

## Template for costing policies of opposition parties

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Description of policy
<p>A policy to balance the current budget in 2019-20.</p> <p>Source:</p> <p>“We will cut the deficit every year. We will get the current budget into surplus. We will get the national debt falling as soon as possible in the next Parliament” (Ed Balls, <i>Hansard</i>, 13 January 2015, <a href="#">link</a>).</p> <p>“Chris Leslie: Well we’ve said as soon as possible in the next parliament we want to get the current budget in to balance. “John Humphries: 2017? Or 2020? You’ve hinted at both. “Chris Leslie: That means at least by 2020 and hopefully sooner” (Chris Leslie, <i>Today</i>, 9 March 2015).</p> <p>“We will match the government's overall day-to-day spending totals for 2015/16.” (Ed Balls, <i>New Statesman</i>, <a href="#">link</a>)</p> <p><i>Note that this costing uses the Budget 2015 forecast, which was produced after these statements were made.</i></p>
Additional policy assumptions
<ul style="list-style-type: none"><li>• Assume all spending and fiscal variables are the same in 2015-16 as at Budget 15.</li><li>• Assume current spending equals receipts (as forecast at Budget 15) in 2019-20.</li><li>• Linearly interpolate current spending for 2016-17 to 19-20 (using 2015-16 as a base year).</li><li>• Assume all the other spending and fiscal variables follow the Budget 15 forecast</li><li>• As a baseline use the Budget 15 fiscal forecast</li></ul>
Additional technical modelling assumptions or judgements required
<ul style="list-style-type: none"><li>• The current budget deficit is the difference between the sum of public sector current expenditure (PSCE) and depreciation, and public sector current receipts (PSCR). The path of the sum of PSCE and depreciation (“current spending”) is interpolated by assuming a constant annual real rate of growth from the baseline in 15-16 to the level in 19-20 consistent with current budget balance.</li><li>• The amount of this overall increase in current spending that would go on additional debt interest has been calculated using the HM Treasury debt interest ready reckoner consistent with the Budget 15 forecast. This assumes that the increase in cash is equal to the increase in accruals.</li></ul>

If needed, information required on distributional effects of the policy

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Cost/Revenue to the Exchequer over five years

**The impact on current spending (public sector current expenditure (PSCE) plus depreciation), Public Sector Net Borrowing (PSNB) and Public Sector Net Debt (PSND) of a policy to balance the current budget in 2019-20 (with receipts and other spending following the Budget 15 forecast)**

	2015-16 (base year)	2016-17	2017-18	2018-19	2019-20
<b>Baseline (Budget 15 forecast)</b>					
PSCE+depreciation as % GDP	38.0%	36.6%	35.4%	34.5%	34.5%
PSCE+depreciation £bn	713.1	711.1	715.3	729.3	765.6
PSNB % GDP	4.0%	2.0%	0.6%	-0.2%	-0.3%
PSNB £bn	75.3	39.4	12.8	-5.2	-7.0
PSND % GDP	80.2%	79.8%	77.8%	74.8%	71.6%
<i>Memo: central government gross debt interest (£bn)</i>	46.0	50.7	55.2	56.3	57.4
<i>Memo: PSNI (£bn)</i>	29.5	29.2	28.6	30.0	31.8

<b>Policy being costed</b>					
PSCE+depreciation as % GDP	38.0%	37.6%	37.1%	36.7%	36.3%
PSCE+depreciation £bn	713.1	729.9	750.2	774.7	804.3
PSNB % GDP	4.0%	3.0%	2.4%	1.9%	1.4%
PSNB £bn	75.3	58.2	47.7	40.2	31.8
PSND % GDP	80.2%	80.7%	80.4%	79.4%	77.7%
<i>Memo: central government gross debt interest (£bn)</i>	46.0	50.9	56.0	58.1	60.2

	2015-16 (base year)	2016-17	2017-18	2018-19	2019-20
<b>Change: policy being costed relative to baseline*</b>					
PSCE+depreciation as % GDP	-	1.0%	1.7%	2.2%	1.7%
<i>Of which change in debt interest payments (£bn)</i>	0.0%	0.0%	0.0%	0.1%	0.1%
PSCE+depreciation £bn	-	18.8	34.9	45.4	38.7
<i>Of which change in debt interest payments (£bn)</i>	0.0	0.2	0.8	1.8	2.9
PSNB % GDP	-	1.0%	1.7%	2.2%	1.7%
PSNB £bn	-	18.8	34.9	45.4	38.7
PSND % GDP	-	0.9%	2.6%	4.6%	6.1%

\*Numbers may not sum due to rounding

- The base year is 2015-16. The policy is for current budget balance in 2019-20. The sum of PSCE and depreciation ("current spending") is grown in real terms at

a constant annual rate. The rate of growth is calculated to result in current budget balance in 2019-20. We assume that receipts and public sector net investment remain as in the OBR's Budget 2015 forecast.

- To calculate the impact on PSND, the assumption used is that, aside from the change in current spending, all the other spending and fiscal variables follow the Budget 2015 forecast. Nominal debt in each year is therefore increased relative to the baselines by the cumulative increase in current spending.
- no second round or other behavioural effects are assumed
- numbers are presented rounded to the nearest £0.1bn in nominal prices and as a percentage of GDP rounded to 1 decimal place
- changes to PSNB as a percentage of GDP and PSND as a percentage of GDP are the percentage point change between the baseline and the policy

Distributional effects (if none requested, any significant):

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Comparison with current system (if applicable):

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Other comments (including other Departments consulted):

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*To be completed by Permanent Secretary's Office*  
Date costing signed off:

11 March 2015

*[If applicable]*  
Date revised costing signed off:

19 March 2015