

The government's latest accounts show its debt's fa...

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The government's own accounts, just released, show that its total liabilities owing fell between 2022 and 2023 by £1.5 trillion. They're now much smaller than the figure the government claims the national debt to be. The whole claim that we're supposedly burdened by debt is now complete nonsense. When will they admit it?

https://www.youtube.com/watch?v=nNcNuDKSKAc?si=-QvnVI0goBku1_1_

The audio version is here:

https://www.podbean.com/player-v2/?i=6nqb8-175405d-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

The UK national debt has fallen by £1.5 trillion this week, and that's astonishing.

Let me explain what has happened. The UK government has issued [what are called the Whole of Government Accounts](#). The Whole of Government Accounts represent everything that the government supposedly does, including central government, every single government department, all the local authorities in the UK - except in this case some of them didn't submit the data, but supposedly all the local authorities in the UK - all the hospital trusts, all the school and education trusts, and all the other related activities that the government undertakes through quangos and anything else you care

to think of, including the activities of the Welsh and Scottish governments and the Assembly in Northern Ireland. All of that is added together to make up this set of accounts.

So, it is a complicated process, but it is meant to provide a comprehensive view of just what's going on. And what is going on is something quite extraordinary. At the end of 2022 according to the government, the UK's total national debt, as shown on these accounts, came to a total of almost £3.9 trillion. Or, £3,874 billion, if you like.

The figures that I'm now putting on the screen come from those accounts and represent the total liabilities owing as shown on them.

| | | |
|---|-----------|-----------|
| Total liabilities to be funded by future revenues | (2,389.1) | (3,874.9) |
|---|-----------|-----------|

Now that figure of £3,874 billion is in the right-hand column because that's for 2022, and the figure in the left-hand column is the figure for 2023, and, as you'll see, that figure is a lot smaller. It's £2,389 billion that the government owed in total at the end of that year. And that is an astonishing fall.

The total fall is, in fact, near enough, if we compare the two figures, £1.5 trillion or just under £1,500 billion. And in case you don't count in billions too often, let me put that number in context. That's roughly half the total income of the UK for a year. And that is an enormous amount of money that the government no longer owes, according to its own accounts.

Now why did this happen? How did we suddenly become so much better off as a country because the government doesn't owe money? Well the answer is actually pretty simple. It is explained by the figures I'm now putting on the screen, and this is the line from those accounts which shows the total amount that he is owing in respect of pensions due to people who have been employed by the government but who have yet to enjoy the pension in question. And as you will see, in the year to March 2022, which is the right hand of those figures, £2,639 billion was potentially owing in the future to those pensioners. That's £2.6 trillion.

| | | | |
|-------------------------------------|----|-----------|-----------|
| Net public sector pension liability | 25 | (1,415.0) | (2,639.1) |
|-------------------------------------|----|-----------|-----------|

But by the end of March 2023, that figure had fallen to £1,415 billion, or £1.4 billion. So why has the number gone down so much? Well actually, very simply, and very straightforwardly, that's because the interest rate went up between the end of March 2022 and March 2023. So, what has that got to do with pension liabilities in the future? The interest rate is presumed to indicate the rate of return that will be made on

investments. And if the rate of return on an investment rises, and that is the implication of the increase in the interest rate paid by the government, then the cost of servicing the future debt obligations due to pensioners will fall because more investment return will be made in the meantime. So, in other words, just because the interest rates went up, the government owes a lot less in the future.

Now, you heard that interest rates went up because the government was in a mess, its finances were terrible, inflation was high, and everything was going to end up in disaster. But here's a totally different story. Because the interest rate went up - not something I'm entirely happy with, by the way, but because it did - there is a very major upside in the accounts. And that upside is that, in practice, our total debts, owing, as I explained, have fallen from £3.9 trillion, or £3,900 billion, near enough, to £2,400 billion, which is a figure significantly less than our total national income now.

Significantly less, in fact, than the government claims the national debt to be when it talks about that national debt, when it says it can't do things because the national debt is too great.

And what is more, even more perversely, in those same accounts, and because of this change, in fact, the government is shown as having net interest income in the year to March 2023 and not a net interest cost.

In the short term, of course, it did pay out interest, but in the longer term, this change in the pension liability does actually result in the release of interest expenditure previously put in the accounts by the government, meaning that during the course of the year it was shown to actually make a surplus with regard to interest costs.

So again, this whole government narrative that the government can't afford things because it's got to pay interest suddenly looks to have been shattered by their own accounts.

And the whole of the debt story, that we have a debt cost that is unaffordable, is suddenly shattered by their own accounts because it's not true.

What we're seeing is that one and a half trillion pounds of that debt can be written off in a single year simply by changing the interest rate.

So, do we need to worry about this debt? I mean, let's just put this remaining net government debt of £2,389 billion in context. If you presume that the pension liability that is owing might take up to 50 years to pay, because some of it is due in respect of young people now working for the government, whether as nurses, teachers, civil servants, or whatever, and might therefore not be paid out for 50 years.

If we spread that liability of £2,389 billion over 50 years, it doesn't come to a lot each year. It's totally affordable. It's under £50 billion a year. So, what are we worried about?

What is the great concern? Is this so burdensome on future generations that we have to crush the economy to manage it? Or is it just something that is there to be dealt with when the time comes? I'd suggest it's there to be dealt with when the time comes.

And in fact, there's another reason for that. Let me show you some more data within these government accounts. This table shows the amount of debt owing by the government, the amount of money issued into the economy by the Bank of England, and the long term debt owned by the government.

| | | | |
|--------------------------------|----|------------------|------------------|
| Current liabilities | | | |
| Trade and other payables | 20 | (168.6) | (160.8) |
| Government borrowings | 21 | (371.9) | (340.0) |
| Other financial liabilities | 22 | (948.0) | (1,030.4) |
| Provisions | 23 | (29.8) | (29.7) |
| | | (1,518.3) | (1,560.9) |
| Non-current liabilities | | | |
| Trade and other payables | 20 | (47.7) | (51.8) |
| Government borrowings | 21 | (1,382.1) | (1,235.7) |

Now, let me just talk through the numbers. Government borrowing due within one year, supposedly, was, in March 2023, £371 billion. The figure due after one year, which effectively represents the amount of borrowing that the government has got outstanding on what are called gilts or government bonds, was £1,382 billion. So together, a total of £1,754 billion. And on top of that, there was £948 billion of money in circulation issued by the Bank of England that we were using to keep the economy going, but which is shown as a liability on the government's accounts.

But this actually simply represents money created by the Bank of England.

Is any of that debt going to be repaid?

The government cannot withdraw the money in circulation issued by the Bank of England to any significant degree. It did go down during the course of that year by about £80 billion. It is planned to go down by about £100 billion in the present year, but there are plenty of reasons to be concerned if the government keeps going with this programme because there comes a point when the government clearly cannot take all the money that it is issued into circulation out of circulation, or we will have no money left to finance the economy, or to keep our banking system going, and so on.

So, the amount by which that £948 billion can be reduced is relatively limited.

And even if it is reduced, all that happens is, the amount of bonds in issue goes up by an equivalent amount. They literally are a swap, one for the other.

Has, the quantity of government bonds in issue ever fallen significantly?

No, never. Not since 1694, when the national debt in the UK was first created, in the total sum of £1 million.

Why doesn't it go down? Because, as I've explained in many videos, the national debt, these bonds in issue, are simply people's savings lodged with the government. And nobody wants to stop saving with the government.

So there would be furor and chaos and a nightmare in the financial markets the government tried to reduce the amount of national debt that was available for people to literally use as a mechanism for saving. In other words, none of that liability is going to be repaid.

So, what is the liability that's not going to be repaid? Well, actually in accounting terms, we call that capital. And capital is not something that we need to worry about, because in fact, it is actually the funding that the government can enjoy and rely upon and keep going with for a very long time. But that would actually reduce the net liabilities owned by the government to the point where we have net assets.

In other words the government isn't in debt at all if we properly treat the bonds in issue and the money created by the Bank of England as capital.

We would then have a situation where there is no debt left to worry about, nothing to talk about, no crisis, just an opportunity for the government to talk about how it is going to invest to provide all of us with a long-term future.

So not only do these accounts show that national debt has fallen by £1.5 trillion in a year, and the government's paranoia about interest costs is unjustified because they in fact made money out of financing the government during the year to 31st March 2023, but if we correctly treat the so called national debt, made up of gilts in issue, plus Bank of England created money, as the capital that the government has to fund its activities, then we are suddenly in the position that the government has a very healthy balance sheet.

We don't have a government financing crisis.

We don't have to constrain the role of government to keep future generations happy, because future generations should be very happy with this situation, because the government is on a sound footing.

And we should be asking, what should the government be investing in on our behalf? Because that's the question that these accounts beg, but which the government isn't answering.

And that's what really worries me about these accounts. They're not asking the right questions, so they're not getting the right answers, and we should be holding them to account for that failure.