

Public Debt Management Bill

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Limit government budget deficits; to introduce a ceiling on public debt; and for connected purposes.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Budget Surplus Rule

- (1) The Chancellor of the Exchequer must ensure that the budget is in surplus by at least 1% of GDP over the course of each business cycle.
- (2) The beginning and end of the business cycle shall be determined by the Office for Budget Responsibility. 5
- (3) The Budget Surplus Rule will include all items of public expenditure, except interest payments on the national debt.

2 Annual Expenditure Limits

- (1) The Chancellor of the Exchequer shall announce in the Autumn Statement preceding the financial year in which this Act comes into effect what percentage of gross domestic product the government shall spend in each of the successive three financial years. 10
- (2) In each successive Autumn Statement, the Chancellor of the Exchequer shall announce what percentage of gross domestic product the government shall spend in the third successive financial year. 15
- (3) Subject to the provisions of section 4, public expenditure on all items except interest payments on the national debt shall not exceed the expenditure limits announced in each Autumn Statement.
- (4) Subject to the provisions of section 4(2), the level of the Annual Expenditure Limit may not be changed after it has been announced by the Chancellor in the Autumn Statement. 20

- (5) Overspends by individual departments must be offset by savings in other departmental budgets.

3 Additional responsibilities of the Office for Budget Responsibility

- (1) The Office for Budget Responsibility shall be responsible for forecasting gross domestic product in each successive financial year and recommending to the Chancellor of the Exchequer the real value of Annual Expenditure Limits in advance of each Autumn Statement. 5
- (2) The Office for Budget Responsibility shall publish quarterly reports on the government's fiscal performance against the requirements set out in sections 1 and 2 of this Act. 10
- (3) The Office for Budget Responsibility shall publish an annual report on the fiscal sustainability of the Chancellor of the Exchequer's proposed Annual Expenditure Limits.

4 Breaches of the Annual Expenditure Limits

- (1) In the event of war or a national emergency when extraordinary expenditure may be required, the government may ask the Office for Budget Responsibility for a view on how a breach of the Annual Expenditure Limits set out in previous Autumn Statements will impact on fiscal sustainability over the rest of the current business cycle and future business cycles. 15
- (2) If the Office for Budget Responsibility takes a view under subsection (1), the Chancellor of the Exchequer may only exceed an Annual Expenditure Limit in that financial year with the support of a majority of the House of Commons. 20
- (3) If the Office for Budget Responsibility determines in a quarterly report that an Annual Expenditure Limit has been breached, other than in accordance with subsections (1) and (2), the Debt Management Office shall be prevented from issuing further public debt until the Chancellor of the Exchequer has presented to Parliament a plan to bring spending back to a level determined by the Office for Budget Responsibility to be fiscally sustainable. 25

5 Financial provision

Any expenditure by the Office for Budgetary Responsibility shall be defrayed out of money provided by Parliament. 30

6 Short title, commencement and extent

- (1) This Act may be cited as the Public Debt Management Act 2012.
- (2) This Act applies to 2017-2018 and subsequent financial years.
- (3) This Act extends to England and Wales, Scotland and Northern Ireland. 35

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