



Treasury Chambers, Parliament Street, SW1P 3AG  
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15 March 1985

Andrew Turnbull Esq  
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LONDON SW1

Dear Andrew

**MONTHLY NOTE ON PUBLIC SECTOR BORROWING**

I enclose this month's note on the PSBR. As usual the main points are summarised on the first page.

The press notice giving the outturn figures for February will be published at 2.30pm on 18 March. (The following day, with the Budget, a forecast will be given of the PSBR outturn for 1984-85 as a whole.)

Yours sincerely,

Margaret O'Hara

for RACHEL LOMAX  
Principal Private Secretary

Prime Minister

Good news for once. PSBR  
£ 0.6 billion better than expected.  
It appears that the Inland Revenue  
receipts which failed to appear last  
month have now shown up!

AT

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## PUBLIC SECTOR BORROWING

### Summary

- The PSBR for February is provisionally estimated as a net repayment of debt of £0.2 billion, compared with last month's forecast of net borrowing of £0.4 billion. Central government's own account recorded a surplus of £0.6 billion, compared with forecast borrowing of £0.2 billion. Local authorities borrowed £0.4 billion, and public corporations showed a very small surplus.
- Borrowing in the first eleven months of 1984-85 (£7.6 billion) was about £2.3 billion higher than the Budget profile. In April-February last year the PSBR was £7.5 billion.
- The PSBR for 1984-85 is now expected to be around £10½ billion, although there are still very large uncertainties. This forecast implies borrowing of £2.9 billion in March. This is about £¾ billion higher than in March 1984 and close to the outturn for March 1983. The March surge in Supply Expenditure is expected to be greater than last year.

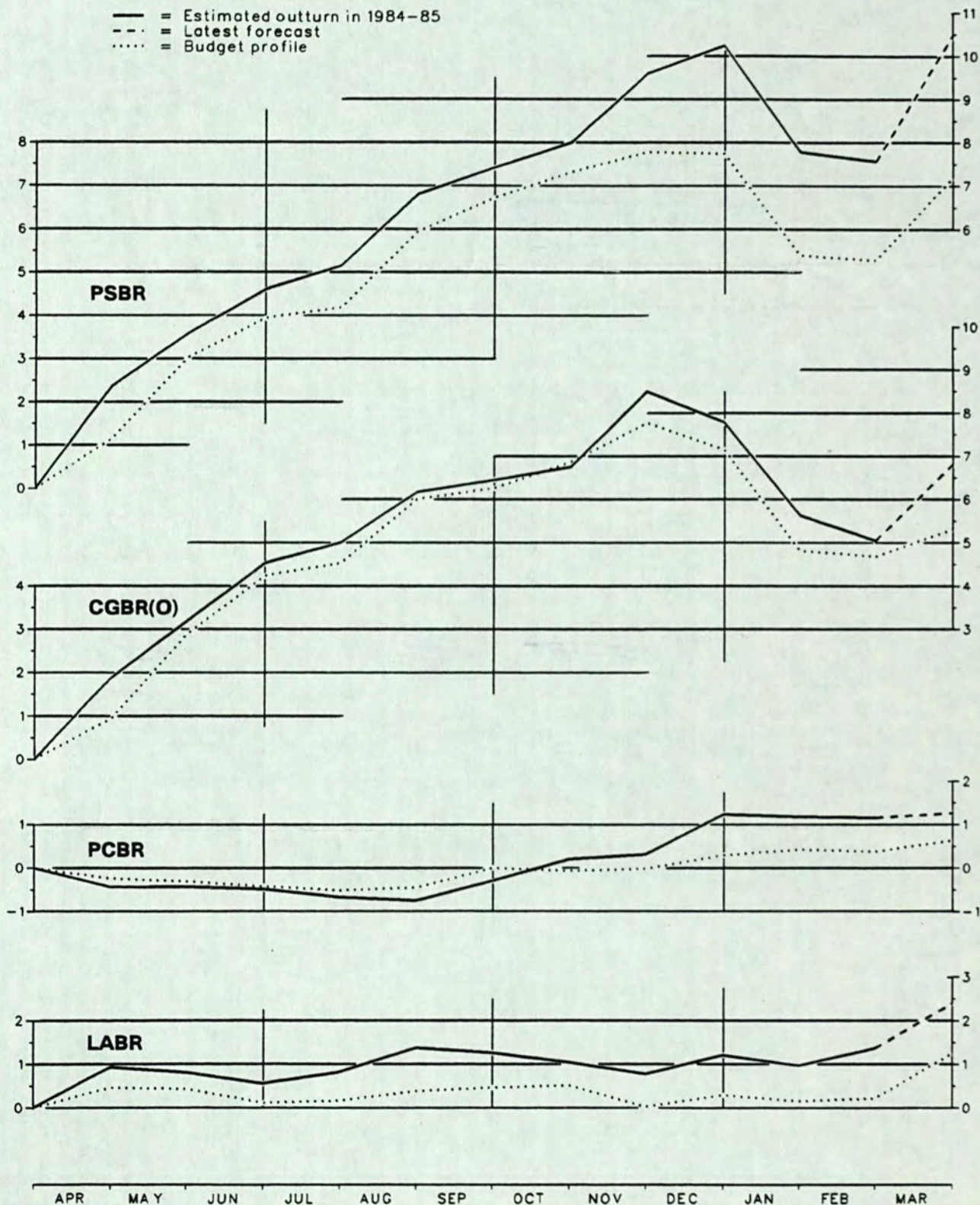
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Figures in this report are not seasonally adjusted and also may not sum precisely because of rounding.



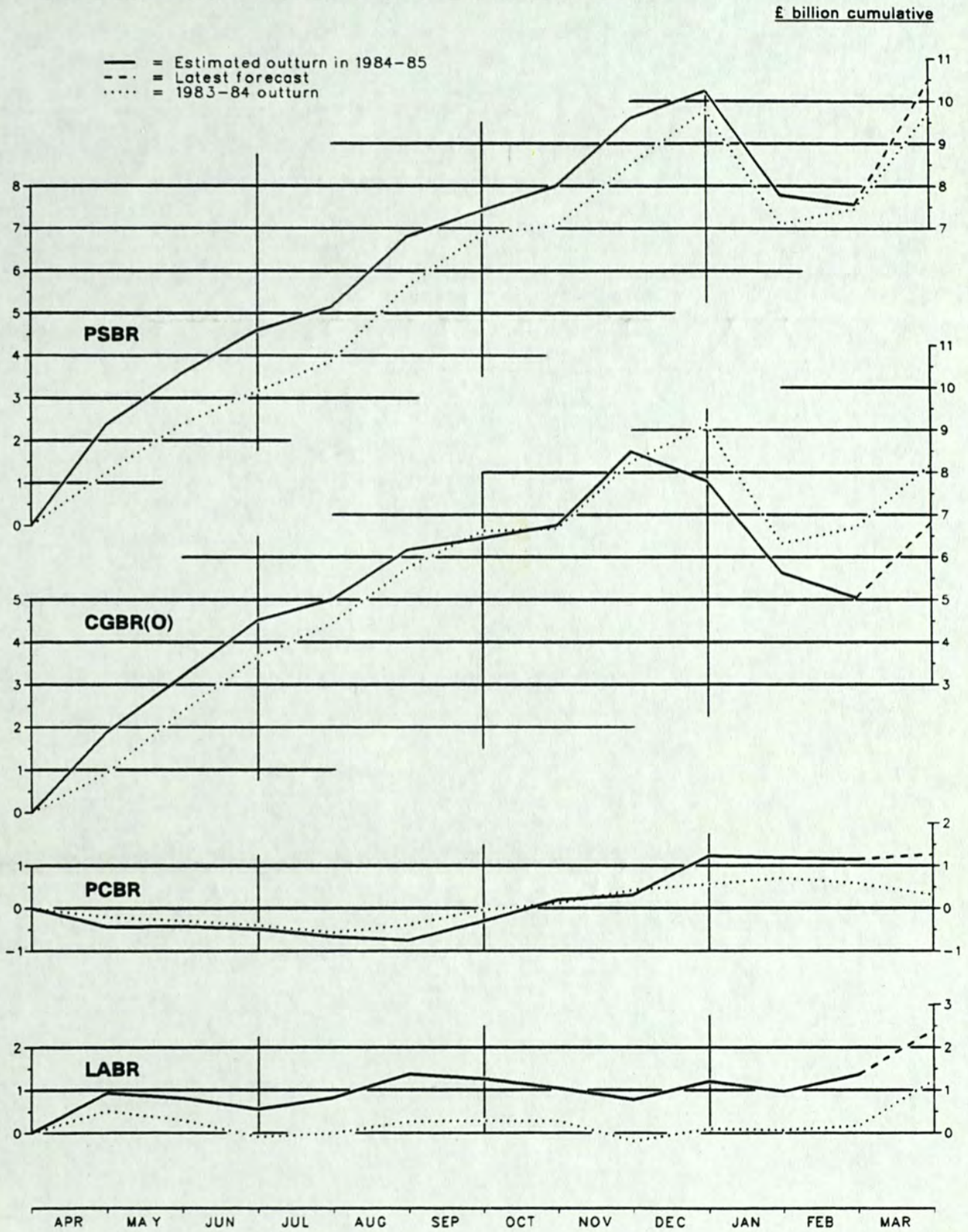
**Chart 1 : Comparisons with Budget profiles for 1984-85**

£ billion cumulative





**Chart 2 : Comparisons with last year's outturns**





**Borrowing in February**

(Comparisons in this section are with last month's forecast)

The provisional estimate of the PSBR in February is a surplus of £0.2 billion, compared with last month's forecast of net borrowing of £0.4 billion. The differences between forecast and outturn on the individual sub-sectors are shown in the table below.

**Table 1: February 1985 borrowing requirements**

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Forecast*	0.4	0.2	0.3	-0.1
Outturn	-0.2	-0.6	0.4	-
Difference	-0.6	-0.8	0.1	0.1

\*made on 15 February

2. Net borrowing on central government's own account - CGBR(O) - was around £0.8 billion lower than forecast. The table overleaf shows our present view of where the differences occurred.



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£ billion (-indicates lower borrowing)

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Inland Revenue receipts	-0.3
Customs and Excise receipts	-0.3
Supply Expenditure	-0.4
National Insurance Fund	+0.2
Net effect on CGBR(O)	-0.8

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3. Higher Inland Revenue receipts in February appear to be mainly due to the timing of both Income and Corporation tax receipts; shortfalls recorded in January appear to have been made up while some receipts due in March may have been paid early. Customs and Excise receipts were also substantially higher than forecast: this may be due to additional receipts resulting from the change in VAT on imports. Supply expenditure on a cheques issued basis was lower than forecast mainly due to the slippage of payments to defence contractors and the postponement of grant to the National Coal Board. A minor deficit was recorded on the National Insurance Fund in place of the forecast surplus.

4. Local authorities borrowed about £0.4 billion in February, about £0.1 billion more than forecast last month. This error is small compared with the recent erratic pattern of local authority borrowing. (The estimate for February is based on a smaller sample than usual because the GLC made no return.)

5. Public corporations showed a small surplus in February, which was about £0.1 billion smaller than the surplus forecast last month, mainly because of the postponement of grant to the National Coal Board (see paragraph 3).

**April to February outturn**

(Comparisons in this and following sections are with the Budget profile)

6. The cumulative PSBR for the first eleven months of 1984-85 was £7.6 billion. This is about £2.3 billion above the Budget profile (see Chart 1 and Table 2) and about £0.1 billion above the same period last year (Chart 2).

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**Table 2: Total April-February borrowing requirements**

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Budget forecast	5.3	4.7	0.2	0.4
Outturn	7.6	5.0	1.4	1.2
Difference	2.3	0.4	1.1	0.8

7. Cumulative borrowing in April-February on central government's own account was £0.4 billion higher than the Budget profile. Reasons were lower Inland Revenue receipts (by £0.6 billion) and a smaller surplus on the National Insurance Fund (by £0.7 billion - see paragraphs 8 and 9.) These factors were partially offset by higher Customs and Excise receipts (by £0.4 billion - see paragraph 9), higher oil royalties (by £0.4 billion) and other changes. Supply expenditure, excluding on-lending, was £0.5 billion higher than in the Budget profile, more than accounted for by advance payments to the EC; however, this excess is offset by a reduction in payments to the EC from elsewhere in the account.

8. The Inland Revenue shortfall reflects lower receipts of Income and Corporation tax. The Income tax shortfall is due to: lower PAYE receipts because of the miners' strike; lower Schedule D from the self-employed (because of lower profits in 1983); and higher repayments (including those under MIRAS scheme which have been affected by higher interest rates). In addition mainstream Corporation tax receipts have been less than forecast in the Budget profile and a complete recovery before the end of the year seems unlikely. As a partial offset, PRT receipts are higher because of higher oil production and higher sterling oil prices (the main increase in PRT is however in March; it is known to have slightly exceeded earlier expectations). Also, duty on share transactions is higher because of higher share prices and turnover.

9. The Customs overshoot is mainly due to higher than expected receipts from the change in VAT on imports. The change is now estimated to have brought in £1.4 billion, compared



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with the Budget forecast of £1.2 billion, owing to the lower value of sterling and high volume of imports. The reduction in the National Insurance Fund surplus results from a reduction in contributions (because of the miners' strike) and an increase in benefits (partly higher unemployment, partly increased take-up of invalidity benefit).

10. Local authorities borrowed about £1.4 billion in the period April-February, some £1.1 billion higher than the Budget profile. The difference reflects partly the likely capital overspend in the current year, and partly the high borrowing last April due to overspending last year.

11. Public corporations borrowed about £1.2 billion to end-February, compared with £0.4 billion in the Budget profile. Borrowing was below the Budget profile over the first half of 1984-85, but borrowing has been heavy over the last five months, reflecting the effects of the coal strike.

### March

12. Table 5 shows the latest detailed profile of borrowing on central government's own account for March. The forecast is for net borrowing of about £1¼ billion, nearly £1¼ billion higher than the Budget profile.

13. Supply expenditure in March, excluding on-lending, is forecast to be higher by £1¼ billion than the Budget profile, mainly because of increased grants to the National Coal Board, and defence procurement postponed from earlier months. This forecast takes account of departments' F10 estimates of outturn, and does not imply any significant breach of cash limits. The forecast for March represents an increase of about 31 per cent on the average level of Supply in October - February, compared with corresponding increases of 27 per cent in March 1984, 36 per cent in March 1983 and 21 per cent in March 1982.

14. Apart from Supply, the 1984 EC refund expected in March 1985 in the Budget profile (and worth £½ billion) has now slipped into 1985-86. Debt interest payments in March are expected to be a little higher than in the Budget profile. These factors are partially offset by an increase in Inland Revenue receipts (by £¾ billion), mainly reflecting PRT (£1¼

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billion, already received).

15. Local authorities are forecast to borrow just over £1 billion in March. This follows the pattern of the last 5 years, when the LABR has almost always been in the range £1.0 - 1.2 billion in March: the high borrowing occurs because in March no rate income is received and expenditure tends to be high. The CIPFA borrowing enquiries return also implies that March borrowing will be high.

16. Public corporations are expected to show net borrowing of around £0.1 billion in March. The Coal Board is expected to borrow £0.2 billion following the end of the stike, and the Electricity Supply Industry is expected to repay some of their borrowing out of their seasonally high receipts from customers.

17. Thus the PSBR in March is forecast at £2.9 billion, but there is a wide margin of error. (In March 1984 it was £2.3 billion and in March 1983 £2.9 billion).

#### 1984-85

The February outturn seems broadly consistent with a forecast of £10½ billion for the year. There are still great uncertainties, however, about the March forercast.



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**Table 3: 1984-85: Outturns and latest forecasts**

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
<b>1984-85</b>				
Apr	2.4	1.9	0.9	-0.4
May	1.2	1.3	-0.1	-
Jun	1.0	1.3	-0.3	-0.1
Jul	0.6	0.5	0.3	-0.2
Aug	1.6	1.2	0.6	-0.1
Sep	0.6	0.3	-0.1	0.5
Oct	0.6	0.3	-0.2	0.5
Nov	1.6	1.7	-0.3	0.1
Dec	0.6	-0.7	0.4	0.9
Jan	-2.5	-2.2	-0.2	-
Feb	-0.2	-0.6	0.4	-
Mar	2.9	1.8	1.0	0.1
<b>Cumulative</b>				
Apr	2.4	1.9	0.9	-0.4
May	3.6	3.2	0.8	-0.4
Jun	4.6	4.5	0.6	-0.5
Jul	5.2	5.0	0.8	-0.7
Aug	6.8	6.2	1.4	-0.7
Sep	7.4	6.4	1.3	-0.3
Oct	8.0	6.8	1.0	0.2
Nov	9.6	8.5	0.8	0.3
Dec	10.2	7.8	1.2	1.2
Jan	7.8	5.6	1.0	1.2
Feb	7.6	5.0	1.4	1.2
Mar	10.5	6.8	2.4	1.3

Figures for April to February are outturns



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**Table 4: PSBR for 1984-85 - Comparisons with 1983-84 and Budget profile**

£ billion

	1983-84	1984-85		Differences from	
	Outturn	Budget profile	Latest update <sup>(1)</sup>	1983-84 outturn	Budget profile
	1	2	3	3-1	3-2
Apr	1.2	1.2	2.4	1.1	1.2
May	1.1	1.9	1.2	0.1	-0.7
Jun	0.8	0.9	1.0	0.2	0.1
Q2	3.2	3.9	4.6	1.4	0.7
Jul	0.7	0.3	0.6	-0.2	0.3
Aug	1.7	1.8	1.6	-0.1	-0.1
Sep	1.2	0.8	0.6	-0.6	-0.2
Q3	3.7	2.8	2.8	-0.9	-
Oct	0.2	0.6	0.6	0.4	-
Nov	1.4	0.5	1.6	0.2	1.1
Dec	1.3	-	0.6	-0.7	0.7
Q4	2.9	1.0	2.8	-0.1	1.8
Jan	-2.7	-2.3	-2.5	0.2	-0.1
Feb	0.4	-0.1	-0.2	-0.6	-0.1
Mar	2.3	1.9	2.9	0.6	1.0
Q1	-0.1	-0.5	0.2	0.3	0.8
<b>Cumulative</b>					
Apr	1.2	1.2	2.4	1.1	1.2
May	2.4	3.0	3.6	1.2	0.6
Jun	3.2	3.9	4.6	1.4	0.7
Jul	3.9	4.2	5.2	1.3	1.0
Aug	5.6	6.0	6.8	1.2	0.9
Sep	6.9	6.7	7.4	0.6	0.7
Oct	7.1	7.3	8.0	0.9	0.7
Nov	8.5	7.8	9.6	1.1	1.8
Dec	9.8	7.7	10.2	0.5	2.5
Jan	7.1	5.4	7.8	0.7	2.4
Feb	7.5	5.3	7.6	0.1	2.3
Mar	9.7	7.2	10.5	0.7	3.3

<sup>(1)</sup>Figures for April to February are outturns



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**Table 5: Central government transactions – February outturn and latest forecasts for March**

£ billion

	February		Latest forecasts
	forecast	outturn <sup>(1)</sup>	March
<b>Receipts</b>			
<i>Consolidated Fund</i>			
Inland Revenue	4.3	4.5	5.2
Customs and Excise	3.4	3.7	2.7
Other <sup>(2)</sup>	1.4	0.5	1.8
<i>National Loans Fund</i>			
Interest etc. receipts	0.4	0.4	0.8
<b>Total Receipts</b>	<b>9.4</b>	<b>9.1</b>	<b>10.5</b>
<b>Expenditure</b>			
<i>Consolidated Fund</i>			
Supply expenditure <sup>(3)</sup>	8.1	7.7	10.4
Adjustment to Supply Services basis <sup>(4)</sup>	-	-0.1	-0.5
Other	0.2	0.3	0.3
<i>National Loans Fund</i>			
Service of the national debt	1.0	1.0	1.0
Net lending	0.1	0.5	-
<b>Total Expenditure</b>	<b>9.4</b>	<b>9.3</b>	<b>11.3</b>
<b>Other funds and accounts</b> (+ increases borrowing) (- reduces borrowing)	<b>0.4</b>	<b>-0.4</b>	<b>1.5</b>
<b>CGBR</b>	<b>0.4</b>	<b>-0.2</b>	<b>2.4</b>
<b>On-lending</b>	<b>0.1</b>	<b>0.4</b>	<b>0.6</b>
<b>CGBR(O)</b>	<b>0.2</b>	<b>-0.6</b>	<b>1.8</b>

<sup>(1)</sup>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.

<sup>(2)</sup>Includes National Insurance Surcharge and receipts from sales of assets

<sup>(3)</sup>On a cheques issued basis. Supply includes an element of on-lending in the form of public dividend capital etc.

<sup>(4)</sup>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 6: Central government transactions<sup>(1)</sup> – comparisons for 1983–84 and 1984–85**

£ billion

	1983–84	1984–85	
	Outturn	Budget forecast	Latest update
<b>Receipts</b>			
<i>Consolidated Fund</i>			
Inland Revenue	45.9	50.5	50.5
Customs and Excise	31.4	35.0	35.3
Other <sup>(2)</sup>	11.0	12.6	12.6
<i>National Loans Fund</i>			
Interest etc. receipts	5.3	5.8	5.4
<b>Total Receipts</b>	<b>93.7</b>	<b>103.9</b>	<b>103.9</b>
<b>Expenditure</b>			
<i>Consolidated Fund</i>			
Supply expenditure <sup>(3)</sup>	86.7	91.7	93.8
Adjustment to Supply Services basis <sup>(4)</sup>	–	–	–
Other	4.3	5.0	4.5
<i>National Loans Fund</i>			
Service of the national debt	11.8	12.6	12.9
Net lending	3.4	4.9	2.4
<b>Total Expenditure</b>	<b>106.2</b>	<b>114.2</b>	<b>113.6</b>
<b>Other funds and accounts</b> (+ increases borrowing) (– reduces borrowing)	<b>-0.2</b>	<b>0.8</b>	<b>0.4</b>
<b>CGBR</b>	<b>12.3</b>	<b>11.1</b>	<b>10.1</b>
<b>On-lending</b>	<b>4.1</b>	<b>5.8</b>	<b>3.3</b>
<b>CGBR(O)</b>	<b>8.2</b>	<b>5.3</b>	<b>6.8</b>

<sup>(1)</sup>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.

<sup>(2)</sup>Includes National Insurance Surcharge and receipts from sales of assets.

<sup>(3)</sup>On a cheques issued basis. Supply includes an element of on-lending in the form of public dividend capital etc.

<sup>(4)</sup>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".