HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Lamont of Lerwick
House of Lords
SW1A 0PW

Dear Lord Lamont, 8th May

During the debate on the Lords Economic Affairs Committee report into national debt, you asked whether the government's fiscal rules provide for an overall primary surplus.

The fiscal rules set at the Budget in October do not require an overall primary surplus, and it is therefore not a measure the government targets. The objective of the fiscal rules is to put the public finances on a sustainable path and prioritise investment to support long-term growth. The stability rule will move the current budget into balance, so day-to-day spending is met by revenues. The investment rule will reduce net financial debt (public sector net financial liabilities) as a share of the economy.

Targeting the current budget ensures a responsible approach to public spending and means that the government will only borrow for investment. Reducing net financial debt as a share of the economy keeps debt on a sustainable path, reducing the burden on future generations.

The independent Office for Budget Responsibility (OBR) confirmed in it's March forecast that the government is on track to meet its stability and investment rules two years early; restoring in full the current budget surplus to £9.9bn and broadly restoring headroom to the investment rule (£15.1 billion) to levels held at the Budget in October. While the government is not running an overall primary surplus, and although not targeted by the rules, the OBR forecast that the government is on track to run a primary surplus of 1% of GDP in 2029-30, which would be the largest primary surplus since 2001-02. Table 1.2 on page 11 of the Spring Statement document sets out the forecast for each year.

A copy of this letter will be placed in library.

Yours sincerely,

Spencer Livermore

FINANCIAL SECRETARY TO THE TREASURY