

Statistical bulletin

# EU Government Deficit and Debt Return including Maastricht Supplementary Data Tables: Q3 2014

UK general government deficit and gross debt figures expressed as proportion of GDP as well as £s, with supporting information and commentary. Included are the government finance statistics tables. These tables are supplied to Eurostat, and are intended as a guide to users of the data.



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# 1. Key points

- This release is consistent with the information on UK deficit (or net borrowing) and debt that the UK and other European Union (EU) Member States are required to report to the European Commission under the terms of the Maastricht Treaty.
- General government net borrowing ('deficit') was £100.4 billion in the financial year 2013/14 (5.8% of GDP), a decrease of £25.3 billion compared with 2012/13.
- General government gross debt at the end of the financial year 2013/14 was £1,521.2 billion (87.9% of GDP), an increase of £100.5 billion compared to the end of 2012/13.
- A methodological revision to the treatment of child tax credit and working tax credit has led to a revision of +£2.7 billion in 2013/14 for both government expenditure and government revenue, but there is no impact on net borrowing.
- The figures in this bulletin are fully consistent with the data published in the Public Sector Finances bulletin of 19 December 2014 for 1997 onwards.
- Previously, this statistical bulletin was published every 6 months, in October and April, to coincide with the main data deliveries to the European Commission. From January 2015, this bulletin is to be published quarterly, alongside tables previously published in the data-only release 'Maastricht supplementary data tables'.

## 2. Background

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

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

- a deficit (net borrowing) to Gross Domestic Product (GDP) ratio of 3%;
- a debt to GDP ratio of 60%.

The deficit is a measure of how much the government has to borrow to cover its expenditure once revenue has been netted off, for this reason it is also known as net borrowing. The monetary values quoted are in 'current prices', that is, they represent the price of borrowing in the year to which they relate without any adjustments for inflation. Thus for comparisons over time the figures as a percentage of GDP (also measured in current prices) are used to provide a comparable time series.

The source data, and therefore the Maastricht debt and deficit figures published in this bulletin, are the same as those published in the [Public Sector Finances, November 2014](#) statistical bulletin published on 19 December. Although the Public Sector Finances bulletin now includes Maastricht debt and deficit figures there are two key differences between the main borrowing and debt measures published in the Public Sector Finances (i.e. PSNB ex and PSND ex) and the deficit and debt figures published in this bulletin:

1. This bulletin includes only debt and deficit recorded to central and local government, whereas the Public Sector Finances' measures also include the debt and deficit of other public sector bodies;
2. This bulletin reports gross debt, that is all financial liabilities of central and local government, whereas the Public Sector Finances' headline measure is net debt, that is the financial liabilities minus liquid assets (i.e. official reserve assets and other cash or cash-like assets).

### 3. Summary of general government net borrowing and gross debt

This section provides the latest headline data for deficit (net borrowing) and debt, and supporting information.

The [Public Sector Finances, November 2014](#) statistical bulletin published estimates for the headline measures of general government net borrowing and general government gross debt on 19 December 2014. This bulletin provides further information of these estimates and presents them in the context of the European Union (EU) requirements.

Table 1 shows the headline measures on a financial year and calendar year basis both as £ billion values and as a percentage of Gross Domestic Product (GDP).

**Table 1: Government deficit and debt**

Financial Years	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14
General government deficit £bn	45.2	102.6	162.8	143.2	124.0	125.7	100.4
as a percentage of GDP	3.0	6.8	10.8	9.1	7.6	7.6	5.8
General government debt at nominal values £bn	640.7	823.3	1073.8	1212.1	1345.2	1420.6	1521.2
as a percentage of GDP	42.8	54.8	71.5	76.9	82.6	85.4	87.9
Calendar Years	2007	2008	2009	2010	2011	2012	2013
General government deficit £bn	44.0	77.0	160.2	150.1	122.5	137.4	98.3
as a percentage of GDP	3.0	5.1	10.8	9.6	7.6	8.3	5.7
General government debt at nominal values £bn	646.2	786.3	975.3	1190.4	1323.7	1420.7	1495.7
as a percentage of GDP	43.6	51.8	65.8	76.4	81.8	85.8	87.3

Source: Office for National Statistics

#### General government net borrowing

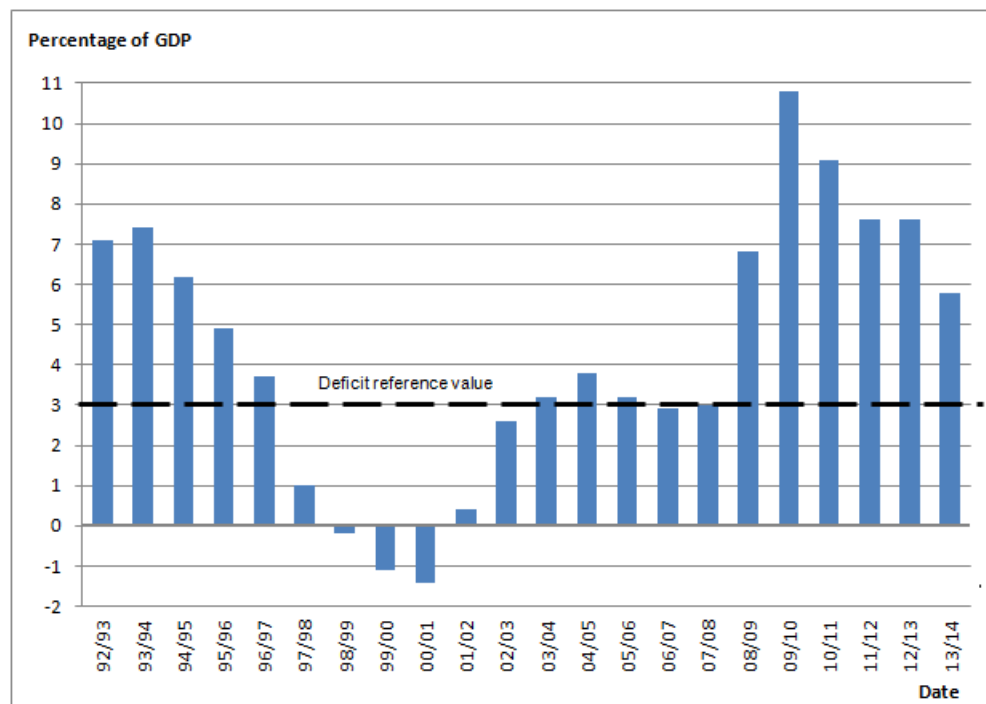
In the financial year 2013/14, the UK government deficit (net borrowing) was £100.4 billion (5.8% of GDP). This is the fourth annual reduction in the deficit since 2009/10 when it was £162.8 billion (10.8% of GDP).

The deficit was above the 3% Maastricht 'Excessive Deficit' reference value between 2003/04 and 2005/06, and just below it in 2006/07. Since then it has been above the reference value.

In the calendar year 2013, the UK government net borrowing was £98.3 billion (5.7% of GDP). This is the fourth annual reduction in the deficit since 2009 when it was £160.2 billion (10.8% of GDP). However, in 2013 the deficit was substantially higher than the pre-financial crisis deficit of £44.0 billion in 2007.

The long term general government net borrowing as a percentage of GDP is illustrated in Figure 1.

**Figure 1: General government net borrowing ('deficit') as a percentage of GDP**



Source: Office for National Statistics

**Notes:**

1. GDP = Gross Domestic Product

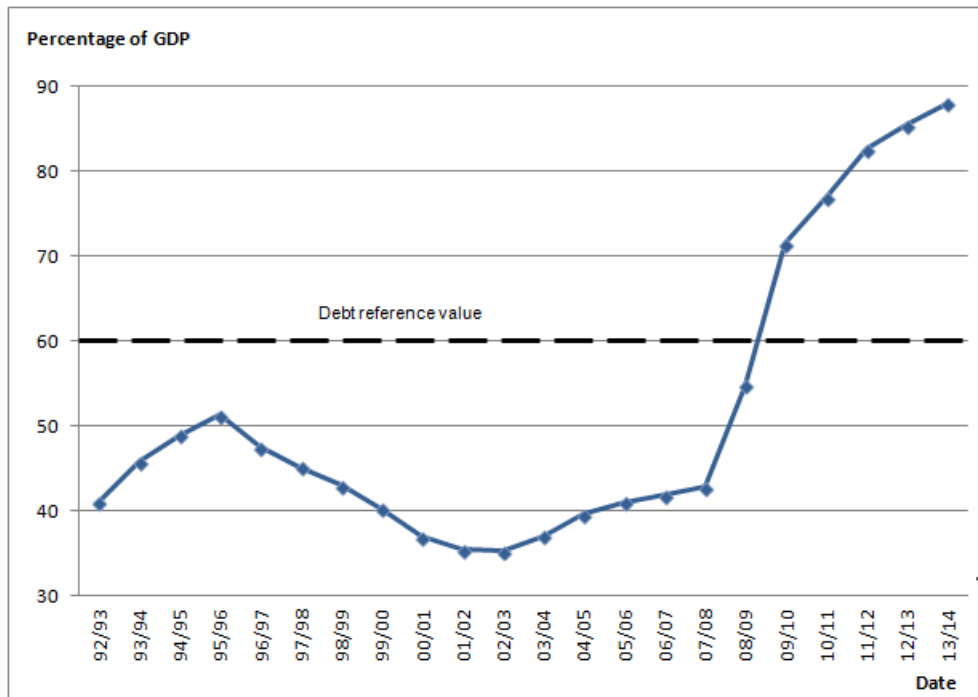
**General government gross debt**

At the end of the financial year 2013/14, UK government gross debt was £1,521.2 billion (87.9% of GDP). This is the 11th consecutive annual increase. The general government gross debt first exceeded the 60% Maastricht 'Excessive Deficit' reference value in 2009/10 when it was £1,073.8 billion (71.5% of GDP).

At the end of the calendar year 2013, UK government gross debt was £1,495.7 billion (87.3% of GDP).

The long term general government gross debt as a percentage of GDP is illustrated in Figure 2. It shows that the general government debt has increased steeply from 2007/08 but also demonstrates that between 1995/96 and 2001/02 general government gross debt as a percentage of GDP was falling.

**Figure 2: General government gross debt as a percentage of GDP**



Source: Office for National Statistics

**Notes:**

- 1. GDP = Gross Domestic Product

## 4. Recent events and methodological changes

### Tax Credits

The child tax credit and the working tax credit schemes have been re-examined as a result of new international guidance (connected to the adoption of ESA2010), and the roll out of Universal Credit, which includes a raft of benefits including child tax credits and working tax credits. Previously, the child tax credit and working tax credit schemes were treated as part expenditure and part negative tax receipts, with the expenditure proportion calculated as the proportion of tax credit spending which cannot be offset against tax liabilities as it exceeds the tax liabilities of those receiving the tax credits.

It has been concluded that these tax credits are actually benefits and so revisions have been made to record the full government expenditure on these schemes as a social benefit rather than splitting it between expenditure and revenue. This leads to equal and offsetting revisions in government revenue (the amount previously recorded as negative tax) and government expenditure (as this portion is now included within social benefits). These revisions apply from 2003.

The impact of this change has been to increase both central government expenditure and central government revenue by £2.7 billion in 2013/14. As expenditure and revenue are both affected equally, there is no impact on net borrowing figures.

## Bank of England Asset Purchase Facility Fund

The [Chancellor announced](#) on 9 November 2012 that it had been agreed with the Bank of England to transfer to the Exchequer the excess cash in the Asset Purchase Facility Fund. In line with European guidance ( [from Eurostat](#) ) the amount of cash that reduces net borrowing is limited by the entrepreneurial income earned by the Bank of England in the previous year.

On a financial year basis in 2013/14 there was a £31.1 billion transfer from the Asset Purchase Facility to HM Treasury. The Bank of England entrepreneurial income for 2013/14 was calculated as £12.8 billion, and this is the amount of Bank of England dividend payments that impacted on net borrowing (although only £12.2 billion of the dividend payments related to the Asset Purchase Facility).

For the calendar year 2013, there was a transfer of £40.2 billion from the Asset Purchase Facility to HM Treasury, of which £18.6 billion affected net borrowing.

## Lloyds Banking Group

On 17 September 2013 the UK Government began selling part of its share holding in Lloyds Banking Group. The sale of the shares does not impact on general government net borrowing or general government gross debt because it is purely a financial transaction exchanging equity for cash.

The cash received from the September 2013 sale of the government's 6% stake (at 75p a share) was £3.2 billion.

A further sale was held on the 25/26 March 2014 of a 7.5% stake which raised £4.2 billion.

Following the March 2014 sale of shares Lloyds Banking Group was reclassified from being a public financial corporation to a private financial corporation.

## Royal Mail share sale

In October 2013 the UK Government sold a 60% stake in Royal Mail, and at the same time awarded 10% plus 160,000 shares to eligible employees. As with the sale of shares in Lloyds Banking Group the share sale has no impact on general government net borrowing or general government gross debt but the value of the shares gifted to Royal Mail employees was recorded as a capital transfer increasing general government gross debt by £0.3 billion in 2013/14.

Following this flotation of Royal Mail on the London Stock Exchange, ONS reviewed the classification of the company and decided that it should be classified as a private non-financial corporation (moving it from the public to private sector). More detail on the decision is provided in the classification article [Royal Mail Classification in National Accounts following Government's Sale of Shares](#).

## 5. International comparability

All European Union (EU) Member States report their latest detailed deficit and debt information to the European Commission twice a year. Supporting statistical information, including deficit and debt values, are reported quarterly. Highlight information from both the six monthly and quarterly returns are then published by Eurostat (the European statistical agency). The debt figures in this statistical bulletin will be published by Eurostat on 22 January 2015 and the deficit figures in this statistical bulletin will be published by Eurostat on 23 January 2015.

The tables in this bulletin present the UK Government debt and deficit position at the end of both the financial and calendar years. The United Kingdom, uniquely within the European Union, is assessed against the deficit and debt on a UK financial year basis (i.e. April to March). In December 2014, the UK provided to Eurostat revised estimates under ESA 2010 for the calendar year 2013, and the financial year 2013/14 (both reported in September 2014).

The UK figures may be compared with those of other EU Member States on the [Government Finance Statistics](#) section of the Eurostat website. The latest UK government deficit and debt figures exceed the reference values set out in the Protocol on the Excessive Deficit Procedure.

According to the last deficit and debt figures published on 21 October 2014, 10 Member States had a deficit exceeding the 3% reference value in 2013 and 16 Member States had gross debts exceeding the 60% reference value as at the end of 2013.

While the key statistics provided to Eurostat are those of general government consolidated gross debt and general government net borrowing (or deficit), detailed datasets showing the components of the debt and deficit statistics, as well as supplementary government finance statistics, are also supplied by Member States. A full set of government finance tables provided by the UK to Eurostat in December 2014 are included in this release.

## 6. Revisions

Table M8R presents the revisions to key aggregates since the last publication of the EU Government Deficit and Debt Return in October 2014. Revisions to the data are consistent with revisions incorporated within the Public Sector Finances statistical bulletin since September 2014.

These revisions are a combination of methodological changes and data revisions. Improved historical data for the liabilities held in Network Rail lead to revisions in gross debt that are apparent by calendar year but not by financial year; this is because the revisions are only to the quarterly path and the end of the financial year positions remain unchanged.

## 7. Annex A - Data tables

There are nine tables included as part of this bulletin. Most tables extend back to 1992/93 in financial years and 1992 in calendar years. However, table M7 extends back to 1995, and tables M5, M6 and M9 only cover more recent periods.

All values in the tables are at current prices and are not seasonally adjusted. The debt figures are at nominal value. That is the debt is valued at the face value of the debt, which is what the government will be liable to pay, and not the market value of the debt.

Table M1 shows the general government deficit and debt (in £ million and as a percentage of GDP).

Table M2 shows the general government debt by financial instrument (in £ million).

Table M3 shows transactions (or changes) in general government debt by financial instrument (in £ million).

Table M4 shows how the deficit can be reconciled with the changes in gross debt (in £ million).

Table M5 shows how the unconsolidated financial liabilities of central government and local government are consolidated to arrive at general government consolidated gross debt (in £ million).

Table M6 shows how the unconsolidated transactions (or changes) in financial liabilities of central government and local government are consolidated to arrive at consolidated transactions in general government gross debt (in £ million).

Table M7 shows how general government net borrowing (or deficit) is consistent with the general government net borrowing reported in the [Public Sector Finances, November 2014](#) statistical bulletin published on 19 December 2014 (in £ million and as a percentage of GDP). The implementation of ESA 2010 in September 2014 has resulted in both outputs having comparable numbers from 1997 onwards and so Table M7 no longer shows the reconciliation between the two measures of net borrowing.

Table M8R shows revisions in deficit and debt between the figures published in this bulletin and those published in the [last bulletin](#) in October 2014 (in £ million and as a percentage of GDP).

Table M9 relates to government activities undertaken to support financial institutions during the financial crisis. It does not include wider economic stimulus packages. The table is presented into two parts. Part 1 shows the impact on government deficit from both the expenditure undertaken by government and the revenue received as part of these support measures.

Part 2 shows the impact on the government balance sheet from the support measures. Part 2 also includes estimates of the contingent liabilities that government is exposed to through the activities undertaken to support financial institutions. All figures are in £ million.

In addition, the Maastricht supplementary tables are included within this release for the first time. Information on these tables can be found within the Background Notes.

## 8. Annex B - Maastricht supplementary data tables

### Maastricht supplementary data tables

The tables in this release are copies of the data supplied to Eurostat in December 2014. In all tables the Eurostat convention for recording missing values is used. This convention uses “M” when something is not applicable or the requested data does not exist, and “L” when the requested data is not available or the data exists but has not been collected/recorded. All tables cover UK General Government, that is UK Central Government and Local Government and are published four times a year in January, April, July and October. All table valuations are in current prices.

### European System of Accounts (ESA) table 2 main aggregates of general government

[ESA Table 2 \(3.67 Mb Excel sheet\)](#) is a complete set of annual (calendar years) non-financial accounts for the time series 1990 to 2013 of the general government sector, compiled according to ESA 2010. Table 2 provides a breakdown of general government expenditure (both current and capital) and general government revenue. The table uses ESA 2010 codes to identify the different transactions with “OTE” representing the total general government expenditure and “OTR” representing the total general government revenue. The table also shows the general government net borrowing (B.9) which is the difference between total revenue and total expenditure. The data is an annual presentation of the quarterly general government data in ESA table 25.



## European System of Accounts (ESA) table 25 quarterly non-financial accounts of general government

[ESA Table 25 \(12.39 Mb Excel sheet\)](#) is a complete set of quarterly non-financial accounts for the time series 1987Q1 to 2014Q3 of the general government sector, compiled according to ESA 2010. Table 25 provides a breakdown of general government expenditure (both current and capital) and general government revenue. This table shows the general government net borrowing (B.9) which is the difference between total revenue and total expenditure. The data is a quarterly presentation of the annual general government data in ESA table 2.

## European System of Accounts (ESA) Table 27 quarterly financial accounts of general government

[ESA table 27 \(19.28 Mb Excel sheet\)](#) (also known as QFAGG - quarterly financial accounts of general government) is a complete set of quarterly financial accounts for the time series 1987Q1 to 2014Q3 of the general government sector and its sub-sectors, compiled according to ESA 2010. The table deals with both financial transactions and the financial balance sheets. Data are consolidated within each sub-sector and are available both consolidated and unconsolidated at the General Government level.

## European System of Accounts (ESA) table 28 quarterly government debt (Maastricht debt) for general government

[ESA Table 28 \(0.98 Mb Excel sheet\)](#) shows government debt on a quarterly basis for the time series 2000Q1 to 2014Q3, for general government and its sub-sectors, compiled according to ESA 2010. The table provides a breakdown of all debt instruments that are relevant in the EDP reporting of 'Maastricht Debt'. These instruments are categorised under ESA 2010 as F.2 (cash and deposits), F.33 (securities other than shares) and F.4 (loans). Data are consolidated within each sub-sector and at the general government level; that is any debt liabilities of government which are held as assets by another part of government are removed.

Associated publications: [Public Sector Finances, November 2014](#).

## 9. Annex C - Glossary

- net borrowing - measures the gap between revenue raised (current receipts) and total spending (current expenditure plus net investment). A positive value indicates borrowing (also known as a deficit) while a negative value indicates a surplus;
- gross debt - is a measure of how much the government owes at a point in time;
- gross domestic product (GDP) - a measure of the total economic activity in a country or region. Therefore a country's gross debt, represented as a proportion of their GDP, can be thought of as a measurement of that country's ability to pay back its debt;
- asset purchase facility fund – an arm of the Bank of England able to purchase financial assets including government securities (gilts). The APF has earned interest which is periodically transferred back to central government.

## 10. We value feedback

The public sector finances can be complex. In order to make sure these important statistics are accessible to all we need users to provide us with feedback on how best to explain concepts and trends in the data. Please contact us at: [psa@ons.gsi.gov.uk](mailto:psa@ons.gsi.gov.uk)

## 11. Background notes

### 1. Government deficit and debt under the Maastricht Treaty

Article 126 of the Treaty on the Functioning of the European Union (commonly known as the Maastricht Treaty) obliges member states to avoid excessive budgetary deficits. The Protocol on the Excessive Deficit Procedure, annexed to the Maastricht Treaty, defines two criteria and reference values for compliance. These are a deficit to Gross Domestic Product (GDP) ratio of 3 %, and a debt to GDP ratio of 60 %.

EU Member States have to report their actual and planned government deficits, and their levels of debt, to the European Commission to specific deadlines twice each year. Supporting information, including current values for deficit and debt, are reported quarterly. The estimates in this statistical bulletin are supplied to the European Commission by ONS in accordance with the schedules in the Excessive Deficit Procedure.

The first deadline (1 April) is designed so that the European Commission can gain an early sight of Member States' debt and deficit for the previous calendar year, and the second deadline (1 October) is to receive updates to these figures. However, for the United Kingdom, uniquely within the European Union, the Stability and Growth Pact sets the reference period to be the financial year (1 April to 31 March), recognising the different budgetary year arrangements in the United Kingdom. The second deadline (1 October) thus provides for the UK the first estimate for the latest financial year.

The Protocol on the Excessive Deficit Procedure defines Government deficit and debt following the rules and principles laid out in the European System of Accounts 2010. This is also the manual that governs the United Kingdom's National Accounts.

### 2. Data quality

Data in this bulletin are consistent with those published in the latest Public Sector Finances statistical bulletin. A [summary quality report \(201.4 Kb Pdf\)](#) for the public sector finances is available on the ONS website. This report describes in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.

### 3. Coherence

The net borrowing (or deficit) data in this statistical bulletin are based on those published in the [Public Sector Finances statistical bulletin](#) of 19 December 2014. The estimate of GDP used in this bulletin is consistent with that published on 23 December 2014 in the UK National Accounts.

### 4. Relevance to users

The UK Statistics Authority (UKSA) conducted an assessment of the Government Deficit and Debt Statistical Bulletin in 2011 to ensure that the bulletin and its compilation methods fully comply with all requirements of the National Statistics Code of Practice. A report of their findings was published on 3 November 2011. Following work to comply with the requirements itemised in the UKSA report, the Public Sector Finances has had designation as National Statistics confirmed.

The United Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;

- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

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

As part of our continuous engagement strategy, we welcome comments on how else we might improve the Government Deficit and Debt Statistical Bulletin. If you have recommendations for the improvement of the Government Deficit and Debt Statistical Bulletin, please email them to [psa@ons.gsi.gov.uk](mailto:psa@ons.gsi.gov.uk) or see the contact details below.

## 5. Relevant links

The latest [public sector finances statistical bulletin](#) is available on the ONS website.

Eurostat analyse all data provided by Member States and publish a press release which places the UK figures in a European context and provides commentary on any issues specific to member states.

Details of the revisions policy for this and the other public sector finances statistical bulletins are available at [Public Sector Statistics Revisions' policy \(59.3 Kb Pdf\)](#) .

Information on the classification of institutional units for the purposes of National Accounts can be found at [National Accounts classifications](#).

An [inventory \(133.3 Kb Pdf\)](#) of the data sources used within the data supplied for the Excessive Deficit Procedure is available on the ONS website.

## 6. Pre-release access

A list of ministers and officials with [pre-publication access](#) to the contents of this bulletin is available on request. In addition some members of the Treasury's Fiscal Statistics and Policy (FSP) team will have access to them at all stages, because they are involved in the compilation or quality assurance of the data.

## 7. Publication policy

A complete set of EU Government Deficit and Debt Return publications are available to download free of charge on the [National Statistics' website](#). A complete set of Maastricht Supplementary Data Tables included in this release are [also available](#). An electronic dataset is made available within the Supplementary Data release, which is consistent with the headline figures described in this bulletin.

8. Revisions analysis is available on the ONS website, showing the average revision for initial estimates compared to those calculated one year later over the last 9 years. It should be noted that methodological changes can have a significant effect on revisions observed; for example the implementation of ESA 2010 in September 2014 has a significant effect that can be observed in the revision of financial year estimates for 2012/13 within the analysis. Therefore while this revisions analysis may be of interest, users should be wary about using the size of revisions as a measure of the reliability of early estimates of data.

A summary of the information in the revisions analysis linked above can be found in the Summary table of revision indicators attached below.

**Table 2: Summary table of revision indicators**

				£ million
General Government	Value in latest period	Average revision <sup>1</sup> over the last 9 years	Absolute average revision <sup>2</sup> over the last 9 years	
Net borrowing - Calendar year	98,278	-2,418	2,810	
Net borrowing - Financial year <sup>3</sup>	100,447	5,445	6,400	
Gross debt - Calendar year	1,495,731	6,129	6,229	
Gross debt - Financial year <sup>3</sup>	1,521,156	10,853	10,993	

Source: Office for National Statistics

Notes:

1. Average revision of the initial estimate compared to the estimate made one year later.
2. Average revision of the initial estimate compared to the estimate made one year later without regard to sign.
3. Financial year average revisions are particularly affected in this delivery by the implementation of ESA 2010. This is because the original figures for 2012/13 are replaced by 'one year later' estimates that include ESA 2010 developments. Similarly, the 2013 calendar year revisions (first delivered in March 2014) will be affected in March 2015 when they are replaced by ESA 2010 estimates.

## 9. Following ONS

Follow ONS on [Twitter](#) and [Facebook](#)

## 10. Code of practice

Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)

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