

Growth slows badly

The Treasury needs to concentrate on the recovery. Its wish to raise taxes and cut spending is damaging confidence and helping slow down what was a strong recovery.

There is now an urgent need to rescue the recovery. This needs a complete change of attitude and approach, and a new forecasting model to stop the crazily pessimistic forecasts of the OBR.

The Treasury should

1. Set out a new framework for policy based on the current 2% inflation target and debt interest as a percentage of revenue target, dropping the EU state debt targets. The government should add a growth target.
2. Cancel the National Insurance tax hike. We need more jobs not a further tax on jobs.
3. Cut Stamp duty on homes again to add stimulus to a slowing homes market.
4. Stop the further attack on self employment through IR 35
5. Buy more UK goods and services into the public sector instead of so many imports by tweaking procurement rules
6. Commission substantial extra electricity capacity to cut out imports and allow extra power for the electric revolution
7. Speed haulage drivers tests and training
8. Use farming subsidies and rules to promote more food growing – too much is being directed to wilding
- 9 Do more to make it easy for people to work for themselves, to set up and expand small businesses.
- 10 State sector to make contract opportunities available to smaller companies.

What does healthcare and social care cost?

The danger of associating one tax with one item of spending is people might believe that item of tax paid for that item of spending. This will not be true with the NHS or with social care and the new levy by a very large

margin.

According to the Treasury Budget document issued in March they plan to spend £230 billion on health this year, and another £40 bn on social care. The new proposed levy is a bit over 4% of those totals. People ask me if the Council Tax precept for social care will go when the Care Levy comes in. Of course it will not as the Care Levy is only 23% of current social care spending plus the extra from the levy. This assumes they will remove all the Care Levy money from the NHS as currently proposed. The Levy otherwise will pay a smaller percentage of the care budget if some is still needed for waiting lists.

If we wished to have hypothecated taxes to cover the cost of health then it would take all of Income Tax (£198 bn), all of Capital Gains Tax, all Inheritance Tax, all Stamp Duty and all the Property transaction tax to reach the £230bn figure. Maybe we should rename all these taxes as the Health taxes to show people how income and wealth is currently taxed extensively to pay for healthcare.

If we wanted a tax to hypothecate for social care why not choose the Council Tax which this year is forecast to be that same £40bn figure as the costs of social care.

The debate about waiting lists and about social care needs to start with the current budget figures. The health budget has risen from £166bn for 2019-20 (Treasury forecast in Budget 2018) to £230bn (Budget forecast 2021). It is true the pandemic imposed additional costs and needs on the system, but as these decline we still have much larger budgets than before the pandemic struck. I will look in a future blog at the management issues posed with such large sums of money. I will also return to the issues around social care which I have discussed before.

[The vote on a tax rise](#)

I voted against for a variety of reasons which I will set out in future blogs. It has been a busy few days trying to expose the spending issues over the NHS, the underlying problems with social care and the true state of the national finances. The media once again did not want to talk about the actual numbers. I was the only MP to start by reminding people how large the current NHS budget is and how big recent increases have been relative to the proposed tax rise.

Elections

The government this week moved to honour its Manifesto promise to tighten up on fraud at elections. There have been cases of impersonation, harvesting postal votes by individuals who wish to dictate the voting intention, influencing people to vote in a particular way through undue pressure or power over them, and voting more than once in the same general election by those with more than one residence.

Central to the government's response is to introduce the need for voter ID at polling stations, to cut out impersonation and vote theft. Controlling postal vote abuse is more difficult, though modern postal votes are addressed directly to the named voter and do include the double envelope system to encourage proper checks on the eligibility to vote and to give people the chance of privacy of their ballot. These precautions do not prevent a residential home manager or a dominant parent or guardian intercepting or influencing someone's vote in their care.

The government has allowed EU citizens exercising their right to stay here to continue to have a vote in local elections. New arrivals from EU countries will only gain such a right if their country offers a similar right to UK citizens living in their country.

Some express concern about the requirement to show ID to vote. As most other things we do today requires us to prove identity or enter through password controlled systems it is difficult to claim people will find this difficult. As someone who does not welcome more controls and use of passes, I do think voting integrity is crucial. I accept the need to have strong security on work computers for example requiring my ID to enter and would regard the integrity of the vote as very important. There have been enough cases of voter fraud to warrant some action to tighten up. Is this enough?

NHS and care costs

I do not understand how hypothecating a small part of National Insurance revenue for the NHS and social care works. Assuming the government presses ahead with an increase in National Insurance for next year alongside a dividend tax levy the bulk of the NHS and social care will still be paid for out of general taxation. The government is talking about 8% of the Health and social care budget for the UK being paid for from the levy. Each year presumably there would need to be an additional analysis of how much revenue the extra NI/Care levy would collect alongside a bid for total funds needed to pay for the services concerned, with the danger that the forecast of additional revenues was wrong. Potentially the care sector could get less than planned. I guess then the amount would be topped up out of general

taxation, further undermining the case for a small element of pledged tax revenue.

In the past the Treasury has always stood out against a specific tax financing a specific service for good reasons. This time they are assisting a muddle. How can we believe that the extra money going to the NHS from the NI increase will only be temporary? How can we be sure that chosen amount of extra NI will be the right amount for future social care needs? Past evidence suggests these public services always need more than planned. If 1.25% extra on NI would offer a permanent fix someone would have tried it by now.

The government should start with a wide ranging analysis of current social care, then proceed to what extra costs the state should accept. Paying for it is best settled when you know how big the bill will be and what you would get for it. Budgets are meant to be about priorities. If social care needs more maybe some less urgent or desirable expenditures should be discontinued. The Paper issued yesterday tells us to await a White Paper in the autumn on reforming social care, and on the integration of social care with the NHS. These might give us better insight into how much money the government will actually need to offer to the providers. The Paper does not provide the detail of how much people can claim under means tested arrangements to cover social care costs where they have £20,000 to £100,000 of assets. The lifetime cap on care costs is set at £86,000 whatever the person's wealth.