



# HM TREASURY

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Ref: IRU 9/769

Re: Freedom of Information Act 2000: Government Debt

Thank you for your enquiry dated 07 September 2009, which you intended to be treated under the Freedom of Information Act (the Act). The Act provides individuals with a right to request recorded information held by a public authority. Most of the questions you have asked do not constitute requests for recorded information and therefore we have not treated them under the Act. In case it is helpful, the Information Commissioner has produced guidance, which includes suggestions about how to frame an FOI request for the best prospects of success. It can be found by the link below:

[http://www.ico.gov.uk/upload/documents/library/freedom\\_of\\_information/practical\\_application/fop100\\_how\\_to\\_make\\_a\\_request\\_v1.pdf](http://www.ico.gov.uk/upload/documents/library/freedom_of_information/practical_application/fop100_how_to_make_a_request_v1.pdf)

We have however identified your question 14 as a request for recorded information. You asked:

*...what is the percentage of taxes that go towards paying debt services or the interest on money that the government has borrowed?*

This information is available in the public domain and is technically exempt under section 21 of the Act. However, in order to be helpful charts 1.1 and 1.2 in the Overview section of the Budget show the projected spending on public sector debt interest and the projected receipts for 2009-10. This can be found at the following link:

[http://www.hm-treasury.gov.uk/d/Budget2009/bud09\\_complereport\\_2520.pdf](http://www.hm-treasury.gov.uk/d/Budget2009/bud09_complereport_2520.pdf)

In relation to your last two questions, the following explanation may be helpful. The Government's spending commitments in any given year include the cost of interest on the debt it holds. The principle method by which the Government funds its spending commitments is through raising revenue via taxation. When the Government's expenditure exceeds its revenues, this deficit is funded by borrowing. When the Government's revenues exceed its expenditure, the surplus is used to pay down government debt.

At the present time, the global financial crisis has caused the Government's borrowing to rise significantly. This borrowing acts to support the economy at a time when private sector demand is weak. While this support is necessary now, it cannot be continued indefinitely. Therefore, the Government has set out a plan to reduce borrowing once the economy is recovering, which will return the public finances to a balanced position and to reduce government debt as a percentage of the economy over the medium term.

Over the last economic cycle, from 1997 to 2007, the Government met its Golden fiscal rule: to borrow only to invest over the economic cycle. Therefore, over the course of the cycle, the Government did not borrow to fund current (i.e. day-to-day) expenditure, including debt interest.



costs. This allowed the Government to reduce public sector net debt from 42.5% of GDP in 1996-97 to 36.0% of GDP in 2006-07, which, according to the OECD and IMF, was the 2nd lowest level of debt amongst the G7 economies. This has provided space for the Government to allow borrowing to rise to support the economy in face of the global financial crisis.

Regarding your questions on banking you may be interested to see related current and prior research by the Financial Services Authority on the subject of banking prudential capital, available from the following link –

<http://www.fsa.gov.uk/Pages/Library/research/economic/interest/index.shtml>

If you have any queries about this letter, please contact me. It will be helpful to us if you remember to quote the reference number above in any future communications.

Information Rights Unit  
HM Treasury

Your right to complain under the Freedom of Information Act 2000

If you are not happy with this reply, you may request a review by writing to HM Treasury, Information Rights Unit, 2/S2, 1 Horse Guards Road, London SW1A 2HQ.

Email [FOI.responses@hm-treasury.gov.uk](mailto:FOI.responses@hm-treasury.gov.uk)

Any review request must be made within 2 months of the date of this letter.

It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by the Treasury. The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.

