

Everyone Complains About the Money. Nobody Asks Where It Comes From.

By Marcus Coetzee, April 2026.

There's a shortage of funding at all levels in the UK. We all know about this. People talk about it all the time, and everyone seems to be complaining.

I regularly hear charities complain about insufficient funding from local government. I hear local government officials complain about a lack of funding from the Scottish Government. I hear the Scottish Government complain about a lack of funding from the UK central government, and so on. Too many conversations are about people complaining about their share of the pie. And with local elections approaching, politicians are making unrealistic promises about new pots of money.

I think these complaints are largely valid. People and organisations want to do things but lack the resources. Those I work with are trying to fight poverty, protect the environment, and mitigate an array of other problems and risks.

But too few people wonder where the money comes from, and how to get more of it into the broader system. This has been on my mind for a while.

Imagine a pizza on the table and a set number of people to feed. A pizza typically has eight slices. If there are too many people, the slices must be cut smaller. Alternatively, some eat and others go without. But there is another option: make a much bigger pizza. This is an overly simple metaphor, but it captures how I have started thinking about public finances.

This essay explores where people and organisations, including the UK government, get their money from, and how that money cascades through the different tiers of the system. I explain why the UK government is running a deficit and urgently needs more money, and I highlight the risks that could make things significantly worse. This essay is not about how to balance the budget or achieve a surplus. That is a separate and well-debated question. It is about something that receives far less attention: where the money comes from, and how to grow the overall supply of it.

Writing is how I make sense of things. I wrote the outline for this essay at my gym one evening, on my phone between exercises, because I couldn't get the topic out of my head. I have tried to simplify things as much as possible.

Everyone Needs Money to Do Things

Money is an enabler. It allows organisations to pay for the infrastructure, goods, services, and people they need to do their work.

People get money from salaries and wages, selling goods and services, receiving government benefits, and from their investments. People need money to live, to make the most of their lives, and to invest in their future. I need more money, and so do you.

Community groups, charities and social enterprises get money from donations, grants, revenue and investments. Much of this funding comes through the three tiers of government and from other charities. These organisations need money to serve communities and advocate for causes.

Businesses primarily get their money from selling goods and services to customers, and from their investments in subsidiaries, physical assets and financial portfolios. They use this money to pay operating expenses, invest, and pay dividends to shareholders.

Local authorities primarily get their money from central government and council tax. I will use Renfrewshire as an example, since that's where I live. In 2024/25, its income came from the Scottish Government (80%), council tax (16%) and fees and charges (3-4%) for things like parking and waste. In that same year, Renfrewshire spent this money on education (36%), health and social care (30%), housing (11%), general infrastructure (10%) such as roads and lighting, and its own administration (11%). Renfrewshire was named Overall Council of the Year 2025 for Service Delivery, so I'm grateful to live here.

Devolved governments like the Scottish Government get their income from the UK central government in the form of a Block Grant, the amount of which is determined by the Barnett Formula, a controversial calculation strongly influenced by population proportions and largely neglectful of regional needs. In 2024/25, this Block Grant constituted two-thirds (65%) of Scotland's income; the remainder comes from devolved income taxes (29%) and other devolved taxes (5%). In that year, the Scottish Government used this money to provide social protection (30%) such as pensions and benefits, health services through the Scottish NHS (17%), education (12%) and local government services (10%) such as roads, housing and environmental protection. The Scottish Government is also required to pay an allocated share of the UK central government's finance charges (4%), over which it has no say.

Allocations flowing from the UK Government through devolved governments to local authorities are a constant thread throughout the system. Taxes also play a significant role in funding devolved governments and local authorities. While England doesn't have a devolved government, it is managed by the central authority in Westminster.

The entire tiered system is shaped by what happens at the top. Money cascades downwards. Policy at Westminster directly impacts the resources and wellbeing of every tier below it, so this is where I will primarily focus for the rest of this essay.

How Do Governments Get Money?

Governments that want to do more must either get more money or significantly improve their efficiency. In this essay, I want to focus on the former, because too few conversations interrogate this rather than simply complaining about a declining share of a finite pot.

I think of government income in four broad categories. First, income from taxes, which siphons money from economic activity. Second, income from fees, which are transactional and charged in return for services. Third, income from investments in state-owned enterprises and other assets. Finally, money also comes from borrowings, but this is debt rather than income and belongs on the balance sheet. I will explore each in the context of the UK government.

The UK government gets nine-tenths (89%) of its income from a wide array of taxes. Using 2024/25 proportions: income tax from employees (21%), national insurance (15%), VAT (15%), income tax from the self-employed (6%), corporation tax (8%), council tax and business rates (7%), excise duties (4%) and other miscellaneous taxes (12%).

The UK government earns a small but significant proportion (2%) of its income from providing services. These include fees for passports, driving licences, visa applications, planning applications, NHS prescriptions, and fines.

The UK government earns almost one-tenth (9% in 2024/25) of its income from investments and the assets it owns. Approximately 1% comes from dividends in businesses it owns, such as Network Rail, National Highways, the BBC and the Post Office. The other 8% comes from interest earned on investments such as student loans and foreign exchange reserves. This also illustrates why one politician's promise to scrap student loan interest rates is financially unrealistic.

The UK government also gets money through borrowing (loans and bonds), but this is a liability, not income. It belongs on the balance sheet and must be paid back with interest. In 2024/25, the public sector had a net debt of £2.8 trillion, which is 246% of its annual revenue, with interest payments consuming approximately 9.3% of its total income. The government is borrowing money each month simply to make ends meet.

How Can the Government Get More Money?

There are a limited number of proactive actions the UK government can take to improve its income. Intelligence and wisdom involve knowing which strategies are appropriate in which context.

The UK government must find ways to increase its income and cut costs since it is running at a 13.4% annual deficit. Using 2024/25 figures, it must borrow £153 billion each year to cover the gap between income of approximately £1.139 trillion and spending of £1.292 trillion. In other words, the government is operating like someone who consistently overspends on their credit card each month.

The following six strategies are all upstream interventions that will take between five and ten years to manifest. It is far better to start now than later. (See my [earlier essay](#) on the value of fixing upstream problems in an age of austerity.) Money cascades down through the tiers of government, reaching charities and people's pockets through benefits. Everyone will have less in future if the government doesn't urgently address this.

Strategy 1: Charge optimal taxes and improve tax compliance

The solution I hear most often is to increase taxes, usually with the caveat 'but not for me, only for rich people'. Taxation is a complex field and I'm not a tax specialist. But taxes that are too low are a missed opportunity, and taxes that are too high have unintended negative consequences. The art and science is finding the right balance where tax revenue is maximised over the long term. The [Laffer Curve](#) illustrates this problem.

Taxes that are too high throttle economic activity. This was the problem I faced in South Africa, which has a tiny tax base: 2.4% of people pay 77% of income tax according to SARS's 2025 tax statistics. I had entered the 45% bracket, working very hard to cover my bills while living simply by UK standards. I reached a point where working more was not worthwhile, and I was burned out. I was surrounded by people moving funds offshore and shifting their tax residency to more favourable jurisdictions. In contrast, I'm personally satisfied with my current tax rate in the UK and what I get in return.

Seeing capital flight in a developing country taught me how quickly funds and investment can disappear. This is my concern with the wealth taxes being proposed by certain progressives. The moment unrealised capital assets are taxed significantly, or capital gains taxes rise sharply, much of this money will move elsewhere, hitting currency values and future investment.

Tax compliance is worth mentioning separately. A research company I helped run conducted several tax compliance studies. Tax authorities typically use three levers: an authoritarian 'pay or else' stick, making it easier to file and pay, and a softer approach encouraging people to 'do the right thing'. The last approach only works if people believe their money will be well spent and that people like them will benefit. In my South African life before emigrating in 2021, I was doubly disincentivised: the government seemed inefficient and corrupt, I received little in return for my taxes, and I had to pay privately for services the UK provides automatically.

Strategy 2: Improve the business environment so that businesses can grow and pay more tax in the UK

A second strategy is to improve conditions for businesses and organisations so they are more likely to survive and thrive. More thriving businesses means more tax collected from economic activity. This is an area where I've done significant work, mostly as part of an economic development consultancy in Africa.

Businesses and other organisations consistently thrive under the following conditions:

- There is an adequate supply of people with the required skills, and reasonable conditions of employment.
- Interest rates for borrowing money are affordable.
- Government fees for services are reasonable and competitive, and bureaucratic red tape is minimised.
- There are high levels of trust between people and organisations, which reduces transaction costs and improves cooperation.
- Critical supplies are reliably available and affordable, which requires protecting critical global supply chains.
- There is a stable currency. Currency instability is a constant problem for businesses in developing countries, where a single event can devastate an industry overnight.
- Businesses have good access to local customers and profitable export markets.
- There is sufficient investment in businesses, specialised support and incubation.
- There is suitable, reliable and affordable infrastructure, including industrial areas, transport networks, and utilities.

- The Rule of Law is maintained. The government proactively addresses problems such as shoplifting, theft, protection rackets, cartels, and bribery. I'm concerned about the UK government's seeming inability to address petty crime, since a culture of impunity tends to escalate.

All countries develop strategies to improve conditions for businesses and grow sectors of the economy. I regularly stumble across remnants and memories of the shipbuilding industry that once dominated Glasgow, before it was outsourced to Asia in the 1960s and 70s. Critical industries come and go. The decline of coal mining is one example where most would say good riddance. The loss of shipbuilding from Glasgow is a rather different story, as anyone who has spent time in Govan or Clydebank would tell you.

Economic strategies should encourage local value-adding activities wherever possible, transforming raw materials into more valuable products. As products become more sophisticated, supply chains grow more complex, providing both more opportunities and more vulnerabilities.

Economic strategies should also create broad local supply chains where many local businesses can become suppliers. This is a core theme of Community Wealth Building, a local economic development approach gaining traction in the UK, which I critiqued in [an earlier essay](#).

Governments need to actively develop the industries they want. Beyond what I've already mentioned, common strategies include import tariffs, subsidies, trade missions and industrial clusters. To give one example: I worked for several years with an EU-funded impact investment fund in Zambia that strategically invested in 25 agricultural companies. All the businesses grew significantly and collectively created over 2,700 jobs, pulling 128,000 farmers into their supply chains at fair market rates.

The UK government is currently betting on eight priority areas (IS-8) outlined in the UK Modern Industrial Strategy (2025): digital technologies, financial services, life sciences, advanced manufacturing, clean energy industries, creative industries, professional and business services, and defence. The Scottish Government is betting on green/renewable energy, financial and professional services, life sciences, food and drink, and digital and technology. The UK strategy is heavily weighted toward high-tech and financial services; Scotland's has a stronger emphasis on green energy and food and drink, reflecting its natural resource base. (I've [written before](#) about how betting or estimating probabilities is key to successful strategies, so I'm happy with this approach.)

Strategy 3: Invest in people so they can earn more money and pay more taxes

A third strategy is to earn tax revenue from people, primarily employees and sole traders, through income taxes, national insurance, and VAT. While this revenue exceeds business taxes, businesses must grow in order to employ people who then pay these taxes. Strategy 3, therefore, depends on strategy 2.

Absorbing as many employees and sole traders as possible into the economy is essential. The more skilled they are on average, the higher their salaries will be, and therefore the more tax they pay.

Too much mechanisation and automation create efficient businesses with higher margins, but present two key problems. First, it employs fewer people, narrowing the tax base. Second, fewer people with salaries means a smaller domestic market, because people without income can't buy products.

When too few people are employed, an undue burden falls on a smaller group who must fund infrastructure, services and benefits for everyone else. This encourages skilled people to emigrate, as most of my friends and I did from South Africa, which further shrinks the tax base.

The demographics of the UK are moving in this direction. As the average age increases and the indigenous birth rate falls, this is a demographic time bomb and all alarms should be ringing. Immigration of skilled people can help, but it creates other challenges. A better long-term solution is to encourage citizens to have more children, provide conditions that make this possible, and then ensure those children are well-socialised and educated. On top of this, the government must build a common national identity, since solidarity is a key ingredient in tax compliance.

The UK government, like other governments, strives to improve the education and skills of its citizens to meet the needs of the future workforce. These strategies are devolved, so Scotland, England, Wales and Northern Ireland all have their own approaches. England recently released the Post-16 Education and Skills White Paper (2025), which estimates the country needs 900,000 more skilled workers in priority sectors by 2030. It is better to develop the skills of one's own population since this investment is more likely to be retained in the UK. Importing workers from developing countries also raises genuine ethical concerns: bringing in a doctor trained in Nigeria or Ghana at that country's expense is a form of brain drain that harms those economies.

All three devolved nations share four overlapping priorities: green/clean energy, digital and AI, life sciences, and advanced manufacturing. They are broadly aligned with England's IS-8 sectors, meaning skills investment across the UK is collectively pointed in the same direction – towards expanding the productive, high-wage, high-tax sectors of the future economy.

Overall tax revenue from people depends on having large numbers of local organisations earning good money, employing skilled people locally, who in turn buy the products of local businesses and invest their savings locally. Skilled and motivated people also start organisations, which employ more people. It's a virtuous circle that must be actively enabled, not just for now but for the decades ahead.

Strategy 4: Ensure that state-owned enterprises are profitable, and invest in additional critical businesses when feasible and viable

Governments can also earn income from dividends, the shared profits of businesses they own. This is the fourth strategy for getting money.

The UK government sold most of its state-owned enterprises in the 1980s and 1990s. Margaret Thatcher's government wanted to unbundle loss-making businesses from the government's balance sheet. I understand the need for these decisions, having given similar

advice myself. Running large loss-making businesses drains tax revenue, making the pie smaller.

The UK now earns less than 1% of its income from state-owned enterprises. Norway earns around 22% in a typical year, Sweden 3-4%, France and Germany around 2-3%. The difference is not incidental, but a direct consequence of political choices made four decades ago that no subsequent government has seriously questioned.

As explored in my [detailed essay on UK energy policy](#), governments capable of running large businesses successfully and profitably should invest significantly in water, energy and transport infrastructure and key supply chains such as mining and steel. In addition to increased tax revenue, state ownership of businesses that fulfil critical functions offers other benefits: an ability to influence prices, greater security of infrastructure and supply, the ability to cross-subsidise vulnerable households or areas, and the retention of all profits for future investment and public good.

Governments that cannot run enterprises profitably, without bailouts or significant corruption, as is the case in countries like South Africa, are better off taking a smaller equity stake or simply taxing profits. But there are real downsides to private ownership of critical infrastructure beyond the lost dividends.

Privately-owned businesses in critical sectors tend to be part of large multinational operations. They use corporate and financial structures to minimise their UK taxes, which is rational and legal, but a less visible cost of privatisation. These companies depreciate assets in the UK, reducing taxable profits. They finance new infrastructure through debt from parent companies based abroad, further reducing their UK taxable income. Parent companies can also charge for overheads and services provided from headquarters elsewhere. The result is that the UK has very little real control over critical infrastructure and supply chains beyond regulatory oversight, and these companies are motivated by shareholder returns rather than national interests.

The regulatory environment also matters. It is one reason why the UK builds nuclear power stations at approximately 5-10 times the cost, taking more than three times as long as it takes South Korea to build a 1,400MW station. The UK also simply hasn't invested in nuclear construction capability to the extent that France, China and South Korea have.

If a government must dispose of state enterprises, it should do so with long-term consequences in mind. Thatcher's government privatised bus services in 1986, creating a situation where multiple operators and ticketing systems now compete across Glasgow. This makes bus travel more expensive and more frustrating than in many other UK cities, which is part of why I often need to drive rather than take the bus. This is a bugbear of many Glaswegians.

I believe it is reasonable for a government to invest strategically in key assets, develop the capability to do so, and create the conditions where these organisations can succeed. But it is worth noting that buying back previously privatised enterprises costs significant money that the UK government does not currently have readily available.

Strategy 5: The UK government can also borrow money

A fifth strategy is to borrow more money. This is the equivalent of making a bigger pizza by borrowing ingredients from tomorrow's pizza. It only works if more ingredients will be available tomorrow. Borrowing carries real risks and is debt, not income.

In 2024/25, the UK had £2.8 trillion in net debt, which was 246% of its annual revenue. This required £106 billion in annual interest payments, consuming approximately 9.3% of total income. Nearly one-tenth of every pound the government collects goes straight out the door in debt interest. While this looks dire, it is still better than South Africa, which has similar debt relative to revenue but spends approximately one-fifth of its income on debt-related payments. This is because developing countries tend to have lower credit ratings and borrow at considerably higher interest rates, another significant disadvantage.

It makes sense for a government to borrow if it will invest in assets or activities that produce better returns in the future. There are also crises when borrowing is the only realistic option, as during the COVID pandemic. But it is far better to have emergency savings than to borrow during a crisis, since the government is unlikely to be in a stronger position to repay afterwards. It is never wise to borrow money to cover everyday expenses.

Governments operate on much the same principles as the rest of us. I wouldn't have been able to emigrate to the UK in 2021 if I hadn't lived frugally and saved throughout my life. I wouldn't have survived a family health crisis last year without emergency savings. I wouldn't have been able to buy my flat in Paisley without a mortgage. And I wouldn't have done my first degree without a student loan. Debt is a tool. It is useful in the right circumstances but dangerous when misused.

There is an important relationship between currency strength, debt levels, and the crises that can create a national debt spiral. This is intuitive to everyone I've spoken with in Africa, because it is lived experience there. Most African and other developing countries have their national debts denominated in a foreign currency such as USD, Euros or GBP. When their currency falls, the relative size of their debt increases. This further devalues the currency, creates inflation, reduces the government's spending capacity, leads to more internal problems, which devalue the currency further. Development economists call this 'original sin': these countries can never fully escape their debt and remain beholden to wealthier creditors.

The UK is fortunate that its debt is primarily denominated in pounds, its own currency. Even if sterling falls, the nominal value of the debt stays the same. This is a significant structural advantage over developing countries. But it does not mean the UK can borrow recklessly without a realistic prospect of benefit to future generations.

Strategy 6: Mitigate future risks to the availability of money

A final strategy is for the UK government to manage risks that could undermine the money available to it, while also increasing demand for government support. In our pizza metaphor, this means avoiding more hungry people arriving at the table, having a slice stolen, or leaving the pizza out until it goes cold and stale.

The UK government maintains a risk register tracking threats that could contribute to financial disaster. The most recent analysis is the Fiscal Risks and Sustainability Report (2025), published by the Office for Budget Responsibility. Six risks stand out to me and match what I've been contemplating over the past few years.

First, there is the risk of a major cyberattack on UK financial infrastructure. Russia, China and North Korea have all demonstrated offensive cyber capabilities and the willingness to use them. (I explored cybersecurity risks in detail in [my cybersecurity essay](#).) The UK's financial system is extraordinarily concentrated. A successful attack on a handful of institutions could freeze transactions, destroy confidence in sterling, and force emergency government intervention at enormous cost.

Second, there is the risk of a prolonged energy supply shock. My [energy policy essay](#) explored these vulnerabilities and made recommendations for creating a more robust system. A significant disruption to North Sea pipelines or LNG supplies could rapidly deplete the UK's limited reserves. Supply shortages combined with price spikes would increase inflation, reduce industrial output and force households into debt, reducing tax revenues and increasing demand for government support. I hope the current conflict involving Iran does not escalate further, since it can still become much worse in this regard.

Third is the demographic risk, which I touched on in strategy 3. The UK has an ageing population and too few young high earners. The UK will need to attract skilled young people and encourage them to settle here, while improving conditions for existing citizens to have children. This must be matched by genuine cultural integration and a strong national identity, so that taxpayers feel they are supporting their broader community. The UK will most likely need to raise the retirement age and keep more people in the workforce for longer, which in turn requires a functioning NHS. I am consistently concerned about my own retirement situation and am trying to save as much as I can while keeping myself fit and healthy.

Fourth is the risk of another pandemic or biological event. According to the Office for Budget Responsibility, Covid cost the UK over £300 billion and increased the government's debt by 18 percentage points. Another pathogen with high transmission rates, or a deliberate bioterrorism event, would cost the government money it does not have. This is no longer a question of 'if' but 'when'.

Fifth, there is the risk of physical infrastructure attack combined with terrorist or military activity, or widespread urban unrest. There are approximately 60 undersea internet cables and 100 offshore oil and gas pipelines, the kind that potential adversaries have already demonstrated the ability to destroy. Add to this water reservoirs and treatment facilities, critical electricity substations, LNG import terminals, road and rail chokepoints such as the Channel Tunnel, and major port infrastructure. Much of this is privately owned and built for efficiency rather than resilience. Successful attacks on even one or two of these would be catastrophic, with economic damage lasting months or years.

Finally, there is the risk of a loss of investor confidence. The UK government borrows money by issuing bonds called gilts: promissory notes where the government promises to repay the investor at a future date and pay regular interest in the meantime. When investors become uncertain about a country's financial prospects, or expect its currency to devalue, they demand higher interest rates or simply stop buying. This is precisely what happened in

2022 when Liz Truss's government announced a budget with significant tax cuts and no credible explanation of where the money would come from. Investors were alarmed, borrowing costs spiked, and the pound fell sharply. The Bank of England stepped in and created new digital money to buy gilts and stabilise the market. The Prime Minister resigned within weeks, and a full-blown crisis was narrowly averted. Given that the UK government is already £2.8 trillion in debt, runs a £153 billion annual deficit, and has very little fiscal flexibility, this type of scenario can happen again and be considerably worse.

The thread connecting all six risks is the same. The UK has very little financial flexibility. Any one of these risks would be serious. Two arriving in the same year would be catastrophic, rapidly reducing the money available for infrastructure, public services and social security.

Conclusion

At the beginning of this essay I raised the question of where people, organisations, local authorities, devolved governments and the UK central government get their money from, because I've heard them all complain about not having enough of it.

While reducing expenditure and achieving a balanced budget are important and widely discussed, this essay has focused on the less discussed question: how to grow the supply of money available to the government in the first place, and why this is so necessary.

The UK government needs to take urgent upstream actions now, both to mitigate the risks I've highlighted and to start creating the conditions for the tax base and revenue to grow. Both require policymakers to create a genuine sense of urgency and act boldly to address problems that most people cannot yet see. Otherwise, there will be considerably more to complain about in the future.

Policy makers are no doubt working on this. I assume they are experienced, qualified and skilled, and I hope they are mindful of the points I've raised. My only worry is their susceptibility to dogma and ideology, which can contaminate rational reasoning and restrict the range of options that are permitted to be considered. I saw too clearly how outdated Soviet-era ideology damaged the South African economy and deprived millions of people of opportunities and basic services. I have heard several experts describe entirely nonsensical government policy with the resigned observation: 'It's ideological.'

There is also a point where complaining about a lack of funds simply becomes tiresome and unproductive. The conversation needs to shift towards how the government should allocate its funds and how to access more of them.

My ambition is to contribute to the development of a good and resilient economic development strategy that addresses the concerns on my mind. It will also help me leave a legacy. In the meantime, I'll keep writing and sharing my thoughts with you.