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**Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE**

Chris Leslie MP  
Shadow Chief Secretary to the Treasury  
House of Commons  
LONDON  
SW1A 0AA

3 October 2014

Dear Mr Leslie

**PUBLIC SECTOR FINANCES STATISTICS – DEBT AND DEFICIT**

Thank you for your letter dated 1 October 2014 regarding the statement made by the Prime Minister during his speech to the Conservative Party conference in Birmingham in which he said that the country “is paying down its debts”.

As you note in your letter, this is a similar matter to that about which I replied to your predecessor, Rachel Reeves MP, in February 2013.<sup>1</sup> As I said in that letter, it is clearly important for all parties to public debate in this area to understand the relevant statistical definitions and to distinguish changes in the level of debt outstanding from changes in borrowing per period, and to reflect these in their communication of the statistical trends involved.

Public sector net *debt* is a measure of how much the UK public sector owes at a given time. Public sector net *borrowing* is the difference between total accrued receipts and total accrued (current and capital) expenditure over a specified period; the measure of net borrowing is frequently used by commentators to summarise the extent of any public sector ‘*deficit*’.

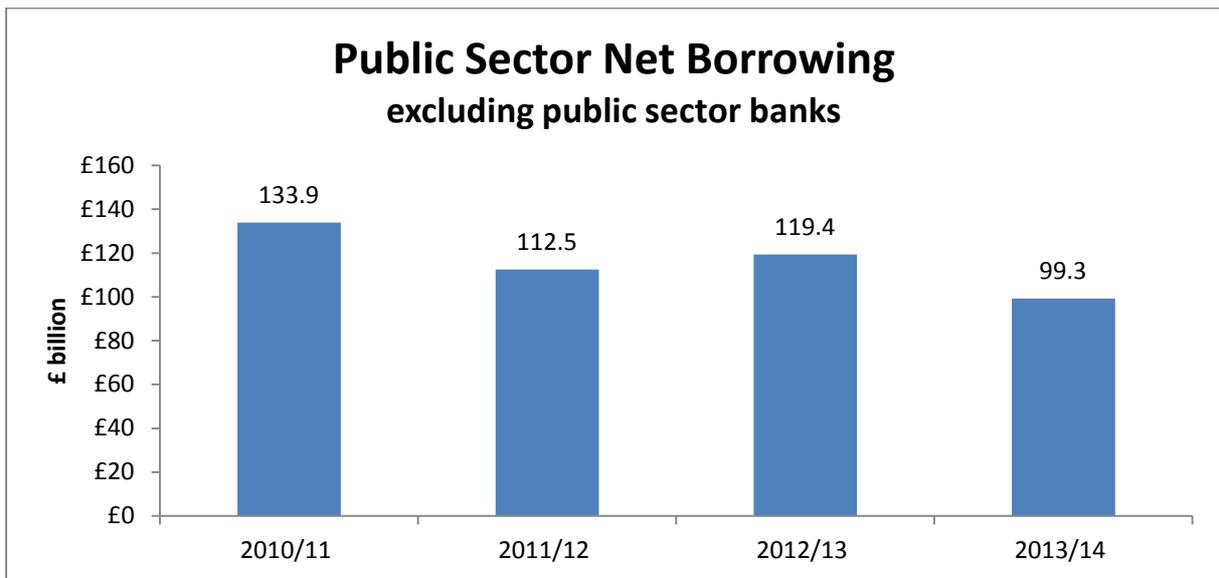
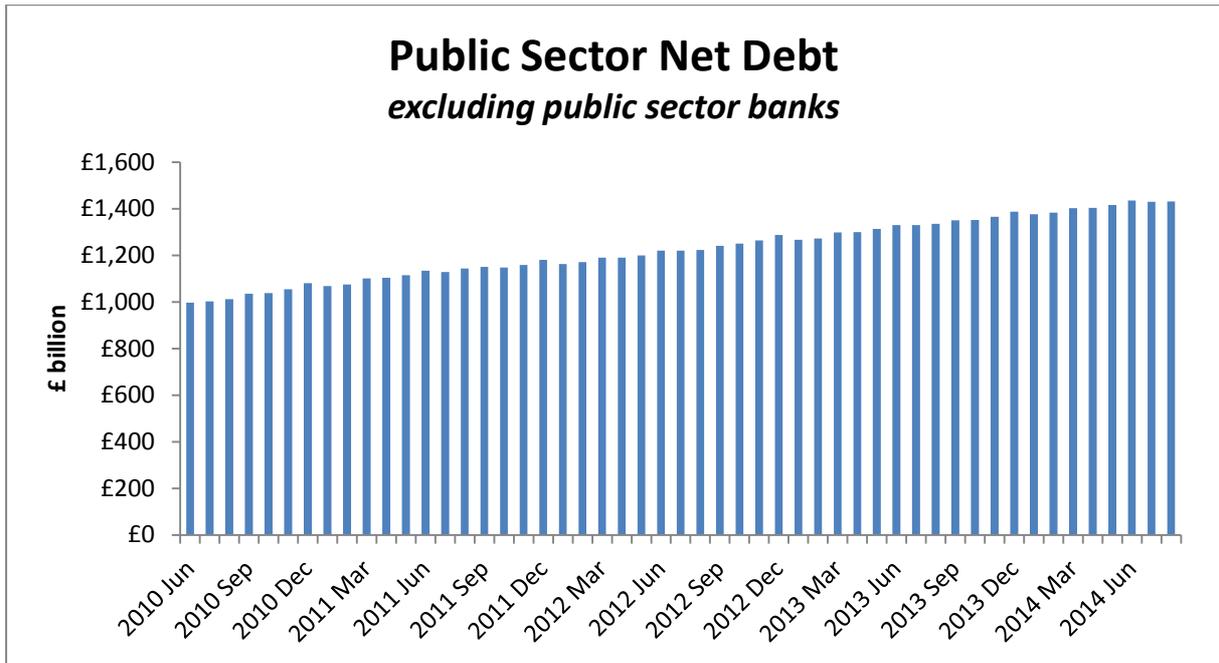
The latest National Statistics on *Public Sector Finances*, published by the Office for National Statistics on 30 September 2014, show that Public Sector Net Debt (excluding public sector banks) as at the end of June 2010 was estimated to be £997.4 billion (equivalent to 64.0 per cent of Gross Domestic Product) and £1,432.3 billion at the end of August 2014 (79.1 per cent of GDP), an estimated *increase* of £434.9 billion over the period. Public Sector Net Borrowing (excluding public sector banks) was estimated to be £133.9 billion in the 2010/11 financial year and £99.3 billion in 2013/14, an estimated *fall* of £34.7 billion.<sup>2</sup> The charts overleaf show the trends in more detail.

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-andrew-dilnot-to-rachel-reeves-mp---1-february-2013.pdf>

<sup>2</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/august-2014/stb---august-2014.html>

Public sector finances statistics, including historical data reported previously, have been substantially revised reflecting the move from the European System of Accounts (ESA) 1995 to ESA 2010, and the implementation of the new ‘ex’ measures defined as part of ONS’s 2013 Review of Public Sector Finance Statistics.



I hope that this letter sets out the Authority's position clearly.

Yours sincerely,

**Sir Andrew Dilnot CBE**