



PO-CH/NL/0199 PARTA

Part A

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Begins: 2/29/87.
Ends: 14/12/87.


 PO -CH /NL/0199

 PART A

Chancellor's (Lawson) Papers:

THE 1987 PUBLIC SECTOR
BORROWING REQUIREMENT

Disposal Directions: 25 years

[Signature]

7/9/95.

PO -CH /NL/0199
PART A

Nigel
ThanksFROM: R J DEVEREUX
DATE: 2 September 1987

1. MR MOWL
2. CHANCELLOR OF THE EXCHEQUER
- cc Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell o.r.
Mr Sedgwick
Mr Peretz
Mr Watts
Mr Ritchie

CGBR(O) AND CGBR IN AUGUST

The provisional outturn for the CGBR(O) in August is borrowing of £1.0 billion, £0.3 billion lower than last month's forecast. The estimate of the outturn is subject to revision before publication on Wednesday 16 September.

2. The shortfall in August is mainly on the expenditure side of the account (which is £0.2 billion lower than forecast). On the other side of the account, higher Inland Revenue receipts (by £0.2 billion) and higher Customs and Excise receipts (by £0.1 billion) were partly offset by lower National Insurance Contributions (by £0.2 billion).

3. There is little information yet about the shortfall on expenditure and the additional Inland Revenue receipts. The overshoot on Customs and Excise receipts reflects higher VAT (by £0.2 billion) and higher tobacco duty (by £0.1 billion), offset by a delay of £0.2 billion wines and spirits duty from 28 August to 2 September because of a computer processing error.

4. In the first 5 months of 1987-88 the CGBR(O) was £2.3 billion, £2.0 billion lower than the Budget profile. The main factors reducing borrowing were

- (a) higher non-oil Inland Revenue receipts (by £0.7 billion) mainly Corporation Tax.
- (b) higher VAT receipts (by £0.4 billion, temporarily offset by the shortfall on wines and spirits described above).

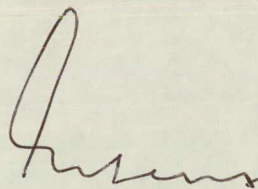
- (c) higher privatisation proceeds (by £0.2 billion), mainly higher than expected receipts from Rolls Royce and British Airports Authority.
- (d) a shortfall on the expenditure side of the account, excluding debt interest, of over £¾ billion.

These factors have been offset partly by

- (e) higher net debt interest payments (by £0.2 billion).

5. Local authorities and public corporations repaid £0.1 billion on-lending in August. The CGBR in August was therefore £0.9 billion. The CGBR since 1 April totals £4.6 billion.

6. Further analyses of the outturn in August will be given in the next Ministerial note on the PSBR in two weeks time.



R J DEVEREUX

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CENTRAL GOVERNMENT TRANSACTIONS

£ billion

	August 1987			April-August 1987			April-August 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget profile	Difference	Outturn
Inland Revenue	3.5	3.4	0.2	22.2	21.5	0.7	21.5
Customs and Excise	3.9	3.8	0.1	17.7	17.4	0.3	16.3
National Insurance Contributions (GB)	2.1	2.3	- 0.2	11.1	11.1	-	10.5
Privatisation proceeds	0.4	0.4	-	3.3	3.1	0.2	1.1
Other receipts	0.5	0.5	-	1.6	1.6	- 0.1	1.6
Net debt interest payments	- 0.9	- 0.9	-	- 3.8	- 3.6	- 0.2	- 3.6
Other expenditure (a)	- 10.6	- 10.7	0.2	- 54.4	- 55.4	1.0	- 51.5
CGBR(O)	- 1.0	- 1.2	0.3	- 2.3	- 4.2	2.0	- 4.2
On-lending to LAs	0.1	- 0.1	0.2	- 3.0	- 1.1	- 1.8	- 3.4
On-lending to PCs	-	-	-	0.6	0.5	0.2	- 0.1
CGBR	- 0.9	- 1.3	0.4	- 4.6	- 4.9	0.3	- 7.8

(a) on a cash basis, net of certain receipts

+ reduces borrowing
- increases borrowing



CR
You are
Janks
very
point: good
points: psr
v:

C/

This is all well, but in my experience the main problem with monitoring the in-year PSBR is establishing a sensible base to monitor against. When I was in PSF division no one had any idea what the monthly profiles of almost all the elements of expenditure and revenue should look like and the monthly profile of the Budget forecast was hardly worth the paper it was written on! I don't know what PSF are up to at the moment, but I would have thought it was worth their while devoting more resources to developing a decent base to monitor against.

CR 9/9,

FROM: COLIN MOWL
DATE: 9 September 1987

1. MR CASSELL
2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr Peretz
Mr Sedgwick
Mr Ritchie
Mr Devereux
Miss H Chapman

PSBR IN AUGUST

The first provisional outturn for the PSBR in August is borrowing of £0.8 billion, compared with last month's forecast of borrowing £1.4 billion (see table attached). This estimate is subject to revision before publication at 11.30 am on Wednesday 16 September. Market forecasts of the PSBR in August are not yet available.

2. The provisional outturn for the CGBR(0) in August is borrowing of £0.9 billion, £0.3 billion lower than last month's forecast. As explained in Mr Devereux's minute of 4 August, there was a shortfall on the expenditure side of the account of £0.2 billion. On the receipts side, Inland Revenue receipts were £0.2 billion and Customs and Excise receipts £0.1 billion higher than forecast, but national insurance contributions were £0.2 billion lower than forecast. The overshoot on Customs and Excise receipts would have been £0.2 billion higher, and the undershoot on the CGBR(0) correspondingly larger, had there not been an exceptional delay into September of the receipt £0.2 billion of alcohol duties.

3. The LABR in August was provisionally a surplus of £0.1 billion, £0.4 billion lower than last month's forecast. The public corporations had zero borrowing in August, as compared with a forecast surplus of £0.1 billion.

4. The PSBR in the first 5 months of 1987-88 was £1.5 billion, £2.8 billion below the Budget profile. Central government own account borrowing is £2 billion below profile, and the LABR is about £¾ billion below profile. The PCBR is close to profile.

5. The monthly note, presenting updated estimates for August and detailed forecasts for September-November, will be circulated next Tuesday.

Colin Mowl

COLIN MOWL

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	August 1987			April-August 1987			April-August 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget forecast	Difference	Outturn
CGBR(O)	0.9	1.2	- 0.3	2.2	4.2	- 2.0	4.2
LABR	- 0.1	0.2	- 0.4	- 0.1	0.6	- 0.7	0.2
PCBR	-	- 0.1	0.1	- 0.7	- 0.6	- 0.1	- 0.7
PSBR	0.8	1.4	- 0.6	1.5	4.3	- 2.8	3.6

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FROM: COLIN MOWL
DATE: 14 September 1987

CHANCELLOR OF THE EXCHEQUER

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Culpin
Mr Towers
Mr Ritchie
Miss Chapman

DRAFT PRESS BRIEFING ON PSBR IN AUGUST

I attach the draft press briefing on the PSBR in August.

2. The estimate of the PSBR in August to be published on Wednesday is the same as the first provisional estimate in my minute to you of 9 September ie. borrowing of £0.8 billion.

3. Available City forecasts are in the range £1-£1.9 billion with an average of £1.4 billion ie. somewhat higher than the figure to be published.

4. The proposed Treasury statement to Reuters and overall line to take for IDT is as follows:-

"~~The~~ PSBR in August provisionally £0.8 billion. Privatisation proceeds £0.4 billion. Excluding privatisation proceeds, borrowing in April to August (£4.8 billion), about the same as in corresponding months last year."

This formulation has been discussed with Mr Cassell and IDT.

5. We should be grateful for comments on the statement to Reuters and draft press briefing during the course of Tuesday morning.

COLIN MOWL

From: HELEN CHAPMAN
16 September 1987

MR CULPIN - IDT

MR LANG - CSO Press Office

cc List A

Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Monck
Mr Peretz
Mr Sedgwick
Mr Grice
Mr C W Kelly

Mr Mowl
Miss O'Mara
Mrs Butler

Mr Ritchie
Mr Devereux
Mr Pickford
Mr R Evans
Mr Mansell - CSO
Mr Richardson - CSO
Mr Wright B/E
Mr Norgrove - No 10

List B

(distributed at 11.30am, 16 September)

Mr Cropper
Mr C M Kelly
Mr Tyrie
Mr Call
Mr Ko - IR
Mr Balley - C and E

BRIEFING FOR 16 SEPTEMBER PSBR PRESS NOTICE

The PSBR figures for August will be published at 11.30am on 16 September. The provisional outturns, together with figures for the first five months of 1986-87 and 1987-88, are shown in Table 1. Cumulative figures for the PSBR and its components for 1985-86 and 1986-87 are shown in Table 2 overleaf. Table 3 shows outturns excluding privatisation proceeds.

Table 1:

Borrowing requirement outturns

£ billion

	Apr-Aug 1986	Apr-Aug 1987	Aug 1987
Central government on own account	4.2	2.2	0.9
Local authorities	0.2	-	-0.1
Public corporations	-0.7	-0.8	-
PSBR	3.6	1.4	0.8
Memo: PSBR (excluding privatisation proceeds)	4.7	4.8	1.2

Note: Figures may not sum precisely because of rounding.

Table 2: PUBLIC SECTOR BORROWING REQUIREMENT – Comparison with the last two years

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
Apr	1.1	0.2	1.9	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	0.8	1.9
May	2.3	1.9	2.2	0.8	0.4	-0.1	-0.4	-0.5	-0.4	2.7	1.8	1.7
Jun	2.7	3.0	1.7	0.5	-0.1	-0.1	-0.5	-0.7	-0.5	2.6	2.3	1.1
Jul	3.6	3.0	1.3	0.8	-0.1	0.1	-1.2	-1.0	-0.7	3.1	1.9	0.7
Aug	4.6	4.2	2.2	0.9	0.2	-0.0	-1.2	-0.7	-0.8	4.3	3.6	1.4
Sep	5.1	6.7		1.1	0.0		-0.7	-0.9		5.6	5.8	
Oct	5.0	6.4		0.7	-0.3		-0.5	-0.5		5.3	5.7	
Nov	6.2	7.2		0.1	-0.7		-0.4	-0.8		6.0	5.7	
Dec	7.4	5.7		0.4	-0.6		-0.2	-0.9		7.6	4.2	
Jan	2.9	2.2		0.5	-0.6		-0.2	-1.1		3.2	0.5	
Feb	2.9	2.3		0.4	-0.7		-0.5	-1.5		2.8	0.2	
Mar	4.3	4.6		1.7	0.3		-0.2	-1.4		5.8	3.5	

Note: Figures may not sum precisely because of rounding.

Table 3: PUBLIC SECTOR BORROWING REQUIREMENT EXCLUDING PRIVATISATION PROCEEDS

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
Apr	1.1	1.2	2.1	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	1.9	2.1
May	2.5	3.0	2.9	0.8	0.4	-0.1	-0.4	-0.5	-0.4	2.9	2.9	2.4
Jun	4.0	4.1	4.0	0.5	-0.1	-0.1	-0.5	-0.7	-0.5	3.9	3.4	3.4
Jul	5.0	4.1	4.3	0.8	-0.1	0.1	-1.2	-1.0	-0.7	4.5	3.0	3.6
Aug	6.2	5.3	5.6	0.9	0.2	-0.0	-1.2	-0.7	-0.8	5.9	4.7	4.8
Sep	6.8	7.8		1.1	0.0		-0.7	-0.9		7.3	6.9	
Oct	6.8	7.5		0.7	-0.3		-0.5	-0.5		7.0	6.8	
Nov	8.2	8.6		0.1	-0.7		-0.4	-0.8		7.9	7.0	
Dec	9.7	8.9		0.4	-0.6		-0.2	-0.9		9.9	7.5	
Jan	5.1	5.5		0.5	-0.6		-0.2	-1.1		5.4	3.8	
Feb	5.2	6.0		0.4	-0.7		-0.5	-1.5		5.1	3.8	
Mar	7.0	9.0		1.7	0.3		-0.2	-1.4		8.5	7.8	

Note: Figures may not sum precisely because of rounding.

Summary of line to take

The PSBR in August provisionally £0.8 billion. Privatisation proceeds £0.4 billion. Excluding privatisation proceeds, borrowing in April to August (£4.8 billion), about the same as in corresponding months last year.

1. August PSBR

Background

Most City forecasts of August PSBR are for borrowing in a range £1 - £1.9 billion - with majority towards top of that range.

Line to take

Not useful to look at one month's figures. But August outturn affected by

- privatisation proceeds of £0.4 billion (see Q8).

2. PSBR, April - August

Line to take

See "summary of line to take" above.

3. Effects of Civil Servants' industrial action on PSBR

Line to take

Distorting effects of strike now probably unwound. Net impact on PSBR small.

4. Borrowing in 1987-88 likely to be higher/lower than forecast?

Line to take

Budget forecast is £3.9 billion. Too early in year to have firm view on whether prospect has changed.

5. Oil revenues : effect of dollar price

Background

PRT on profits earned Jan-June 1987 due in September 1987. Installments paid April-August 1987 based on profits in July-Dec 1986. In September 1987 a corrective payment will be made based on the difference in profits in the two periods. PRT installments Sept 1987 - Feb 1988 will be based on profits Jan-June 1987.

Brent oil price April to August 18.9 dollars a barrel, but oil revenues depend not just on dollar price but on other factors including sterling/dollar exchange rate and level of oil production.

Line to take

Budget forecast of oil revenues in 1987-88 (about £4 billion) assumed average price from second quarter of 1987 of 15 dollars/barrel for North Sea crude. FSBR estimated that a 1 dollar/barrel difference in the average oil price for 1987 would change revenues by about £350 million in 1987-88.

PRT receipts (instalment payments) in April to August down over £¾ billion on same period last year, reflecting low prices in second half of 1986 compared with those in second half of 1985. PSBR will not get main benefit from recovery in oil prices this year until September and subsequent months.

6. Privatisation proceeds in 1987-88

Background

Privatisation proceeds so far this year £3.4 billion, compared with only £1.1 billion in same period last year. FSBR figure for 1987-88 as a whole £5 billion.

Line to take

Receipts in August £0.4 billion, from proceeds from second call on British Airways. Instalments from earlier sales due over the next few months are :-

- September: Around £0.6 billion from second call on Rolls Royce.

[NOT FOR USE : DO NOT BE DRAWN ON BP PROCEEDS]

7. Consolidated Fund Revenues

Background

Press notice shows that Consolidated Fund (CF) revenues in first five months of 1987-88 were 6½ per cent higher than in the same period last year, comprising of, 3½ per cent increase in Inland Revenue receipts, 8½ per cent increase in Customs and Excise receipts, and 12½ per cent in "other revenues". "Other" revenues include privatisation proceeds, vehicle excise duty and interest and dividend receipts.

8. Inland Revenue Receipts

Background

Inland Revenue receipts in August £3.5 billion. Total for April-August £22.2 billion, (3½ per cent up on same period last year). FSBR forecast for year as whole was a rise of 7½ per cent on 1986-87.

Line to take

Receipts in April-August £22.2 billion, 3½ per cent up on same period last year. Rise modest because of lower oil revenues (see Q6).

9. Customs and Excise Receipts

Background

Customs and Excise receipts in August £3.9 billion. Total for April-August £17.7 billion, (8½ per cent up on same period last year). FSBR forecast for year as whole was a rise of 6½ per cent on 1986-87.

Line to take

Receipts in April-August £17.7 billion, 8½ per cent up on same period last year.

10. Supply Expenditure

Background

FSBR gave a figure for provision for supply in 1987-88 but not a forecast of outturn because public expenditure Reserve was not allocated to individual components of

expenditure, (but public expenditure total used in PSBR forecast assumed that the Reserve was fully spent.

Line to take

Provisional outturn for supply expenditure in August £8.3 billion. Total April-August 1987 (provisional £42.3 billion) up 4½ per cent on same period last year. Excluding advance contributions to EC Budget paid from supply in 1986-87, increase is 5½ per cent.

11. Central Government Borrowing

Background

CG own account borrowing in August, borrowing of £0.9 billion. Total for April-August, borrowing of £2.2 billion. (1986-87, £4.2 billion). Privatisation proceeds, April-August, £3.4 billion (1986-87, £1.1 billion).

Line to take

Excluding privatisation proceeds, CG own account borrowing over April to August a little higher than the same period last year.

12. Local Authorities

Background

Local authorities (provisionally) repaid £0.1 billion in August (borrowed £0.3 billion in August 1986). Local authorities had zero borrowing during first five months of 1987-88. (Repayment of £0.2 billion for same period in 1986-87).

Line to take

Borrowing so far in 1987-88 a little lower than same period last year.

13. Public Corporations

Background

Public corporation (provisionally) had zero borrowing in August. Repayment of £0.8 billion over April to August. (Repayment of £0.7 billion, April-August, 1986 - but aggregate then included BGC, BA).

Line to take

Borrowing so far in line with the pattern of earlier years; receipts from customers usually exceed expenditure over the early part of the financial year.

Helen Chapman (270-5030)
PSF Division, HM Treasury

pps

From: COLIN MOWL
15 September 1987

Thurs. v- Niger

CHANCELLOR

Copy with PPS letter, attached, for:

Mr Norgrove - No. 10

cc List A

List B (distributed at 11.30am, 16 September)

Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Watts
Mr Devereux
Mr Ritchie
Miss Chapman

Chief Secretary
Financial Secretary
Paymaster General
Mr F E R Butler
Mr Moore
Mr Odling-Smee
Mr Scholar
Mr Turnbull
Mrs Brown

Mr Bottrill
Mrs Butler
Mr Culpin

Mr Grice
Miss O'Mara
Mr C W Kelly
Mr Pratt

Mr A Hudson
Mr M Richardson
Mr Cropper
Mr Tyrie

Mr Calber - IR
Mr Wilmott - C and E

MONTHLY NOTE ON THE PSBR

I attach a report on the PSBR outturn for August, together with forecasts for the period September - November. The August outturn will be published by press notice at 11.30am on Wednesday 16 September.

Colin Mowl

COLIN MOWL

PUBLIC SECTOR BORROWING

Summary

- Borrowing is continuing to run below the levels expected at the time of the Budget. The PSBR for the first five months of 1987-88, at £1.4 billion, is £2.9 billion lower than the Budget profile, with central government own account borrowing about £2 billion, and local authorities borrowing just under £¾ billion, below profile. The last internal Treasury economic forecast in June put the PSBR for the year as a whole at around £1 billion, £3 billion lower than the Budget forecast.
- Excluding privatisation proceeds the April - August outturn is about the same as in the corresponding period last year. But the level and within year pattern of petroleum revenue tax (PRT) receipts is certain to differ considerably from that in 1986-87. Excluding both privatisation and PRT receipts the PSBR so far this year is about £1¼ billion lower than in the same period last year.
- The PSBR is forecast to be a surplus of around £0.9 billion over the next three months, which would bring the total for the first eight months of 1987-88 to £0.5 billion, £3.9 billion below the Budget profile.
- The prospects for 1987-88 are being further reviewed as part of the internal Autumn economic forecast.

Figures in this report are not seasonally adjusted and also may not sum precisely because of rounding.

Chart 1 : 1987-88: Comparisons with 1987 Budget profiles

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- = Budget profile

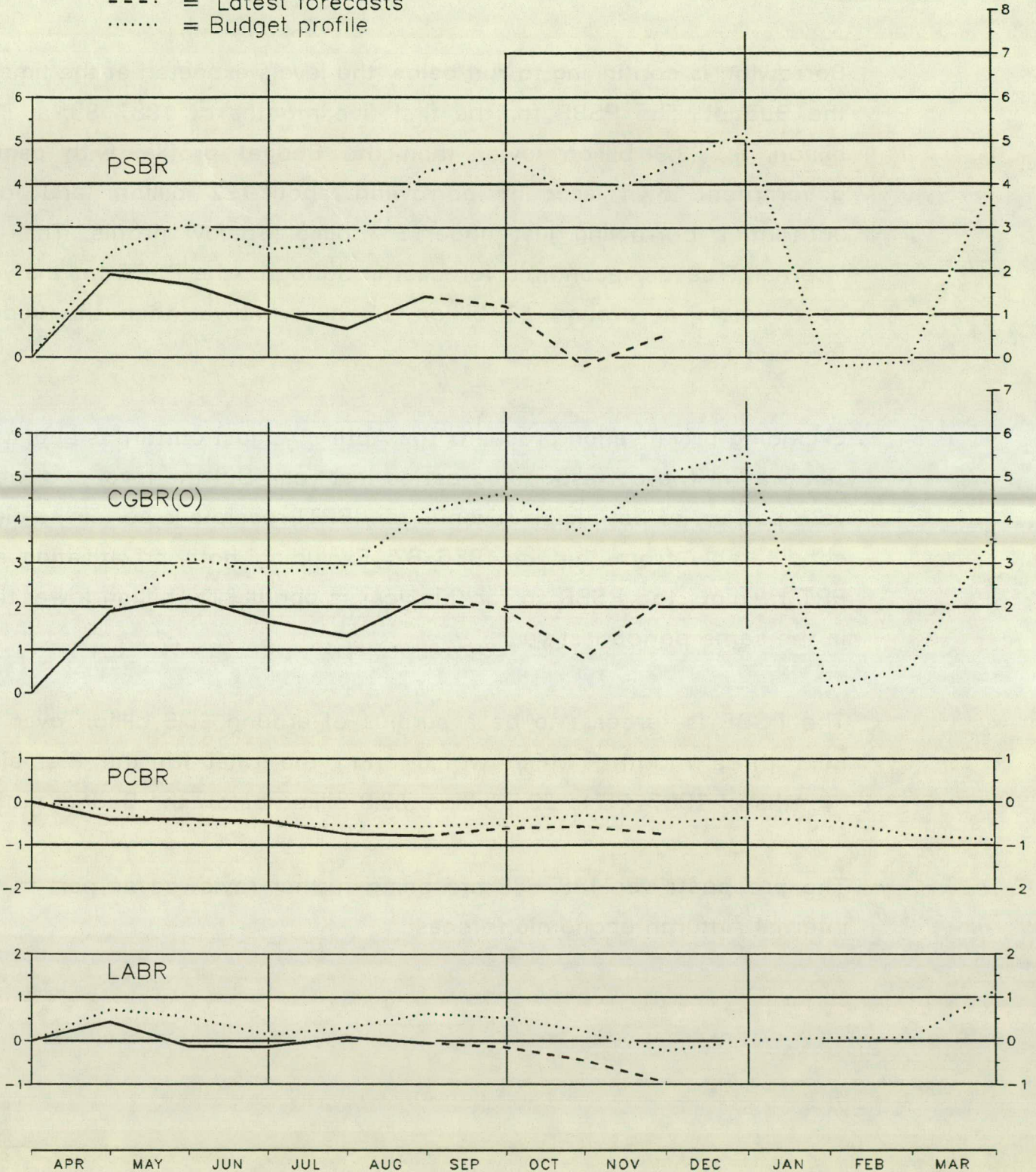


Chart 2: 1987-88: Comparisons with outturns for 1986-87

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- = 1986-87 outturn

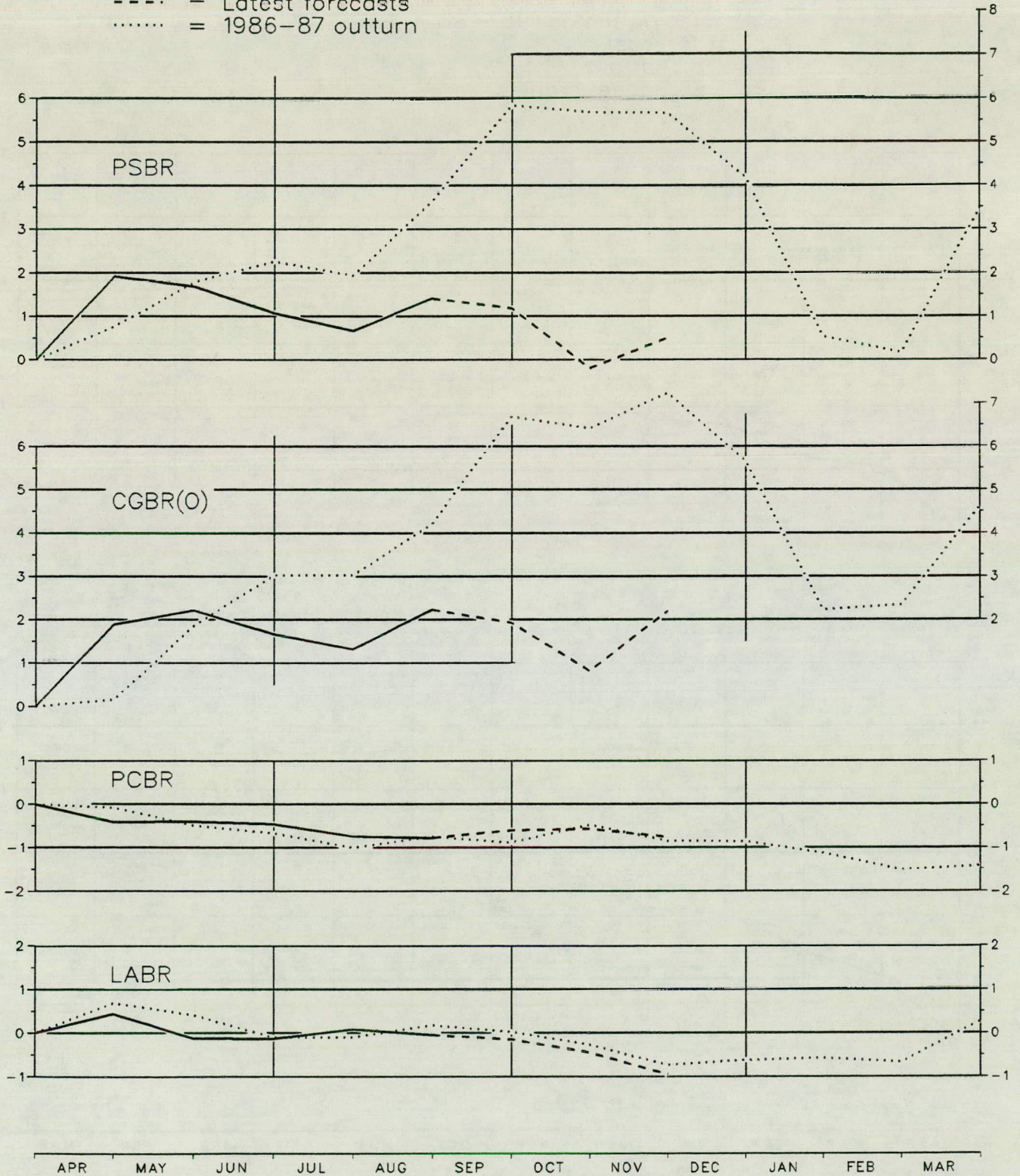
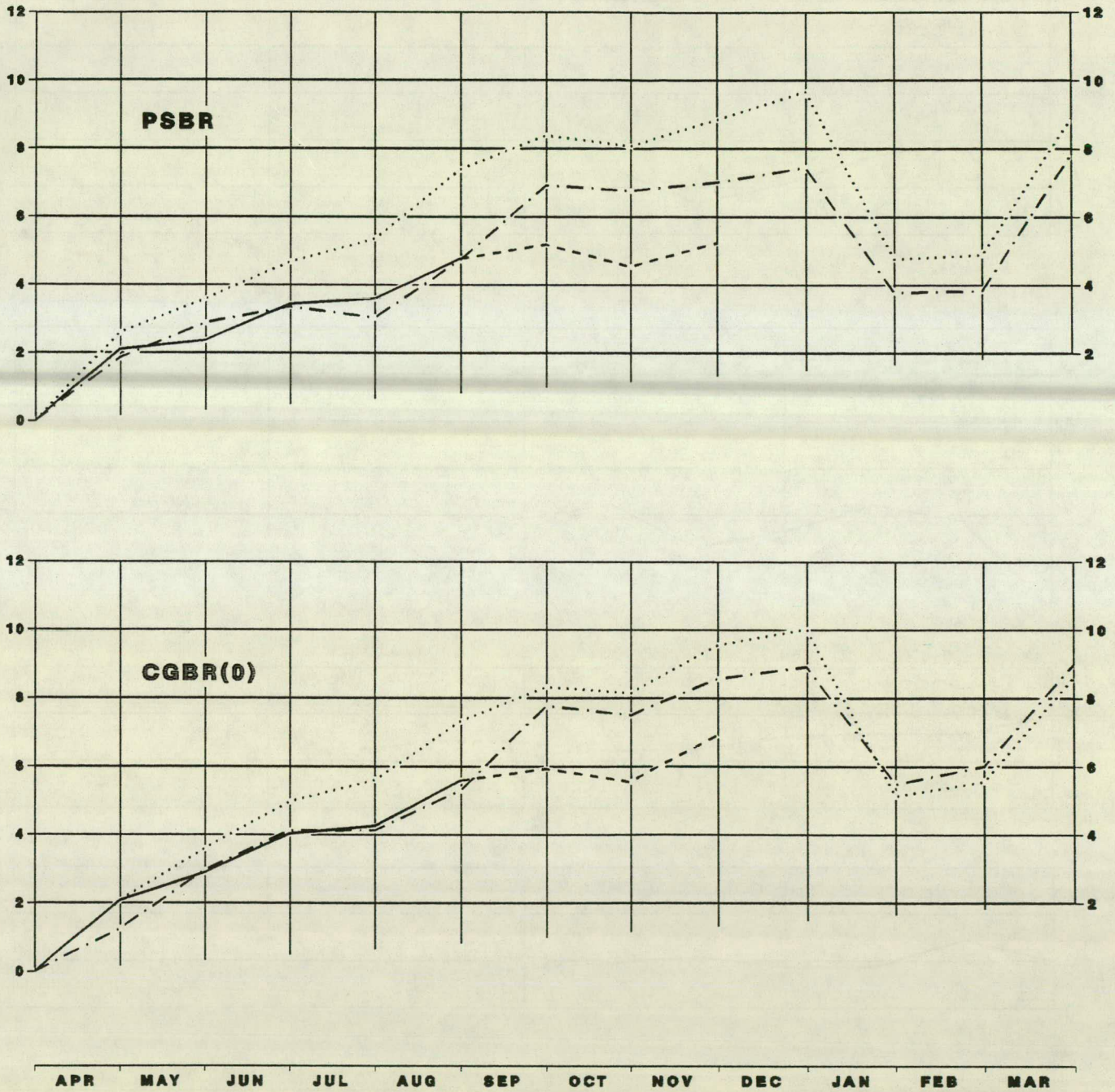


Chart 3: Comparisons excluding privatisation proceeds

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- · - = 1986-87 outturn
- · · = 1987-88 Budget profiles



Borrowing in August

(Outturn compared with last month's forecast)

1. The provisional estimate of the PSBR in August is £0.8 billion, compared with last month's forecast of £1.4 billion. The differences between forecast and outturn on the individual sub-sectors are shown in the table below.

Table 1: August 1987 borrowing requirements

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Forecast*	1.4	1.2	0.2	-0.1
Outturn	0.8	0.9	-0.1	-
Difference	-0.7	-0.3	-0.4	-

*made on 16 August

2. Borrowing on central government's own account was £0.3 billion lower than last month's forecast. The main factors reducing borrowing in August were:

- lower expenditure (by £0.2 billion).
- higher Inland Revenue receipts (by £0.2 billion).
- higher Customs and Excise receipts of £0.1 billion due to higher VAT (by £0.3 billion) offset partly by the delay from 30 August to 2 September of £0.2 billion wines and spirits duty resulting from a computer processing error.

These factors were offset partly by £0.2 billion shortfall on National Insurance Contributions.

3. Local authorities provisionally showed a surplus of £0.1 billion in August, £0.4 billion higher than in last month's forecast. The outturn for this month last year was borrowing of £0.3 billion.

4. Public corporations' borrowing requirement (PCBR) in August is provisionally estimated to have been zero, much the same as forecast. Estimates of borrowing provided so far by individual industries are also close to forecast. However, returns are still to be received from British Coal, British Shipbuilders and the Post Office.

April to August

5. The cumulative PSBR for the first five months of 1987-88 was £1.4 billion, £2.9 billion below the Budget profile (see chart 1 and Table 2).

Table 2: Total April-August borrowing requirements

	£ billion			
	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Budget forecast	4.3	4.2	0.6	-0.6
Outturn	1.4	2.2	-	-0.8
Difference	-2.9	-2.0	-0.7	-0.2

6. Comparison of the outturn so far this year with the outturn in the corresponding period of 1986-87 is affected by significant changes in the level and pattern of privatisation proceeds and receipts of petroleum revenue tax (PRT). Privatisation proceeds in April to August this year have been £3.4 billion compared with only £1.1 billion in the same period last year. Excluding privatisation proceeds borrowing so far this year is much the same as in the equivalent period last year, but PRT receipts have been £1.4 billion lower. Excluding

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these as well as privatisation proceeds, borrowing in April to August has been £1.3 billion less than in the corresponding months of 1986-87.

7. Cumulative borrowing in April to August on central government's own account was £2.0 billion lower than the Budget profile. Table 3 shows where differences on individual components have occurred. The sign convention has been changed this month so that higher receipts and expenditure are shown as positive and lower receipts and expenditure as negative.

Table 3: CGBR(O) April - August: Differences from Budget profile

	£ billion	percentage difference
<u>Receipts</u>		
Inland Revenue	+0.7	+3.3
Customs and Excise	+0.3	+1.6
Privatisation proceeds	+0.3	+8.5
Other receipts	+0.2	+4.2
<u>Expenditure</u>		
Net debt interest payments	-0.2	-4.3
Departmental expenditure ⁽¹⁾	+0.8	+1.5
<u>Net effect on CGBR(O)</u>	-2.0	

⁽¹⁾ on a cash basis, net of certain receipts and on-lending

8. The main factors reducing borrowing are:

- higher Inland Revenue receipts, mainly due to higher Corporation Tax, including ACT, and stamp duties. PAYE is also higher than forecast but is partly offset by lower receipts from other Income Tax.
- higher Customs and Excise receipts of VAT (by about £½ billion). As most of the effects on VAT due to the strike are thought to have unwound, it appears that VAT is more buoyant than expected at Budget time. Both higher than expected Keith

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effects and consumer spending subject to VAT could have contributed to this. This has been partly offset by the delay of £0.2 billion wines and spirits duty described above.

- higher privatisation proceeds, mainly due to higher than expected receipts from the first call, and early receipts for the second call on Rolls Royce. In addition, costs in respect of the second call on British Gas have, so far, been lower than forecast.
- on the definitions used to compile the CGBR(O), a shortfall on departmental expenditure (including NIF benefit funding) of about £¾ billion. This is not fully reflected in expenditure returns by departments (the APEX returns), which show supply expenditure only £0.3 billion below budget profile. However, there are definitional and timing differences between the APEX and CGBR measurements which affect both the profiles and the expenditure record.

The main factor increasing borrowing is higher net debt interest payments.

9. Local authorities had zero borrowing in April to August, compared with borrowing of £0.6 billion forecast in the Budget profile. The LABR was £0.2 billion over the same period in 1986.

10. The cumulative PCBR for the first five months of 1987-88 is -£0.8 billion, compared with the Budget forecast of -£0.6 billion. Both the electricity supply industry (England and Wales) and British Rail have made rather larger repayments than forecast.

11. Table 4 shows cumulative borrowing to August for the PCBR and selected public corporations, excluding those privatised since 1 April 1986. Borrowing estimates for individual corporations are derived from telex returns, and are not fully consistent with the aggregate PCBR estimates.

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Table 4: Public Corporations' borrowing April-August

	£million (-indicates lower borrowing)	
	Difference from 1986-87	Difference from Budget profile [†]
Coal	-180 *	-*
Electricity	-50	-230
British Steel	-90	-110
Post Office	-30 *	60 *
Water	-110	-20
Other NIs	-240*	-140 *
Other PCs	-10	40
PCBR	-720**	-120**

*No August figure yet available figures cover April-July only

**Excluding industries privatised during 1986-87 and 1987-88

[†]components do not sum to total difference in PSBR, because of incomplete information on borrowing in August.

September to November

(Forecast compared with Budget profile)

12. The PSBR for the period September - November is forecast to be a surplus of £0.9 billion, £1.0 billion below the Budget forecast, largely due to downward revision of forecast of central government own account borrowing. Higher Inland Revenue receipts (mainly PRT and CT), higher national insurance contributions and higher VAT are only partly offset by lower interest and dividend receipts. The latter is due mainly to the reclassification of the Housing Corporation as a central government body (this increases the CGBR(O), but reduces the PCBR).

13. The forecast monthly path of the CGBR(O) and its main components are shown in Table

7. The main features are:

- In September, the CGBR(O) is forecast to be a surplus of £¼ billion. Petroleum Revenue Tax (due 1 September) has yielded £¾ billion, £¼ billion more than in the Budget Profile reflecting the higher than assumed oil price. Some receipts from the second call on Rolls Royce (due in September) have already been received, but the remainder amounts to £0.6 billion. Net debt interest payments are low.
- In October, the CGBR(O) is forecast to be a surplus of £1¼ billion. Corporation tax receipts are seasonally high (£1 billion ACT £1½ billion MCT). Net proceeds from the sale of BP are still uncertain; this forecast assumes proceeds in line with the Budget profile.
- In November, the CGBR(O) is forecast at about £1¼ billion with high net debt interest payments and low Inland Revenue receipts only offset partly by high VAT receipts.

14. Local authorities are forecast to repay about £0.9 billion over the next three months, about the same as forecast in the Budget profile. Public corporations are forecast to be roughly in balance during the next three months. British Coal are likely to be modest borrowers (in September) while the electricity supply industry (England and Wales) are projected to continue to repay borrowings. The Water Authorities will benefit from seasonal receipts of water charges. Borrowing is projected to be a little lower than in the Budget forecast.

April to November





15. The PSBR for the first eight months of 1987-88 is forecast to be £0.5 billion, £3.9 billion below the Budget profile (Chart 1 and Table 6), mainly as a result of lower central government own account borrowing. Excluding privatisation proceeds the PSBR is forecast to be £5.2 billion, £3.6 billion below the Budget profile.

1987-88

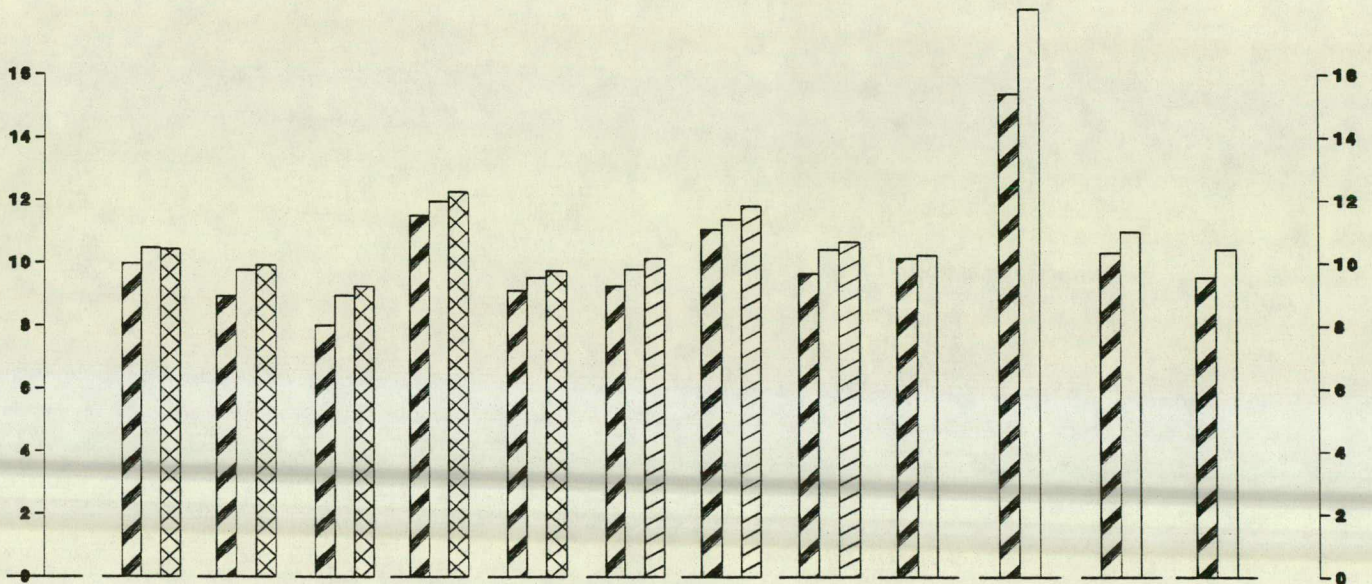
16. The last internal Treasury economic forecast in June put the PSBR for the year as a whole at around £1 billion, £3 billion lower than the Budget forecast. The prospects for 1987-88 are being further reviewed as part of the internal autumn economic forecast.

Chart 4: Components of central government receipts and expenditure

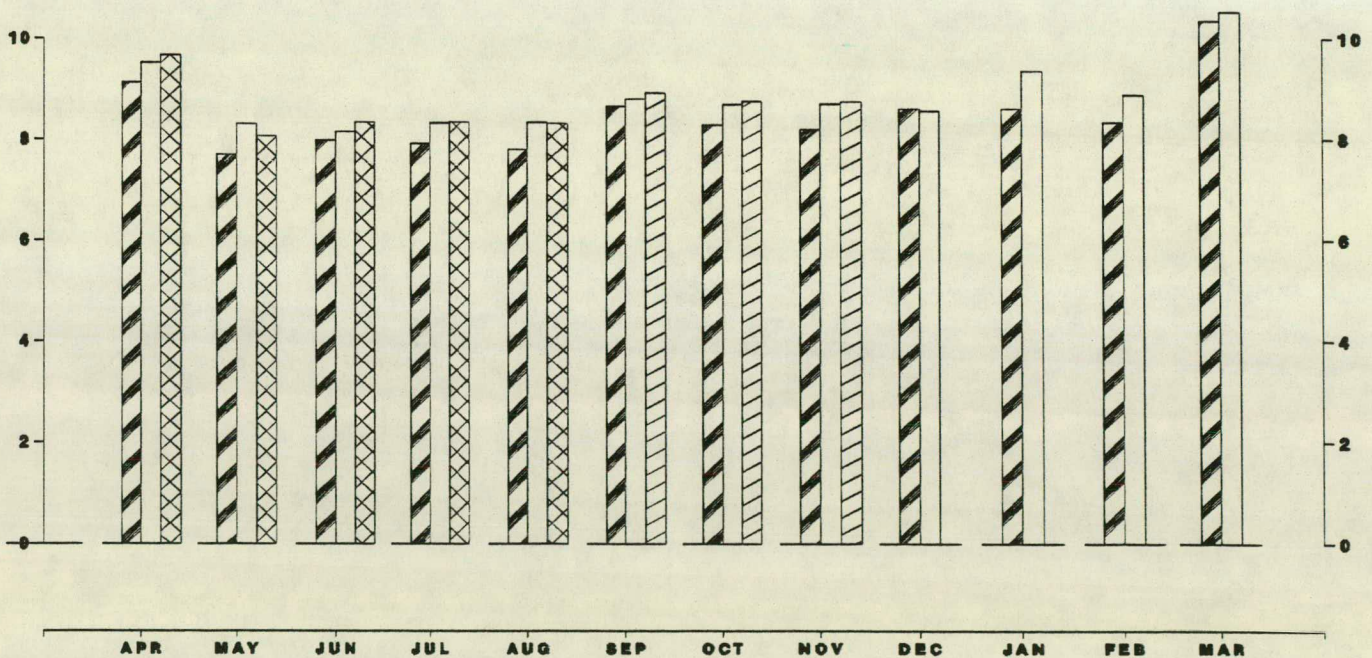
£ billion

-  = 1987-88: Outturns
-  = 1987-88: Latest profiles
-  = 1987-88 Budget forecasts
-  = Outturn in 1986-87

(I) NON OIL TAX AND NATIONAL INSURANCE RECEIPTS



(II) SUPPLY EXPENDITURE



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Table 5: Borrowing requirement monthly profiles April–November
(Budget profiles in italics for comparison)

£ billion

	PSBR		Comprising					
			CGBR(O)		LABR		PCBR	
1987–88								
Apr	1.9	<i>2.4</i>	1.9	<i>1.9</i>	0.4	<i>0.7</i>	-0.4	<i>-0.2</i>
May	-0.2	<i>0.7</i>	0.3	<i>1.2</i>	-0.6	<i>-0.2</i>	-	<i>-0.4</i>
Jun	-0.6	<i>-0.6</i>	-0.6	<i>-0.3</i>	-	<i>-0.4</i>	-0.1	<i>0.1</i>
Jul	-0.4	<i>0.2</i>	-0.3	<i>0.1</i>	0.2	<i>0.2</i>	-0.3	<i>-0.1</i>
Aug	0.8	<i>1.6</i>	0.9	<i>1.3</i>	-0.1	<i>0.3</i>	-	<i>-</i>
Sep	-0.2	<i>0.4</i>	-0.3	<i>0.4</i>	-0.1	<i>-0.1</i>	0.2	<i>0.1</i>
Oct	-1.4	<i>-1.1</i>	-1.1	<i>-1.0</i>	-0.3	<i>-0.3</i>	-	<i>0.2</i>
Nov	0.7	<i>0.8</i>	1.4	<i>1.4</i>	-0.5	<i>-0.5</i>	-0.2	<i>-0.2</i>
Cumulative								
Apr	1.9	<i>2.4</i>	1.9	<i>1.9</i>	0.4	<i>0.7</i>	-0.4	<i>-0.2</i>
May	1.7	<i>3.1</i>	2.2	<i>3.1</i>	-0.1	<i>0.6</i>	-0.4	<i>-0.6</i>
Jun	1.1	<i>2.5</i>	1.7	<i>2.8</i>	-0.1	<i>0.1</i>	-0.5	<i>-0.4</i>
Jul	0.7	<i>2.7</i>	1.3	<i>2.9</i>	0.1	<i>0.3</i>	-0.7	<i>-0.6</i>
Aug	1.4	<i>4.3</i>	2.2	<i>4.2</i>	-	<i>0.6</i>	-0.8	<i>-0.6</i>
Sep	1.2	<i>4.7</i>	1.9	<i>4.6</i>	-0.1	<i>0.5</i>	-0.6	<i>-0.5</i>
Oct	-0.2	<i>3.6</i>	0.8	<i>3.7</i>	-0.4	<i>0.2</i>	-0.6	<i>-0.3</i>
Nov	0.5	<i>4.4</i>	2.2	<i>5.1</i>	-0.9	<i>-0.2</i>	-0.8	<i>-0.5</i>

Figures for April – August are outturns

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Table 6: PSBR for 1987-88 - comparisons with 1986-87 and 1987 Budget profile

£ billion

	1986-87	1987-88		Differences from	
	Outturn	Budget profile	Latest update ⁽¹⁾	1986-87 outturn	Budget profile
	1	2	3	3-1	3-2
Apr	0.8	2.4	1.9	1.1	-0.5
May	1.0	0.7	-0.2	-1.3	-0.9
Jun	0.5	-0.6	-0.6	-1.1	-
Q2	2.3	2.5	1.1	-1.2	-1.4
Jul	-0.3	0.2	-0.4	-0.1	-0.6
Aug	1.7	1.6	0.8	-1.0	-0.9
Sep	2.2	0.4	-0.2	-2.4	-0.6
Q3	3.6	2.2	0.1	-3.5	-2.1
Oct	-0.2	-1.1	-1.4	-1.2	-0.3
Nov	-	0.8	0.7	0.7	-0.1
Dec	-1.5	0.8			
Q4	-1.6	0.5			
Jan	-3.7	-5.4			
Feb	-0.4	0.1			
Mar	3.3	4.0			
Q1	-0.7	-1.3			
Cumulative					
Apr	0.8	2.4	1.9	1.1	-0.5
May	1.8	3.1	1.7	-0.1	-1.4
Jun	2.3	2.5	1.1	-1.2	-1.4
Jul	1.9	2.7	0.7	-1.3	-2.0
Aug	3.6	4.3	1.4	-2.2	-2.9
Sep	5.8	4.7	1.2	-4.6	-3.5
Oct	5.7	3.6	-0.2	-5.9	-3.8
Nov	5.7	4.4	0.5	-5.2	-3.9
Dec	4.2	5.2			
Jan	0.5	-0.2			
Feb	0.2	-0.1			
Mar	3.5	3.9			

⁽¹⁾Figures for April - August are outturns

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**Table 7: Central government transactions – August
outturn and latest forecasts for September–November**

£ billion

	August		latest forecasts		
	forecast	outturn ⁽¹⁾	Sept	Oct	Nov
Receipts					
<i>Consolidated Fund</i>					
Inland Revenue	3.4	3.5	5.1	5.6	3.9
Customs and Excise	3.8	3.9	3.5	3.8	4.6
Other ⁽²⁾	1.8	0.6	1.3	1.5	0.6
<i>National Loans Fund</i>					
Interest etc. receipts	0.4	0.4	0.9	0.6	0.5
Total Receipts	9.4	8.4	10.8	11.5	9.5
Expenditure					
<i>Consolidated Fund</i>					
Supply expenditure ⁽³⁾	8.4	8.3	8.9	8.8	8.7
Adjustment to Supply Services basis ⁽⁴⁾	-0.1	0.8	-0.1	0.1	-0.1
Other	0.6	0.6	0.4	0.5	0.5
<i>National Loans Fund</i>					
Service of the national debt	1.2	1.1	1.5	1.2	1.7
Net lending	0.1	-0.1	0.2	0.1	0.1
Total Expenditure	10.2	10.7	11.0	10.6	10.9
Other funds and accounts (+ increases borrowing) (- reduces borrowing)	0.5	-1.5	-0.3	-0.2	0.1
CGBR	1.3	0.8	-0.1	-1.1	1.5
On-lending	0.1	-0.1	0.2	-	0.1
CGBR(O)	1.2	0.9	-0.3	-1.1	1.4

⁽¹⁾Due to time lags in some items reaching their final accounting destination, figures of forecast and outturn may not be strictly comparable for the components identified, but there is no effect on the overall CGBR.

⁽²⁾Includes privatisation proceeds except where these are temporarily lodged in "other funds and accounts".

⁽³⁾On a cheques issued, not a cash, basis. Supply includes an element of on-lending in the form of public dividend capital etc. It also includes advance payments to the EEC.

⁽⁴⁾Reflects changes in balances of departmental accounts with the Paymaster General, timing and other differences between cheques issued by departments and payments to them from the Consolidated Fund. An offset to this item is included in "Other funds and accounts".

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Table 8: Central government transactions⁽¹⁾ – comparisons for April–November

£ billion

	1986	1987	
	Outturn	Budget forecast	Latest update
Receipts			
<i>Consolidated Fund</i>			
Inland Revenue	33.5	35.4	36.9
Customs and Excise	27.5	29.0	29.5
Other ⁽²⁾	6.8	9.4	8.2
<i>National Loans Fund</i>			
Interest etc. receipts	4.4	4.5	4.4
Total Receipts	72.2	78.3	79.0
Expenditure			
<i>Consolidated Fund</i>			
Supply expenditure ⁽³⁾	65.6	68.8	68.7
Adjustment to Supply Services basis ⁽⁴⁾	0.2	0.1	0.3
Other	3.2	3.7	4.1
<i>National Loans Fund</i>			
Service of the national debt	10.3	10.6	10.9
Net lending	3.3	0.9	2.7
Total Expenditure	82.6	84.2	86.7
Other funds and accounts (+ increases borrowing) (- reduces borrowing)	0.3	0.3	-2.9
CGBR	10.8	6.2	4.9
On-lending	3.5	1.1	2.6
CGBR(O)	7.2	5.1	2.2

⁽¹⁾Due to differences in treatment of some items in the accounts between the periods/forecasts shown, and time lags in some items reaching their final accounting destination, figures for the components identified may not be strictly comparable.

⁽²⁾Includes privatisation proceeds, except where these are temporarily lodged in "other funds and accounts."

⁽³⁾On a cheques issued, not a cash, basis. Supply includes an element of on-lending in the form of public dividend capital etc. It also includes advance payments to the EEC.

⁽⁴⁾Reflects changes in balances of departmental accounts with the Paymaster General, timing and other differences between cheques issued by departments and payments to them from the Consolidated Fund. An offset to this item is included in "Other funds and accounts".

FROM: R J DEVEREUX
DATE: 2 October 1987

1. MR MOWL *efm*
2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Watts
Mr Ritchie

CGBR(O) AND CGBR IN SEPTEMBER

The provisional outturn for the CGBR(O) in September is a surplus of £0.1 billion, £0.2 billion lower than the surplus forecast last month. The estimate of the outturn is subject to revision before publication on Friday 16 October.

2. The main differences are lower Customs and Excise receipts (by £0.3 billion) due to lower VAT, partly offset by higher Inland Revenue receipts (by £0.1 billion) mainly PAYE, and higher national insurance contributions (by £0.1 billion).

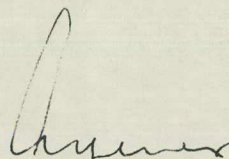
3. In the first 6 months of 1987-88 the CGBR(O) was £2.1 billion, £2.5 billion lower than the Budget profile. The main factors reducing borrowing were

- (a) higher petroleum revenue tax (by £0.2 billion)
- (b) higher non-oil Inland Revenue receipts (by £1.0 billion) mainly Corporation Tax including ACT.
- (c) higher Customs and Excise receipts (by £0.2 billion).
- (d) higher privatisation proceeds (by £0.3 billion), mainly higher than expected receipts from Rolls Royce and British Airports Authority.
- (e) a shortfall on departmental expenditure of over £¾ billion.

4. On-lending to public corporations in September totalled £0.2 billion. This was partly offset by a £0.1 billion repayment

of on-lending by local authorities. The CGBR in September was therefore close to zero. The CGBR since 1 April totals £4.6 billion.

5. Further analyses of the outturn in September will be given in the next Ministerial note on the PSBR in two weeks time.



R J DEVEREUX

CONFIDENTIAL AND PERSONAL
CENTRAL GOVERNMENT TRANSACTIONS

£ million

	September 1987			April-September 1987			April-September 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget profile	Difference	Outturn
<u>Receipts</u>							
Inland Revenue	5.2	5.1	0.1	27.5	26.3	1.2	24.5
Customs and Excise	3.2	3.5	- 0.3	20.9	20.7	0.2	19.4
National Insurance Contributions (GB)	2.3	2.2	0.1	13.4	13.3	0.1	12.6
Privatisation proceeds	0.6	0.6	-	4.0	3.7	0.3	1.1
Other receipts	0.3	0.3	-	1.6	1.6	-	1.6
<u>Expenditure</u>							
Net debt interest payments	0.3	0.3	-	4.0	3.8	0.1	3.7
Departmental expenditure (a)	11.2	11.1	0.1	65.5	65.3	- 0.8	62.2
CGBR(O)	- 0.1	- 0.3	+ 0.2	2.1	4.6	- 2.5	6.7
On-lending to LAS	- 0.1	0.1	- 0.2	2.9	1.3	1.6	3.6
On-lending to PCs	0.2	0.1	0.1	- 0.5	- 0.2	- 0.3	-
CGBR	-	- 0.1	0.1	4.6	5.6	- 1.1	10.3

(a) on a cash basis, net of certain receipts

+ = higher receipts, higher expenditure, higher borrowing

- = lower receipts, lower expenditure, lower borrowing

FROM: COLIN MOWL
DATE: 9 October 1987

CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr Cassell o.r
Mr Peretz
Mr Sedgwick
Mr Ritchie
Mrs Todd
Miss H Chapman

PSBR IN SEPTEMBER

** The X, what do the forecasts was the 1987-88 outturn will be done this afternoon for 1986-87*

The first provisional outturn for the PSBR in September is borrowing of £0.4 billion, £0.6 billion higher than last month's forecast of a £0.2 billion surplus (see table attached). This estimate is subject to revision before publication at 11.30 a.m. on Friday 16 October.

2. The provisional outturn for the CGBR(0) in September is a surplus of £0.3 billion, a £0.2 billion larger surplus than the first estimated outturn given in Mr Devereux's minute of 2 October. This means that the outturn is now the same as last month's forecast.

3. The LABR in September was provisionally borrowing of £0.4 billion compared with last month's forecast of a £0.1 billion surplus. This £0.5 billion error was the main reason the PSBR was under forecast last month. But in addition the PCBR - outturn borrowing of £0.3 billion - was underestimated by £0.1 billion.

4. The PSBR in the first 6 months of 1987-88 was £1.8 billion, £2.8 billion below the Budget profile (largely lower than expected CG own account borrowing) and £4 billion below borrowing in the same period of 1986-87. Excluding privatisation proceeds, the PSBR in the first half of 1987-88 was £2.5 billion below profile and just over £1 billion below borrowing in the first half of 1986-87.

also put in the box

5. The new forecast of the PSBR in 1987-88 given in the report on the October Economic Forecast (Mr Sedgwick's minute of 9 October, 'Treasury Economic Forecast') was completed before the September outturns for the LABR and PCBR became available.

6. The monthly note, presenting updated estimates for September and detailed forecasts for October-December, will be circulated next Thursday.

Colin Mowl

COLIN MOWL

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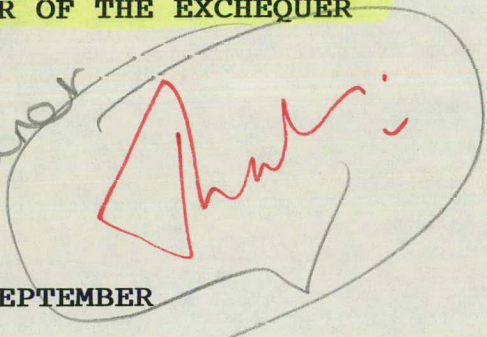
	September 1987			April-September 1987			April-September 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget forecast	Difference	Outturn
CGBR(O)	- 0.3	- 0.3	0.0	2.0	4.6	- 2.7	6.7
LABR	0.4	- 0.1	0.5	0.4	0.5	- 0.2	-
PCBR	0.3	0.2	0.1	- 0.5	- 0.5	0.0	- 0.9
PSBR	0.4	- 0.2	0.6	1.8	4.7	- 2.8	5.8

FROM: COLIN MOWL
DATE: 13 October 1987

CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr Cassell
Mr Peretz
Mr Sedgwick
Mr Ritchie
Mrs Todd
Miss H Chapman

Janet



PSBR IN SEPTEMBER

You asked (Mrs Ryding's minute of 12 October) what our forecasts are for the PSBR in 1987-88 and 1988-89 taking account of the provisional outturns for the LABR and PCBR in September.

2. The estimate of the LABR (and hence PSBR) for September has been revised down by £0.2 billion since my minute of 9 October (see attached table for latest figures). There could be further revisions before publication on Friday. The difference from last month's forecast for September is smaller therefore than we thought at the end of last week.

LABR

3. As you know there is no monthly data on local authorities' income and expenditure, and, within year, very little quarterly data (all we have so far for 1987-88 are net capital expenditure figures for the first quarter). At this stage of the financial year our LABR forecast is therefore based mainly on the monthly outturns so far for the LABR itself and a judgement on likely borrowing in the rest of the year in light analysis of the monthly pattern of borrowing in earlier years. For 1987-88 therefore our forecasts of LA income and expenditure are inevitably no more than a loose check on the direct judgement on borrowing. The LABR forecast for later years places more weight on the income/expenditure forecasts.

4. The thinking behind the forecast of the LABR in 1987-88 was as follows. The LABR in the first five months of 1987-88 was broadly similar to, if anything a little below, the level experienced in the same period of 1986-87. There was nothing to suggest any major change in the pattern of borrowing within year. A level of borrowing in 1987-88 as a whole similar to

last year's was likely therefore. This was also consistent with the view that the level of creative accounting activity, which was thought to have contributed to the reduction in the LABR in 1986-87, would continue at much the same level in 1987-88 as 1986-87. The October forecast of LA income and expenditure, unlike the June forecast, was consistent with this view \pm £0.1 billion. The table below shows the October and earlier forecasts.

LABR in 1987-88

	£ billion
Budget Forecast	1.2
June Forecast	0.2
October Forecast	0.3

5. With one month's extra data the position has not changed significantly. The cumulative outturn is still similar to last year's, although borrowing is now a little above last year's level rather than a little below. But, with hindsight, borrowing to end-September now appears to be a firmer base for projecting to the end of the year than borrowing to end August. There appears to have been a change in the usual pattern of borrowing in August and September, with less borrowing in the former month and more in the latter month than usual (something similar happened in May and June). Assuming therefore that borrowing in the first half of the year is not affected significantly by a change in the within-year pattern of borrowing, one might now expect slightly higher borrowing in 1987-88 than in 1986-87. This might justify adding perhaps £0.2 billion to the LABR forecast for the year as a whole. A revised forecast, by half years, together with the experience of earlier years, is shown in the table below.

Financial Year LABRs - £ billion

	First Half	Second Half	Annual Total
1982-83 to 1986-87 average	0.5	0.7	1.1
1986-87	0.0	0.2	0.3
<u>1987-88</u>			
October Forecast	- 0.1	0.4	0.3
Revised Forecast	0.2	0.3	0.5

The PCBR

6. The PCBR forecast is constructed using a similar approach to that followed for the LABR. The underforecast of the PCBR in September was more than accounted for by higher than expected borrowing by British Coal (BC). Previously cumulative BC borrowing (to end August) was slightly below the Budget profile. Now cumulative BC borrowing is slightly above profile. One could edge up the annual forecast in light of the latest data by £0.1 billion at most. There is no reason to assume that BC will overshoot our previous forecast for the remaining months of the year.

Conclusion

7. There is therefore a case for pushing up the PSBR forecast for 1987-88 by about £0.2 to £0.3 billion. This would still leave it close to -£1 billion. It would also be reasonable to carry the revisions forward to the forecasts of the PSBR in the later years.

Colin Mowl

COLIN MOWL

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	September 1987			April-September 1987			April-September 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget forecast	Difference	Outturn
CGBR(O)	- 0.3	- 0.3	0.0	2.0	4.6	- 2.7	6.7
LABR	0.2	- 0.1	0.3	0.2	0.5	- 0.3	-
PCBR	0.3	0.2	0.1	- 0.5	- 0.5	0.0	- 0.9
PSBR	0.2	- 0.2	0.4	1.7	4.7	- 3.0	5.8
PSBR excluding privatisation proceeds	0.8	0.4	0.4	5.7	8.4	- 2.7	6.9

FROM: COLIN MOWL
DATE: 14 October 1987

CHANCELLOR OF THE EXCHEQUER

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr R I G Allen
Mr Ritchie
Miss Chapman

C/Content?

CE 14/10

OK

DRAFT PRESS BRIEFING ON PSBR IN SEPTEMBER

I attach the draft press briefing on the PSBR in September.

2. The estimate of the PSBR in September to be published on Friday is zero borrowing. This is a further downward revision (a lower PCBR) from the revised estimate I gave you yesterday. In total the estimate has been reduced by £0.4 billion since I reported the first provisional estimate on 9 October. There should be no further changes before publication.

3. Available City forecasts are mainly in the range $\frac{1}{2}$ to $\frac{1}{2}$ billion with an average of £1 billion ie. somewhat above the figure to be published.

4. The proposed Treasury statement to Reuters and overall line to take for IDT is as follows:

"The PSBR in September provisionally close to zero. Privatisation proceeds £0.6 billion. Excluding privatisation proceeds, borrowing in April to September (£5.4 billion), about £1.5 billion lower than corresponding months last year. New forecast in Autumn Statement."

This formulation has been discussed with Mr Cassell and IDT.

5. We should be grateful for comments on the statement to Reuters and draft press briefing during the course of Thursday morning.

Colin Mowl

COLIN MOWL

From: HELEN CHAPMAN
16 October 1987

MR CULPIN - IDT

MR LANG - CSO Press Office

cc List A

List B

(distributed at 11.30am, 16 October)

Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Monck
Mr Peretz
Mr Sedgwick
Mr Grice
Mr C W Kelly

Mr Mowl
Miss O'Mara
Mrs Butler

Mr Ritchie
Mrs Todd
Mr Pickford
Mr R Evans
Mr Mansell - CSO
Mr Richardson - CSO
Mr Wright B/E
Mr Norgrove - No 10

Mr Cropper
Mr C M Kelly
Mr Tyrie
Mr Call
Mr Ko - IR
Mr Balley - C and E

BRIEFING FOR 16 OCTOBER PSBR PRESS NOTICE

The PSBR figures for September will be published at 11.30am on 16 October. The provisional outturns, together with figures for the first five months of 1986-87 and 1987-88, are shown in Table 1. Cumulative figures for the PSBR and its components for 1985-86 and 1986-87 are shown in Table 2 overleaf. Table 3 shows outturns excluding privatisation proceeds.

Table 1:

Borrowing requirement outturns

£ billion

	Apr-Sep 1986	Apr-Sep 1987	Sep 1987
Central government on own account	6.7	1.9	-0.3
Local authorities	-	0.1	0.2
Public corporations	-0.9	-0.6	0.2
PSBR	5.8	1.4	-
Memo: PSBR (excluding privatisation proceeds)	6.9	5.4	0.6

Note: Figures may not sum precisely because of rounding.

Table 2: PUBLIC SECTOR BORROWING REQUIREMENT – Comparison with the last two years

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	0.2	1.9	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	0.8
May	2.3	1.9	2.2	0.8	0.4	-0.1	-0.4	-0.5	-0.4	2.7	1.8	1.7
Jun	2.7	3.0	1.7	0.5	-0.1	-0.1	-0.5	-0.7	-0.4	2.6	2.3	1.1
Jul	3.6	3.0	1.3	0.8	-0.1	0.1	-1.2	-1.0	-0.7	3.1	1.9	0.7
Aug	4.6	4.2	2.2	0.9	0.2	-0.1	-1.2	-0.7	-0.8	4.3	3.6	1.4
Sep	5.1	6.7	1.9	1.1	0.0	0.1	-0.7	-0.9	-0.6	5.6	5.8	1.4
Oct	5.0	6.4		0.7	-0.3		-0.5	-0.5		5.3	5.7	
Nov	6.2	7.2		0.1	-0.7		-0.4	-0.8		6.0	5.7	
Dec	7.4	5.7		0.4	-0.6		-0.2	-0.9		7.6	4.2	
Jan	2.9	2.2		0.5	-0.6		-0.2	-1.1		3.2	0.5	
Feb	2.9	2.3		0.4	-0.7		-0.5	-1.5		2.8	0.2	
Mar	4.3	4.6		1.7	0.3		-0.2	-1.4		5.8	3.4	

Note: Figures may not sum precisely because of rounding.

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Table 3: PUBLIC SECTOR BORROWING REQUIREMENT EXCLUDING PRIVATISATION PROCEEDS

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	1.2	2.1	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	1.9
May	2.5	3.0	2.9	0.8	0.4	-0.1	-0.4	-0.5	-0.4	2.9	2.9	2.4
Jun	4.0	4.1	4.0	0.5	-0.1	-0.1	-0.5	-0.7	-0.4	3.9	3.4	3.4
Jul	5.0	4.1	4.3	0.8	-0.1	0.1	-1.2	-1.0	-0.7	4.5	3.0	3.6
Aug	6.2	5.3	5.6	0.9	0.2	-0.1	-1.2	-0.7	-0.8	5.9	4.7	4.7
Sep	6.8	7.8	5.9	1.1	0.0	0.1	-0.7	-0.9	-0.6	7.3	6.9	5.4
Oct	6.8	7.5		0.7	-0.3		-0.5	-0.5		7.0	6.8	
Nov	8.2	8.6		0.1	-0.7		-0.4	-0.8		7.9	7.0	
Dec	9.7	8.9		0.4	-0.6		-0.2	-0.9		9.9	7.5	
Jan	5.1	5.5		0.5	-0.6		-0.2	-1.1		5.4	3.8	
Feb	5.2	6.0		0.4	-0.7		-0.5	-1.5		5.1	3.8	
Mar	7.0	9.0		1.7	0.3		-0.2	-1.4		8.5	7.8	

Note: Figures may not sum precisely because of rounding.

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Summary of line to take

The PSBR in September provisionally close to zero. Privatisation proceeds £0.6 billion. Excluding privatisation proceeds, borrowing in April to September (£5.4 billion), about £1.5 billion lower than corresponding months last year. New forecast in Autumn Statement.

1. September PSBR

Background

Most City forecasts of September PSBR are for borrowing in a range £0.5 to £1.5 billion – with majority towards top of that range. (Greenwell Montagu is an outlier at a surplus of £0.25).

Line to take

Not useful to look at one month's figures. But September outturn affected by

- privatisation proceeds of £0.6 billion (see Q5).
- large PRT payments of £0.9 billion compared with repayment of £1.0 billion in September 1986 (see Q4).

2. PSBR, April – September

Line to take

See "summary of line to take" above.

3. Undershoot in 1987–88 ?

Line to take

New forecast will be given in Autumn Statement.

4. PRT and Oil revenues : effect of dollar price

Background

PRT receipts for April to August were instalments based on profits in second half of 1986. Differences between profits in second half of 1986 and in first half of 1987 were made up in the September PRT figure. PRT instalments Sept 1987 to Feb 1988 will be based on profits Jan to June 1987.

September PRT receipts were £0.9 billion compared with a repayment for September 1986 of £1.0 billion. Over the first six months of 1987-88, PRT totalled £1.3 billion compared with £0.8 billion over the same months last year.

Budget forecast based on average price from second quarter of 1987 of 15 dollars/barrel for North Sea Crude. FSBR estimated that a 1 dollar/barrel difference in the average oil price for 1987 would change revenues by about £350 million in 1987-88. Brent oil price April to September 18.8 dollars a barrel, but oil revenues depend not just on dollar price but on other factors including sterling/dollar exchange rate and level of oil production.

Line to take

PRT receipts high in September because oil price in January to June higher than in previous six-month period but instalment payments over April to August based on July to December 1986 prices. September PRT includes correction payment.

5. Privatisation proceeds in 1987-88

Background

Privatisation proceeds so far this year £4.0 billion, compared with only £1.1 billion in same period last year. FSBR figure for 1987-88 as a whole £5 billion.

Line to take

Receipts in September £0.6 billion, mainly from proceeds from second call on Rolls Royce.

[NOT FOR USE : DO NOT BE DRAWN ON BP PROCEEDS]

6. Consolidated Fund Revenues

Background

Press notice shows that Consolidated Fund (CF) revenues in first six months of 1987-88 were 13 per cent higher than in the same period last year, comprising 12 per cent increase in Inland Revenue receipts, 7½ per cent increase in Customs and Excise receipts, and 38½ per cent in "other revenues" (including privatisation proceeds, vehicle excise duty and interest and dividend receipts). FSBR forecast was a 5¾ per cent increase for the year as a whole over 1986-87.

Line to take

Receipt in April to September £55.0 billion, 13 per cent up on same period last year. Includes privatisation proceeds. Excluding privatisation proceeds receipts up by 7 per cent.

7. Inland Revenue Receipts

Background

Inland Revenue receipts in September £5.2 billion. Total for April-September £27.5 billion, (12 per cent up on same period last year). FSBR forecast for year as whole was a rise of 7½ per cent on 1986-87 (excluding PRT forecast increase was 7 per cent). More detailed monthly figures will be published later in Financial Statistics, Table 3.13.

Line to take

Receipts in April-September £27.5 billion, 12 per cent up on same period last year. Excluding PRT, receipts increased by 10 per cent on the same period last year.

8. Customs and Excise Receipts

Background

Customs and Excise receipts in September £3.2 billion. Total for April-September £20.9 billion, (7½ per cent up on same period last year). FSBR forecast for year as whole was a rise of 6½ per cent on 1986-87. More detailed monthly figures will be published later in Financial Statistics, Table 3.14.

Line to take

Receipts in April-September £20.9 billion, 7½ per cent up on same period last year.

9. Supply Expenditure

Background

FSBR gave a figure for provision for supply in 1987-88 but not a forecast of outturn because public expenditure Reserve was not allocated to individual components of expenditure, (but public expenditure total used in PSBR forecast assumed that the Reserve was fully spent).

Line to take

Provisional outturn for supply expenditure in September £8.7 billion. Total April-September 1987 (provisional £50.9 billion) up 3½ per cent on same period last year. Excluding advance contributions to EC Budget paid from supply in 1986-87, increase is 4½ per cent.

10. Central Government Borrowing

Background

CG own account borrowing in September, surplus of £0.3 billion. Total for April-September, borrowing of £2.0 billion. (1986-87, £6.7 billion). Privatisation proceeds, April-September, £4.0 billion (1986-87, £1.1 billion).

Line to take

Excluding privatisation proceeds, CG own account borrowing over April to September lower by £1.8 billion than same period last year.

11. Local Authorities

Background

Local authorities (provisionally) borrowed £0.2 billion in September (repayment of £0.1 billion in September 1986). Local authorities borrowed £0.1 billion during first six months of 1987-88. (Zero borrowing for same period in 1986-87).

Line to take

Borrowing so far in 1987-88 a little higher than same period last year.

12. Public Corporations

Background

Public corporation (provisionally) borrowed £0.2 billion in September. Repayment of £0.6 billion over April to September. (Repayment of £0.9 billion, April-September, 1986 - but aggregate then included BGC, BA).

Line to take

Borrowing so far in 1987-88 a little higher than same period last year.

Helen Chapman (270-5030)
PSF Division, HM Treasury

From: COLIN MOWL
15 October 1987

Migel

CHANCELLOR

Copy with PPS letter, attached, for:

Mr Norgrove - No. 10

cc List A

List B (distributed at 11:30am, 16 October)

Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Watts
Mrs Todd
Mr Ritchie
Miss Chapman

Chief Secretary
Financial Secretary
Paymaster General
Mr F E R Butler
Mr Moore
Mr Odling-Smee
Mr Scholar
Mr Turnbull
Mrs Brown

Mr Bottrill
Mrs Butler
Mr Culpin

Mr Grice
Miss O'Mara
Mr C W Kelly
Mr Pratt

Mr A Hudson
Mr M Richardson
Mr Cropper
Mr Tyrie

Mr Call
Mr Calder - IR
Mr Wilmott - C and E

MONTHLY NOTE ON THE PSBR

I attach a report on the PSBR outturn for September, together with forecasts for the period October - December. The September outturn will be published by press notice at 11.30am on Friday 16 October.

Colin Mowl

COLIN MOWL

PUBLIC SECTOR BORROWING

Summary

- Borrowing is continuing to run below the levels expected at the time of the Budget. The PSBR for the first six months of 1987-88, at £1.4 billion, is £3.3 billion lower than the Budget profile, mainly accounted for by lower central government own borrowing.
- Excluding privatisation proceeds the April - September outturn is about £1.5 billion lower than the corresponding period last year and £3.0 billion below the Budget profile.
- The PSBR is forecast to be a surplus of around £1.5 billion over the next three months, which would bring the total for the first nine months of 1987-88 to a surplus of £0.1 billion, £5.3 billion below the Budget profile.

Figures in this report are not seasonally adjusted and also may not sum precisely because of rounding.

Chart 1 : 1987-88: Comparisons with 1987 Budget profiles

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- = Budget profile

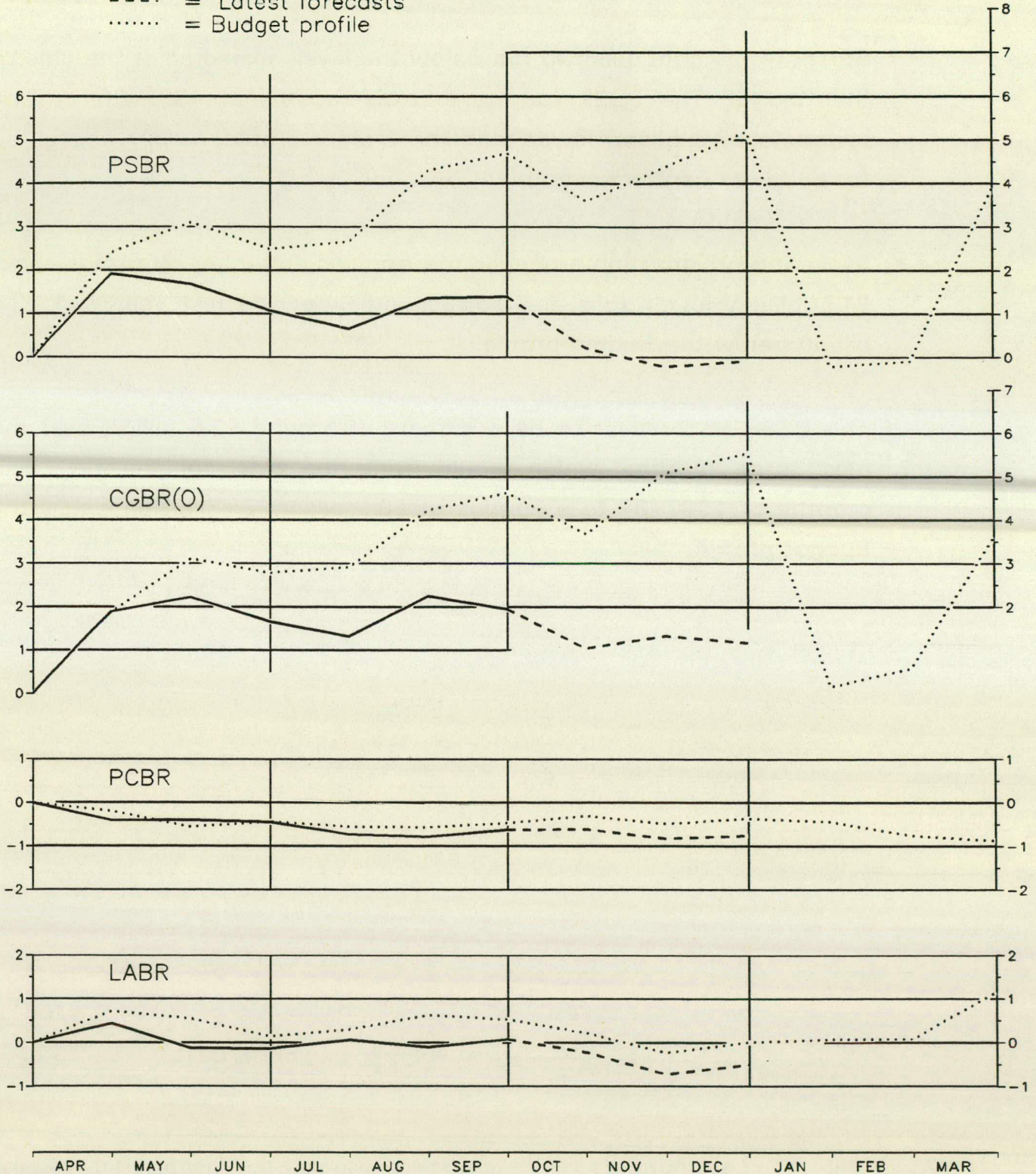


Chart 2: 1987-88: Comparisons with outturns for 1986-87

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- = 1986-87 outturn

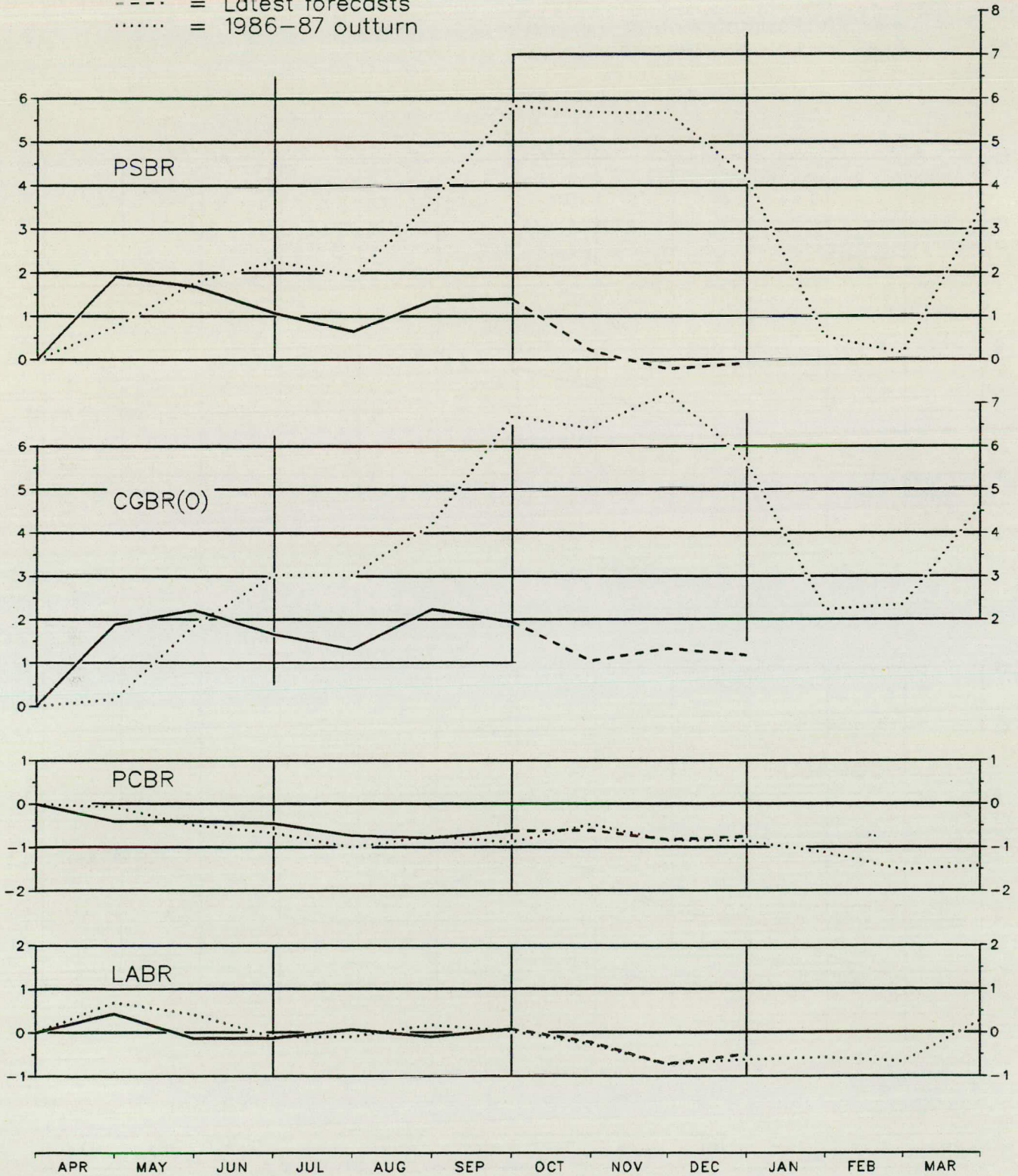
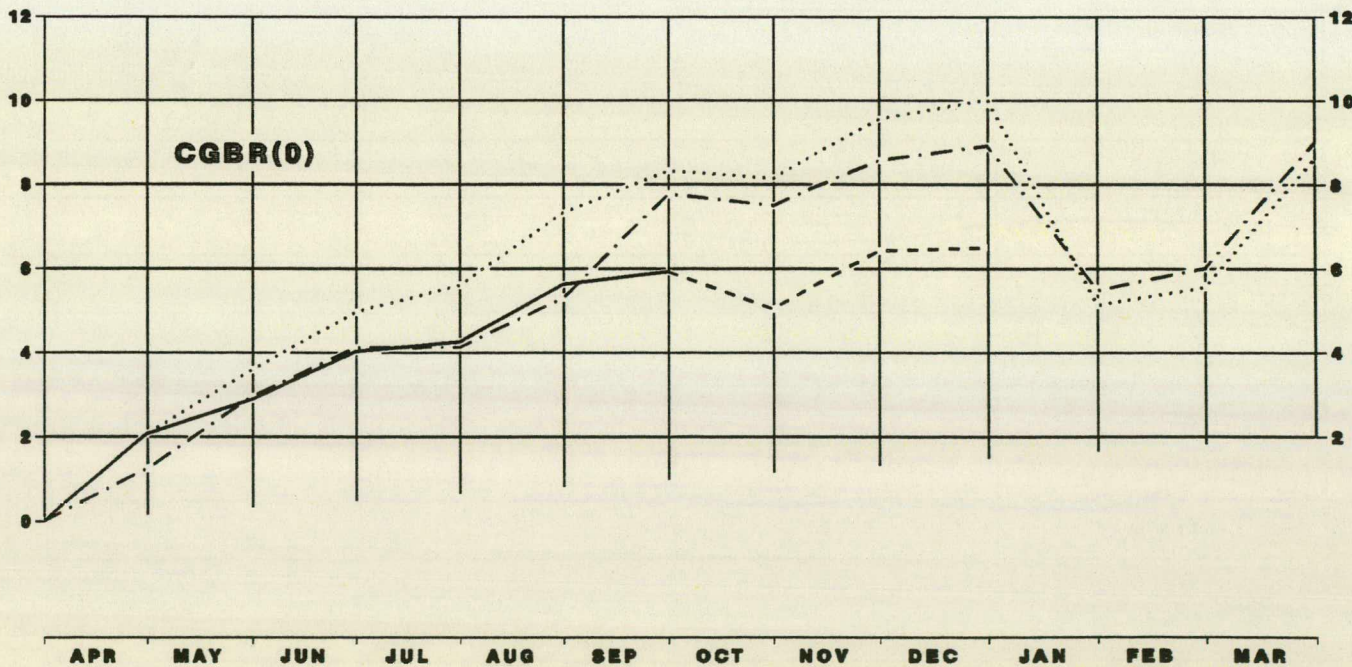
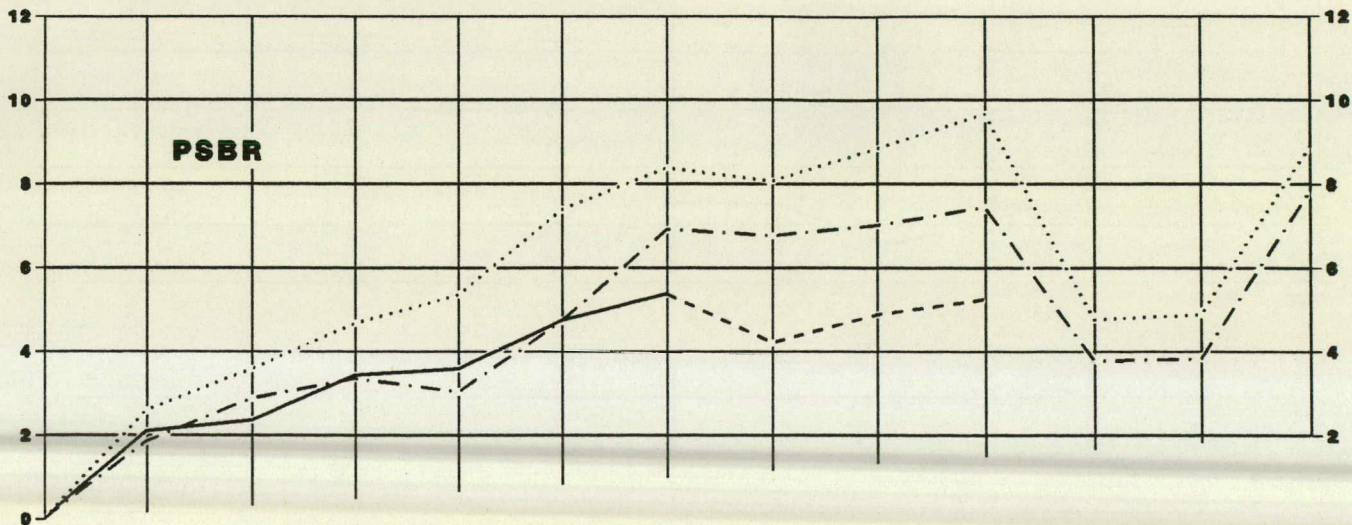


Chart 3: Comparisons excluding privatisation proceeds

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- · - = 1986-87 outturn
- = 1987-88 Budget profiles



Borrowing in September

(Outturn compared with last month's forecast)

1. The provisional estimate of the PSBR in September is zero borrowing, compared with last month's forecast of a surplus of £0.2 billion. The differences between forecast and outturn on the individual sub-sectors are shown in the table below.

Table 1: September 1987 borrowing requirements

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Forecast*	-0.2	-0.3	-0.1	0.2
Outturn	-	-0.3	0.2	0.2
Difference	0.3	-	0.3	-

*made on 16 September

2. Borrowing on central government's own account was as forecast. The main factors in September were:

- lower Customs and Excise receipts (by £0.3 billion) mainly higher VAT repayments partly offset by
- higher Inland Revenue receipts (by £0.1 billion) mainly Corporation Tax.
- higher national insurance contributions (by £0.1 billion).

3. Local authorities provisionally borrowed £0.2 billion in September, £0.3 billion higher than in last month's forecast. The outturn for this month last year was a surplus of £0.1

billion. There appears to have been a change in the pattern of borrowing in August and September with less borrowing in the former month and more in the latter month than usual (something similar happened in May and June).

4. Public corporations' borrowing requirement (PCBR) in September is provisionally estimated to have been £0.2 billion, as forecast. We have yet to receive all the individual industries own estimates of borrowing. However, British Rail have repaid more than forecast. This has been more than offset by British Coal which has borrowed nearly £0.2 billion more than forecast. We have yet to receive returns from British Steel, the Post Office, some of the Water Authorities and some of the smaller Nationalised Industries.

April to September

5. The cumulative PSBR for the first six months of 1987-88 was £1.4 billion, £3.3 billion below the Budget profile (see chart 1 and Table 2).

Table 2: Total April-September borrowing requirements

	£ billion			
	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Budget forecast	4.7	4.6	0.5	-0.5
Outturn	1.4	1.9	0.1	-0.6
Difference	-3.3	-2.7	-0.5	-0.2

6. Privatisation proceeds in April to September this year have been £4.0 billion compared with only £1.1 billion in the same period last year. Excluding privatisation proceeds borrowing so far this year is £1.5 billion lower than the equivalent period last year.

7. Cumulative borrowing in April to September on central government's own account was £2.7 billion lower than the Budget profile. Table 3 shows where differences on individual components have occurred.

Table 3: CGBR(O) April - September: Differences from Budget profile

	£ billion	percentage difference
Receipts		
Inland Revenue	+1.2	+4.4
Customs and Excise	+0.2	+0.9
NICs	+0.1	+1.0
Privatisation proceeds	+0.3	+7.2
Other receipts	+0.2	+10.5
Expenditure		
Net debt interest payments	+0.1	+2.8
Departmental expenditure ⁽¹⁾	-0.9	-1.3
Net effect on CGBR(O)	-2.7	

⁽¹⁾ on a cash basis, net of certain receipts and on-lending

8. The main factors reducing borrowing are:

- higher Inland Revenue receipts, mainly due to higher Corporation Tax, including ACT, Petroleum Revenue Tax and stamp duties. PAYE is also higher than forecast but is partly offset by lower receipts from other Income Tax.
- higher Customs and Excise receipts of VAT (by about £0.4 billion). It appears that VAT is more buoyant than expected at Budget time. Both higher than expected Keith effects and consumer spending subject to VAT could have contributed to this. This has been partly offset by lower receipts of hydrocarbon duties.
- higher privatisation proceeds, mainly due to proceeds from the sale of the Plant Breeding Institute and higher than expected receipts from the sale of Rolls Royce.

In addition, costs in respect of the second call on British Gas have, so far, been lower than forecast.

- A shortfall on departmental expenditure (measured on a cash basis) of about £0.9 billion. This is not fully reflected in expenditure returns by departments (the APEX returns), which show supply expenditure only £0.6 billion below budget profile. However, there are definitional and timing differences between the APEX and cash measurements.

9. Local authorities borrowed £0.1 billion in April to September, compared with borrowing of £0.5 billion forecast in the Budget profile. Local authorities had zero borrowing over the same period in 1986.

10. The cumulative PCBR for the first six months of 1987-88 is a surplus of £0.6 billion, compared to a Budget forecast of a surplus of £0.5 billion. The electricity supply industry has made larger repayments than forecast. British Rail and other public corporations have also repaid significantly more than forecast in the year to date. This has been partly offset by British Coal which has borrowed more than was foreseen at Budget time.

11. Table 4 shows cumulative borrowing to September for the PCBR and selected public corporations, excluding those privatised since 1 April 1986. Borrowing estimates for individual corporations are derived from telex returns, and are not fully consistent with the aggregate PCBR estimates.

Table 4: Public Corporations' borrowing April-September

	£million (-indicates lower borrowing)	
	Difference from 1986-87	Difference from Budget profile ⁺
Coal	210	220
Electricity	-40	-230
British Steel	-90*	-110*
Post Office	100 *	110*
Water	-120*	-30*
Other NIs	-220*	-110 *
Other PCs	-140	-80
PCBR	-650**	-80**

*No September figure yet available figures cover April-August only

**Excluding industries privatised during 1986-87 and 1987-88

⁺components do not sum to total difference in PSBR, because of incomplete information on borrowing in September.

October to December

(Forecast compared with Budget profile)

12. The PSBR for the period October - December is forecast to be a surplus of £1.5 billion, £2.0 billion below the Budget forecast, largely due to downward revision of forecast of central government own account borrowing. Higher Inland Revenue receipts (spread across most taxes) are partly offset by lower receipts from other Income Tax. Customs and Excise receipts and privatisation proceeds are all higher than forecast but are partly offset by lower receipts from hydrocarbon duties.

13. Net proceeds from the BP sale are forecast to be £1 billion by the end of November, but the eventual distribution between October and November is far from certain. The offer

closes on 28 October. The £1 billion net proceeds includes the cost of a £1½ billion payment of BP for the Rights Issue which is due to be paid at the end of October. The sale is made up from three offers: (i) cheques from the first instalment of the Rights Issue should clear in October, ii) for the International Offer, money from the US, Canada and Japan should clear in October and money from UK institutions and Europe will clear in November, (iii) for the UK public offer, people applying on personalised application forms will be guaranteed shares. The bulk of cheques accompanying such guaranteed application forms should clear in October and the amount credited to the government from these cheques will include individual oversubscriptions up to the first instalment value of the total offer. The amount clearing in October therefore critically depends on the use of personalised application forms and the amount of oversubscriptions. Net proceeds in October could be negative or as much as the full £1 billion. The forecast assumes zero net proceeds in October - £1½ billion gross proceeds clearing on 29 and 30 October offset by the payment to BP - and £1 billion receipts in November.

14. The forecast monthly path of the CGBR(O) and its main components are shown in Table 7. The main features BP apart are:

- In October, the CGBR(O) is forecast to be a surplus of £1 billion. Corporation tax receipts are seasonally high (£1 billion ACT £1½ billion MCT).
- In November, the CGBR(O) is forecast at about £¼ billion with high net debt interest payments and low Inland Revenue receipts only offset partly by high VAT receipts and the assumed £1 billion receipts from BP.
- In December, the CGBR(O) is forecast to be a surplus of about £¼ billion. British Telecom will redeem £¼ billion of preference shares held by the government (this will score as privatisation proceeds). National insurance contributions will be seasonally low. Debt interest payments are also relatively low.

15. Local authorities are forecast to repay about £0.6 billion over the next three months, compared to a Budget forecast of a repayment of £0.5 billion. Public Corporations are forecast to be borrowing in October and December but to be net repayers in November. The Post Office is expected to make large net repayments due to seasonal factors. British Coal is forecast to make net repayments over the next three months after its above profile

borrowing in the year so far. The electricity supply industry (England and Wales) is expected to continue making net repayments over the next three months. Borrowing over the next three months is projected to be lower than the Budget forecast.

April to December

16. The PSBR for the first nine months of 1987-88 is forecast to a surplus of £0.1 billion, £5.3 billion below the Budget profile (Chart 1 and Table 6), mainly as a result of lower central government own account borrowing. Excluding privatisation proceeds the PSBR is forecast to be £5.3 billion, £4.4 billion below the Budget profile.

Table 5: Borrowing requirement monthly profiles April-December
(Budget profiles in italics for comparison)

£ billion

	PSBR		Comprising					
			CGBR(O)		LABR		PCBR	
1987-88								
Apr	1.9	<i>2.4</i>	1.9	<i>1.9</i>	0.4	<i>0.7</i>	-0.4	<i>-0.2</i>
May	-0.2	<i>0.7</i>	0.3	<i>1.2</i>	-0.6	<i>-0.2</i>	-	<i>-0.4</i>
Jun	-0.6	<i>-0.6</i>	-0.6	<i>-0.3</i>	-	<i>-0.4</i>	-	<i>0.1</i>
Jul	-0.4	<i>0.2</i>	-0.3	<i>0.1</i>	0.2	<i>0.2</i>	-0.3	<i>-0.1</i>
Aug	0.7	<i>1.6</i>	0.9	<i>1.3</i>	-0.2	<i>0.3</i>	-0.1	<i>-</i>
Sep	-	<i>0.4</i>	-0.3	<i>0.4</i>	0.2	<i>-0.1</i>	0.2	<i>0.1</i>
Oct	-1.2	<i>-1.1</i>	-0.9	<i>-1.0</i>	-0.3	<i>-0.3</i>	-	<i>0.2</i>
Nov	-0.4	<i>0.8</i>	0.3	<i>1.4</i>	-0.5	<i>-0.5</i>	-0.2	<i>-0.2</i>
Dec	0.1	<i>0.8</i>	-0.2	<i>0.5</i>	0.2	<i>0.2</i>	0.1	<i>0.1</i>
Cumulative								
Apr	1.9	<i>2.4</i>	1.9	<i>1.9</i>	0.4	<i>0.7</i>	-0.4	<i>-0.2</i>
May	1.7	<i>3.1</i>	2.2	<i>3.1</i>	-0.1	<i>0.6</i>	-0.4	<i>-0.6</i>
Jun	1.1	<i>2.5</i>	1.7	<i>2.8</i>	-0.1	<i>0.1</i>	-0.4	<i>-0.4</i>
Jul	0.7	<i>2.7</i>	1.3	<i>2.9</i>	0.1	<i>0.3</i>	-0.7	<i>-0.6</i>
Aug	1.4	<i>4.3</i>	2.2	<i>4.2</i>	-0.1	<i>0.6</i>	-0.8	<i>-0.6</i>
Sep	-1.4	<i>4.7</i>	1.9	<i>4.6</i>	0.1	<i>0.5</i>	-0.6	<i>-0.5</i>
Oct	0.2	<i>3.6</i>	1.0	<i>3.7</i>	-0.2	<i>0.2</i>	-0.6	<i>-0.3</i>
Nov	-0.2	<i>4.4</i>	1.3	<i>5.1</i>	-0.7	<i>-0.2</i>	-0.8	<i>-0.5</i>
Dec	-0.1	<i>5.2</i>	1.2	<i>5.5</i>	-0.5	<i>-</i>	-0.8	<i>-0.4</i>

Figures for April - September are outturns

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Table 6: PSBR for 1987-88 - comparisons with 1986-87 and 1987 Budget profile

£ billion

	1986-87	1987-88		Differences from	
	Outturn	Budget profile	Latest update ⁽¹⁾	1986-87 outturn	Budget profile
	1	2	3	3-1	3-2
Apr	0.8	2.4	1.9	1.1	-0.5
May	1.0	0.7	-0.2	-1.3	-0.9
Jun	0.5	-0.6	-0.6	-1.1	-
Q2	2.3	2.5	1.1	-1.2	-1.4
Jul	-0.3	0.2	-0.4	-0.1	-0.6
Aug	1.7	1.6	0.7	-1.0	-0.9
Sep	2.2	0.4	-	-2.2	-0.4
Q3	3.6	2.2	0.3	-3.3	-1.9
Oct	-0.2	-1.1	-1.2	-1.0	-0.1
Nov	-	0.8	-0.4	-0.4	-1.2
Dec	-1.5	0.8	0.1	1.6	-0.7
Q4	-1.6	0.5	-1.5	0.2	-2.0
Jan	-3.7	-5.4			
Feb	-0.4	0.1			
Mar	3.3	4.0			
Q1	-0.7	-1.3			
Cumulative					
Apr	0.8	2.4	1.9	1.1	-0.5
May	1.8	3.1	1.7	-0.1	-1.4
Jun	2.3	2.5	1.1	-1.2	-1.4
Jul	1.9	2.7	0.7	-1.3	-2.0
Aug	3.6	4.3	1.4	-2.3	-2.9
Sep	5.8	4.7	1.4	-4.4	-3.3
Oct	5.7	3.6	0.2	-5.5	-3.4
Nov	5.7	4.4	-0.2	-5.9	-4.6
Dec	4.2	5.2	-0.1	-4.3	-5.3
Jan	0.5	-0.2			
Feb	0.2	-0.1			
Mar	3.4	3.9			

⁽¹⁾ Figures for April - September are outturns

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Table 7: PSBR excluding privatisation proceeds for 1987-88:
comparisons with 1986-87 and 1987 Budget profile

£ billion

	1986-87	1987-88		Differences from	
	Outturn	Budget profile	Latest update (1)	1986-87 outturn	Budget profile
	1	2	3	3-1	3-2
APR	1.9	2.6	2.1	0.2	-0.5
MAY	1.0	1.0	0.3	-0.8	-0.7
JUN	0.5	1.1	1.1	0.6	0.0
JUL	-0.3	0.7	0.2	0.5	-0.5
AUG	1.7	2.0	1.1	-0.6	-0.9
SEP	2.2	1.0	0.6	-1.5	-0.4
OCT	-0.2	-0.3	-1.2	-1.0	-0.9
NOV	0.2	0.8	0.7	0.4	-0.1
DEC	0.4	0.8	0.4	-0.1	-0.5
JAN	-3.7	-4.9			
FEB	0.0	0.1			
MAR	4.0	4.0			
CUMULATIVE					
APR	1.9	2.6	2.1	0.2	-0.5
MAY	2.9	3.6	2.4	-0.5	-1.2
JUN	3.4	4.7	3.4	0.1	-1.2
JUL	3.0	5.4	3.6	0.6	-1.8
AUG	4.7	7.4	4.7	0.0	-2.7
SEP	6.9	8.4	5.4	-1.5	-3.0
OCT	6.8	8.1	4.2	-2.6	-3.9
NOV	7.0	8.9	4.9	-2.1	-4.0
DEC	7.5	9.7	5.3	-2.2	-4.4
JAN	3.8	4.8			
FEB	3.8	4.9			
MAR	7.8	8.9			

(1) Figures for April-September are outturns

TABLE 8:

CONSOLIDATED FUND REVENUES - £bn changes on year earlier

	FORECAST FOR 1987-88		APRIL-SEPTEMBER 1987		
		(i) FSBR(a)	(ii) FSBR		(iii) Outturn
1. Total Inland Revenue	4		1½		3
of which: Income Tax		1½		1	1½
Corporation Tax (d)		3		½	1
North Sea taxes (c)		-½		-	½
Other (Stamp Duties and Capital Taxes)		½		-	½
2. Customs and Excise	2½		1		1½
of which: VAT		2		½	1
Specific Duties		½		½	-
Other (e)		½		½	½
3. Vehicle Excise Duty	-		-		-
4. Asset Sales	½		2½		3
5. Other Consolidated Fund Revenue*	-1		-		-
6. Timing Adjustment (f)	-		-		-1½
7. TOTAL CONSOLIDATED FUND REVENUE	6½		5½		6
Memorandum Items:					
Non North Sea Taxes		7		2½	4
North Sea Oil Taxes and Royalties		-½		-	½

* This includes oil royalties, EC refunds, coinage receipts and CFERS

(a) using 1986-87 outturn as a base

(b) using 1986-87 outturn as a base

(c) Payments of PRT, advance PRT and North Sea corporation tax but excluding royalties

(d) Includes onshore and North Sea ACT

(e) Includes difference between receipts and payments to Consolidated Fund for April to September

(f) Reflects privatisation proceeds paid initially to Paymaster General and then to Consolidated Fund

TABLE 9:

CONSOLIDATED FUND REVENUES - % changes on year earlier

	FORECAST FOR 1987-88		APRIL-SEPTEMBER 1987		
		(i) FSBR(a)	(ii) FSBR	(iii) Outturn	
1. Total Inland Revenue	7		7	12	
of which: Income Tax		4	6		7½
Corporation Tax (d)		21	9½		20½
North Sea taxes (c)		-17	23		62½
Other (Stamp Duties and Capital Taxes)		14	7		17
2. Customs and Excise	7		6½	7½	
of which: VAT		8½	7		10½
Specific Duties		3½	3		½
Other (e)		11½	19½		19
3. Vehicle Excise Duty	-		-2½	2	
4. Asset Sales	14		240	266	
5. Other Consolidated Fund Revenue*	-16		-5½	9	
6. Timing Adjustment (f)	64½		100	4012½	
7. TOTAL CONSOLIDATED FUND REVENUE	5½		11	13	
Memorandum Items:					
Non North Sea Taxes		7½	6		9
North Sea Oil Taxes and Royalties		-13½	15½		28½

* This includes oil royalties, EC refunds, coinage receipts and CFERS.

(a) using 1986-87 outturn as a base

(b) using 1986-87 outturn as a base

(c) Payments of PRT, advance PRT and North Sea corporation tax but excluding royalties

(d) Includes onshore and North Sea ACT

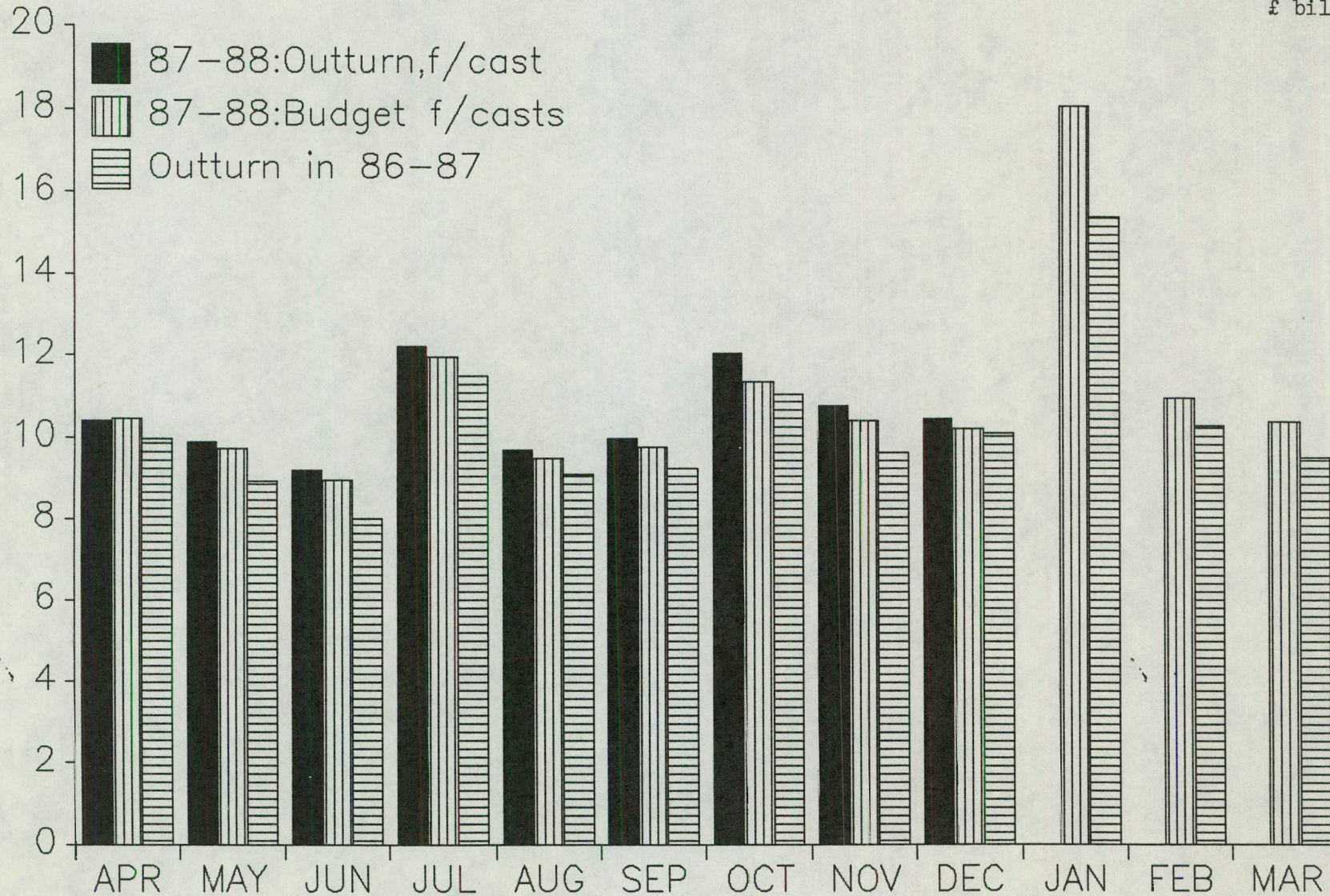
(e) Includes difference between receipts and payments to Consolidated Fund for April to September

(f) Reflects privatisation proceeds paid initially to Paymaster General and then to Consolidated Fund

CHART 4

NON OIL TAX & NAT INSURANCE RECEIPTS

£ billion



FROM: MRS P TODD
DATE: 3 November 1987

1. MR MOWL

We will need to brief carefully on the privatisation component, making it clear that the negative figure is the result of the receipts straddling the end of the month and nothing to do with the BP safety net. ETM

cc Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Moore
Mr Watts o/r
Mr Ritchie

Absolutely!

2. CHANCELLOR OF THE EXCHEQUER

CGBR(O) AND CGBR IN OCTOBER

The provisional outturn for the CGBR(O) in October is a surplus of £0.6 billion, a £0.3 billion lower surplus than forecast last month. Privatisation proceeds were minus £0.6 billion, compared with a forecast assumption of zero net proceeds. Excluding privatisation proceeds therefore the CGBR(O) surplus was £0.3 billion higher than forecast ie. borrowing was lower than forecast. The estimate of the outturn is subject to revision before publication on Tuesday 17 November.

2. Apart from privatisation proceeds the main differences from forecast are higher Inland Revenue (by £0.4 billion) and Customs and Excise receipts (by £0.1 billion), offset by lower National Insurance Contributions (by £0.2 billion). Information about the nature of the increase in Inland Revenue receipts is still to come; it may be partly due to delayed refunds of Income Tax. Corporation tax appears to have been as forecast.

3. The October monthly note indicated that the distribution of BP proceeds between October and November was uncertain and that net proceeds in October could be negative or as much as £1 billion. In view of this the forecast for October assumed zero net proceeds from BP, comprising the HMT payment of £1½ billion to BP for the purchase of their new shares, offset by the receipt of £1½ billion in proceeds from the public and institutions. In the event, £1.5 billion was paid to BP and a net £0.9 billion was received from the underwriting institutions in the US, Canada and Japan, giving a net outflow of £0.6 billion in October (which will be classified as negative privatisation proceeds). Money from the UK public will not have cleared until November; this was delayed pending the decision to proceed with

the offer. Payment by UK and European underwriters will also be in November (most of this has been received). The net outflow in October will be more than offset by a net inflow of £1.5 billion privatisation proceeds in November. On the assumption that all costs will be paid by end-November, this will give total net BP proceeds of just under £1 billion in October and November together (less any purchases by the Issue Department).

4. In the first 7 months of 1987-88 the CGBR(O), excluding privatisation proceeds, was £3.4 billion lower than the Budget profile. The main factors reducing borrowing were

- (a) higher petroleum revenue tax (by £0.2 billion)
- (b) higher non-oil Inland Revenue receipts (by £1.8 billion) mainly Corporation Tax including ACT.
- (c) higher Customs and Excise receipts (by £0.4 billion), mainly VAT.
- (d) a shortfall on departmental expenditure of nearly £1 billion.

5. Further analyses of the outturn in October will be given in the next Ministerial note on the PSBR in two weeks' time.

P. Todd

MRS P TODD

CONFIDENTIAL AND PERSONAL
CENTRAL GOVERNMENT TRANSACTIONS

£ billion

	October 1987			April-October 1987			April- October 1986
	Provisional outturn	Last month's forecast	Differ- ence	Provisional outturn	Budget profile	Differ- ence	Outturn
<u>Receipts</u>							
Inland Revenue	6.2	5.8	0.4	33.7	31.7	2.0	30.1
Customs and Excise	4.0	3.9	0.1	24.8	24.4	0.4	23.1
National Insurance Contributions (GB)	2.3	2.4	- 0.2	15.7	15.6	0.0	14.8
Privatisation proceeds	- 0.6	0.0	- 0.6	3.4	4.5	- 1.1	1.1
Other receipts	0.4	0.4	0.0	2.2	1.9	0.3	1.8
<u>Expenditure</u>							
Net debt interest	0.5	0.5	0.0	4.5	4.1	+ 0.3	4.1
Departmental expenditure (a)	11.1	11.1	0.0	76.6	77.6	- 1.0	73.3
CGBR(O)	- 0.6	- 0.9	+ 0.3	1.3	3.7	- 2.4	6.4
CGBR(O) excluding privatisation proceeds	- 1.2	- 0.9	- 0.3	4.7	8.2	- 3.4	7.5
On-lending to LAs	- 0.0	0.1	- 0.1	2.9	1.4	1.5	3.7
On-lending to PCs	- 0.1	- 0.2	0.1	- 0.6	- 0.3	- 0.2	0.1
CGBR	- 0.7	- 1.0	+ 0.2	3.6	4.7	- 1.0	10.2

(a) on a cash basis, net of certain receipts

+ = higher receipts, and higher borrowing, higher expenditure

- = lower receipts, and lower borrowing, lower expenditure

CONFIDENTIAL AND PERSONAL

FROM: COLIN MOWL
DATE: 10 November 1987

1. MR CASSELL
2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr Peretz
Mr Sedgwick
Mr Ritchie
Mrs Todd
Miss H Chapman

PSBR IN OCTOBER

The first provisional outturn for the PSBR in October is a surplus of £0.9 billion, a £0.3 billion lower surplus than was forecast last month - ie. borrowing was higher than forecast (see table attached). But the higher than expected borrowing was more than accounted for by lower than assumed privatisation proceeds which have been made good in November (assuming no Issue Department purchases of BP shares). The estimated outturn is subject to revision before publication at 11.30 a.m. on Tuesday 17 November.

2. The provisional outturn for the CGBR(0) in October is a surplus of £0.5 billion, a £0.1 billion smaller surplus than the first estimated outturn given in Mrs Todd's minute of 3 November. The revised outturn is £0.4 billion higher than last month's forecast, with lower than assumed privatisation proceeds partially offset by higher than expected Inland Revenue receipts. The explanation of the difference in privatisation proceeds was given in Mrs Todd's minute, a copy of which is attached.

3. The LABR and PCBR in October were close to forecast.

4. The PSBR in the first 7 months of 1987-88 was £½ billion, £3 billion below the Budget profile (largely lower than expected CG own account borrowing) and £5 billion below borrowing in the same period of 1986-87. Excluding privatisation proceeds, the PSBR in the first 7 months of 1987-88 was £4 billion below profile and £2¾ billion below borrowing in the first seven months 1986-87.

5. The monthly note, presenting updated estimates for October and detailed forecasts for November-January, will be circulated next Tuesday.

Colin Mowl

COLIN MOWL

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	October 1987			April-October 1987			April- October 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget forecast	Difference	Outturn
CGBR(O)	- 0.5	- 0.9	◆ 0.4	◆ 1.4	3.7	- 2.3	6.4
LABR	- 0.3	- 0.3	-	- 0.2	0.2	- 0.4	- 0.3
PCBR	-	-	-	- 0.6	- 0.3	- 0.3	- 0.5
PSBR	- 0.9	- 1.2	◆ 0.3	◆ 0.6	3.6	- 3.0	5.7
PSBR excluding privatisation proceeds	- 1.4	- 1.2	- 0.3	◆ 4.0	8.1	- 4.1	6.8

FROM: MRS P TODD
DATE: 3 November 1987

1. MR MOWL ✓
We will need to brief carefully on the privatisation component, making it clear that the negative figure is the result of the receipts straddling the end of the month and nothing to do with the BP safety net. ETM
2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Moore
Mr Watts o/r
Mr Ritchie

CGBR(O) AND CGBR IN OCTOBER

The provisional outturn for the CGBR(O) in October is a surplus of £0.6 billion, a £0.3 billion lower surplus than forecast last month. Privatisation proceeds were minus £0.6 billion, compared with a forecast assumption of zero net proceeds. Excluding privatisation proceeds therefore the CGBR(O) surplus was £0.3 billion higher than forecast ie. borrowing was lower than forecast. The estimate of the outturn is subject to revision before publication on Tuesday 17 November.

2. Apart from privatisation proceeds the main differences from forecast are higher Inland Revenue (by £0.4 billion) and Customs and Excise receipts (by £0.1 billion), offset by lower National Insurance Contributions (by £0.2 billion). Information about the nature of the increase in Inland Revenue receipts is still to come; it may be partly due to delayed refunds of Income Tax. Corporation tax appears to have been as forecast.

3. The October monthly note indicated that the distribution of BP proceeds between October and November was uncertain and that net proceeds in October could be negative or as much as £1 billion. In view of this the forecast for October assumed zero net proceeds from BP, comprising the HMT payment of £1½ billion to BP for the purchase of their new shares, offset by the receipt of £1½ billion in proceeds from the public and institutions. In the event, £1.5 billion was paid to BP and a net £0.9 billion was received from the underwriting institutions in the US, Canada and Japan, giving a net outflow of £0.6 billion in October (which will be classified as negative privatisation proceeds). Money from the UK public will not have cleared until November; this was delayed pending the decision to proceed with

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the offer. Payment by UK and European underwriters will also be in November (most of this has been received). The net outflow in October will be more than offset by a net inflow of £1.5 billion privatisation proceeds in November. On the assumption that all costs will be paid by end-November, this will give total net BP proceeds of just under £1 billion in October and November together (less any purchases by the Issue Department).

4. In the first 7 months of 1987-88 the CGBR(O), excluding privatisation proceeds, was £3.4 billion lower than the Budget profile. The main factors reducing borrowing were

- (a) higher petroleum revenue tax (by £0.2 billion)
- (b) higher non-oil Inland Revenue receipts (by £1.8 billion) mainly Corporation Tax including ACT.
- (c) higher Customs and Excise receipts (by £0.4 billion), mainly VAT.
- (d) a shortfall on departmental expenditure of nearly £1 billion.

5. Further analyses of the outturn in October will be given in the next Ministerial note on the PSBR in two weeks' time.

P. Todd

MRS P TODD

CONFIDENTIAL AND PERSONAL
CENTRAL GOVERNMENT TRANSACTIONS

£ billion

	October 1987			April-October 1987			April-October 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget profile	Difference	Outturn
<u>Receipts</u>							
Inland Revenue	6.2	5.8	0.4	33.7	31.7	2.0	30.1
Customs and Excise	4.0	3.9	0.1	24.8	24.4	0.4	23.1
National Insurance Contributions (GB)	2.3	2.4	- 0.2	15.7	15.6	0.0	14.8
Privatisation proceeds	- 0.6	0.0	- 0.6	3.4	4.5	- 1.1	1.1
Other receipts	0.4	0.4	0.0	2.2	1.9	0.3	1.8
<u>Expenditure</u>							
Net debt interest	0.5	0.5	0.0	4.5	4.1	+ 0.3	4.1
Departmental expenditure (a)	11.1	11.1	0.0	76.6	77.6	- 1.0	73.3
CGBR(O)	- 0.6	- 0.9	+ 0.3	1.3	3.7	- 2.4	6.4
CGBR(O) excluding privatisation proceeds	- 1.2	- 0.9	- 0.3	4.7	8.2	- 3.4	7.5
On-lending to LAs	- 0.0	0.1	- 0.1	2.9	1.4	1.5	3.7
On-lending to PCs	- 0.1	- 0.2	0.1	- 0.6	- 0.3	- 0.2	0.1
CGBR	- 0.7	- 1.0	+ 0.2	3.6	4.7	- 1.0	10.2

(a) on a cash basis, net of certain receipts

+ = higher receipts, and higher borrowing, higher expenditure
 - = lower receipts, and lower borrowing, lower expenditure

FROM: COLIN MOWL
DATE: 13 November 1987

CHANCELLOR OF THE EXCHEQUER

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr R I G Allen
Mr Pickford
Mr Ritchie
Miss Chapman

Ch/Content with
draft?
MPW 13/11

DRAFT PRESS BRIEFING ON PSBR IN OCTOBER

I attach the draft press briefing on the PSBR in October.

2. The figures for next Tuesday's press notice, both for October and the earlier months of 1987-88, have not yet been finalised due to problems with some of the returns from the banks. The latest estimate for October, which is less likely to change than those for earlier months, is a surplus of £1.0 billion, a £0.1 billion higher surplus than the first estimate I reported to you on 10 November. I will let you know on Monday, when the estimates for publication will be finalised, whether there have been any significant further revisions.

3. Available City forecasts cover a wide range, from borrowing of £0.3 billion to a surplus of £2 billion. The average is a surplus of £0.5 billion. Most of these forecasts appear to assume that the bulk of BP proceeds will fall in November but it is not clear whether they have allowed in their October figuring for the £1½ billion Government payment to BP.

4. The proposed Treasury statement to Reuters and overall line to take for IDT is as follows:

"PSBR in October provisionally surplus of £1.0 billion. Privatisation proceeds negative (-£0.6 billion), reflecting payment of £1½ billion to BP for new shares, but receipt of only part of underwriting proceeds, rest of which were received in November."

This statement and the rest of the briefing have been discussed with Mr Cassell and IDT, and the references to privatisation and BP cleared with PE.

5. We should be grateful for comments on the statement to Reuters and draft press briefing during the course of Monday morning.

Colin Mowl

COLIN MOWL

From: HELEN CHAPMAN
16 November 1987

MR R.I.G. ALLEN - IDT

MR LANG - CSO Press Office

cc List A

Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Monck
Mr Peretz
Mr Sedgwick
Mr Grice
Mr C W Kelly

Mr Mowl
Miss O'Mara
Mrs Butler

Mr Ritchie
Mrs Todd
Mr Pickford
Mr R Evans
Mr Mansell - CSO
Mr Richardson - CSO
Mr Wright B/E
Mr Norgrove - No 10

List B

(distributed at 11.30am, 16 November)

Mr Cropper
Mr C M Kelly
Mr Tyrie
Mr Call
Mr Ko - IR
Mr Balley - C and E

BRIEFING FOR 17 NOVEMBER PSBR PRESS NOTICE

The PSBR figures for October will be published at 11.30am on 17 November. The provisional outturns, together with figures for the first seven months of 1986-87 and 1987-88, are shown in Table 1. Cumulative figures for the PSBR and its components for 1985-86 and 1986-87 are shown in Table 2 overleaf. Table 3 shows outturns excluding privatisation proceeds.

Table 1:

Borrowing requirement outturns

£ billion

	Apr-Oct 1986	Apr-Oct 1987	Oct 1987
Central government on own account	6.4	1.4	-0.5
Local authorities	-0.3	-0.3	-0.4
Public corporations	-0.5	-0.7	-0.1
PSBR	5.7	0.5	-1.0
Memo: PSBR (excluding privatisation proceeds)	6.8	3.8	-1.6

Note: Figures may not sum precisely because of rounding.

Table 2: PUBLIC SECTOR BORROWING REQUIREMENT - Comparison with the last two years

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	0.2	1.9	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	0.8
May	2.3	1.9	2.2	0.8	0.4	-0.2	-0.4	-0.5	-0.4	2.7	1.8	1.7
Jun	2.7	3.0	1.7	0.5	-0.1	-0.2	-0.5	-0.7	-0.5	2.6	2.3	1.0
Jul	3.6	3.0	1.3	0.8	-0.1	0.1	-1.2	-1.0	-0.8	3.1	1.9	0.6
Aug	4.6	4.2	2.2	0.9	0.2	-0.1	-1.2	-0.7	-0.8	4.3	3.6	1.3
Sep	5.1	6.7	1.9	1.1	0.0	0.1	-0.7	-0.9	-0.6	5.6	5.8	1.4
Oct	5.0	6.4	1.4	0.7	-0.3	-0.3	-0.5	-0.5	-0.7	5.3	5.7	0.5
Nov	6.2	7.2		0.1	-0.7		-0.4	-0.8		6.0	5.7	
Dec	7.4	5.7		0.4	-0.6		-0.2	-0.9		7.6	4.2	
Jan	2.9	2.2		0.5	-0.6		-0.2	-1.1		3.2	0.5	
Feb	2.9	2.3		0.4	-0.7		-0.5	-1.5		2.8	0.1	
Mar	4.3	4.6		1.7	0.2		-0.2	-1.4		5.8	3.4	

Note: Figures may not sum precisely because of rounding.

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(DRAFT)

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(DRAFT)

Table 3: PUBLIC SECTOR BORROWING REQUIREMENT EXCLUDING PRIVATISATION PROCEEDS

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	1.2	2.1	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	1.9
May	2.5	3.0	2.9	0.8	0.4	-0.2	-0.4	-0.5	-0.4	2.9	2.9	2.3
Jun	4.0	4.1	4.0	0.5	-0.1	-0.2	-0.5	-0.7	-0.5	3.9	3.4	3.4
Jul	5.0	4.1	4.2	0.8	-0.1	0.1	-1.2	-1.0	-0.8	4.5	3.0	3.5
Aug	6.2	5.3	5.6	0.9	0.2	-0.1	-1.2	-0.7	-0.8	5.9	4.7	4.7
Sep	6.8	7.8	5.9	1.1	0.0	0.1	-0.7	-0.9	-0.6	7.3	6.9	5.4
Oct	6.8	7.5	4.8	0.7	-0.3	-0.3	-0.5	-0.5	-0.7	7.0	6.8	3.8
Nov	8.2	8.6		0.1	-0.7		-0.4	-0.8		7.9	7.0	
Dec	9.7	8.9		0.4	-0.6		-0.2	-0.9		9.9	7.5	
Jan	5.1	5.5		0.5	-0.6		-0.2	-1.1		5.4	3.8	
Feb	5.2	6.0		0.4	-0.7		-0.5	-1.5		5.1	3.8	
Mar	7.0	9.0		1.7	0.2		-0.2	-1.4		8.5	7.8	

Note: Figures may not sum precisely because of rounding.

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Summary of line to take

PSBR in October provisionally surplus of £1.0 billion. Privatisation proceeds negative (-£0.6 billion), reflecting Government payment to BP of £1½ billion for new shares, but receipt of only part of underwriting proceeds, the rest of which were received in November.

1. October PSBR

Background

Most City forecasts of October PSBR are in the range borrowing of £0.5 billion to a surplus of £1.5 billion. Kleinwort Grievson outlier at surplus of £2.0 billion. Average is surplus of £0.5 billion. Most City forecasts assume the bulk of BP proceeds in November, but it is not clear whether they have allowed in their forecasts for October for the £1½ billion Treasury payment to BP for new shares.

Line to take

Not useful to look at one month's figures. But October outturn affected by

- privatisation proceeds of -£0.6 billion (see Q4).
- high corporation tax receipts provisionally of £2½ billion (October is second largest month in year, though some way behind January).

2. PSBR, April - October

Line to take

Excluding privatisation proceeds, PSBR in first 7 months of 1987-88 £3 billion lower than in equivalent period in 1986-87

3. PSBR undershoot on Budget forecast in 1987-88 ?

Line to take

Forecast for 1987-88 revised in Autumn Statement to £1 billion, (£3 billion lower than

forecast at Budget time), due to :-

- Higher non-oil tax revenues mainly as a result of better economic performance than expected at Budget time.
- Lower public expenditure planning total largely due to higher than expected capital receipts by Local authorities and New Towns,
- higher oil revenues, reflecting higher oil prices,

4. Privatisation proceeds in 1987-88

Background

Privatisation proceeds so far this year £3.4 billion, compared with only £1.1 billion in same period last year. Autumn Statement figure for 1987-88 as a whole £5 billion, unchanged from FSBR forecast. For government statement on gross BP proceeds see written answer in Hansard, 3 November 1987, column 696.

BP Privatisation proceeds	£ billion
October	-1.5 (payment to BP for new shares) +0.9 (Receipts from North American Japan underwriters)
Total October	-0.6
November	+1.6 (Remaining underwriting and public receipts)
memo : Gross proceeds from BP sale	£2.6 billion

Treatment of these transactions in table 3 of press notice : Consolidated Fund Standing Services are £2.9 billion, of which payment to BP £1.5 billion. Other CG funds and accounts are £1.0 billion, of which BP receipts £0.9 billion.

Line to take

Receipts in October negative (-£0.6 billion), comprising of the payment to BP of £1.5 billion in respect of Treasury purchase of new shares partly offset by the receipt of part of the first instalment from the sale of these BP shares. The remaining proceeds from the first instalment were received in early November.

5. Effect on future PSBR of BP market support operation

Background

No question of any effect on PSBR in October because detailed arrangements not in place until November.

Line to take

No effect in October. Effect on future months will depend on number of part-paid shares offered to the Bank, and the timing of any subsequent resale

PSBR will be increased by the cash price (70p per share) of any shares bought, and will be reduced by the cash value of any subsequent sale.

6. Effect on PSBR of stock market fall

Background

Only direct effect on PSBR through stamp duty on stocks and shares. Stamp duty relating to transactions in a stock exchange accounting period is paid over to Inland Revenue on the account day for the following accounting period - implying an average lag between transaction and receipt of duty by IR of around a month. (Account day for the accounting period 12 October to 23 October was 2 November. Stamp duty for that period is due to be paid over to IR on 16 November.)

Line to take

No effect on stamp duty in October.

7. Consolidated Fund Revenues

Background

Press notice shows that Consolidated Fund (CF) revenues in first seven months of 1987-88 were 13 per cent higher than in the same period last year, comprising 11½ per cent increase in Inland Revenue receipts, 7½ per cent increase in Customs and Excise receipts, and 40 per cent in "other revenues" "Other revenues" include privatisation proceeds when they are transferred into Consolidated Fund - these amounts may differ from total

Privatisation proceeds given in table 5 of press notice. Proceeds received by HMG are usually transferred to Consolidated Fund with a lag.

No forecast of Consolidated Fund revenue given in Autumn Statement, but total taxes on income, expenditure and capital in 1987-88 forecast to be £2.3 billion higher than in FSBR. These now forecast to increase by 8¾ per cent compared with 7 per cent in the FSBR. See Autumn Statement para 1.57 for composition of additional receipts.

Line to take

Receipts in April to October £66.5 billion, 13 per cent up on same period last year. Includes some privatisation proceeds. Excluding privatisation proceeds receipts up by 9 per cent.

8. Inland Revenue Receipts

Background

Inland Revenue receipts in October £6.2 billion. Total for April-October £33.7 billion, (11½ per cent up on same period last year). FSBR forecast for year as whole was a rise of 7½ per cent on 1986-87. More detailed monthly figures will be published later in Financial Statistics, Table 3.13. No forecast of total Inland Revenue receipts given in Autumn Statement, but stated that North Sea revenues £0.6 billion higher, income tax about £½ billion higher and Corporation Tax about £¾ billion higher than in FSBR.

Line to take

Receipts in April-October £33.7 billion, 11½ per cent up on same period last year.

9. Customs and Excise Receipts

Background

Customs and Excise receipts in October £4.0 billion. Total for April-October £24.8 billion, (7½ per cent up on same period last year). FSBR forecast for year as whole was a rise of 6½ per cent on 1986-87. More detailed monthly figures will be published later in Financial Statistics, Table 3.14. No forecast for Customs and Excise receipts given in Autumn Statement, but stated that VAT about £½ billion higher than in Budget forecast.

Line to take

Receipts in April-October £24.8 billion, 7½ per cent up on same period last year.

10. Supply Expenditure

Background

FSBR gave a figure for provision for supply in 1987-88 but not a forecast of outturn because public expenditure Reserve was not allocated to individual components of expenditure, (but public expenditure total used in PSBR forecast assumed that the Reserve was fully spent).

Line to take

Provisional outturn for supply expenditure in October £8.5 billion. Total April-October 1987 (provisional £59.5 billion) up 3½ per cent on same period last year. This excludes the Treasury's subscription for new BP shares. Excluding advance contributions to EC Budget paid from supply in 1986-87, increase is 4½ per cent.

11. Revisions since last PSBR notice

Background

Small revisions affecting whole of 1987 PSBR for 1986-87 still rounds to £3.4 billion. In rounded terms the cumulative PSBR for the first six months of 1986-87 still £1.4 billion with sectoral breakdown unchanged.

	September P.N.	October P.N.	£ million
1986-87	3447	3387	
1987-88(Apr-Sep)	1398	1445	

12. Central Government Borrowing

Background

CG own account borrowing in October, surplus of £0.5 billion. Total for April-October, borrowing of £1.4 billion. (1986-87, £6.4 billion). Privatisation proceeds, April-October, £3.4 billion (1986-87, £1.1 billion).

Line to take

Excluding privatisation proceeds, CG own account borrowing over April to October lower by £2.7 billion than same period last year.

13. Local Authorities

Background

Local authorities (provisionally) had a surplus of £0.4 billion in October (repayment of £0.1 billion in October 1986). Local authorities had a surplus of £0.3 billion during first seven months of 1987-88. (Surplus of £0.3 billion for same period in 1986-87).

Line to take

Borrowing so far in 1987-88 about the same as last year.

14. Public Corporations

Background

Public corporation (provisionally) had a surplus of £0.1 billion in October. Repayment of £0.7 billion over April to October. (Repayment of £0.5 billion, April-October, 1986 - but aggregate then included BGC, BA).

Line to take

Borrowing so far in 1987-88 about the same as last year.

Helen Chapman (270-5030)
PSF Division, HM Treasury

PUBLIC SECTOR BORROWING

Summary

- There was a PSBR surplus in October of £1.0 billion. Privatisation proceeds were negative (-£0.6 billion). The £1.5 billion Government payment to BP for new shares was only partly offset by receipts from underwriters, most of which were received in November.
- Borrowing is continuing to run well below the levels expected at the time of the Budget. The PSBR for the first seven months of 1987-88, at £0.5 billion, is £3.1 billion lower than the Budget profile, mainly accounted for by lower central government own borrowing.
- Excluding privatisation proceeds the April - October outturn is about £3 billion lower than the corresponding period last year and about £4¼ billion below the Budget profile.
- The PSBR is forecast to be a surplus of around £6½ billion over the next three months, which would bring the total for the first ten months of 1987-88 to a surplus of about £6 billion, £5¾ billion below the Budget profile.

Figures in this report are not seasonally adjusted and also may not sum precisely because of rounding.

Chart 1 : 1987-88: Comparisons with 1987 Budget profiles

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- = Budget profile

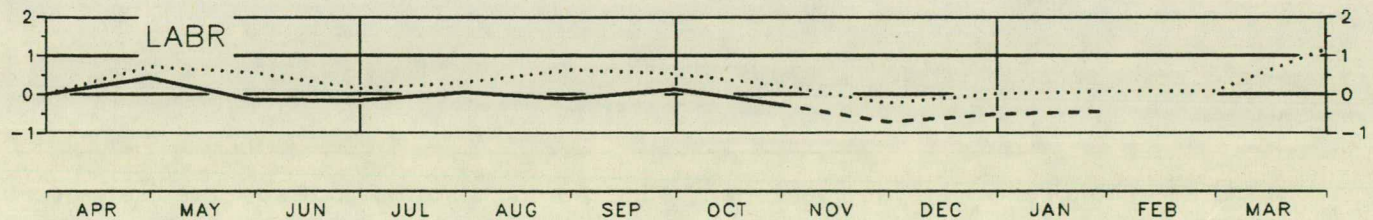
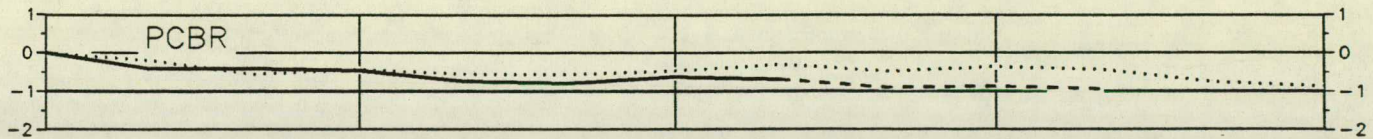
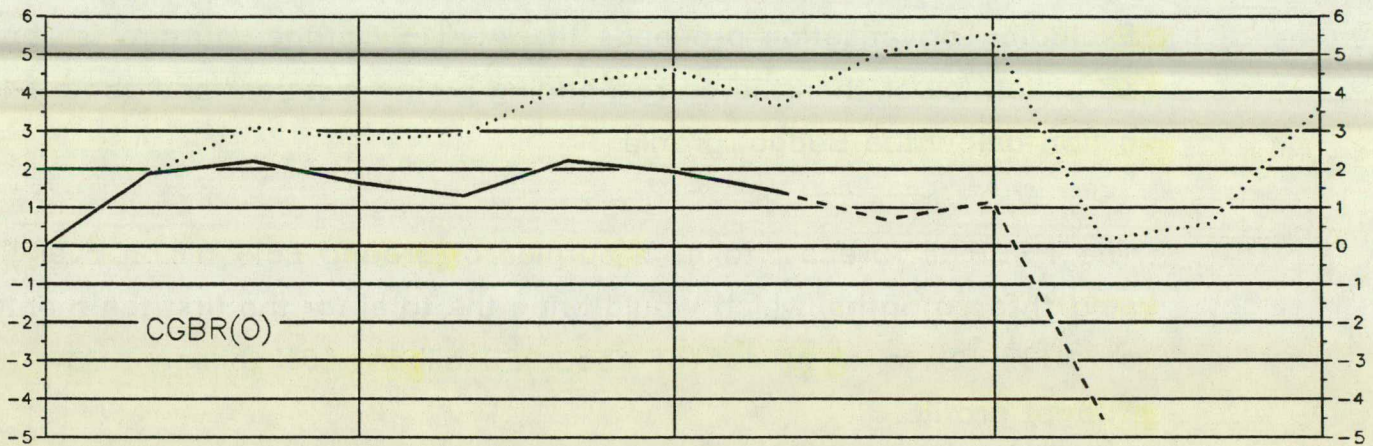
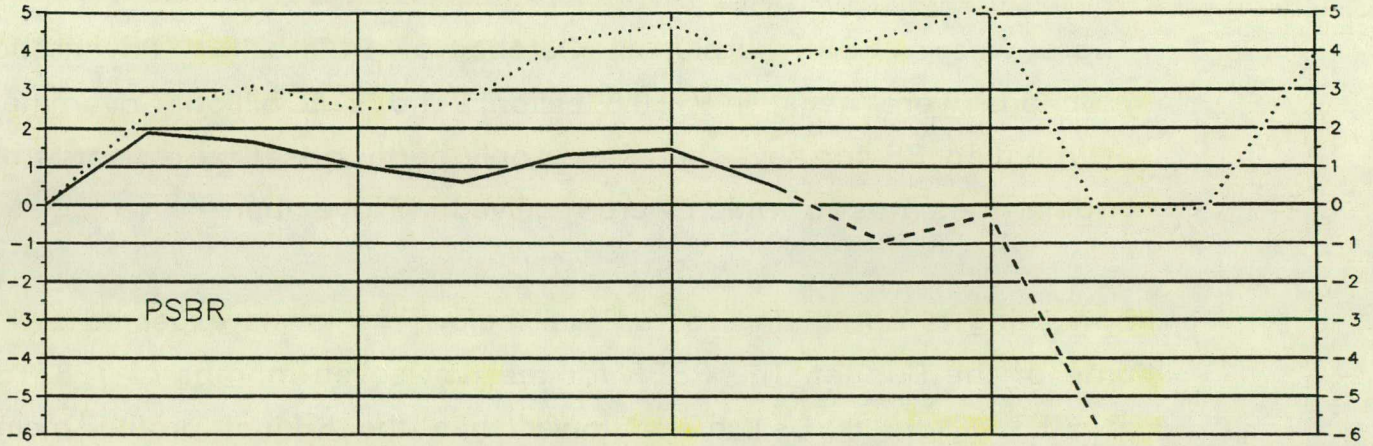


Chart 2: 1987-88: Comparisons with outturns for 1986-87

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- = 1986-87 outturn

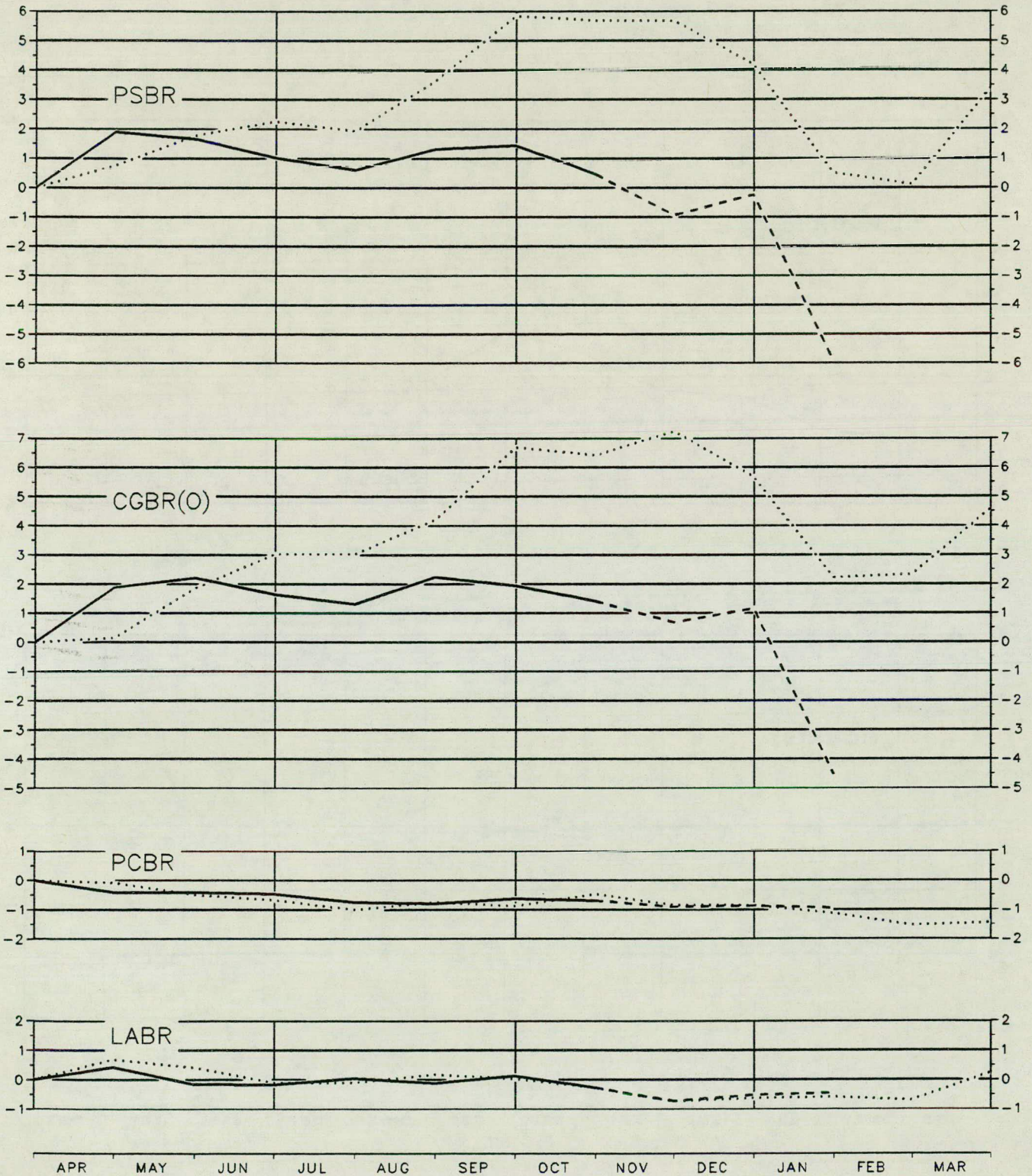
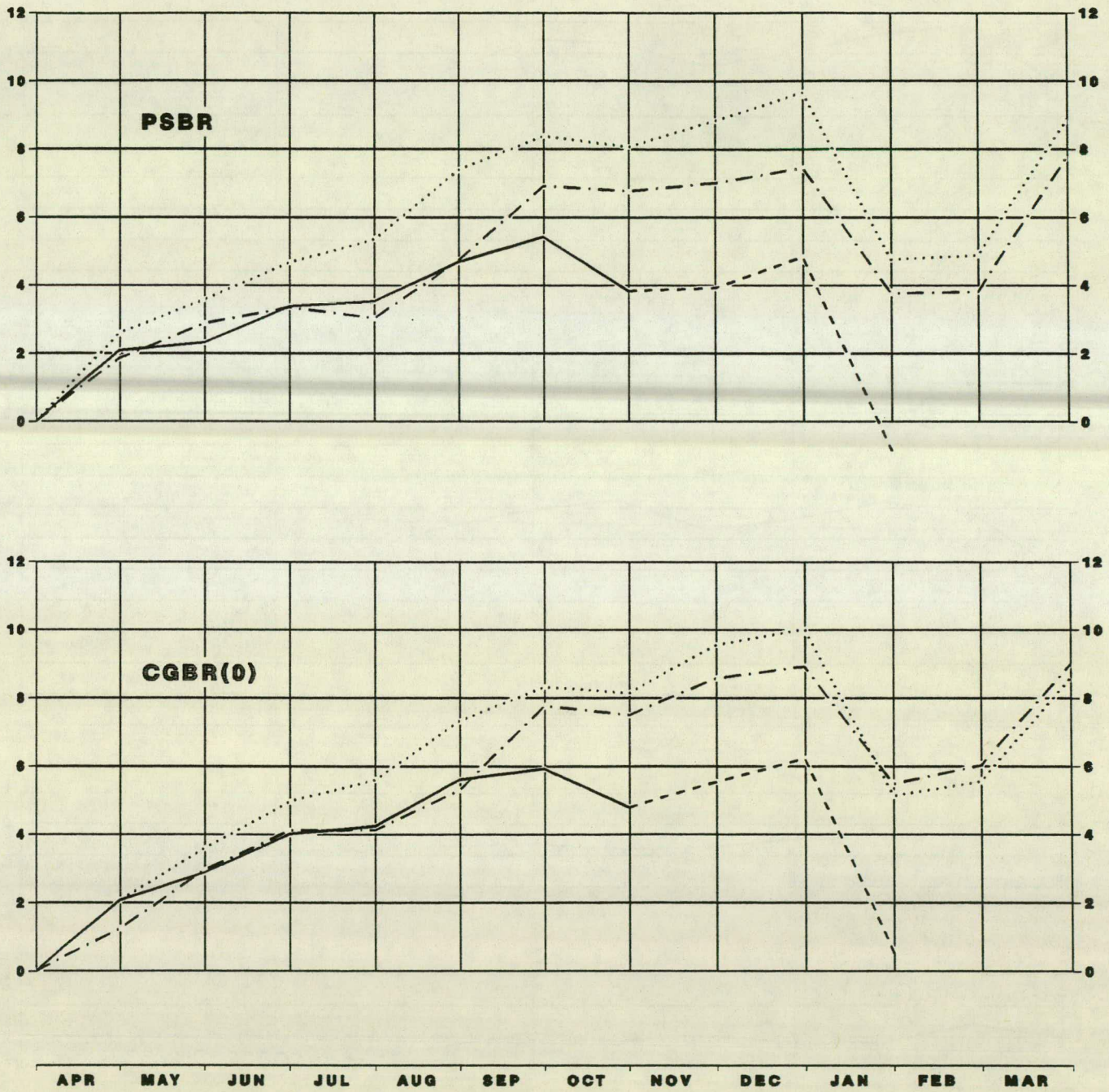


Chart 3: Comparisons excluding privatisation proceeds

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- · - = 1986-87 outturn
- = 1987-88 Budget profiles



Borrowing in October

(Outturn compared with last month's forecast)

1. The provisional estimate of the PSBR in October is a surplus of £1.0 billion, compared with last month's forecast of a surplus of £1.2 billion. This difference is more than accounted for by lower than assumed proceeds from the BP offer in that month. The differences between forecast and outturn on the individual sub-sectors are shown in the table below.

Table 1: October 1987 borrowing requirements

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Forecast*	-1.2	-0.9	-0.3	-
Outturn	-1.0	-0.5	-0.4	-0.1
Difference	0.2	0.4	-0.1	-0.1

*made on 16 October

2. Borrowing on central government's own account was £0.4 billion higher than forecast last month, due to lower than assumed privatisation proceeds (by £0.6 billion). Excluding privatisation proceeds therefore, borrowing was £0.2 billion lower than forecast. The other main factors in October were:

- Higher Inland Revenue receipts, (by £0.4 billion). This is partly accounted for by lower Income Tax repayments. A £60 million repayment of Income Tax to the Woolwich building society (as a result of the court case) was expected to be made in October but was delayed to November. Nearly £0.2 billion of the additional Inland Revenue receipts cannot be identified - this may partly reflect national insurance contributions incorrectly allocated to Inland Revenue in the provisional figures, (The provisional estimate for NIC's was £0.2 billion below forecast).

- higher Customs and Excise receipts (by £0.1 billion), mainly tobacco duty, (thought to be early payment as retailers pre-empt manufacturers' price increases).

Last month's note indicated that the distribution of BP proceeds between October and November was uncertain and that net proceeds in October could be negative or as much as £1 billion, depending on the level of applications from the public. The forecast for October assumed zero net BP proceeds, comprising the £1½ billion payment to BP in subscription for the new shares, offset by the receipt of £1½ billion proceeds, including money from the U.S., Canada and Japan as well as guaranteed application monies from the UK public. In the event money from the UK public was minimal and the clearing of these cheques was delayed until November, pending the decision to proceed with the offer. The other major transactions occurred as expected. £1.5 billion was paid to BP and a net £0.9 billion was received from the underwriting institutions in the US, Canada and Japan, giving a net outflow of £0.6 billion in October, which is classified as negative privatisation proceeds. This net outflow in October has been more than offset by the receipt of the remaining £1.6 billion in November, including payments from the UK and European underwriters. On the assumption that virtually all costs will be paid by end-November, this will give total net BP proceeds of some £0.9 billion in October and November together unless there are any significant purchases during the month by the Issue Department.

3. Local authorities provisionally had a surplus of £0.4 billion in October, compared to a forecast of a surplus of £0.3 billion. There was a surplus of this order in each of the three previous years.

4. Public corporations' borrowing requirement (PCBR) in October is provisionally estimated to have been a surplus of £0.1 billion, compared to a forecast of zero borrowing. It is not yet possible to say which industries contributed to this small forecast error. The PCBR is compiled in aggregate from information from central government and banks. The industry returns received so far show higher rather than lower than expected borrowing mainly because the electricity supply industry (England and Wales) borrowed £0.1 billion compared to a forecast of a small repayment.

April to October

5. The cumulative PSBR for the first seven months of 1987-88 was £0.5 billion, £3.1 billion below the Budget profile (see chart 1 and Table 2).

Table 2: Total April-October borrowing requirements

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Budget forecast	3.6	3.7	0.2	-0.3
Outturn	0.5	1.4	-0.3	-0.7
Difference	-3.1	-2.3	-0.5	-0.4

6. Privatisation proceeds in April to October this year have been £3.4 billion compared with only £1.1 billion in the same period last year. Excluding privatisation proceeds borrowing so far this year is £2.9 billion lower than the equivalent period last year.

7. Cumulative borrowing in April to October on central government's own account was £2.3 billion lower than the Budget profile. However, the Budget profile assumed that all the BP proceeds would be received by October. Excluding privatisation proceeds, borrowing to October was £3.4 billion lower than the Budget profile. Table 3 shows where differences on individual components have occurred.

Table 3: CGBR(O) April – October: Differences from Budget profile

	£ billion	percentage difference
Receipts		
Inland Revenue	+2.0	+6.3
Customs and Excise	+0.4	+1.6
NICs	-	+0.3
Privatisation proceeds	-1.1	-24.5
Other receipts	+0.2	+11.6
Expenditure		
Net debt interest payments	+0.3	+6.7
Departmental expenditure ⁽¹⁾	-1.0	-1.3
Net effect on CGBR(O)	-2.3	

⁽¹⁾ on a cash basis, net of certain receipts and on-lending

8. The main factors reducing borrowing are:

- higher Inland Revenue receipts, mainly due to higher Corporation Tax (by £1.0 billion), including ACT. Income tax is about £½ billion higher, with higher PAYE partly offset by lower than expected other income tax. PRT and stamp duties are each about £0.2 billion higher than forecast at Budget time.
- higher Customs and Excise receipts, mainly VAT. Both higher than expected Keith effects and consumer spending subject to VAT could have contributed to the higher than expected VAT.
- A shortfall on departmental expenditure (measured on a cash basis) of about £1.0 billion. This is not fully reflected in expenditure returns by departments (the APEX returns), which show supply expenditure only £0.6 billion below budget profile. However, there are definitional and timing differences between the APEX and cash measurements.

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The main factor increasing borrowing is lower privatisation proceeds. This is mainly due to a large part of BP receipts being received in November rather than October. The other factor increasing borrowing is higher net interest payments reflecting lower interest receipts.

9. Local authority borrowing in April to October, a surplus of £0.3 billion, was much the same as in April to October last year, but nearly £½ billion below the level anticipated at the time of the budget.

10. The cumulative PCBR for the first seven months of 1987-88 is a surplus of £0.7 billion, compared to a Budget forecast of a surplus of £0.3 billion. Table 4 shows cumulative borrowing to October for the PCBR and selected public corporations, excluding those privatised since 1 April 1986. Borrowing estimates for individual corporations are derived from telex returns, and are not fully consistent with the aggregate PCBR estimates. Electricity, British Steel and Water have all borrowed less than in the same period last year and less than anticipated in the Budget profile. Coal and the Post Office on the other hand have borrowed more than last year and more than forecast for this year. "Other" public corporations have also borrowed less than forecast at Budget time.

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Table 4: Public Corporations' borrowing April-October

	£million (-indicates lower borrowing)	
	Difference from 1986-87	Difference from Budget profile ⁺
Coal	70*	80*
Electricity	-30	-130
British Steel	-110*	-130*
Post Office	70*	70*
Water	-120*	-30*
Other NIs	-260*	-40 *
Other PCs	-160	-110
PCBR	-980**	-270**

*No October figure yet available figures cover April-September only

**Excluding industries privatised during 1986-87 and 1987-88

⁺components do not sum to total difference in PSBR, because of incomplete information on borrowing in October.

November to January

(Forecast compared with Budget profile)

11. The PSBR for the period November - January is forecast to be a surplus of £6.4 billion, £2.6 billion below the Budget forecast, largely due to a downward revision of the forecast of central government own account borrowing.

12. The forecast assumes no repurchase of BP shares by the Issue Department but in the extreme case if all partly paid shares were repurchased the cost would be £1.5 billion, increasing the PSBR by this amount. The actual levels are impossible to forecast. The buy-back offer opened on 6 November and will close no later than 6 January and no earlier than 6 December.

13. The forecast monthly path of the CGBR(O) and its main components are shown in Table 7.

- In November, the CGBR(O) is forecast to be a surplus of about £¾ billion. Net proceeds from the BP sale will yield about £1½ billion. Net debt interest payments will be high and Inland Revenue receipts low. There will be high VAT receipts, partly offset by lower tobacco duties, reflecting the early payment of tobacco duties in October.
- In December, the CGBR(O) is forecast to be £½ billion. British Telecom will redeem £¼ billion of preference shares held by the government (this will score as privatisation proceeds). National insurance contributions will be seasonally low. Debt interest payments are also relatively low. Earlier forecasts assumed that borrowing was reduced by £0.4 billion in December through the refinancing of Nigerian debt. This is now not assumed to occur in the forecast period.
- In January, the CGBR(O) is forecast to be a surplus of £5¾ billion. This mainly reflects the seasonal peaking of Inland Revenue receipts. January is the main month for the receipts of Schedule D income tax (totalling £1¼ billion) and mainstream Corporation Tax (totalling £5 billion). Receipts of Advance Corporation Tax (totalling £1¾ billion) are also high. National Insurance Contributions are high and National Insurance benefit funding is low. Supply Expenditure is high due to MOD procurements and payments of Rate Support Grant. Net debt interest payments are also high.

14. Local authorities are forecast to repay about £0.2 billion over the next three months. A small allowance has been made for extra borrowing to fund the cost of repair and maintenance work arising from the hurricane storms and floods in October. Public Corporations are forecast to be net borrowers in December but to be net repayers in November and January. The Post Office is expected to make a large net repayment in November due to seasonal factors. The Electricity Supply Industry is expected to be a large net repayer over the next three months. Borrowing over the next three months is projected to be lower than the Budget forecast.

April to January





15. The PSBR for the first ten months of 1987-88 is forecast to a surplus of £5.9 billion, £5.7 billion below the Budget profile (Chart 1 and Table 6), mainly as a result of lower central government own account borrowing. Excluding privatisation proceeds the PSBR is forecast to be a surplus of £0.9 billion ,£5.6 billion below the Budget profile.

1987-88

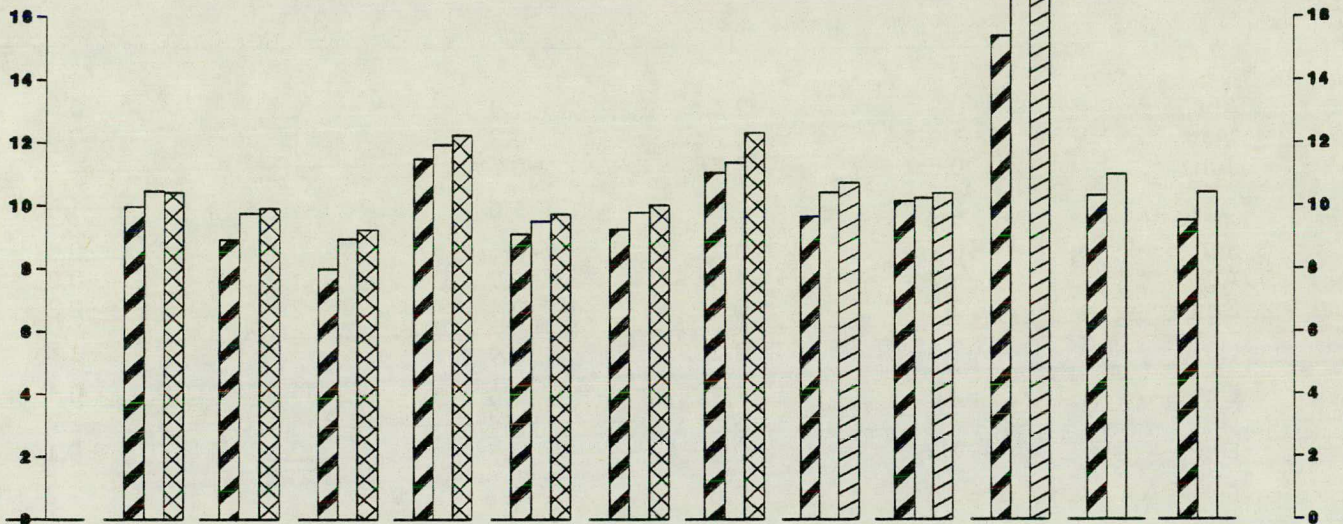
16. Borrowing to January will almost certainly be much higher than the eventual outturn for 1987-88 - there is usually a very large deficit in March. The Autumn Statement forecast for the PSBR for the year as a whole is £1 billion, £3 billion lower than the Budget forecast. The three month ahead forecast confirms that borrowing may undershoot the Autumn Statement forecast.

Chart 4: Components of central government receipts and expenditure

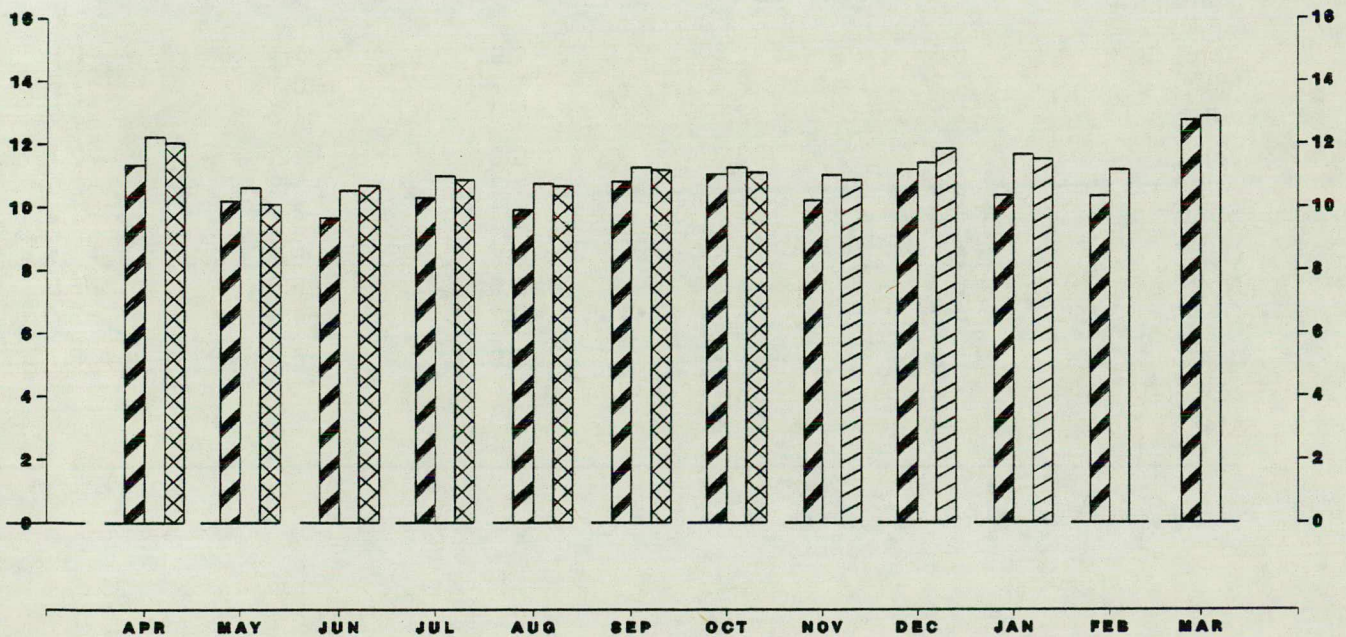
£ billion

-  = 1987-88: Outturns
-  = 1987-88: Latest profiles
-  = 1987-88 Budget forecasts
-  = Outturn in 1986-87

(I) NON OIL TAX AND NATIONAL INSURANCE RECEIPTS



(II) DEPARTMENTAL EXPENDITURE



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Table 5: PSBR for 1987-88 - comparisons with 1986-87 and 1987 Budget profile

£ billion

	1986-87	1987-88	Differences from		
	Outturn	Budget profile	Latest update ⁽¹⁾	1986-87 outturn	Budget profile
	1	2	3	3-1	3-2
Apr	0.8	2.4	1.9	1.1	-0.5
May	1.0	0.7	-0.2	-1.3	-0.9
Jun	0.5	-0.6	-0.6	-1.1	-
Q2	2.3	2.5	1.0	-1.2	-1.5
Jul	-0.3	0.2	-0.4	-0.1	-0.6
Aug	1.7	1.6	0.7	-1.0	-0.9
Sep	2.2	0.4	0.1	-2.1	-0.3
Q3	3.6	2.2	0.4	-3.2	-1.8
Oct	-0.2	-1.1	-1.0	-0.8	0.1
Nov	-	0.8	-1.4	-1.4	-2.2
Dec	-1.5	0.8	0.7	2.2	-0.1
Q4	-1.6	0.5	-1.7	-	-2.2
Jan	-3.7	-5.4	-5.7	-2.0	-0.3
Feb	-0.4	0.1			
Mar	3.3	4.0			
Q1	-0.8	-1.3			
Cumulative					
Apr	0.8	2.4	1.9	1.1	-0.5
May	1.8	3.1	1.7	-0.1	-1.5
Jun	2.3	2.5	1.0	-1.2	-1.5
Jul	1.9	2.7	0.6	-1.3	-2.1
Aug	3.6	4.3	1.3	-2.3	-3.0
Sep	5.8	4.7	1.4	-4.4	-3.2
Oct	5.7	3.6	-0.5	-5.2	-3.1
Nov	5.7	4.4	-0.9	-6.6	-5.3
Dec	4.2	5.2	-0.2	-4.4	-5.4
Jan	0.5	-0.2	-5.9	-6.4	-5.7
Feb	0.1	-0.1			
Mar	3.4	3.9			

⁽¹⁾Figures for April - October are outturns

Table 5

Borrowing requirement in 1987-88: monthly profiles
(Budget profiles - not in bold - for comparison)

£ billion

	PSBR		CGBR(O)		LABR		PCBR	
Apr	1.9	2.4	1.9	1.9	0.4	0.7	-0.4	-0.2
May	-0.2	0.7	0.3	1.2	-0.6	-0.2	-	-0.4
Jun	-0.6	-0.6	-0.6	-0.3	-	-0.4	-	0.1
Jul	-0.4	0.2	-0.3	0.1	0.2	0.2	-0.3	-0.1
Aug	0.7	1.6	0.9	1.3	-0.2	0.3	-	-
Sep	0.1	0.4	-0.3	0.4	0.2	-0.1	0.2	0.1
Oct	-1.0	-1.1	-0.5	-1.0	-0.4	-0.3	-0.1	0.2
Nov	-1.4	0.8	-0.7	1.4	-0.5	-0.5	-0.2	-0.2
Dec	0.7	0.8	0.5	0.5	0.2	0.2	-	0.1
Jan	-5.7	-5.4	-5.7	-5.4	0.1	0.1	-0.1	-0.1

Cumulative

Apr	1.9	2.4	1.9	1.9	0.4	0.7	-0.4	-0.2
May	1.7	3.1	2.2	3.1	-0.2	0.6	-0.4	-0.6
Jun	1.0	2.5	1.6	2.8	-0.2	0.1	-0.5	-0.4
Jul	0.6	2.7	1.3	2.9	-	0.3	-0.7	-0.6
Aug	1.3	4.3	2.2	4.2	-0.1	0.6	-0.8	-0.6
Sep	1.4	4.7	1.9	4.6	0.1	0.5	-0.6	-0.5
Oct	0.5	3.6	1.4	3.7	-0.3	0.2	-0.7	-0.3
Nov	-0.9	4.4	0.7	5.1	-0.7	-0.2	-0.9	-0.5
Dec	-0.2	5.2	1.2	5.5	-0.5	-	-0.9	-0.4
Jan	-5.9	-0.2	-4.5	0.2	-0.4	0.1	-0.9	-0.4

Excluding privatisation proceeds

Memo item:

privatisation proceeds

	PSBR		CGBR(O)		Memo item: privatisation proceeds	
Apr	2.1	2.6	2.1	2.1	0.2	0.2
May	0.2	1.0	0.8	1.5	0.5	0.3
Jun	1.1	1.1	1.1	1.4	1.7	1.7
Jul	0.2	0.7	0.2	0.6	0.6	0.5
Aug	1.2	2.0	1.4	1.7	0.4	0.4
Sep	0.7	1.0	0.3	1.0	0.6	0.6
Oct	-1.6	-0.3	-1.1	-0.2	-0.6	0.8
Nov	0.1	0.8	0.7	1.4	1.5	-
Dec	0.9	0.8	0.7	0.5	0.2	-
Jan	-5.7	-4.9	-5.7	-4.9	-	0.5

Cumulative

Apr	2.1	2.6	2.1	2.1	0.2	0.2
May	2.3	3.6	2.9	3.6	0.7	0.5
Jun	3.4	4.7	4.0	5.0	2.4	2.2
Jul	3.5	5.4	4.2	5.6	2.9	2.7
Aug	4.7	7.4	5.6	7.3	3.4	3.1
Sep	5.4	8.4	5.9	8.3	4.0	3.7
Oct	3.8	8.1	4.8	8.2	3.4	4.5
Nov	3.9	8.9	5.5	9.6	4.9	4.5
Dec	4.8	9.7	6.2	10.0	5.1	4.5
Jan	-0.9	4.8	0.5	5.1	5.1	5.0

CENTRAL GOVERNMENT TRANSACTIONS - OCTOBER OUTTURN
AND LATEST FORECASTS FOR NOVEMBER-JANUARY

£ billion

	October			Latest forecasts		
	Forecast	Outturn	Difference	November	December	January
Receipts						
Inland Revenue	5.8	6.2	0.4	3.9	4.6	13.0
Customs and Excise	3.9	4.0	0.1	4.7	3.7	3.5
National Insurance Contributions	2.4	2.3	- 0.2	2.2	2.1	2.5
Privatisation proceeds	-	- 0.6	- 0.6	1.5	0.2	-
Other receipts	0.4	0.3	- 0.1	0.4	0.8	- 0.3
Expenditure						
Net debt interest	0.5	0.5	-	1.0	- 0.1	1.7
Departmental expenditure (a)	11.1	11.1	-	10.8	11.8	11.5
CGBR(O)	- 0.9	- 0.5	+ 0.4	- 0.7	0.5	- 5.7
CGBR(O) excluding privatisation proceeds	- 0.9	- 1.1	- 0.3	0.8	0.7	- 5.7
On-lending to LAs	0.1	-	- 0.1	0.4	0.1	0.1
On-lending to PCs	- 0.2	- 0.1	+ 0.1	- 0.1	0.1	-
CGBR	- 1.0	- 0.7	+ 0.3	- 0.3	0.6	- 5.6

(a) on a cash basis, net of certain receipts

+ = higher receipts, and higher borrowing, higher expenditure
 - = lower receipts, and lower borrowing, lower expenditure

CENTRAL GOVERNMENT TRANSACTIONS - CUMULATIVE
DIFFERENCES FROM BUDGET PROFILES

£ billion

	Difference in outturn April-October		Difference in forecast April-January	
	£ billion	Percentage difference	£ billion	Percentage difference
Receipts				
Inland Revenue	2.0	6.3	3.0	5.7
Customs and Excise	0.4	1.6	0.5	1.5
National Insurance Contributions	-	0.3	0.2	0.7
Privatisation proceeds	- 1.1 ⁽¹⁾	- 24.5	0.1	1.7
Other receipts	0.2	11.6	0.2	8.3
Expenditure				
Net debt interest	0.3	6.7	0.2	2.6
Departmental expenditure (a)	- 1.0	- 1.3	- 0.9	- 0.8
CGBR(0)	- 2.3	..	- 4.7	..
CGBR(0) excluding privatisation proceeds	- 3.4	..	- 4.6	..
On-lending to LAs	1.6	..	1.9	..
On-lending to PCs	- 0.2	..	- 0.3	..
CGBR	- 0.9	..	- 3.2	..

(a) on a cash basis, net of certain receipts

+ = higher receipts, and higher borrowing, higher expenditure

- = lower receipts, and lower borrowing, lower expenditure

Notes

(1) Budget profile scored BP receipts in October.

CONSOLIDATED FUND REVENUES - % changes on year earlier

	FORECAST FOR 1987-88		APRIL-OCTOBER 1987		
	(i) FSBR(a)		(ii) FSBR	(iii) Outturn	
1. Total Inland Revenue	7		5	11½	6
of which: Income Tax		3½		3½	33
Corporation Tax (d)		20½		16½	10½
North Sea taxes (c)		-16½		-13	17½
Other (Stamp Duties and Capital Taxes)		13½		7½	
2. Customs and Excise	6½		6	7½	8½
of which: VAT		9		6	3½
Specific Duties		3		3	20
Other (e)		7½		20	
3. Vehicle Excise Duty	-½		-2½	1½	
4. Asset Sales	14		312½	213½	
5. Other Consolidated Fund Revenue*	-16		-11½	17½	
6. Timing Adjustment (f)	64½		100	2242½	
7. TOTAL CONSOLIDATED FUND REVENUE	5½		10	13	
Memorandum Items:					
Non North Sea Taxes		7		6	9½
North Sea Oil Taxes and Royalties		-13½		-10	8½

* This includes oil royalties, EC refunds, coinage receipts and CFERs.

(a) using 1986-87 outturn as a base

(b) using 1986-87 outturn as a base

(c) Payments of PRT, advance PRT and North Sea corporation tax but excluding royalties

(d) Includes onshore and North Sea ACT

(e) Includes difference between receipts and payments to Consolidated Fund for April to October

(f) Reflects privatisation proceeds paid initially to Paymaster General and then to Consolidated Fund

FROM: MRS P TODD
DATE: 2 December 1987

1. MR CASSELL
2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr Anson
Mr Sedgwick o/r
Mr Peretz
Mr Mowl o/r
Mr Watts
- Mr Ritchie

CGBR(O) AND CGBR IN NOVEMBER

The provisional outturn for the CGBR(O) in November is a surplus of £0.9 billion, a £0.2 billion higher surplus than was forecast last month. The estimate of the CGBR(O) outturn is subject to revision before publication on Wednesday 16 December.

2. The main differences from forecast on the expenditure side are lower departmental expenditure (by £0.2 billion) and lower net debt interest (by £0.1 billion) due to higher interest receipts. On the income side, Customs and Excise receipts are lower (by £0.2 billion) due to lower net receipts of VAT. Inland Revenue receipts are also lower (by £0.1 billion) but are offset by higher National Insurance Contributions (by £0.1 billion).

3. In the first 8 months of 1987-88 the CGBR(O) was £0.5 billion, £4.6 billion lower than the Budget profile. The main factors reducing borrowing were:

- (a) higher petroleum revenue tax (by £0.2 billion) and North Sea Mainstream Corporation Tax (by £0.1 billion)
- (b) higher non-oil Inland Revenue receipts (by £1.8 billion), mainly Corporation Tax (up £0.9 billion, including ACT but excluding North Sea MCT) and Income Tax (up £0.6 billion, mainly on PAYE)
- (c) higher Customs and Excise receipts (by £0.3 billion), mainly VAT
- (d) higher privatisation proceeds (by £0.4 billion), mainly higher than expected receipts from Rolls Royce and BP

Though this will be reversed if the issue Dept makes substantial purchases

Ⓢ.

(e) higher other receipts (by £0.4 billion)

(f) a shortfall on departmental expenditure of £1.4 billion.

4. On-lending to local authorities in November totalled £0.5 billion. There was some minimal repayment of on-lending by public corporations. The CGBR in November was therefore a surplus of £0.4 billion. The CGBR since 1 April totals £3.3 billion.

5. Further analyses of the outturn in November will be given in the next Ministerial note on the PSBR in two weeks' time.

P. Todd

MRS P TODD

CONFIDENTIAL AND PERSONAL
CENTRAL GOVERNMENT TRANSACTIONS

£ billion

	November 1987			April-November 1987			April- November 1986
	Provisional outturn	Last month's forecast	Differ- ence	Provisional outturn	Budget profile	Differ- ence	Outturn
<u>Receipts</u>							
Inland Revenue	3.8	3.9	- 0.1	37.5	35.4	2.1	33.5
Customs and Excise	4.5	4.7	- 0.2	29.3	29.0	0.3	27.5
National Insurance Contributions	2.2	2.2	0.1	17.9	17.7	0.2	16.8
Privatisation proceeds	1.5	1.5	0.0	4.9	4.5	0.4	1.3
Other receipts	0.5	0.4	0.0	2.5	2.1	0.4	2.2
<u>Expenditure</u>							
Net debt interest	0.9	1.0	- 0.1	5.3	5.2	0.1	5.1
Departmental expenditure (a)	10.6	10.8	- 0.2	87.2	88.6	- 1.4	83.5
CGBR(O)	- 0.9	- 0.7	- 0.2	0.5	5.1	- 4.6	7.2
CGBR(O) excluding privatisation proceeds	0.6	0.8	- 0.2	5.4	9.6	- 4.2	8.6
On-lending to LAs	0.5	0.4	0.1	3.4	1.5	1.9	3.6
On-lending to PCs	- 0.0	0.1	- 0.1	- 0.6	- 0.4	- 0.2	- 0.2
CGBR	- 0.4	- 0.3	- 0.2	3.3	6.2	- 2.9	10.7

(a) on a cash basis, net of certain receipts

+ = higher receipts, and higher borrowing, higher expenditure
- = lower receipts, and lower borrowing, lower expenditure

FROM: MRS P TODD
DATE: 2 December 1987

1. MR CASSELL
2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
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Mr Mowl o/r
Mr Watts
Mr Ritchie

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3. In the first 8 months of 1987-88 the CGBR(O) was £0.5 billion, £4.6 billion lower than the Budget profile. The main factors reducing borrowing were:

- (a) higher petroleum revenue tax (by £0.2 billion) and North Sea Mainstream Corporation Tax (by £0.1 billion)
- (b) higher non-oil Inland Revenue receipts (by £1.8 billion), mainly Corporation Tax (up £0.9 billion, including ACT but excluding North Sea MCT) and Income Tax (up £0.6 billion, mainly on PAYE)
- (c) higher Customs and Excise receipts (by £0.3 billion), mainly VAT
- (d) higher privatisation proceeds (by £0.4 billion), mainly higher than expected receipts from Rolls Royce and BP

Though this will be reversed if the issue Dept makes substantial purchases

Ⓢ.

- (e) higher other receipts (by £0.4 billion)
- (f) a shortfall on departmental expenditure of £1.4 billion.

4. On-lending to local authorities in November totalled £0.5 billion. There was some minimal repayment of on-lending by public corporations. The CGBR in November was therefore a surplus of £0.4 billion. The CGBR since 1 April totals £3.3 billion.

5. Further analyses of the outturn in November will be given in the next Ministerial note on the PSBR in two weeks' time.

Phyllis Todd

MRS P TODD

CONFIDENTIAL AND PERSONAL
CENTRAL GOVERNMENT TRANSACTIONS

£ billion

	November 1987			April–November 1987			April– November 1986
	Provisional outturn	Last month's forecast	Differ- ence	Provisional outturn	Budget profile	Differ- ence	Outturn
<u>Receipts</u>							
Inland Revenue	3.8	3.9	- 0.1	37.5	35.4	2.1	33.5
Customs and Excise	4.5	4.7	- 0.2	29.3	29.0	0.3	27.5
National Insurance Contributions	2.2	2.2	0.1	17.9	17.7	0.2	16.8
Privatisation proceeds	1.5	1.5	0.0	4.9	4.5	0.4	1.3
Other receipts	0.5	0.4	0.0	2.5	2.1	0.4	2.2
<u>Expenditure</u>							
Net debt interest	0.9	1.0	- 0.1	5.3	5.2	0.1	5.1
Departmental expenditure (a)	10.6	10.8	- 0.2	87.2	88.6	- 1.4	83.5
CGBR(O)	- 0.9	- 0.7	- 0.2	0.5	5.1	- 4.6	7.2
CGBR(O) excluding privatisation proceeds	0.6	0.8	- 0.2	5.4	9.6	- 4.2	8.6
On-lending to LAs	0.5	0.4	0.1	3.4	1.5	1.9	3.6
On-lending to PCs	- 0.0	0.1	- 0.1	- 0.6	- 0.4	- 0.2	- 0.2
CGBR	- 0.4	- 0.3	- 0.2	3.3	6.2	- 2.9	10.7

(a) on a cash basis, net of certain receipts

+ = higher receipts, and higher borrowing, higher expenditure

- = lower receipts, and lower borrowing, lower expenditure

CONFIDENTIAL AND PERSONAL

FROM: COLIN MOWL
 DATE: 9 December 1987

1. MR CASSELL
 2. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
 Sir T Burns
 Mr Scholar
 Mr Peretz
 Mr Sedgwick o.r.
 Mr Ritchie
 Mrs Todd
 Miss H Chapman

PSBR IN NOVEMBER

The first provisional outturn for the PSBR in November is a surplus of £1.4 billion, as forecast last month. The estimated outturn is subject to revision before publication at 11.30 a.m. on Wednesday 16 December.

2. The provisional outturn for the CGBR(0) in November is a surplus of £0.9 billion, the same as the first estimated outturn given in Mrs Todd's minute of 3 November. The outturn is £0.2 billion higher than last month's forecast. The main differences from forecast were given in Mrs Todd's minute, a copy of which is attached.

3. The LABR in November was as forecast but the PCBR was £0.3 billion higher than forecast.

4. The PSBR in the first 8 months of 1987-88 was a surplus of £0.9 billion, £5.3 billion below the Budget profile (largely lower than expected CG own account borrowing) and £6½ billion below the level of the PSBR for the same period of 1986-87. Excluding privatisation proceeds, the PSBR in the first 8 months of 1987-88 was £4.8 billion below profile and £3 billion below the level for the first eight months of 1986-87.

5. The monthly note, presenting updated estimates for November and detailed forecasts for December-February, will be circulated next Wednesday.

Colin Mowl

COLIN MOWL

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	November 1987			April-November 1987			April- November 1986
	Provisional outturn	Last month's forecast	Difference	Provisional outturn	Budget forecast	Difference	Outturn
CGBR(O)	- 0.9	- 0.7	- 0.2	0.6	5.1	- 4.5	7.2
LABR	- 0.5	- 0.5	-	- 0.7	- 0.2	- 0.5	- 0.7
PCBR	-	- 0.2	+ 0.3	- 0.7	- 0.5	- 0.2	- 0.8
PSBR	- 1.4	- 1.4	-	- 0.9	4.4	- 5.3	5.7
PSBR excluding privatisation proceeds	+ 0.2	0.1	0.1	4.0	8.9	- 4.8	7.0

pmw

FROM: COLIN MOWL
DATE: 14 December 1987

CHANCELLOR OF THE EXCHEQUER

cc Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Scholar
Mr Sedgwick o.r.
Mr R I G Allen
Mr Bush
Mr Ritchie
Miss Chapman

Ch/content with
briefing?

mpw 14/12

12

DRAFT PRESS BRIEFING ON PSBR IN NOVEMBER

I attach the draft press briefing on the PSBR in November.

2. The estimate of the PSBR in November to be published on Wednesday is a surplus of £1.6 billion. This is a £0.2 billion higher surplus than the first estimate I reported on 9 December.

3. Available City forecasts are for surpluses in the range £1 to £1¼ billion with an average of £1¼ billion. The outturn is broadly in line therefore with market expectations and is likely to confirm the view reached after last month's figures that we are heading for a PSBR surplus in 1987-88 (before allowing for any Issue Department purchases of BP shares).

4. The proposed Treasury statement to Reuters and overall line to take for IDT is as follows:

"PSBR in November provisionally a surplus of £1.6 billion. Privatisation proceeds £1.5 billion, reflecting remaining BP receipts. Excluding privatisation proceeds, PSBR for first 8 months of 1987-88 was £3.8 billion, just over £3 billion lower than equivalent period in 1986-87."

This formulation has been discussed with Mr Cassell and IDT and is mainly designed to discourage people from giving any weight to the £6¼ billion fall in the total PSBR between the first 8 months of last year and this.

5. We should be grateful for comments on the statement to Reuters and draft press briefing during the course of Tuesday morning.

Colin Mowl

COLIN MOWL

CONFIDENTIAL AND PERSONAL
(DRAFT)

From: ALLEN RITCHIE
16 December 1987

MR R.I.G. ALLEN - IDT

MR LANG - CSO Press Office

cc List A

Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Anson
Mr Cassell
Mr Monck
Mr Scholar
Mr Peretz
Mr Sedgwick
Mrs Butler
Mr Grice

Mr Mowl
Miss O'Mara
Mr Pickford
Mr Bush
Mrs Todd
Mr R Evans
Miss Chapman
Mr Holder
Mr Mansell - CSO
Mr Richardson - CSO
Mr Wright B/E
Mr Norgrove - No 10

List B

(distributed at 11.30am, 16 December)

Mr C.M. Kelly
Mr Cropper
Mr Tyrie
Mr Call
Mr Ko - IR
Mr Balley - C and E

BRIEFING FOR 16 DECEMBER PSBR PRESS NOTICE

The PSBR figures for November will be published at 11.30am on 16 December. The provisional outturns, together with figures for the first eight months of 1986-87 and 1987-88, are shown in Table 1. Cumulative figures for the PSBR and its components for 1985-86 and 1986-87 are shown in Table 2 overleaf. Table 3 shows outturns excluding privatisation proceeds.

Table 1: Borrowing requirement outturns

£ billion

	Apr-Nov 1986	Apr-Nov 1987	Nov 1987
Central government on own account	7.2	0.6	-0.9
Local authorities	-0.7	-0.8	-0.6
Public corporations	-0.9	-0.8	-0.1
PSBR	5.7	-1.1	-1.6
Memo: PSBR (excluding privatisation proceeds)	7.0	3.8	-

Note: Figures may not sum precisely because of rounding.

Table 2: PUBLIC SECTOR BORROWING REQUIREMENT – Comparison with the last two years

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	0.2	1.9	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	0.8
May	2.3	1.9	2.2	0.8	0.4	-0.2	-0.4	-0.5	-0.4	2.7	1.8	1.7
Jun	2.7	3.1	1.7	0.5	-0.1	-0.2	-0.5	-0.7	-0.5	2.6	2.3	1.0
Jul	3.6	3.1	1.4	0.8	-0.1	0.0	-1.2	-1.0	-0.8	3.1	1.9	0.6
Aug	4.6	4.2	2.3	0.9	0.2	-0.1	-1.2	-0.8	-0.9	4.3	3.6	1.3
Sep	5.1	6.7	2.0	1.1	0.0	0.1	-0.7	-0.9	-0.7	5.6	5.8	1.4
Oct	5.0	6.5	1.5	0.7	-0.3	-0.3	-0.5	-0.5	-0.8	5.3	5.7	0.5
Nov	6.2	7.3	0.6	0.1	-0.7	-0.8	-0.3	-0.9	-0.8	6.0	5.7	-1.1
Dec	7.4	5.7		0.4	-0.6		-0.2	-0.9		7.6	4.2	
Jan	2.9	2.2		0.5	-0.6		-0.2	-1.1		3.2	0.5	
Feb	2.9	2.3		0.4	-0.7		-0.6	-1.5		2.8	0.1	
Mar	4.3	4.5		1.7	0.2		-0.2	-1.4		5.8	3.4	

Note: Figures may not sum precisely because of rounding.

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(DRAFT)

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(DRAFT)

Table 3: PUBLIC SECTOR BORROWING REQUIREMENT EXCLUDING PRIVATISATION PROCEEDS

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	1.3	2.1	0.8	0.7	0.4	-0.2	-0.1	-0.4	1.8	1.9
May	2.5	3.0	2.9	0.8	0.4	-0.2	-0.4	-0.5	-0.4	2.9	2.9	2.3
Jun	4.0	4.2	4.1	0.5	-0.1	-0.2	-0.5	-0.7	-0.5	3.9	3.4	3.4
Jul	5.0	4.2	4.3	0.8	-0.1	0.0	-1.2	-1.0	-0.8	4.5	3.0	3.5
Aug	6.2	5.3	5.7	0.9	0.2	-0.1	-1.2	-0.8	-0.9	5.9	4.7	4.7
Sep	6.8	7.8	6.0	1.1	0.0	0.1	-0.7	-0.9	-0.7	7.3	6.9	5.4
Oct	6.7	7.5	4.9	0.7	-0.3	-0.3	-0.5	-0.5	-0.3	7.0	6.8	3.8
Nov	8.2	8.6	5.5	0.1	-0.7	-0.8	-0.3	-0.9	-0.3	7.9	7.0	3.8
Dec	9.7	8.9		0.4	-0.6		-0.2	-0.9		9.9	7.5	
Jan	5.1	5.5		0.5	-0.6		-0.2	-1.1		5.4	3.8	
Feb	5.2	6.0		0.4	-0.7		-0.6	-1.5		5.1	3.8	
Mar	7.0	9.0		1.7	0.2		-0.2	-1.4		8.5	7.8	

Note: Figures may not sum precisely because of rounding.

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(DRAFT)

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(Until 11.30am 16 December 1987)

SUMMARY OF LINE TO TAKE

PSBR in November provisionally a surplus of £1.6 billion. Privatisation proceeds £1.5 billion, reflecting remaining BP receipts. Excluding privatisation proceeds, PSBR for first 8 months of 1987-88 was £3.8 billion, just over £3 billion lower than in equivalent period in 1986-87.

1. November PSBR

Background

City forecasts of November PSBR are for a surplus in the range of £1.0 billion to £1.8 billion. Average is surplus of £1.3 billion.

Line to take

Not useful to look at one month's figures. But November outturn affected by

- privatisation proceeds of £1.5 billion (see Q4).

2. PSBR, April-November

Line to take

Excluding privatisation proceeds, PSBR in first 8 months of 1987-88 was £3.8 billion, just over £3 billion lower than in equivalent period in 1986-87.

3. PSBR undershoot on Autumn Statement forecast for 1987-88?

Background

Forecast for 1987-88 revised in Autumn Statement to £1 billion, (£3 billion lower than forecast at Budget time). Some City commentators have said that this is still an over forecast and that PSBR likely to be in surplus for 1987-88.

Line to take

PSBR could well turn out lower - or higher - than AS forecast of £1 billion. Average error on PSBR forecasts for current financial year made in autumn is $\frac{1}{2}$ per cent GDP, or £2 $\frac{1}{2}$ billion. Still considerable uncertainties about outturn in remaining four months, New forecast in Budget.

*include final cost
of BP buy-back scheme.*

4. Privatisation proceeds in 1987-88

Background

Privatisation proceeds so far this year £4.9 billion, compared with only £1.3 billion in same period last year. Autumn Statement figure for 1987-88 as a whole £5 billion, unchanged from PSBR forecast. For government statement on gross BP proceeds see written answer in Hansard, 3 November 1987, column 696.

BP Privatisation gross proceeds	£ billion
October	- 1.5 (payment to BP for new shares) + 0.9 (Receipts from North American and Japanese underwriters)
Total October	- 0.6
November	+ 1.6 (Remaining underwriting and public receipts)
Total October and November	+ 1.0 (before netting off costs)

Treatment of these transactions in Table 3 of press notice is as follows:-

Consolidated Fund Standing Services includes £1.5 billion payment to BP out of the Contingencies Fund in October, offset by -£1.5 billion reimbursement to the Contingencies Fund (from Other CG funds and accounts) in November.

Other CG Funds and Accounts includes in October £0.9 billion receipts; and in November £1.6 billion remaining receipts offset by a £1.5 billion payment to CF Standing Services (for reimbursement of Contingencies Fund), and a payment of £0.8 billion to Consolidated Fund Other Revenues.

Consolidated Fund Other Revenues includes £0.8 billion transfer from "Other CG Funds and Accounts" in November in respect of proceeds of BP sale.

Line to take

Privatisation proceeds in November £1.5 billion, mostly from BP sale.

5. Effect on PSBR of BP market support operation

Background

Purchases in November were £32,000 - ie. around 46,000 shares at 70p each. A written PQ answer (Hansard, 7 December, column 71) stated that acceptances in respect of 72, 233 shares had been received by close of business on 3 December; this implies purchases of just over £50,000.

Line to take

Negligible effect in November. Acceptances in respect of 72,000 shares at 70p a share by close on 3 December. Effect on future months will depend on number of part-paid shares offered to the Bank, and the timing of any subsequent resale.

PSBR will be increased by the cash price (70p per share) of any shares bought, and will be reduced by the cash value of any subsequent sale.

6. Effect on PSBR of stock market fall

Background

Only direct effect on PSBR in short run is through stamp duty on stocks and shares. Stamp duty relating to transactions in a stock exchange accounting period is paid over to Inland Revenue on the account day for the following accounting period - implying an average lag between transaction and receipt of duty by IR of around a month.

Three account days in November (2nd, 16th, 30th) - usually only two. November stamp duty receipts relate to three accounting periods covering period from 27 September to 6 November.

Line to take

Lower share prices and lower turnover mean lower receipts of stamp duty on stocks and shares. Mid-October fall in share prices will have had been some effect on receipts in November. But amounts involved small. Total stamp duty receipts running at average £200 million a month up to October - only half of this on stocks and shares. November receipts high at around £230 million, but month included three Stock Exchange account days - most months only include two.

7. Consolidated Fund Revenues

Background

Press notice shows that Consolidated Fund (CF) revenues in first eight months of 1987-88 were 12½ per cent higher than in the same period last year, comprising 12 per cent increase in Inland Revenue receipts, 6½ per cent increase in Customs and Excise receipts, and 39½ per cent in "other revenues". "Other revenues" include privatisation proceeds when they are transferred into Consolidated Fund - these amounts may differ from total privatisation proceeds given in table 5 of press notice. Proceeds received by HMG are usually transferred to Consolidated Fund with a lag.

No forecast of Consolidated Fund revenue given in Autumn Statement, but total taxes on income, expenditure and capital in 1987-88 forecast to be £2.3 billion higher than

in the PSBR. These now forecast to increase by $8\frac{3}{4}$ per cent compared with 7 per cent in the FSBR. See Autumn Statement para 1.57 for composition of additional receipts.

Line to take

Receipts in April to November £76.2 billion, $12\frac{1}{2}$ per cent up on same period last year. Includes some privatisation proceeds. Excluding privatisation proceeds receipts up by $7\frac{1}{2}$ per cent.

8. Inland Revenue Receipts

Background

Inland Revenue receipts in November £3.8 billion. Total for April-November £37.5 billion, (12 per cent up on same period last year). FSBR forecast for year as whole was a rise of $7\frac{1}{2}$ per cent on 1986-87. More detailed monthly figures will be published later in Financial Statistics, Table 3.13. No forecast of total Inland Revenue receipts given in Autumn Statement, but stated that North Sea revenues £0.6 billion higher, income tax about $\frac{1}{2}$ billion higher and Corporation Tax about $\frac{3}{4}$ billion higher than in FSBR.

Line to take

Receipts in April-November £37.5 billion, 12 per cent up on same period last year.

9. Customs and Excise Receipts

Background

Customs and Excise receipts in November £4.5 billion. Total for April-November £29.3 billion, ($6\frac{1}{2}$ per cent up on same period last year). FSBR forecast for year as whole was a rise of $6\frac{1}{2}$ per cent on 1986-87. More detailed monthly figures will be published later in Financial Statistics, Table 3.14. No forecast for Customs and Excise receipts given in Autumn Statement, but stated that VAT about $\frac{1}{2}$ billion higher than in Budget forecast.

Line to take

Receipts in April-November £29.3 billion, $6\frac{1}{2}$ per cent up on same period last year.

10. Supply Expenditure

Background

FSBR gave a figure for provision for supply in 1987-88 but not a forecast of outturn because public expenditure Reserve was not allocated to individual components of expenditure, (but public expenditure total used in PSBR forecast assumed that the Reserve was fully spent).

Line to take

Provisional outturn for supply expenditure in November £8.6 billion. Total April-November 1987 (provisional £68.0 billion) up 3½ per cent on same period last year. Excluding advance contributions to EC Budget paid from supply in 1986-87, increase is 4½ per cent.

11. Central Government Borrowing

Background

CG own account borrowing in November, surplus of £0.9 billion. Total for April-November, borrowing of £0.6 billion. (1986-87, £7.2 billion). Privatisation proceeds, April-November, £4.9 billion (1986-87, £1.3 billion).

Line to take

Excluding privatisation proceeds, CG own account borrowing over April to November lower by £3.1 billion than same period last year.

12. Local Authorities

Background

Local authorities (provisionally) had a surplus of £0.6 billion in November (surplus of £0.5 billion in November 1986). November usually a surplus month, because of high rate receipts. Local authorities had a surplus of £0.8 billion during first eight months of 1987-88. (Surplus of £0.7 billion for same period in 1986-87).

Line to take

LABR so far in 1987-88 about the same as last year.

13. Public Corporations

Background

Public corporations (provisionally) had a surplus of £0.1 billion in November. Surplus of £0.8 billion over April to November. (Surplus of £0.9 billion, April-November, 1986 - but aggregate then included BGC, BA).

Line to take

PCBR so far in 1987-88 little different from last year.

14. Revisions to last month's estimates

Line to take

No significant revisions to back figures this month.