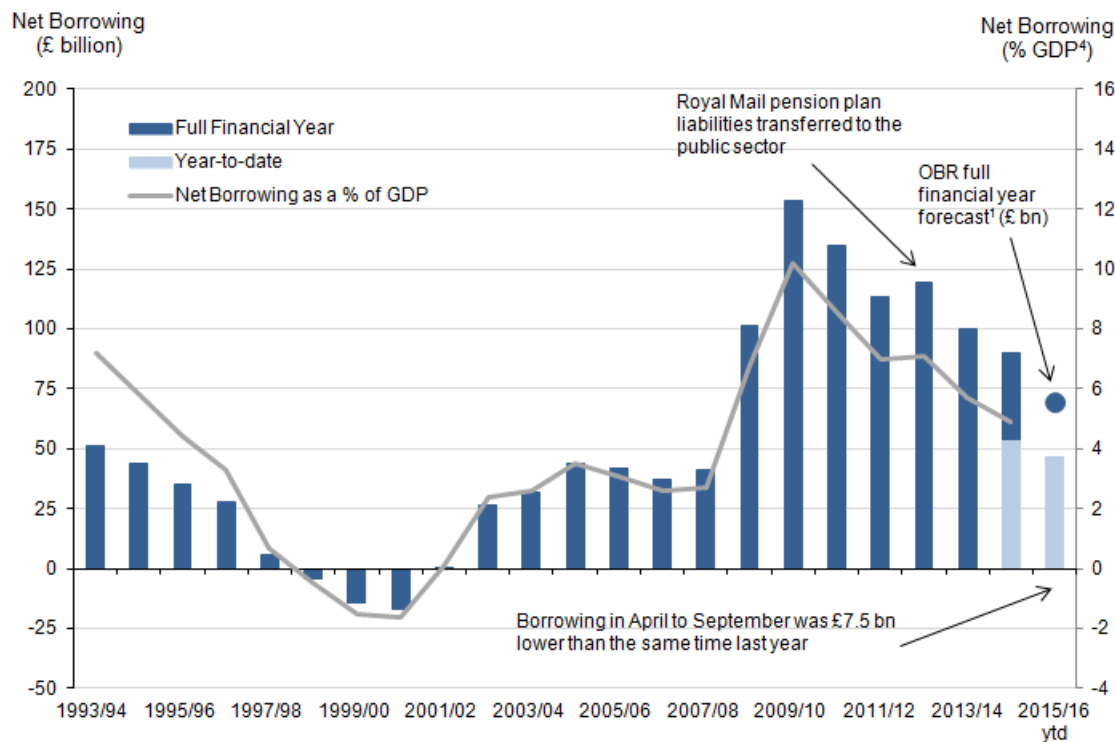
Notes:

1. 2015/16 refers to financial year ending in March 2016 and 2014/15 refers to financial year ending in March 2015

Figure 2 illustrates public sector net borrowing excluding public sector banks (PSNB ex) for the last 22 financial years and highlights that between the financial year ending 1999 (April 1998 to March 1999) and the financial year ending 2001 (April 2000 to March 2001), borrowing was in surplus, that is, the public sector was a net lender.

Figure 2: Public sector net borrowing excluding public sector banks; the financial year ending 1994 to date

All data excluding public sector banks, United Kingdom



Source: Office for National Statistics

Notes:

1. OBR full financial year forecast for PSNB ex from July 2015 Economic & Fiscal Outlook (EFO)
2. Financial year 1993/94 represents financial year ending 1994 (April 1993 to March 1994)
3. Ytd = year-to-date (April to September)
4. GDP = Gross Domestic Product

PSNB ex peaked in the financial year ending 2010 (April 2009 to March 2010) as the effects of the economic downturn impacted on the public finances (reducing tax receipts while expenditure continued to increase). PSNB ex has reduced since then, although remained higher than before the financial year ending 2008 (April 2007 to March 2008) and the 2007 global financial market shock.

PSNB ex in the financial year ending 2013 (April 2012 to March 2013) was higher than in the previous financial year largely as a result of the recording of an £8.9 billion payable capital grant in April 2012, as recognition that the liabilities transferred from the Royal Mail Pension Plan exceeded the assets transferred.

9 . Net cash requirement

Net cash requirement is a measure of how much cash the government needs to borrow (or lend) to balance its accounts. In very broad terms, net cash requirement equates to the change in the level of debt.

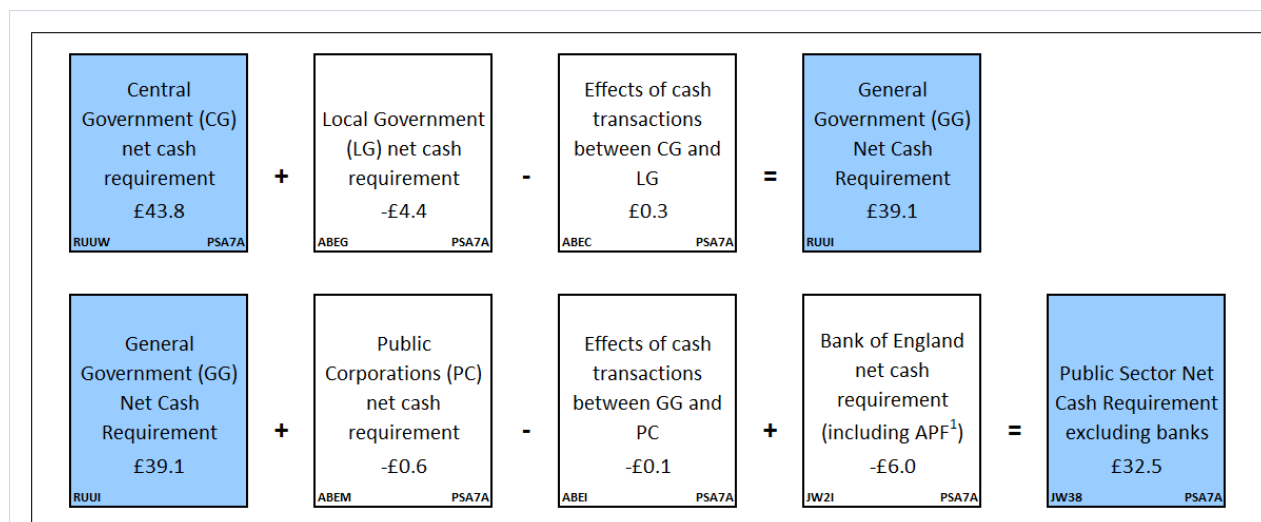
Central government net cash requirement is reconciled against the change in central government net debt in Table REC3 attached to this bulletin.

The public sector net cash requirement excluding public sector banks (PSNCR ex) follows a similar trend to that of public sector net borrowing: peaking in the financial year ending 2010, though in recent years transfers from the Asset Purchase Facility have had a substantial impact on PSNCR ex but are PSNB ex neutral.

Public sector net cash requirement excluding public sector banks (PSNCR ex) in the financial year-to-date (April 2015 to September 2015) was £32.5 billion; £10.5 billion, or 24.4% less than in the same period in 2014.

Diagram 2 presents public sector cash requirement by sub-sector for the current financial year-to-date (April 2015 to September 2015). Time series for each of these component series are presented in table PSA7A attached to this bulletin.

Diagram 2: Sub-sector split of public sector net cash requirement excluding public sector banks, financial year-to-date ending 2016 (£ billion)



Notes

1. APF - Bank of England Asset Purchase Facility
2. Effects of cash transactions between sub-sectors are removed in calculating public sector total net cash requirement (and consolidated expenditure and income totals)

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

CGNCR was £21.0 billion in September 2015; £0.4 billion, or 2.1% higher than in September 2014.

In the current financial year-to-date (April 2015 to September 2015), CGNCR was £43.8 billion; a decrease of £11.3 billion, or 20.5%, compared to the same period in 2014.

Cash transfers from the Asset Purchase Facility (APF) were £0.3 billion lower in the current financial year-to-date (April 2015 to September 2015), than the previous financial year. Without the impact of these transfers, CGNCR would have been £11.6 billion lower in the current financial year-to-date (April 2015 to September 2015) than the same period in 2014.

Recent events impacting on CGNCR

In the financial year ending 2016 (April 2015 to March 2016) the following events reduced the CGNCR:

- the transfers between the Bank of England Asset Purchase Facility Fund (BEAPFF) and central government
- the sale of shares in Lloyds Banking Group
- the sale of shares in Eurostar
- the sale of shares in Royal Mail
- the sale of shares in Royal Bank of Scotland

In the financial year ending 2015 (April 2014 to March 2015) the following events reduced the CGNCR:

- the transfers between the BEAPFF and central government
- the sale of shares in Lloyds Banking Group

In the financial year ending 2014 (April 2013 to March 2014) the following events reduced the CGNCR:

- the transfers between the BEAPFF and central government
- the sale of shares in Lloyds Banking Group
- the sale of shares in Royal Mail

In the financial year ending 2013 (April 2012 to March 2013) the following events reduced the CGNCR:

- the transfers between the BEAPFF and central government
- the Royal Mail Pension Plan transfer and subsequent sale of assets
- the transfer of the Special Liquidity Scheme final profits between BoE and central government
- the 4G Spectrum sale

Public sector net cash requirement

Although the central government net cash requirement is the largest part of the public sector net cash requirement excluding public sector banks (PSNCR ex), the total public sector net cash requirement (PSNCR) can be very different. The reason is that the PSNCR includes the net cash requirement of the public sector banking groups. In recent years, the public sector banking groups have recorded large cash surpluses which have had a substantial impact on the public sector net cash requirement.

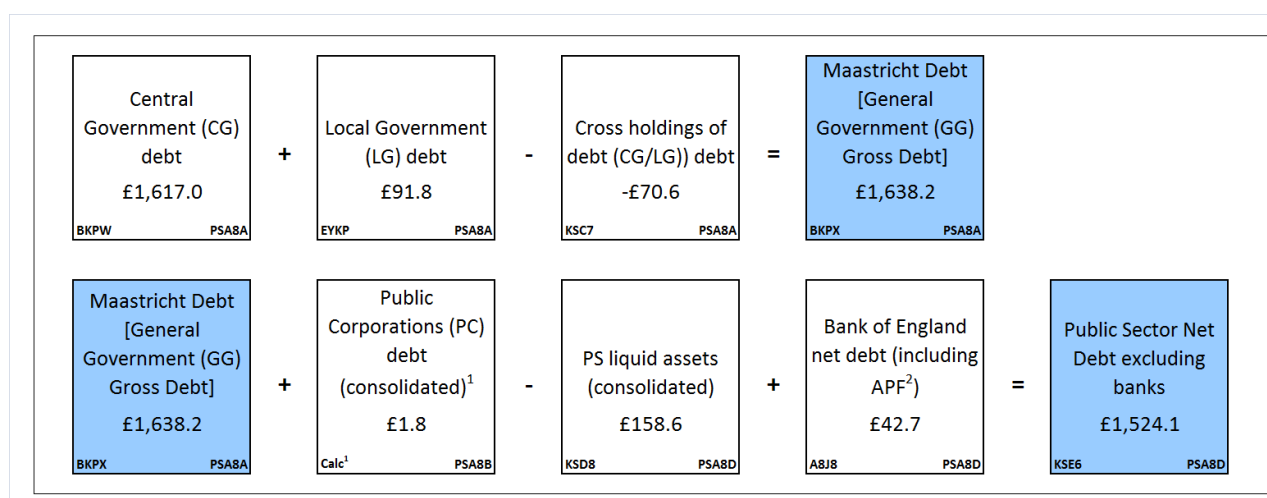
10 . Public sector net debt

Public sector net debt ex (PSND ex) represents the amount of money the public sector owes to UK private sector organisations and overseas institutions, largely as a result of government financial liabilities on the bonds (gilts) and Treasury bills it has issued.

For the purposes of UK fiscal policy, 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 and without significant loss. These liquid assets mainly comprise foreign exchange reserves and bank deposits.

Diagram 3 presents public sector excluding public sector banks debt at the end of September 2015 by sub-sector. Time series for each of these component series are presented in table PSA8A to D attached to this bulletin.

Diagram 3: Sub-sector split of public sector net debt excluding public sector banks at September 2015 (£ billion)



Notes:

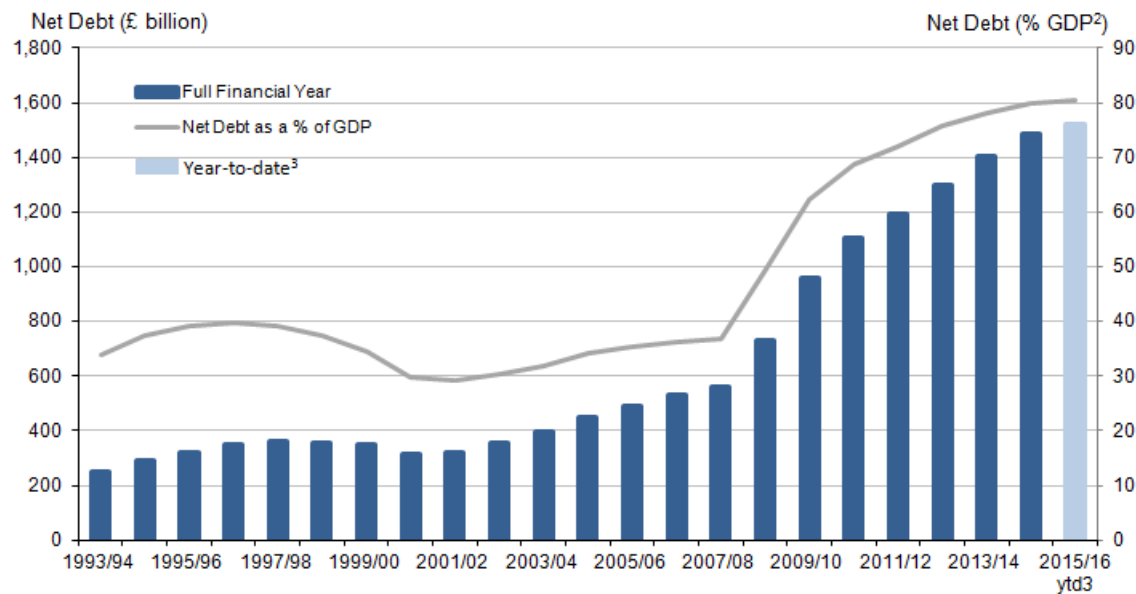
1. PC Corporations' debt (consolidated) = non-financial PC gross debt (EYYD) + Less CG/NFPCs' gross debt (KSC8) + Less LG/NFPCs' cross holdings of debt (KSC9)
2. APF - Bank of England Asset Purchase Facility
3. Cross holdings between sub-sectors are removed in calculating public sector net debt, gross debt and liquid assets

Figure 3 illustrates public sector net debt excluding banking groups (PSND ex) between the financial year ending 1998 (April 1997 to March 1998) and the financial year ending 2015 (April 2014 to March 2015). PSND ex represents the amount of money the public sector owes to UK private sector organisations and overseas institutions, largely as a result of government liabilities on the bonds (gilts) and Treasury bills it has issued.

The increases in debt between the financial year ending 2009 (April 2008 to March 2009) and the financial year ending 2011 (April 2010 to March 2011) were larger than in the early part of the decade, as the economic downturn meant public sector net borrowing excluding public sector banks (PSNB ex) increased. Since then it has continued to increase but at a slower rate.

Figure 3: Public sector net debt excluding public sector banks; the financial year ending 1994 to date

All data excluding public sector banks, United Kingdom



Source: Office for National Statistics

Notes:

1. Financial year ending 1994 (April 1993 to March 1994) to the financial year ending 2015 (April 2014 to March 2015)
2. GDP = Gross Domestic Product
3. ytd = year-to-date (April to September)

Changes in net debt between 2 points in time are normally similar to the net cash requirement for the intervening period, though the relationship is not an exact one because the net cash requirement reflects actual prices paid while the net debt is at nominal prices. For instance, gilts are recorded in net debt at their redemption (or face) value, but they are often issued at a different price due to premia or discounts being applied. The net cash requirement will reflect the actual issuance and redemption prices, but net debt only ever records the face (or nominal) value.

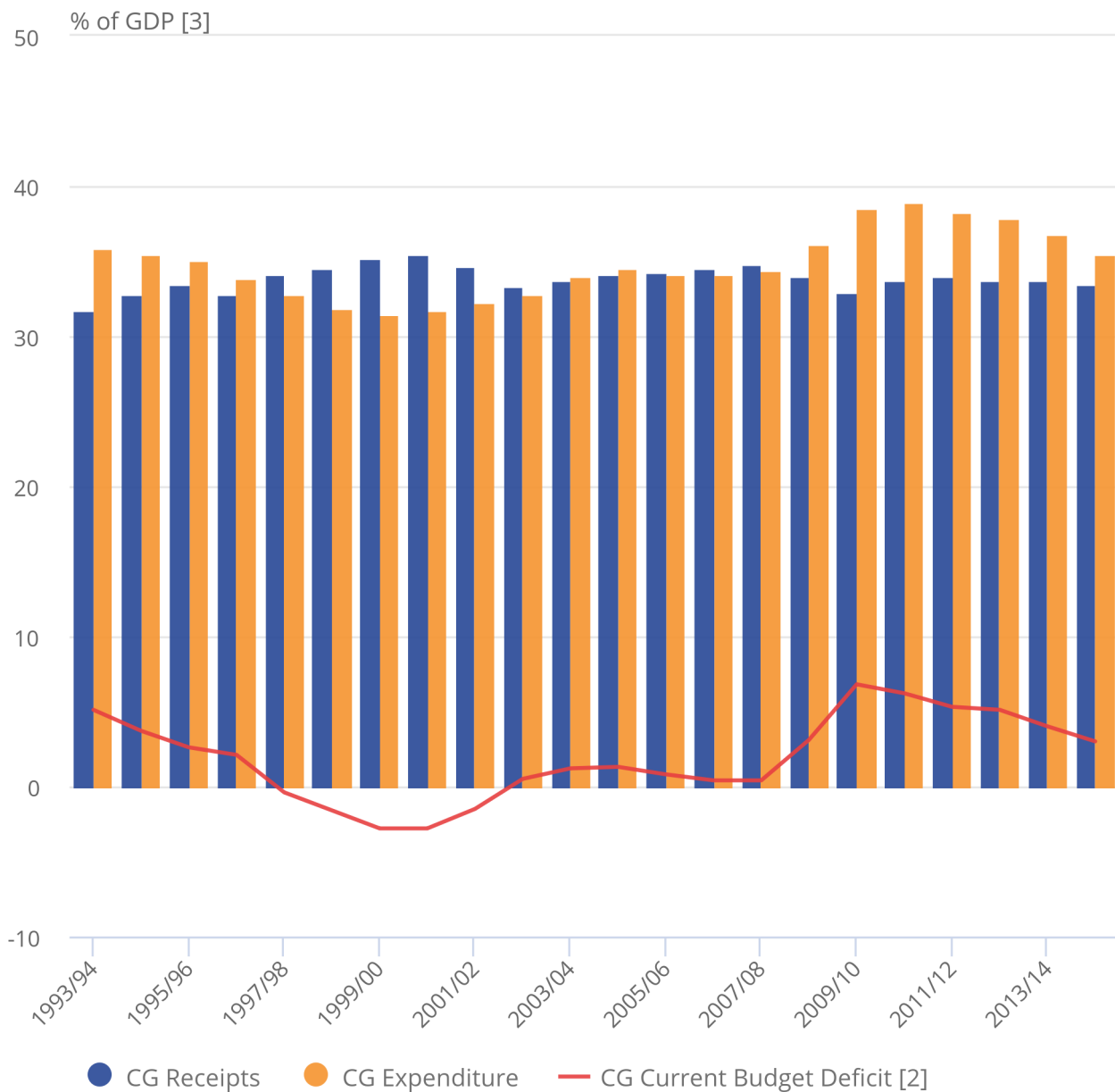
11 . Central government account

Figure 4 illustrates that the central government current budget deficit (as a percentage of GDP) has reduced since the financial year ending 2010 (April 2009 to March 2010), but is still larger than before the global financial shock.

Figure 4: Central government receipts, expenditure and current budget deficit as a percentage of GDP by financial year; the financial year ending 1994 to the financial year ending 2015

All data excluding public sector banks, United Kingdom

Figure 4: Central government receipts, expenditure and current budget deficit as a percentage of GDP by financial year; the financial year ending 1994 to the financial year ending 2015
All data excluding public sector banks, United Kingdom



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. The financial year ending 1994 (April 1993 to March 1994) to the financial year ending 2015 (April 2014 to March 2015)
2. Current budget deficit is receipts minus expenditure but also includes the effects of depreciation
3. GDP = Gross Domestic Product

In September 2015, the central government current budget deficit was £7.2 billion, a decrease of £1.1 billion, or 13.7% compared with September 2014.

In recent years the current budget has been in deficit in most months. January and July tend to be surplus months as these are the 2 months with the highest receipts.

a) Current receipts

As cash receipts are generally accrued back to earlier periods when the economic activity took place, the first monthly estimate for receipts is by nature provisional, and must include a substantial amount of forecast data.

Central government receipts follow a strong cyclical pattern over the year, with high receipts in April, July, October and January due to quarterly corporation tax returns being accrued to these months.

In both January and July (to a lesser extent) accrued receipts are particularly high due to receipts from quarterly corporation tax combining with those from income tax self-assessment. The revenue raised through income tax self-assessment, as well as primarily affecting January and July receipts, also tends to lead to high receipts in the following month (February and September respectively), although to a lesser degree.

Pay as you earn (PAYE) tends to vary little throughout the financial year on a monthly basis (excluding bonus months).

In recent years transfers from both the Bank of England Asset Purchase Facility Fund (BEAPFF) and the Special Liquidity Scheme (SLS) have boosted central government receipts. Though these transfers to central government have no impact on public sector borrowing due to the central government receipts being offset by the payments from the Bank of England.

b) Current expenditure

Trends in central government current expenditure can be affected by monthly changes in debt interest payments which can be volatile as they depend on the monthly path of the Retail Prices Index. It can therefore be informative to consider the total central government current expenditure excluding debt interest payments.

The profile of accrued central government current expenditure excluding debt interest is generally less volatile through the year. However, one regular peak is in net social benefits, which are higher in November than in other months because this is when the winter fuel allowance is paid.

Growth in net social benefits is affected by inflation. Benefits were uprated by 5.2% in the financial year ending 2013 (April 2012 to March 2013) in line with the Consumer Prices Index (CPI). This contrasts with an equivalent figure of 2.2% in the financial year ending 2014 (April 2013 to March 2014), 2.7% in the financial year ending 2015 (April 2014 to March 2015) and 1.2% in the financial year ending 2016. However, for State Pensions there is a “triple guarantee” that means that they are uprated by the highest of the CPI, increases in earnings or 2.5%, which is the rise for the financial year ending 2016 (April 2015 to March 2016). Since the financial year ending 2014 (April 2013 to March 2014), the uprating only applies to benefits received by disabled people and pensioners – benefits for people of working age have only been increased by 1% in these 3 years.

It is difficult to compare the profile of monthly central government expenditure excluding debt interest and net social benefits since the financial year ending 2014 (April 2013 to March 2014) with earlier years because of a number of changes to central government funding for local authorities (in particular the timing of grants).

In the financial year ending 2012 (April 2011 to March 2012) and earlier years, the funds were distributed in multiple, similar-sized, payments throughout the year. In the financial year ending 2013 (April 2012 to March 2013), local authorities received almost all their funding from the Department for Communities and Local Government (DCLG) through redistributed business rates, rather than the Revenue Support Grant (RSG). In addition, in the financial year ending 2013 (April 2012 to March 2013), as in previous years, the bulk of the RSG was paid in April, with a smaller balance paid in February.

From the start of the financial year ending 2014 (April 2013 to March 2014), local authorities retained half of the business rates they collect, with the remainder redistributed through the RSG. The retained business rates are still classified as a central government tax (see background note on business rates). Furthermore, the RSG in the financial year ending 2014 (April 2013 to March 2014) (and in the financial year ending 2015 (April 2014 to March 2015)) included a number of grants that were paid by other departments in the financial year ending 2013 (April 2012 to March 2013), including one to fund council tax benefit localisation and was again paid mainly in April with a smaller balance in February. This means that central government current expenditure year-on-year growth for April and February for the financial year ending 2014 (April 2013 to March 2014) was high, while year-on-year growth in other months was generally lower.

In the financial year ending 2016 (April 2015 to March 2016) the RSG has been paid to local authorities with a different profile with a third of the total being paid in April and the remainder in equal instalments in all the other months. This means that for this financial year current expenditure growth in April and February will be lower while year on year growth in other months will generally be higher.

c) Net investment

Central government net investment is difficult to predict in terms of its monthly profile as it includes some large capital grants (such as those to local authorities and education institutions), and can include some large capital acquisitions or disposals, all of which vary from year to year. Net investment in the last quarter of the financial year is usually markedly higher than that in the previous 3 quarters.

Central government net investment includes the direct acquisition minus disposal of capital assets (such as buildings, vehicles, computing infrastructure) by central government. It also includes capital grants to and from the private sector and other parts of the public sector. Capital grants are varied in nature and cover payments made to assist in the acquisition of a capital asset, payments made as a result of the disposal of a capital asset, transfers in ownership of a capital asset and the unreciprocated cancellation of a liability.

12 . Recent events and methodological changes

Classification decisions

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 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.

Progress of Aligning Public Sector Finances to National Accounts

In October 2015, we published an article, [Progress of Aligning Public Sector Finances to National Accounts between 2013 and 2015](#), summarising the main methodological differences between the estimates published in the monthly Public Sector Finances and the annual National Accounts.

This article contrasts the extent to which the 2 outputs were aligned in September 2014 compared with September 2015, and highlights the classification changes and methodology improvements which were behind the differences.

UK Statistics Authority assessment of public sector finances

Alongside monitoring the production and publication of official statistics, the UK Statistics Authority's statutory function is to prepare, adopt and publish a Code of Practice for Statistics (in consultation with others as appropriate), setting out the standards that the Statistics Authority expects official statistics to meet. The Statistics Authority also determines whether official statistics comply with the Code and, if so, designates them with the quality mark "National Statistics". The process of determining compliance with the Code and designation as National Statistics is known as "Assessment".

On 8 October 2015 the UK Statistics Authority published its latest assessment report of public sector finances. The report confirmed the National Statistics status of the [Public Sector Finances](#) bulletin subject to certain requirements being met.

Share sales

In recent years the government has entered a program of selling shares in publically owned organisations. For most share sales, the proceeds will reduce the central government net cash requirement (CGNCR) and public sector net debt (PSND) by an amount corresponding to the cash raised from the sale but have no impact on public sector net borrowing.

This section outlines the recent central government share sale program. In addition OBR discuss state-owned asset sales in their [Economic and Fiscal Outlook July 2015](#) indicating expected future share sales in Chart 4.14.

Lloyds Banking Group

On 17 September 2013, the UK government began selling part of its share holdings in Lloyds Banking Group (LBG). A further share sale on 23 and 24 March 2014 meant that the UK [government surrendered](#) in total a 13.5% stake in the institution, a quantity sufficient to lead to LBG being re-classified from a public sector body to a private sector body.

Since December 2014, the government has continued reducing its shareholding in LBG via a pre-arranged trading plan, raising an estimated total of £15.0 billion to date. In June 2015 the government announced that it will launch a LBG share sale to the public "in the next 12 months".

In September 2015, an estimated £0.4 billion raised from these sales reduced central government net cash requirement and net debt in September 2015 by a corresponding amount.

Royal Bank of Scotland

In August 2015, the [government announced](#) the sale of approximately 5.4% of its shareholding in Royal Bank of Scotland. The £2.1 billion raised from this sale reduced central government net cash requirement and net debt in August 2015 by a corresponding amount.

Royal Mail

In June 2015, the [government announced](#) the sale of half of its retained shareholding in Royal Mail. The £750 million raised from this sale of a 15% stake reduced central government net cash requirement and net debt in June 2015 by a corresponding amount.

Eurostar

In March 2015, the [government announced](#) the sale of its 40% stake in the cross-Channel train operator Eurostar. The £757 million raised from this sale reduced central government net cash requirement and net debt in May 2015 by a corresponding amount.

The alignment of public sector finance with EU Government Deficit and Debt return

Each quarter (March, June, September and December) public sector finance (PSF) data are aligned to the data reported in the EU Government Deficit and Debt return to take advantage of the more detailed quarterly data underpinning the latter publication.

In order for the latest month and financial year-to-date to reflect the latest available information, while ensuring coherence between the EU Government Deficit and Debt Return output and the PSF statistical bulletin, in such months:

- the latest reported month reflects the latest PSF data available
- the period common to both the EU Government Deficit and Debt Return and PSF are aligned
- the estimates for the month immediately prior to the latest month (and following that aligned to the EU Government Deficit and Debt Return) are calculated by taking the latest data for the cumulative financial year-to-date and subtracting both the cumulative totals for those aligned quarters in the financial year and the latest month estimates

For example, the PSF published in September:

- August would be estimated using the latest reported data
- the PSF data in the period April to June are aligned to the EU Government Deficit and Debt Return
- the July figure is derived from the financial year-to-date (April to August) less the sum of the aligned period (April to June) and August

This alignment process results in a temporary distortion to the published monthly profiles which will unwind in the dataset reported in the bulletin published in the following month which is then de-coupled from the EU Government Deficit and Debt Return to reflect the latest available data.

In the example above, the derived estimate to July may revise substantially to reflect the latest monthly path.

This phenomenon is discussed further in the [Public Sector Finances Revision Policy](#).

Bank of England Asset Purchase Facility Fund

On 9 November 2012, the [Chancellor announced](#) an agreement with the Bank of England to transfer the excess cash in the Asset Purchase Facility Fund (APF) to the Exchequer.

The [2013 PSF Review consultation \(129.2 Kb Pdf\)](#) concluded that transactions between the APF and central government net out and have no impact on PSNB ex while the net liabilities of the APF increase PSND ex, which is reflected in this bulletin.

In September 2015, there were no transfers from the Bank of England Asset Purchase Facility Fund (BEAPFF) to HM Treasury, while in the current financial year-to-date (April 2015 to September 2015), £4.3 billion has been transferred.

The next expected transfer will occur in October 2015.

The Bank of England entrepreneurial income for the financial year ending 2015 (April 2014 to March 2015) was calculated as £12.5 billion. This is the total amount of dividend transfers that can impact on central government net borrowing in the financial year ending 2016 (April 2015 to March 2016).

Between April 2012 to March 2013, there were £11.3 billion of transfers from the BEAPFF to HM Treasury, while in the same period in financial year ending 2014 and 2015 the transfers were £31.1 billion and £10.7 billion respectively.

All cash transferred from the Asset Purchase Facility to HM Treasury is fully reflected in central government net cash requirement and net debt. For more detail of transactions relating to the Asset Purchase Facility, see Table PSA9.

Taxes on Production

In December 2015, we plan to implement in the Public Sector Finances the classification of four taxes on production. Two of these (Light Dues and Community Infrastructure Levy) are currently not recorded in the Public Sector Finances and so their inclusion will reduce public sector borrowing. The other two taxes (Police Service Agreement and Heavy Goods Vehicle Road User Levy) are currently recorded in the Public Sector Finances but not (in full) as taxes on production and so their inclusion will have no impact on public sector net borrowing or current budget surplus. More detail on the four taxes is provided below.

Light dues – [Light dues](#) are the charges levied on ships for the maintenance of lighthouses and other aids to navigation. It is estimated that the inclusion of light dues will reduce public sector net borrowing by approximately £0.1 billion in the financial year ending 2015.

Community Infrastructure Levy - Community Infrastructure Levy is a planning charge, introduced by the [Planning Act 2008](#) as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It came into force on 6 April 2010 through the [Community Infrastructure Levy Regulations 2010](#).

Police Service Agreement - British Transport Police Authority (BTPA) enters into agreements with train, freight and other operating companies in order to providing a policing service to their railway or railway property. These agreements, referred to as [Police Services Agreements \(PSAs\)](#), also require the companies to make payments for the service. Currently these payments are being treated as fees which are recorded as negative current expenditure. Implementing the reclassification of these payments from fees to taxes will lead to an increase in central government current expenditure and an equal increase in central government current receipts. The magnitude of the change is still being investigated but it is not expected to be more than £0.2 billion a year.

Heavy Goods Vehicle Road User Levy - The government has introduced a road user levy for heavy goods vehicles (HGV) of 12 tonnes or more. The aim of the levy is to ensure these vehicles make a contribution to the wear and tear of the road network. The levy was introduced by the [HGV Road User Levy Act 2013](#) and began on 1 April 2014. Since April 2014 this levy has been included in the Public Sector Finances as part of Vehicle duty receipts. However, the full implementation of this classification is expected to result in changes to the split between vehicle duty paid by businesses and vehicle duty paid by households.

New VAT rules for electronic services

On 1 January 2015, VAT rules relating to the supply of telecommunications, radio and television broadcasting and electronically supplied services changed.

Prior to 1 January 2015, supplies made by EU businesses to EU resident customers were subject to VAT in the country where the suppliers were established; from 1 January 2015, the supplies will be subject to VAT in the country where the customer is resident. The tax changes are as a result of [European legislation](#).

The legislation provides for a transition period of 4 years during which the tax authority in the country where the supplier is located can retain a part of the VAT collected prior to passing on the remainder of the collected tax to the country where the customer is resident. From 1 January 2019, all collected tax must be transferred to the tax authority in the appropriate country.

We are currently considering how the transferred and retained tax should be treated in the public sector finances and will provide more detail over the coming months.

Diverted Profit Tax

The government has introduced a new tax – the Diverted Profits Tax – to counter the use of aggressive tax planning techniques used by multinational enterprises to divert profits from the UK. The legislation is included in the Finance Act 2015, and applies from 1 April 2015.

In public sector finances, [Diverted Profit Tax](#) will be treated as a tax on income and wealth and so reduce central government net borrowing.

EU contributions

Every year the European Commission (EC) reports retrospective adjustments to the EC budget contributions by EU member states based on the latest Value Added Tax (VAT) and gross national income (GNI) data.

In December 2014, the public sector finances recorded £2.9 billion of current expenditure in that month that related to increases in the UK contribution due to revised GNI data over a long historical period (as far back as 2002 for most member states). The gross liability of £2.9 billion for the UK arose in [December 2014](#) and so has been recorded, then even though the cash was paid by the UK government until 2015. The first cash payment of £0.4 billion (rounded) was made in July 2015, with the final payment of £2.4 billion (rounded) made in September 2015.

Previous month's bulletins have noted the existence of 2 transactions which would offset this £2.9 billion:

- a repayment (estimated by OBR as £1.2 billion) as the Commission returns all the member states' additional contributions related to the data revisions
- an increase in the UK rebate (estimated by the OBR as £0.8 billion) as a result of the UK's additional payment

The rebate is a regular transfer made by the EC to the UK. These transactions are reflected in the public sector finances when they occur (and are recorded as part of "Current transfers received from abroad" in Table PSA6E).

The [latest guidance received from Eurostat](#) makes it clear that the £1.2 billion repayment should be recorded in 2014 in the same way that the £2.9 billion payment has been. This has resulted in the December 2014 current expenditure for that month being revised down by £1.2 billion to reflect the repayment from the EC to the UK, which is accrued to December 2014 although the cash transactions take place in 2015. This is consistent with the approach taken by the OBR.

Of the £1.2 billion repayment, £0.5 billion was received in February 2015, so the accrued impact on borrowing in February 2015 is £0.5 billion higher than the cash impact on the net cash requirement to account for the fact that the £1.2 billion repayment has already been recorded within the net borrowing of December 2014.

More details of these EU budget contributions can be found on the [EU Commission website](#).

Grants to Local Government

The Revenue Support Grant (RSG) is the main revenue funding grant paid by central government to local government in England.

In the financial year ending 2015 (March 2014 to April 2015), more than half of the RSG was paid in April with the remaining balance paid in February and March. The payment profile has changed for the financial year ending 2016 (March 2015 to April 2016), with one-third of the grant paid in April and the rest expected to be paid evenly through the year.

This change in profile explains almost all of the fall in central government current transfers to local government and central government other current spending in April 2015 compared to April last year. The impact of this change is offset in local government net borrowing.

Summer Budget 2015

In their July 2015 Economic and Fiscal Outlook, the Office for Budget Responsibility referred to uncertainty around the statistical implementation of 2 policy changes. These were the social sector rent measure which starts in the financial year ending 2017 and the movement of corporation tax payment dates which will be implemented in the financial year ending 2018. We will consider how transactions related to these, and any other Budget policies, will be recorded in the public finances and inform users in due course.

13 . Revisions since previous bulletin

In publishing monthly estimates, it is necessary that a range of different types of data sources are used. A summary of the different sources used and the implications this has for data revisions is provided in the document [Sources summary and their timing \(22.8 Kb Pdf\)](#).

The [Public Sector Finances Revision Policy](#) provides information of when users of the statistics published in the Public Sector Finances and Government Deficit and Debt under the Maastricht Treaty statistical bulletins should expect to see methodological and data related revisions.

More detail of the methodology and sources employed can be found in the [Public Sector Finances Methodological Guide \(360.3 Kb Pdf\)](#).

On the 30 October ONS published [Quarterly National Accounts, Quarter 2 \(April to June\) 2015](#). In this publication the estimate of GDP was revised back to 1997 Quarter 1. As a consequence of the revisions to GDP, all figures expressed in this bulletin as a ratio to GDP have been revised accordingly.

ONS recently published an article explaining [the use of GDP in fiscal ratio statistics \(70.8 Kb Pdf\)](#).

Borrowing

Table 4 summarises revisions between the data contained in this bulletin and the previous publication.

This month's bulletin reports revisions to public sector net borrowing (excluding public sector banks) (PSNB ex). These revisions are largely limited to the financial year-to-date (April to August 2015).

Public sector net borrowing (excluding public sector banks)

PSNB ex in the current financial year-to-date to (April to August 2015) was revised down by £1.4 billion, largely as a result of a downward revision to central government net borrowing. These net borrowing revisions are solely the result of updated data sources and there are no impacts from methodology changes this month.

Central government borrowing

Over the current financial year-to-date, central government net borrowing (CGNB) has been revised down by £1.9 billion.

Current receipts were revised up by £1.0 billion, largely due to a £1.0 billion increase in the estimate of VAT.

Current expenditure was revised down by £0.6 billion, largely due to a £0.4 billion decrease in the estimate of 'other' current spending.

The £1.0 billion increase in current receipts combined with the £0.6 billion decrease in current expenditure led to a £1.6 billion decrease to the central government current budget deficit estimate.

This decrease in the current account combined with a £0.3 billion reduction to the estimate of capital spending (net investment), resulted in a £1.9 billion decrease to the estimate of net borrowing in the current financial year-to-date.

Changes to the monthly profile of central government net borrowing are explained in section 8 'Recent events and methodological changes'; sub-section 'The alignment of PSF with EU Government Deficit and Debt return'.

Local government borrowing

Over the current financial year-to-date, the estimate of local government net borrowing (LGNB) has been increased by £0.2 billion due to revisions to the estimates of grants between central and local government.

Public corporations borrowing

Over the current financial year-to-date, the estimate of public corporation net borrowing (PCNB) has been increased by £0.2 billion, largely due to increases in the estimate of gross fixed capital formation in the first quarter (April to June 2015).

Public sector net debt (excluding public sector banks)

Public sector net debt (excluding public sector banks) (PSND ex) at the end of August 2015 has been revised up by £1.6 billion, largely as a result of changes to the estimate of both central and local government liquid assets.

For the purposes of UK fiscal policy, net debt is defined as total gross financial liabilities (such as gilts and sterling treasury bills) less liquid financial assets, where liquid assets are cash and short-term assets which can be released for cash at short notice and without significant loss. These liquid assets mainly comprise foreign exchange reserves and bank deposits.

New data received from UK Asset Resolution Ltd (UKAR) have resulted in a decrease to the estimate of central government liquid assets of £1.2 in both July and August. This decrease in liquid assets have contributed to an increase in the estimate of debt in July and August.

Revised local government data have led to an increases to the estimate of local government liquid assets of £0.3 billion, £0.6 billion, £0.2 billion and £0.3 billion in April, May, July and August respectively. This increase in liquid assets have contributed to a reduction in the estimate of debt in those months.

Public sector net cash requirement (excluding public sector banks)

Public sector net cash requirement (excluding public sector banks) (PSNCR ex) in the financial year-to-date to (April to August 2015) has been revised down by £1.5 billion as a result of changes to both the central and local government cash position.

New data received from UKAR has resulted in a fall to the July estimate of central government net cash requirement of £1.7 billion. As noted above, a similar movement is seen in the UKAR contribution to public sector net debt.

As a result of quality assurance work, the Department for Communities and Local Government (DCLG) have provided revisions to their estimates of local government cash requirement (LGNCR) from April 2012 onwards. This has resulted in a £0.2 billion increase in LGNCR in the financial year ending 2013, a £0.1 billion decrease in the financial year ending 2014 and no material change to the LGNCR in the financial year ending 2015. The estimate of LGNCR in the current financial year-to-date (April 2015 to August 2015) has been revised up £0.2 billion, but the monthly revisions in the financial year-to-date are larger with an increase of £0.9 billion in August 2015 and a fall of £0.5 billion and £0.2 billion in April and May 2015 respectively.

Table 4: Revisions between this bulletin and the previous bulletin

£ billion¹ (not seasonally adjusted)

| Period | Net Borrowing | | | | Net Debt | | | PSNCR ex ⁹ |
|---------------------------|-----------------|-----------------|--------------------|------------------|----------------------|----------------------|----------------------------|-----------------------|
| | CG ² | LG ³ | NFPCs ⁴ | BoE ⁵ | PSNB ex ⁶ | PSND ex ⁷ | PSND % of GDP ⁸ | |
| 1997/98 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | 0.0 |
| 1998/99 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | 0.0 |
| 1999/00 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | 0.0 |
| 2000/01 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | 0.0 |
| 2001/02 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| 2002/03 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| 2003/04 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2004/05 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| 2005/06 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| 2006/07 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| 2007/08 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2008/09 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| 2009/10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| 2010/11 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2011/12 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | 0.0 |
| 2012/13 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1.0 | 0.2 |
| 2013/14 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | -1.1 | -0.1 |
| 2014/15 ¹⁰ | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | -0.8 | 0.0 |
| 2015/16 ytd ¹¹ | -1.9 | 0.2 | 0.2 | 0.0 | -1.4 | 1.6 | -0.7 | -1.5 |
| 2015 April ¹² | 0.7 | 0.0 | 0.1 | 0.0 | 0.8 | -0.1 | -0.7 | -0.5 |
| 2015 May ¹² | 0.6 | 0.2 | 0.1 | 0.0 | 0.8 | -0.4 | -0.8 | -0.2 |
| 2015 June ¹² | 0.0 | -0.1 | 0.1 | 0.0 | 0.0 | 0.0 | -0.8 | 0.0 |
| 2015 July ¹² | -2.6 | 0.0 | 0.0 | 0.0 | -2.5 | 1.1 | -0.7 | -1.7 |
| 2015 August ¹² | -0.6 | 0.1 | 0.0 | 0.0 | -0.5 | 1.6 | -0.7 | 0.9 |

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. GDP = Gross Domestic Product
9. Public sector cash requirement excluding public sector banks
10. 2014/15 represents financial year ending 2015 (April 2014 to March 2015)

11. ytd = Year-to-date

12. Monthly revisions are in part due to the quarterly practise of aligning the monthly public sector finances with the alignment process and the impact on monthly data is set out in the public sector finances revision policy

To provide users with an insight into the drivers of the historical revisions between publications, this bulletin presents 3 revisions tables;

- table PSA1R complements PSA1 and provides a revisions summary (between the current and previous publication) to headline statistics in this release
- table PSA2R complements PSA2 and provides the revisions (between the current and previous publication) to net borrowing by sector
- table PSA6R complements PSA6B and provides the revisions (between the current and previous publication) to the components of central government net borrowing

Tables PSA1R and PSA6R are published in excel format only in appendix A to this release.

In addition, Appendix C to this bulletin presents a statistical analysis on several main components of the central government account (current receipts, current expenditure, net borrowing and net cash requirement) to determine whether their average revisions are statistically significant.

14 . New for the bulletin

Bank of England contribution to public sector net debt

As a result of quality assurance work to our historical time series data published on our website, the series identifier for the time series 'Bank of England contribution to public sector net debt' appearing in table PSA8D has been changed from JXA8 to A8J8.

Recent public sector finance articles

We are currently in the process of updating public sector finance guidance and methodology articles published on our website. Recently we have updated articles covering:

- [Public Sector Finances Revision Policy](#)
- [Public Sector Finances classification: Uses and Users of Government Finance Statistics \(123.4 Kb Pdf\)](#)
- [Background for users of Public Sector Finance Statistics \(134.3 Kb Pdf\)](#)
- [Production of the Public Sector Finances Statistical bulletin: responsibilities and accountabilities \(154.3 Kb Pdf\)](#)
- [Methodological Improvements to National Accounts for Blue Book 2015: Classifications](#)
- [The use of GDP in fiscal ratio statistics. \(70.8 Kb Pdf\)](#)

The reconciliation of net cash requirement to debt

The issues and subsequent revisions to CGNCR reported in October 2014 were identified through work undertaken to reconcile the 3 different fiscal measures (that is net cash requirement, net borrowing and net debt) and to reconcile the central government net cash requirement with cash reported in audited resource accounts.

We are currently building these reconciliation processes into the monthly production systems. The first of these new reconciliations, Table REC3, attempts to reconcile central government net cash requirement and net debt.

Table REC3 is not currently designated a National Statistic and should be considered as a work-in-progress, with plans to introduced further refinements in the coming months.

List of tables in this bulletin

Public Sector Finances Tables

- PSA1 Public Sector Summary
- PSA2 Public Sector Net Borrowing: by sector
- PSA3 Public Sector Current Budget Deficit, Net Borrowing and Net Cash Requirement (excluding public sector banks)
- PSA4 Public Sector Net Debt (excluding public sector banks)
- PSA5A Long Run of Fiscal Indicators as a percentage of GDP on a financial year basis
- PSA5B Long Run of Fiscal Indicators as a percentage of GDP on a quarterly basis*
- PSA6A Net Borrowing: month and year-to-date comparisons
- PSA6B Central Government Account: Overview
- PSA6C Central Government Account: Total Revenue, Total Expenditure and Net Borrowing
- PSA6D Central Government Account: Current Receipts
- PSA6E Central Government Account: Current Expenditure
- PSA6F Central Government Account: Net Investment
- PSA6G Local Government Account: Overview*
- PSA6H Local Government Account: Total Revenue, Total Expenditure and Net Borrowing*
- PSA6I Local Government Account: Current Receipts*
- PSA6J Local Government Account: Current Expenditure*
- PSA6K Local Government Account: Net Investment*
- REC1 Reconciliation of Public Sector Net Borrowing and Net Cash Requirement (excluding banking groups)
- REC2 Reconciliation of Central Government Net Borrowing and Net Cash Requirement

- PSA7A Public Sector Net Cash Requirement
- PSA7B Public Sector Net Cash Requirement*
- PSA7C Central Government Net Cash Requirement
- PSA7D Central Government Net Cash Requirement on own account (receipts and outlays on a cash basis)
- REC3 Reconciliation of Central Government Net Cash Requirement and Debt (Experimental Statistic)
- PSA8A General Government Consolidated Gross Debt nominal values at end of period
- PSA8B Public Sector Consolidated Gross Debt nominal values at end of period
- PSA8C General Government Net Debt nominal values at end of period
- PSA8D Public Sector Net Debt nominal values at end of period
- PSA9 Bank of England Asset Purchase Facility Fund (APF)
- PSA10 Public Sector transactions by sub-sector and economic category
- PSA1R Public Sector Statistics: Revisions since last publication*
- PSA2R Public Sector Net Borrowing: by sector; Revisions since last publication
- PSA6R Central Government Account: overview; Revisions since last publication*

* These tables are published in Excel format only.

Appendices – Data in this release

- Appendix A Public Sector Finances Tables 1 to 10
- Appendix B Large impacts on public sector fiscal measures excluding financial intervention (one off events).
- Appendix C Revisions Analysis on several main components of the central government account (current receipts, current expenditure, net borrowing and net cash requirement).

The following guidance documents aim to help users gain a detailed understanding of the public sector finances: [Monthly statistics on Public Sector Finances: a methodological guide \(360.3 Kb Pdf\)](#); [Developments to Public Sector Finances Statistics \(71.2 Kb Pdf\)](#) and [Quality and Methodology Information \(201.4 Kb Pdf\)](#).

15. Background notes

1. Data quality

A [summary quality report](#) for the public sector finances is available on our website. This report describes in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.

An [overview note](#) on the data sources used within public sector finances and the quality assurance processes that are undertaken in compiling the statistical release was published on our website on 19 October 2012.

2. Definitions

A methodology guide to monthly public sector finance statistics is available on our website. It explains the concepts and measurement of the monthly data, plus those previously published, and gives some long runs of historical data. The following background notes provide further information regarding the monthly data.

3. Range of measures published

In this bulletin we publish the headline measures of borrowing and debt (PSNB ex and PSND ex) in tables as well as the wider measures of borrowing and debt that include public sectors banks.

Since 1997, it has been an essential feature of the UK Public Sector Finances' fiscal measures that they are based on National Accounts and European Government Finance Statistics concepts. It is important that these fiscal measures continue to be aligned with these international standards to ensure a high degree of comparability between domestic and international measures and because the government bases its fiscal policy on these aligned measures.

4. Coherence

EU Council Directive 2011/85/EU (part of the enhanced EU economic governance package regulations known as the "6 pack") includes statistical requirements for government finance statistics relating to the monthly publication of statistics and annual publication of specific contingent liabilities and other potential liabilities. Tables PSA6C and PSA6H were introduced in 2014 into the PSF bulletin in order to fully comply with the monthly government finance statistics requirements.

On 22 December 2014, we published for the first time the required information on government contingent liabilities and other potential liabilities. These figures will be reported for this first year as experimental statistics while further work is carried out to establish data sources for these statistics.

5. The Public Sector Finances (PSF) has a more flexible revisions policy than other National Accounts data. Therefore, PSF data may be inconsistent with the published GDP and Sector and Financial Accounts datasets because a revision may not be incorporated into the main National Accounts dataset until a later date. More information can be found in the [Public Sector Finances Revision Policy](#).
6. General government net borrowing and gross consolidated debt reported in this bulletin are calculated following the rules of the European System of Accounts 2010 (ESA 2010) and are the same in definition as the General Government Debt and Deficit monitored under the Maastricht Treaty. This was most recently [reported on 16 October 2015](#), with the next publication scheduled for 15 January 2016.
7. When calculating debt as a percentage of GDP in the bulletin on EU Government Debt and Deficit the general government gross debt at the end of the year is divided by the GDP for the previous 12 months. This methodology is adopted to be consistent with [Eurostat publications](#) which report on Maastricht debt for all member states.
8. However, when calculating public sector net debt as a percentage of GDP in the UK public sector finances the debt figure is divided by an annual GDP figure which is centred on the month to which the debt relates. To be consistent the general government gross debt as a percentage of GDP in the Public Sector Finances is calculated using the same centred GDP figure. More information can be found in [an article on the use of GDP in the fiscal ratio statistics \(70.8 Kb Pdf\)](#).
9. Tax receipts data published in this bulletin are presented in terms of broad tax categories (for example, Income Tax, VAT). For more detail on individual taxes users can go to the [HM Revenue & Customs website](#) and access a monthly publication which provides cash tax receipts data which are entirely consistent with the data published in Table PSF5A and B of the bulletin.
10. **OSCAR - Online System for Central Accounting and Reporting**

In June 2010, HM Treasury published as part of the government transparency agenda, raw data from the COINS database (the predecessor to OSCAR) for the financial years ending 2006 to 2010. From September 2012 onwards the data releases have been made from OSCAR, the replacement for COINS. The latest in-year quarterly data were released on 22 September 2015 and the latest annual data was released on 21 October 2014. The data are accessible from [HM Treasury's website](#).

11. Accuracy

Central government departmental expenditure data are subject to various validation processes and improve over time. They go through 4 main stages:

- stage 1 – initially, they are estimated using in-year reported data
- stage 2 – in the July following the completion of the financial year, departments update their full financial year estimates (but with no in-year profile), for publication in the Treasury's Public Spending National Statistics annual publication; these estimates will be in line with the audited resource accounts for most departments
- stage 3 – for the autumn update of the Treasury's Public Spending National Statistics these financial year estimates are updated
- stage 4 – in March the following year the winter update of the Treasury's Public Spending National Statistics is published and the financial year estimates are further improved; all departments' and devolved administrations' accounts will have been audited and finalised by this stage; these revisions are not normally included in the Public Sector Finances statistical bulletin until the September release

Data up to and including the financial year ending 2013 (April 2012 to March 2013) and the financial year ending 2014 (April 2013 to March 2014) are at Stage 4 while data for the financial year ending 2015 (April 2014 to March 2015) are at Stage 2 and data for the financial year ending 2016 (April 2015 to March 2016) are at stage 1.

12. The local government data for the financial year ending 2011, 2012, 2013 and 2014 for local authorities are based on final outturns for receipts and expenditure. Data for the financial year ending 2014 (April 2013 to March 2014) and the financial year ending 2015 (April 2014 to March 2015) are mainly based on final outturns (provisional outturns have been used for Scotland). Estimates for financial year ending 2016 (April 2014 to March 2016) are based on a combination of in-year returns and forecast data. These are subject to revision when outturn data become available.

13. Revisions

We define a revision as a scheduled change to any published ONS output which may be made in order to incorporate better source data or to reflect improved methodology.

The [Public Sector Finances Revision Policy](#) is published on our website. It was last updated in September 2015.

14. Appendix C to the monthly public sector finance statistical bulletin presents revisions analysis to a number of main central government measures (current receipts, current expenditure, net borrowing and net cash requirement).

By applying a statistical significance test, this analysis investigates the size and direction of revisions from each measure's first publication to that recorded a year later. An average of 5 years worth of such revisions is used to identify any statistical bias.

These indicators only provide summary measures of revisions; the revised data may still be subject to measurement error.

15. Currently data for the public sector banks are only available for periods up to December 2014. Values for months from January 2015 onwards are our estimates. Consequently these, and the aggregates which include the impacts of financial interventions, may be revised substantially when actual data becomes available.

16. Publication policy

A [brief paper \(154.3 Kb Pdf\)](#) explaining the roles and responsibilities of ONS and HM Treasury when producing and publishing the public sector finances statistical release is on our website.

17. A [note \(123.4 Kb Pdf\)](#) on the main uses and users of the public sector finances statistics is available on the ONS website.

18. Recommendations for the improvement of the Public Sector Finances Statistical Bulletin may be emailed to psa@ons.gsi.gov.uk
19. Details of the policy governing the release of new data are available from our Media Relations Office. National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.

20. Special arrangements apply to the Public Sector Finances, which is produced jointly with HM Treasury. A list of ministers and officials with pre-publication access to the contents of this bulletin is available on request. In addition some members of the Treasury's Fiscal Statistics and Policy (FSP) team will have access to them at all stages, because they are involved in the compilation or quality assurance of data, and some members of the Treasury's Communications team will see the bulletin, but only within the 24 hour pre-release period, because they place these data on the website.
21. The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.
22. Designation can be broadly interpreted to mean that the statistics:
 - meet identified user needs
 - are well explained and readily accessible
 - are produced according to sound methods
 - are managed impartially and objectively in the public interest

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

23. Public sector finance data series previously published in Financial Statistics are made available for download on the Public Sector Finances web page. Tables 1.2A, 1.3A and 1.4A which are updated monthly will continue to be available monthly, published concurrently with the PSF Supplementary data, while Tables 1.3B, 1.3C and 1.3D will be available quarterly.

24. **Following ONS**

As part of our continuous engagement strategy, comments are welcomed on ways in which the Public Sector Finances Statistical Bulletin might be improved. Please email: psa@ons.gsi.gov.uk

25. Follow ONS on [Twitter](#) and [Facebook](#)
26. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk