Dodgy figures in the Autumn Statement

The Treasury keeps changing the figures it shows and withholds. I feel when reading Budget and Financial Statement books now I am being pushed into a view or judgement they want Ministers to make and readers to accept.

Let’s take the case of debt interest. They have decided to alarm everyone about the scale of debt interest. So they add to what all would agree is debt interest, the regular cash payments to lenders, the extra repayment amount on indexed debt which is not paid until the loan is rolled over for another one on repayment. With this year’s runaway inflation it more than doubles the apparent debt interest paid. So we are told on their definition debt interest has reached £120 bn or 11% of revenue this year.

That gives them the problem that as inflation falls away so will debt interest. So they will not tell us by how much in pounds. We can see it comes down on a graph from over 11% of revenue to 6%, so by 2024-5 on their odd numbers there is a big saving. Why not show us the cash interest figures for every year which are high anyway and offer a balance sheet line to show the increased cash cost of repayment of linkers alongside the real win of repaying the majority of the debt which is not inflation linked in pounds devalued by inflation.

There is then the assertion around half the adjustments to get the deficit down will come from spending reductions and half from tax rises. To make it difficult to check this they do not this time show the path for total tax revenues. The 50/50 is based around previous budgets and forecasts which had built in substantial increases in spending.

What this revision reveals is total spending will go up £133bn by 2024-5 compared to last year and by £224 bn by 2027-8. No sign of cuts overall. Income, mainly tax, can be derived by subtracting borrowing from spending. That goes up by £200bn between this year and 2027-8.

So to us mere mortals these budget plans are for a substantial cash rise in both spending and taxes. It will also on these numbers be a real increase in both, as they forecast inflation tumbling and going negative in 2025.

A Minister in office is not always in power

The events of recent weeks have shown that it is possible to be a Minister in office unable to see through changes of policy or enforcement of laws in ways the public and Ministers wish.

At the Home Office successive Ministers have made clear their wish to end people trafficking across the Channel. There has been a change of the law, yet still lawyers and legal processes conspire to delay final decisions on cases. People can claim to have been trafficked yet we do not seem able to return to their home from whence they were trafficked. People claim they are asylum seekers yet they have come immediately from the safe country of France, and often came from another safe country before France. Two Home Secretaries have now been briefed against and complained about by civil servants. The Ministers have doubtless become frustrated at the lack of help to design a law which works or to enforce a law which was said to work. The idea is meant to be Ministers set out the aims of policy and provide the resources, whilst officials get on with implementing it in the best way.

At the Treasury Ministers are told they need to follow Bank and OBR orthodoxy. There has been a notable lack of self criticism or curiosity as to how the UK has an 11% inflation rate when Ministers have endorsed a constant target of 2% inflation and left the Bank free to set interest rates, interfere in bond markets and oversee the overall banking system to bring this about. Nor has there been much public exploration of why successive OBR forecasts have been tens of billions out in recent years, and how this can lead Ministers to accept wrong judgements based on bad data. Treasury Ministers need to be more sceptical of the advice they are getting as so far it has landed us with an unwelcome inflation and may soon land us in an unwanted recession.

More money for Wokingham social care

I put the case to the Chancellor before the Autumn Statement for more money for Councils like Wokingham where social service demand has been exceeding available grant aid and tax revenue. I was pleased to see he has agreed and provided £2.8bn more for next year and £4.7bn the following year. I urge Wokingham Borough again to send in the detailed case for more money so the Council can get its fair share of these substantial new resources.

The OBR run the Autumn Statement

I said the OBR deficit forecast this spring for this year was likely to prove an underestimate. Yesterday the OBR put it up by 75%.

I said all summer we would go into recession unless they changed policy. The OBR did not forecast that in the spring. Now they are forecasting a recession all next year.

Last year I argued to end Quantitative easing by the Bank and Treasury to avoid inflation taking off. They went for another £150 bn of money printing and we now have a nasty inflation.

I now argue for some offset to the monetary tightening the Bank is doing and want them to stop selling bonds at a loss into the market. I fear they will carry on and make the recession worse.

I see the government are offering some offset to the recession policies with a boost to public spending this year and next. The money given to people and companies to help with energy bills and offset inflation will as the OBR says reduce the depth of the slowdown.

It would have been better to include some tax cuts to do this, VAT cuts help cut the inflation rate. Cuts in tax on business and incomes help confidence and may even grow the revenues faster.

The OBR have upped the ante with their bloated figures for debt interest including non cash items. These should come tumbling down as inflation falls. The Chancellor has done just what the OBR wanted. Their £50 bn black hole is bizarre. No one can say what the deficit will be in five years time. If we followed a more pro growth policy it would be lower than the 0BR say and could vanish altogether. If the Bank and OBR continue to dictate the black Hole will be bigger, driven there by a worse recession. £50 bn is less than the large revisions to OBR deficit forecasts in each of the last three years.

Steering the economy by OBR five year forecasts is like relying on a medieval map to get to a modern city.

Letter to Wokingham Borough Council

Dear Councillor Jones

I am very willing to represent the Council to government where it has a good case, and think we would serve Wokingham better if the Council consulted me before sending letters to Ministers. Ministers are busy people who do not have continuing conversations with every Council in the country issue by issue. They are my colleagues where I am in regular contact with them over Wokingham issues in the context of national policy.

I see you have recently written to the Health Secretary proposing a pausing of the social care plans. I have been recommending to Ministers that they put more money into social services in Councils like Wokingham where a case is made based on need, and have proposed a rethink of the social care policy. I wish to see the extra money concentrated on providing better services for those who are in need of social care support and wish them to improve the quality and range of service provision.

If you wish to influence government over a local matter it is best to concert efforts with local MPs, to have a well researched case for more money based on need and existing financial provision where money is involved, and to only seek a meeting with a Minister where there is some new issue or new way of thinking the Minister needs to understand through a meeting.

I continue to receive complaints about the money being spent on closing and narrowing roads and the plans for more restrictions of traffic on main roads.

Yours sincerely

Rt Hon Sir John Redwood MP DPhil FCSI