

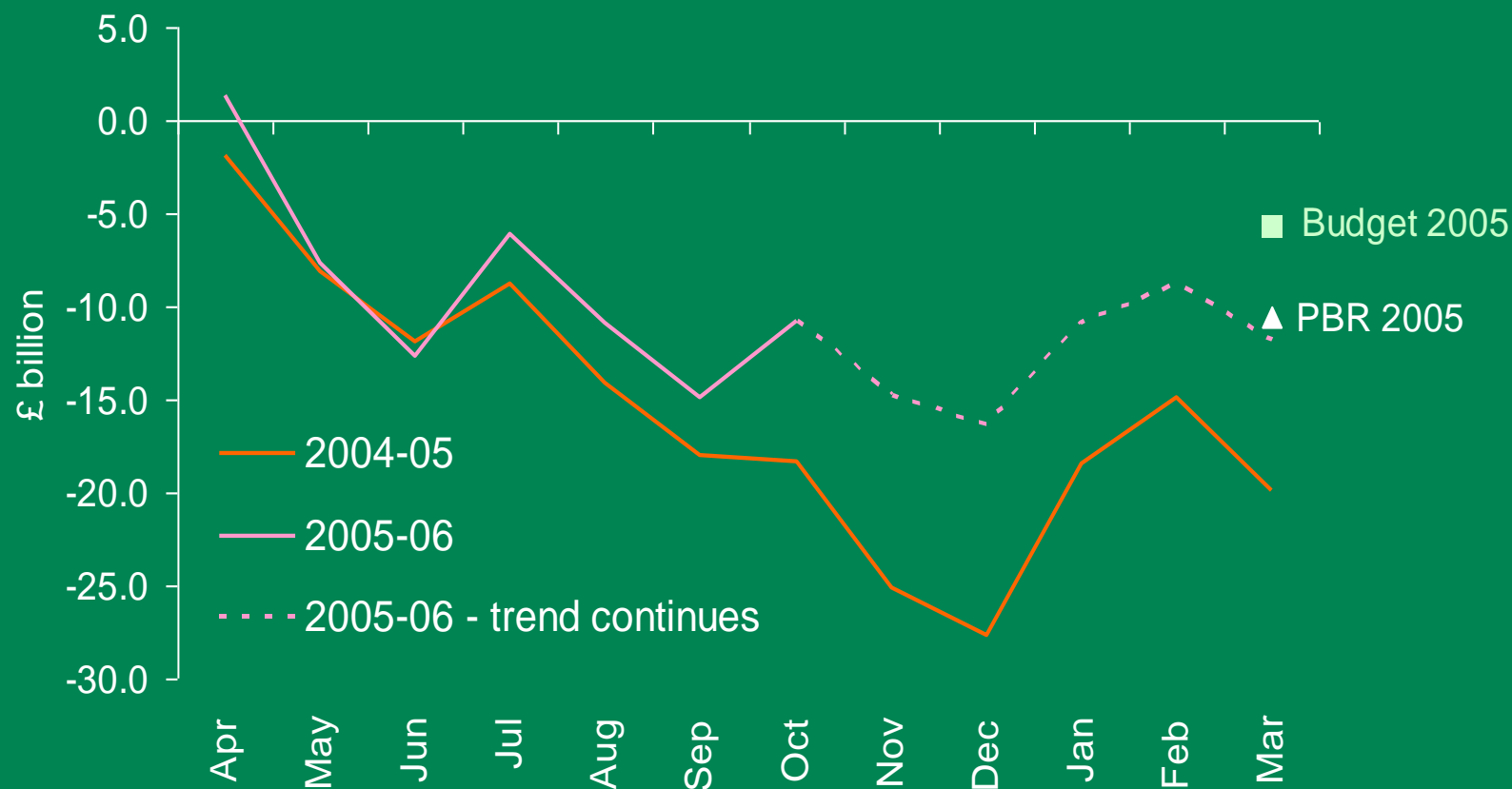
Revenues and Spending

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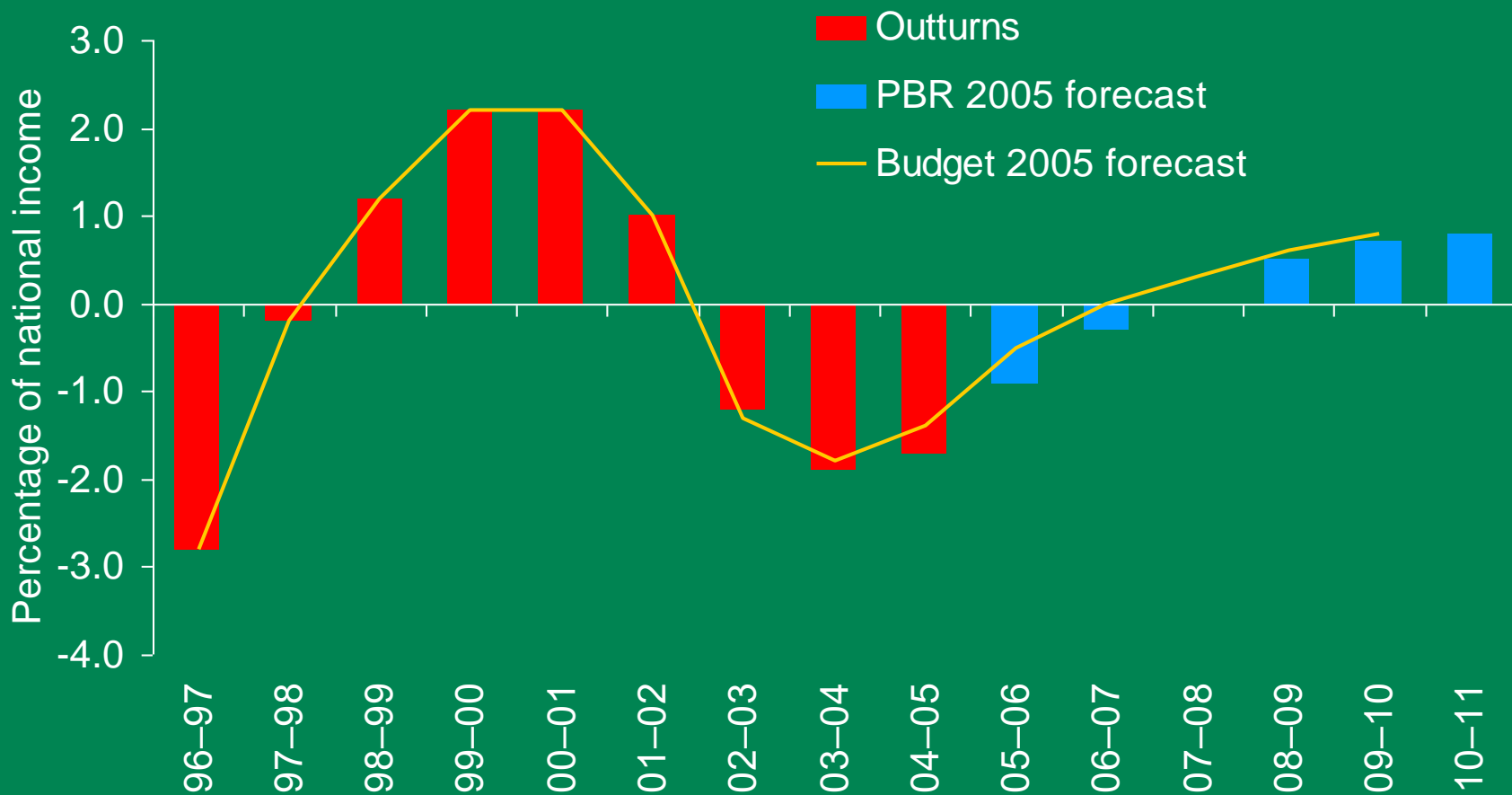
The big picture

- Revenues
 - No change in medium term forecasts despite £3bn discretionary tax increase
- Current spending
 - New measures increase spending
 - Spending as a % of national income to fall over 2007CSR?
- Treasury expects Golden Rule to be met
 - Over current cycle due to re-dating of economic cycle
 - Planned strong growth in tax receipts and tight control over public spending needed to deliver continued compliance

Monthly current budget surplus



Current budget balance



Explaining the return to surplus

	Current budget balance	
	% GDP	
2005/06	-0.9%	
2010/11	0.8%	

Explaining the return to surplus

	Current budget balance	
	% GDP	
2005/06	-0.9%	
Revenues	+1.3%	
Current spending	-0.4%	
2010/11	0.8%	

Explaining the return to surplus

	Current budget balance	
	% GDP	£bn (2005/06 terms)
2005/06	-0.9%	
Revenues	+1.3%	+£15.7
Current spending	-0.4%	-£5.0
2010/11	0.8%	

Revenues: new measures

£billion	2005-06	2006-07	2007-08	2008-09
'Avoidance'	+0.2	+0.5	+0.7	+0.8
Small companies CT	0.0	0.0	+0.4	+0.5
North sea oil	0.0	+2.0	+2.2	+2.3
Fuel duties	-0.4	-0.6	-0.6	-0.7
Other	0	+½	0	+½
Total	0	+2½	+3	+3

Revenues: forecasting changes

£billion	2005-06	2006-07	2007-08	2008-09	2009-10
Oil	+2	+1½	+2	+2	+2
NAO (shares & VAT)	+½	-½	0	0	-½
Economic growth	-1½	-3½	-3	-1	0
Economic composition	-2½	-4½	-5	-5½	-5
Other	-2	-½	-½	0	0
Total	-3½	-6½	-6½	-4½	-3½

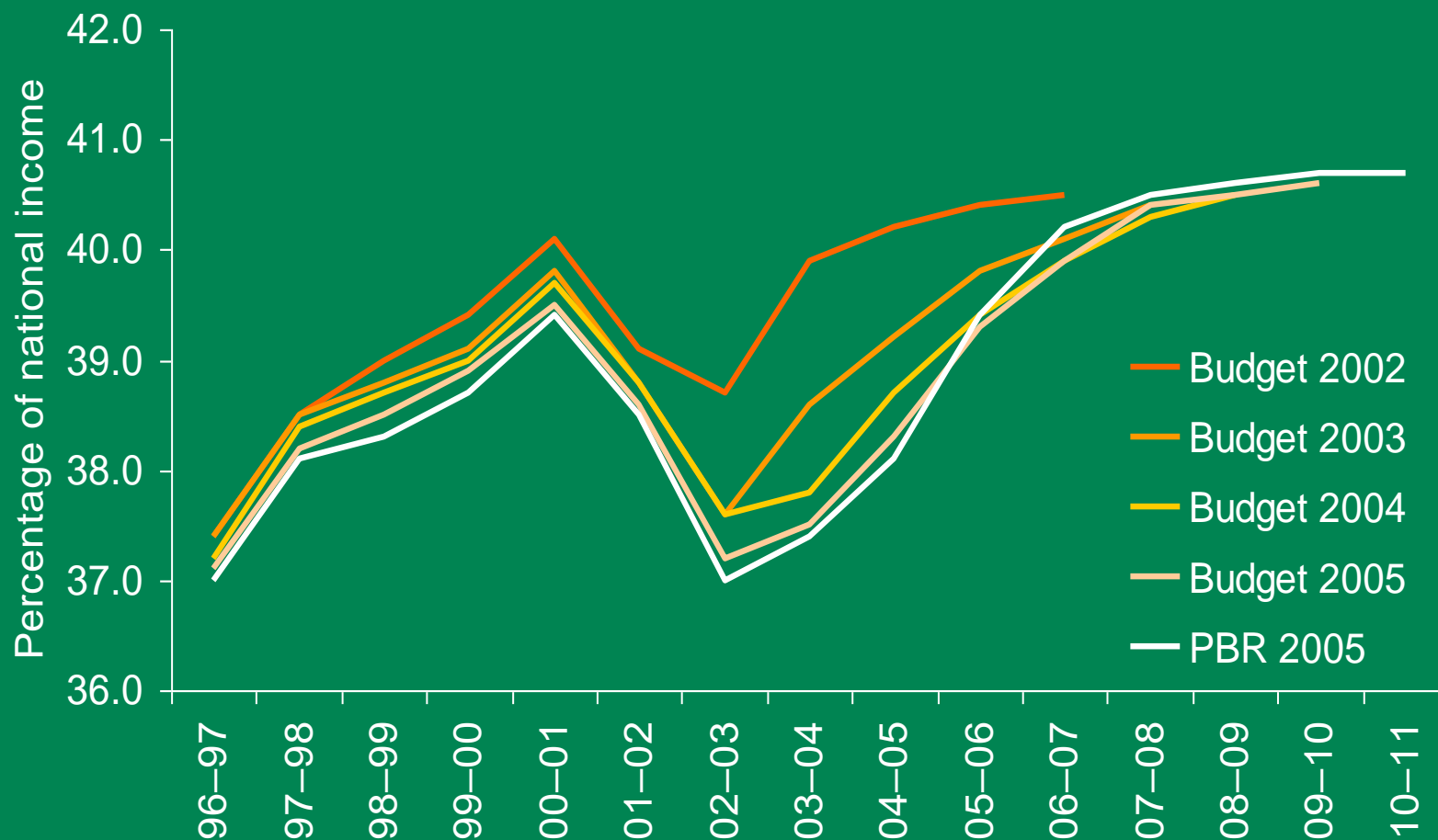
Revenues: total change

£billion	2005-06	2006-07	2007-08	2008-09	2009-10
Measure s	0	+2½	+3	+3	+3
Forecast s	-3½	-6½	-6½	-4½	-3½
Total	-3½	-4	-3½	-1½	-½

Revenues: total change

£billion	2005-06	2006-07	2007-08	2008-09	2009-10
Measure s	0	+2½	+3	+3	+3
Forecast s	-3½	-6½	-6½	-4½	-3½
Total	-3½	-4	-3½	-1½	-½
% <i>GDP</i>	+0.1%	+0.3%	+0.1%	+0.1%	+0.1%

Revenues: current receipts



Where the money comes from

	Current receipts	
	% GDP	£bn (2005/06 terms)
2005/06	39.4	
Income tax and NICs	+0.9	+11
Corporation tax	+0.4	+5
North Sea	+0.1	+1
VAT & excise duties	-0.6	-7
Other tax	+0.4	+5
Other revenues	+0.1	+1
2010/11	40.7	

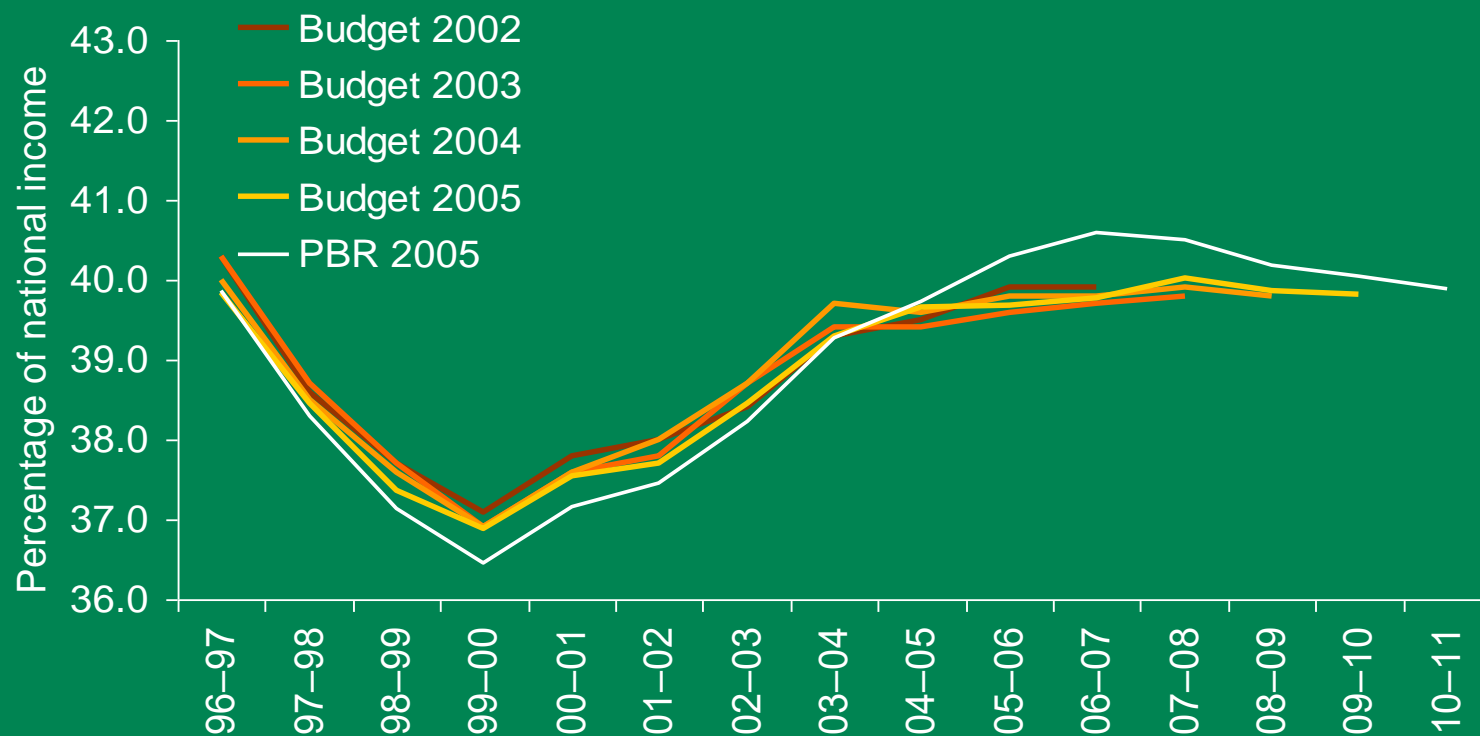
Current spending: change since Budget

£billion	2005-06	2006-07	2007-08	2008-09
Discretionary:				
Special reserve	+0.6	0	0	0
Pensioners Fuel	0	+0.8	+0.8	+0.7

Current spending: change since Budget

£billion	2005-06	2006-07	2007-08	2008-09
Discretionary:				
Special reserve	+0.6	0	0	0
Pensioners Fuel	0	+0.8	+0.8	+0.7
Non-discretionary:				
Tax credits	+0.8	+0.8	+0.7	?
LASFE	+1.6	+0.9	+1.8	?
Total	+1.2	+1.0	+0.6	0
<i>Total (% GDP)</i>	<i>+0.6</i>	<i>+0.8</i>	<i>+0.5</i>	<i>+0.3</i>

Current spending

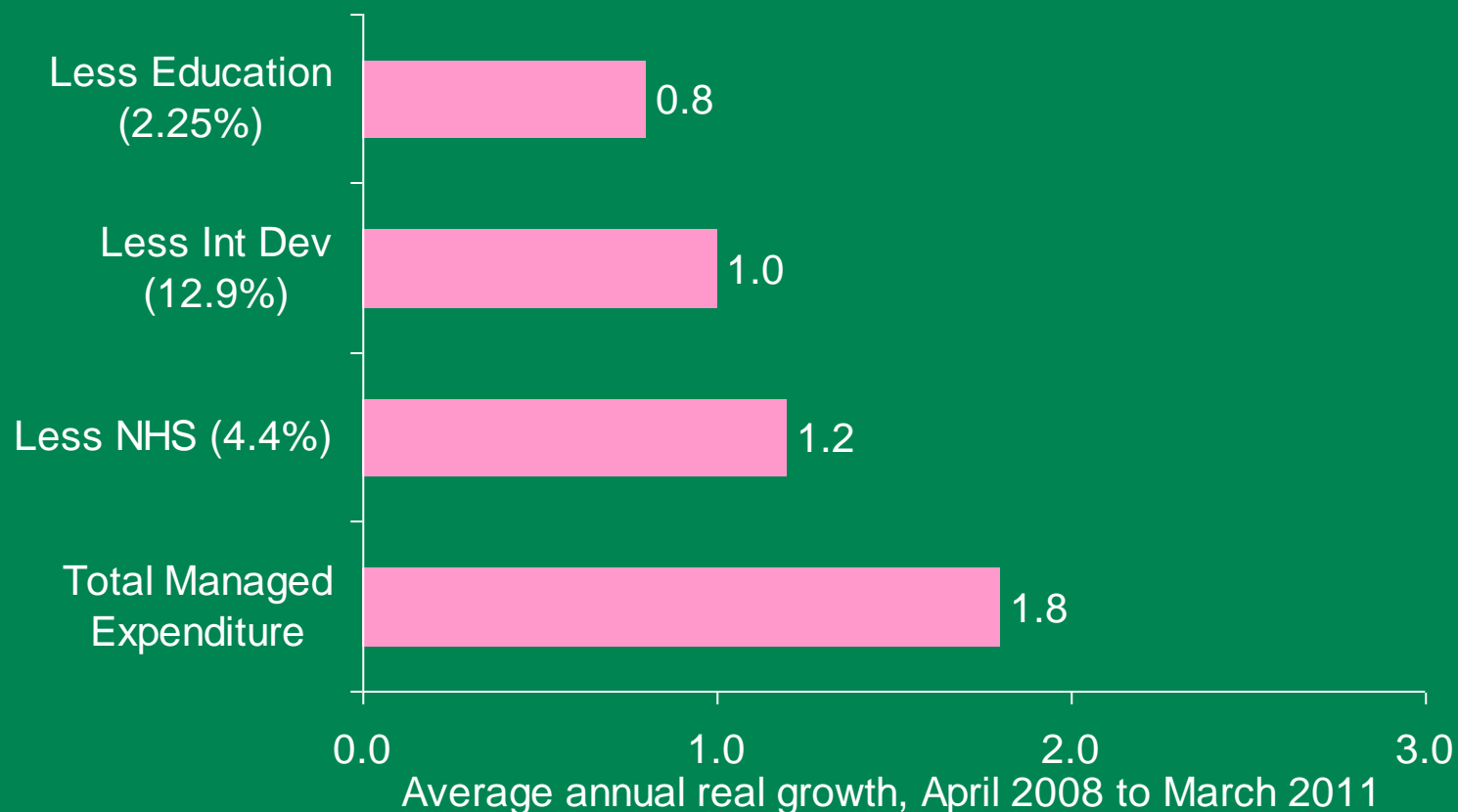


Real current spending growth



Tough choices required?

Real growth in spending over 2007 CSR?



Sharing the proceeds of growth?

Total managed expenditure

