

Statistical bulletin

# UK government debt and deficit: December 2016

Quarterly estimates of UK government deficit and debt, given to the European Commission under the excessive deficit procedure protocol, as part of the Maastricht Treaty.



Contact:  
Ana Oliveira  
Public.sector.accounts@ons.gsi.  
gov.uk  
+44 (0)1633 451792

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## Table of contents

1. [Main points](#)
2. [What's changed in this release?](#)
3. [Things you need to know about this release](#)
4. [How much is the general government gross debt?](#)
5. [How much is the general government deficit?](#)
6. [Revisions since previous release](#)
7. [Quality and methodology](#)
8. [Annex A: Government Deficit and Debt Return dataset](#)
9. [Annex B: Maastricht supplementary data tables](#)

# 1 . Main points

- General government gross debt was £1,731.4 billion at the end of December 2016, equivalent to 89.3% of gross domestic product (GDP); an increase of £65.4 billion on December 2015.
- The latest government debt figure exceeds the reference value of 60% of GDP set out in the Protocol on the Excessive Deficit Procedure; general government gross debt first exceeded the 60% Maastricht reference value at the end of 2009 when it was 64.5% of GDP or £979.8 billion.
- General government deficit (or net borrowing) decreased by £24.2 billion to £57.2 billion (equivalent to 3.0% GDP) in 2016, compared with 2015.
- The Protocol on the Excessive Deficit Procedure states that general government deficit should not exceed 3% of GDP; this is the first time the UK has met this requirement since 2007 when the deficit was 2.7% of GDP or £40.9 billion.

## 2 . 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.

### Corporation Tax, Bank Corporation Tax Surcharge and Bank Levy

In this edition's bulletin we have introduced a new methodology for the recording of Corporation Tax and Bank Corporation Tax Surcharge receipts.

Previously, we have used cash receipts for these taxes as a proxy for accrued revenue. An improved methodology derives accrued revenue figures by adjusting cash receipts to more accurately reflect the time at which the economic activity relating to the tax receipts took place.

In addition to these changes, the accrual methodology for the Bank Levy has been modified to make it consistent with the approach being used for Corporation Tax. More information on the methodological changes can be found in a separate [methodological note](#).

The impact of introducing the new methodology is to distribute the tax revenue more evenly over individual months in the year. It also leads to revisions in the annual totals for these taxes, which in turn revises net borrowing.

Due to changes in the payment schedule for corporation taxes and data limitations, the improved methodology has only been applied from the financial year ending March 2001 onward.

Data for the period in the financial years ending March 2001 to March 2005 have been estimated by the Office for National Statistics (ONS), while data from the financial year ending March 2006 have been compiled and provided by HM Revenue and Customs (HMRC).

Table 1 summarises the impact on central government receipts and net borrowing of moving to the time-adjusted cash recording for Corporation Tax, Bank Corporation Tax Surcharge and Bank Levy between the financial years ending March 2009 and March 2016.

**Table 1: Impact of changes to the recording of corporation tax, bank surcharge and bank levy receipts on central government net borrowing**

UK, calendar years 2000 to 2016

£billion

Year	Corporation Tax <sup>1</sup> receipts			Bank Levy			Total impact of new receipts methodology on CGNB <sup>5</sup>
	As previously reported <sup>2</sup>	As reported in this bulletin <sup>3</sup>	Revision	As previously reported <sup>4</sup>	As reported in this bulletin <sup>3</sup>	Revision	
2000	33.0	36.6	3.6	0.0	0.0	0.0	-3.6
2001	33.5	32.7	-0.9	0.0	0.0	0.0	0.9
2002	29.0	30.0	0.9	0.0	0.0	0.0	-0.9
2003	28.8	29.9	1.0	0.0	0.0	0.0	-1.0
2004	31.5	36.0	4.4	0.0	0.0	0.0	-4.4
2005	38.3	44.0	5.8	0.0	0.0	0.0	-5.8
2006	47.6	46.2	-1.4	0.0	0.0	0.0	1.4
2007	44.5	47.7	3.1	0.0	0.0	0.0	-3.1
2008	47.3	41.6	-5.7	0.0	0.0	0.0	5.7
2009	36.2	37.0	0.8	0.0	0.0	0.0	-0.8
2010	42.2	43.0	0.9	0.0	0.0	0.0	-0.9
2011	43.2	44.3	1.1	1.5	1.9	0.4	-1.6
2012	40.7	41.2	0.5	1.6	1.6	0.0	-0.5
2013	40.4	41.8	1.4	2.2	2.4	0.2	-1.6
2014	41.6	43.5	1.9	2.7	2.9	0.2	-2.0
2015	44.9	45.0	0.1	3.4	3.4	0.0	-0.1
2016	47.7	52.3	4.6	2.9	2.9	0.0	-4.6

Source: Office for National Statistics

Notes:

1. Includes bank corporation tax surcharge.
2. Previously reported on a cash = accrued basis.
3. Accrued data now compiled on a time-adjusted cash basis.
4. Accrued data previously reported using smoothed cash data.
5. CGNB - central government net borrowing.

## Nuclear decommissioning

Eurostat, in its [2016 version of the Manual on Government Deficit and Debt](#), introduced new European statistical rules on the treatment of the transfer of an asset to government to be decommissioned.

In this edition's bulletin we have applied these rules to the transfer, in 2005, of nuclear assets between British Nuclear Fuels Limited (BNFL) and the Nuclear Decommissioning Authority (NDA). In 2005, BNFL was a public corporation and NDA a central government body, and the transfer covered all nuclear sites and plants owned by BNFL.

The revisions as a result of this methodological change are limited to the periods between April 2005 and September 2010, inclusive. The effect of the methodology change is to change the time of recording of capital transfers associated with the decommissioning, from the point of the transfer in April 2005 to later periods when the associated decommissioning took place.

**Table 2: Revisions to central government net borrowing due to Nuclear Decommissioning**

UK, calendar years 2005 to 2010	£ billion					
	2005	2006	2007	2008	2009	2010
As reported in March 2017	27.8	28.6	30.8	44.3	51.9	43.6
As reported in December 2016	24.0	29.0	31.2	45.2	53.0	44.5
Revision	3.7	-0.4	-0.4	-1.0	-1.2	-0.8

Source: Office for National Statistics

## 3 . Things you need to know about this release

### Background

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 (EU) member states are required to report on their deficit (or net borrowing) and debt to the European Commission.

Article 126 of the Treaty on the Functioning of the European Union (EU) obliges member states to avoid excessive budgetary deficits. The Protocol on the Excessive Deficit Procedure, annexed to the Maastricht Treaty, defines two criteria and reference values with which member states' governments should comply. These are:

- a deficit (net borrowing) to gross domestic product (GDP) ratio of 3%
- a debt to GDP ratio of 60%

For the UK, financial year (April to March) figures are used by the European Commission when assessing against the Protocol on the Excessive Deficit Procedure.

### What are the most important terms I need to know?

Deficit (or 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.

Debt 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.

While deficit represents the difference between income and spending over a period of time, debt represents the total amount of money owed at a point in time. This debt has been built up by successive government administrations over many years. When the government borrows (that is, runs a deficit), this adds to the debt total. So reducing the deficit is not the same as reducing the debt.

## **Are our figures adjusted for inflation?**

The monetary values quoted are in current prices, that is, they represent the price of debt and deficit in the year to which they relate without any adjustments for inflation. Thus for comparisons over time, the figures as a percentage of GDP (also measured in current prices) are used to provide a comparable time series.

## **Is this release consistent with UK public sector finances?**

The general government debt and deficit figures published in this bulletin (for the time period 1997 onwards), are equivalent to those published in the [UK Public Sector Finances, February 2017](#) statistical bulletin, published on 21 March 2017.

## **What are the differences between this release and the figures published in the public sector finances bulletin?**

There are two main differences between the headline debt and deficit measures published in the public sector finances and the deficit and debt figures published in this bulletin:

### 1. Coverage

This bulletin includes only the debt and deficit of central and local government bodies, whereas the public sector finances' measures also include the debt and deficit of other public sector bodies (public non-financial corporations and Bank of England).

### 2. The treatment of liquid assets in debt

This bulletin reports gross debt, whereas the public sector finances' focus is net debt. Gross debt represents only the financial liabilities (debt securities, loans and deposits) of central and local government, while net debt deducts any liquid assets (official reserve assets and other cash or cash-like assets) from these financial liabilities.

## **How do these figures compare internationally?**

This release is fully consistent with the latest data transmission on UK government deficit (or net borrowing) and debt that the UK and other European Union (EU) member states are required to report quarterly to the European Commission.

Eurostat analyses all data provided by member states and publishes a press release, which places the [UK figures in a European context and provides commentary on any issues specific to member states](#).

Both the debt and deficit figures in this statistical bulletin will be published by Eurostat on 24 April 2017. More detailed statistics on quarterly deficit of European member states will be published on 25 April.

The latest UK government deficit and debt figures exceed the reference values set out in the Protocol on the Excessive Deficit Procedure.

According to the latest deficit and debt figures, published in January 2017, there were six member states (including the UK) that had a deficit in 2015 that exceeded the 3% of gross domestic product (GDP) reference value; while 17 member states (including the UK) had gross debt as at the end of 2015 that exceeded the 60% of GDP reference value.

This bulletin reports that, in 2016, the UK government deficit figure is equal to the reference value of 3% of GDP set out in the Protocol on the Excessive Deficit Procedure; while debt at the end of 2016 still exceeds the 60% of GDP reference value.

## 4 . How much is the general government gross debt?

At the end of December 2016, UK government gross debt was £1,731.4 billion, equivalent to 89.3% of gross domestic product (GDP), an increase of £65.4 billion on December 2015.

This is the 15th consecutive annual increase in debt as a proportion of GDP. General government gross debt first exceeded the 60.0% Maastricht reference value at the end of 2009 when it was 64.5% of GDP or £979.8 billion.

**Table 3: General government gross debt**

UK, financial year ending March 2009 to financial year ending March 2016 and calendar years 2009 to 2016

	£ billion <sup>3</sup>							
Financial Years	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>1</sup>
Debt <sup>2</sup>	822.0	1,076.6	1,214.5	1,349.7	1,425.6	1,522.5	1,604.0	1,652.0
as % GDP	53.1	70.3	76.3	82.6	84.4	86.5	87.4	87.6
Calendar Years	2009	2010	2011	2012	2013	2014	2015	2016
Debt <sup>2</sup>	979.8	1,194.3	1,328.8	1,424.8	1,499.8	1,604.8	1,666.0	1,731.4
as % GDP	64.5	76.0	81.6	85.1	86.2	88.1	89.0	89.3

Source: Office for National Statistics

Notes:

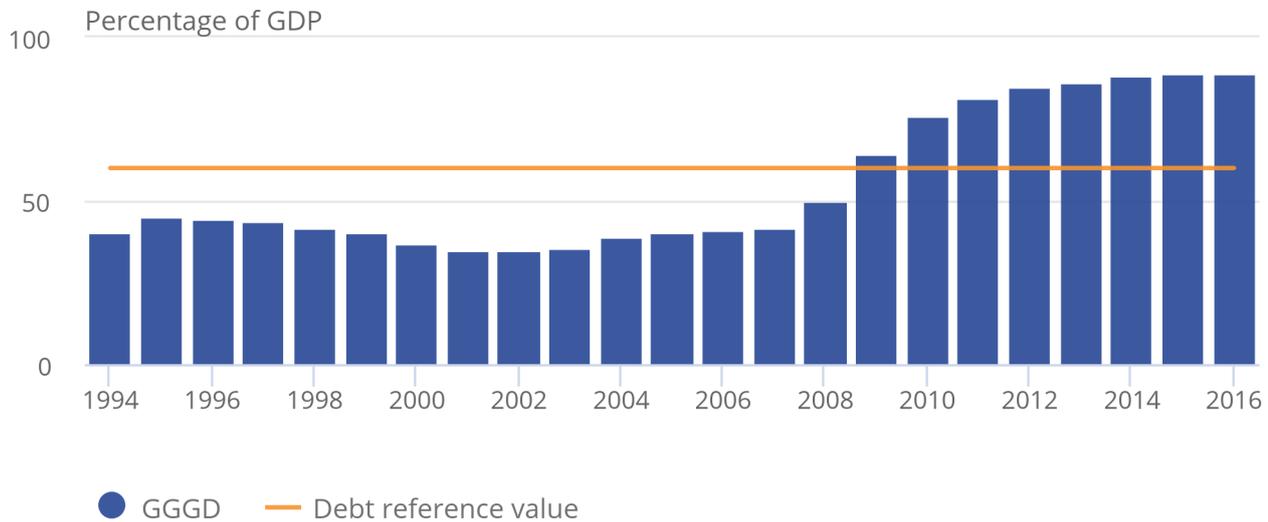
1. 2015/16 refers to the financial year ending March 2016.
2. Consolidated and at nominal values.
3. Unless otherwise stated.

**Figure 1: General Government Gross Debt as a percentage of GDP**

UK, calendar years 1994 to 2016

## Figure 1: General Government Gross Debt as a percentage of GDP

UK, calendar years 1994 to 2016



Source: Office for National Statistics

## 5 . How much is the general government deficit?

In 2016, the UK government deficit was £57.2 billion, equivalent to 3.0% of GDP; a decrease of £24.2 billion compared with 2015. This represents the lowest annual deficit (as a percentage of gross domestic product (GDP)) since 2007 when it was 2.7% (equivalent to £40.9 billion).

**Table 4: General government deficit**

UK, financial year ending March 2009 to financial year ending March 2016 and calendar years 2009 to 2016

								£ billion <sup>2</sup>
Financial Years	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>1</sup>
Deficit	106.7	153.7	142.1	124.3	125.2	102.6	93.7	75.1
as % GDP	6.9	10.0	8.9	7.6	7.4	5.8	5.1	4.0
Calendar Years	2009	2010	2011	2012	2013	2014	2015	2016
Deficit	153.4	148.6	122.5	138.0	97.0	103.0	81.4	57.2
as % GDP	10.1	9.5	7.5	8.2	5.6	5.7	4.3	3.0

Source: Office for National Statistics

Notes:

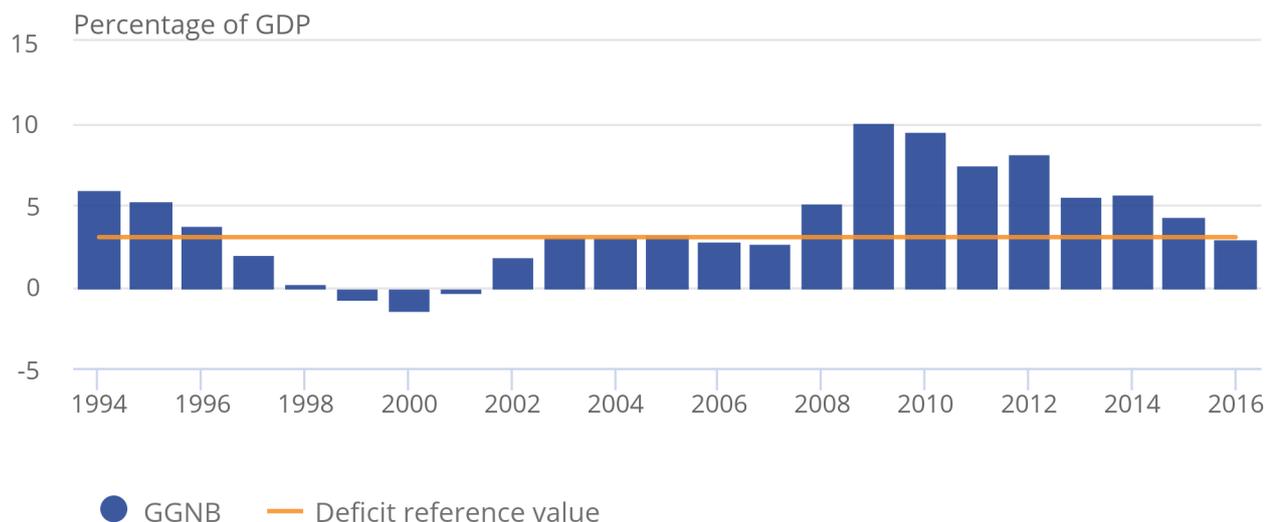
1. 2015/16 refers to the financial year ending March 2016.
2. Unless otherwise stated.

**Figure 2 : General government net borrowing ('deficit') as a percentage of GDP**

UK, calendar years 1994 to 2016

Figure 2 : General government net borrowing ('deficit') as a percentage of GDP

UK, calendar years 1994 to 2016



Source: Office for National Statistics

## 6 . Revisions since previous release

Revisions can be the result of both updated data sources and methodology changes.

This quarter (Quarter 4 October to December 2016) we introduced changes to the methodology around the treatment of Nuclear Decommissioning and the recording of Corporation Tax (including Bank Corporation Tax Surcharge and Bank Levy); both of which are discussed in section 2 of this release.

Table [M8R](#) presents the revisions to our main aggregates since the last publication of the Government Deficit and Debt as reported to the European Commission in January 2017. These revisions are consistent with revisions incorporated within the Public Sector Finances statistical bulletin.

The [Public Sector Finances Revision Policy](#) provides information of when users of the statistics published in the Public Sector Finances and UK Government Debt and Deficit for Eurostat 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](#).

## 7 . Quality and methodology

The public sector finances [Quality and Methodology Information](#) document 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

In order to meet UK Statistics Authority requirements 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 finance statistics, in accordance with the UK Statistics Authority's Administrative Data Quality Assurance Toolkit.

### How are classification decisions made?

#### 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 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.

#### Supporting documentation

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

## 8 . Annex A: Government Deficit and Debt Return dataset

[Summary, reconciliation, and revisions information on UK Government deficit and debt figures by calendar and financial year.](#)

## 9 . Annex B: Maastricht supplementary data tables

### Excessive Deficit Procedure (EDP) calendar year and financial year main tables

The EDP [financial year](#) and [calendar year](#) main tables report annually on UK government deficit and debt levels.

### European System of Accounts (ESA) Table 2

Main aggregates of general government

[Table 2 provides a breakdown of general government expenditure \(both current and capital\) and general government revenue.](#)

### ESA Table 25

Quarterly non-financial accounts of general government

ESA Table 25 [provides a breakdown of general government expenditure \(both current and capital\) and general government revenue.](#)

### ESA Table 27

Quarterly financial accounts of general government

[Complete set of quarterly financial accounts of the general government sector and its sub-sectors compiled according to ESA 2010.](#)

### ESA Table 28

Quarterly government debt (Maastricht debt) for general government

[Government debt on a quarterly basis, for general government and its sub-sectors.](#)

### ESA Table 11

Annual expenditure of general government

Reports on annual UK government expenditure broken down by function using the Classification of Functions of Government (COFOG), for [central government](#), [local government](#) and [general government](#). [Notes explaining the COFOG codes can be found on the UNStats website.](#)