Additional UK government borrowing continues to reduce

The latest figures for UK government borrowing show it ended the most recent financial year to March at £52 bn, a little below the March 2016 forecast. It confirms that the UK economy has done well over the last year, bringing in extra tax revenues from growth to pay more of the bills for public services. Total state debt stood at 86.6% of GDP on the official definition. If we adjust this for the debt the Bank of England has bought up, the figure falls to 65%.

This level of additional borrowing shows the recovery from the extreme levels of additional debt at the end of the last decade has gone reasonably well, though a bit slower than the original plans in 2010. These figures exclude future state pension liabilities, as they also exclude future tax contributions to pay for those pensions on the pay as you go model all governments have operated. The figures do now include the debts of Network Rail, guaranteed by the government, which the Labour government classified as private sector debt.

There is no need to raise taxes from here to reduce the deficit further. A bit more growth will be the best way of cutting borrowing, as more people get jobs reducing their need for benefits, and as more tax revenue comes in from the growing turnover of the economy.

The aim of policy should be to boost productivity and output by encouraging entrepreneurship, and ensuring government is run more efficiently to assist in economic improvement.