



PRESS RELEASE

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Statement on the Bill for an Act to amend the Public Finance (Borrowing Powers) Act 2008

The principal change which is provided for in the Bill for an Act to amend the Public Finance (Borrowing Powers) Act 2008 is the equalisation of the net debt provision to the manifesto commitment of reaching a net debt position of £300m. This was one of the issues debated in the election and spelt out in the public finance pages of the GSLP-LIBERALS' manifesto. In essence, therefore, the Bill gives effect to the programme for Government chosen by 68% of the electorate.

The practical effect is to keep the two criteria which are normally used to define debt levels in the rest of the world, namely the ratio of debt to GDP (which is also a criteria contained in the manifesto), and the cap, set at 8% of revenue, on the cost of servicing the debt. The ratio of 80% of revenue for limiting the size of the debt is removed because it has the effect of restricting the debt level, even when it is comfortably below the other two criteria, and exposes Government to unexpected fluctuations in income.

The Government looks forward to setting out the detail of the proposal during the course of the Parliamentary debate on the Bill.