

# The Bank of England should cut the losses

I am trying to get more to put this case to the Treasury and Bank to stop the outrageous losses. Please use this text.

The Bank of England has received £49.4 bn in payments from taxpayers and the Treasury so far to cover its losses on holding and selling bonds.. OBR forecasts point to further substantial losses to come. They estimated these at £179 bn in the March budget papers. This year could see the need to pay the Bank of England a further large sum.

These payments increase the public sector deficit excluding the Bank of England, which is the figure used to assess how much headroom the government has to increase public spending and or reduce taxes. It is in everyone's interest to minimise these losses and to protect the taxpayer from the possible outcome forecast by the OBR.

There are three main sources of loss. Some of the bonds were bought at prices above the repayment value of the bond. These losses are unavoidable if the bonds are held to repayment. It is true if at some future date interest rates had tumbled and the price of the bonds have again risen above the repayment value you could then sell at a profit. We cannot assume that is going to happen anytime soon. Meanwhile there will be some losses as bonds mature.

The Bank is actively selling £100bn of bonds a year into the market, taking larger losses than if they held them to maturity, and taking the losses sooner than they need to. The Bank could stop selling these bonds, allowing them to be repaid in due course on maturity. Some mature quite soon, Others are long dated and can stay on the balance sheet. Stopping selling the bonds would stop a large amount of the total losses.

The European Central Bank and the Federal reserve Board also bought lots of bonds at high prices and have considered what to do with them. The ECB has decided not to sell any prematurely into markets that are now so much lower than when they bought the bonds. They will allow them all to run off as they mature with lower losses. The Fed has been selling some Treasury bonds but has recently stated it plans to halve the rate of sale, and to place more emphasis on selling shorter dated bonds where the losses are considerably lower than the losses on long dated. When interest rates are pushed up as they have been losses on longer dated bonds are much larger than on short dated, because you have to wait so much longer to get your money back.

The third source of loss is the Bank receives a lower rate of interest on the bonds it has bought than the rate of interest it pays the commercial banks for the money they deposit with it. All the time the Bank keeps the base rate as high as today there will be losses on simply holding the bonds. The ECB has decided it will no longer pay interest on minimum

reserves commercial banks have to hold with the Central Bank to cut these losses. The Bank of England and the Fed did not pay interest on reserves prior to 2006. The Bank of England could align its policy with the ECB.

These actions would lead to a substantial improvement in the UK public sector finances excluding the Bank of England. The Bank would not suffer as a result, as it admits these sales are not crucial to its monetary policy. These proposals do not interfere with Bank of England independence. The Bank's independence is over settling the Base rate and assessing inflation, which this does not change. The Bank says it acts as an agent for the Treasury over bonds. It needed the approval of successive Chancellors for all the purchases, and insisted on a Treasury guarantee against loss. As the Treasury is the guarantor it can also influence when these bonds are sold.

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## [My Conservative Home article \(unedited version\)](#)

This century has seen a great growth in the powers and reach of so called independent public sector bodies. The four main parties in Parliament usually cheered on and engineered these moves. There was a general buy in to the proposition that experts were better than political generalists, and that you needed to take the party politics out of large chunks of the public sector.

The new settlement was always flawed and never adhered to. Whilst the Opposition parties were usually hot to expose any Ministerial interference in these bodies, they were also keen to blame the Ministers when there was a bad miscarriage by them. They clung to the idea that experts are always right, as the evidence mounted that there can also be wrong or bad experts that can do damage if unchecked by commonsense and democratic accountability.

We have seen a long list of these bodies let people down, with hapless Ministers then held to account for the failings. The Bank responsible for the single main task of keeping inflation to 2% presided over 11% and blamed external forces and someone else. The nationalised Post Office imprisoned many of its honest and decent staff and plunged into heavy losses which taxpayers had to pay. Its independent supervisor UK Government Investments looked the other way and left Ministers to explain and rectify. The Water Regulator watched as water companies failed to invest in more pipes and capacity, leaving Ministers to explain how we could clean up our rivers whilst keeping water bills to realistic levels. The Environment Agency allowed the Somerset levels to flood, damaging farms, before Ministers stepped in to tell them to man the pumps and keep the ditches and rivers free flowing.

All of these regulators and nationalised industries have a so called sponsor department which is meant to monitor and guide them. The department needs to know how much they will cost taxpayers, negotiate over

money, charges and performance going forward and be a critical friend of the body in government. When I did this job as a sponsor Minister I usually held an annual budget meeting with each of the important bodies to go through their need for public funds, their charging policy, their service quality and their general efficiency. I would often hold a meeting before the publication of the annual report to go over what they had achieved and to hear what their report would say. Their leadership was responsible for how they managed the operation, for the outcomes, and for recommending the way to achieve the stated objectives laid down by government and Parliament. I was responsible for reporting to Parliament on their successes and failures, so I needed to know how they were doing.

Today in the case of a nationalised industry like the Post Office or Network Rail there are three supervisors in the mix. There is UK Government Investments, there is a sponsor department and there is the Cabinet Office/Treasury complex. It would be good to establish a single lead in each case. It is difficult to see what value UK Government Investments adds, so why not wind it up.

It is strange when we see the disasters at nationalised HS 2 or the failures of the water and environmental regulators that the cry goes up we need more nationalisation and more independent regulation. There is no evidence that our main nationalised industries have done well and are a model to follow. I will continue to make the case for more choice and private capital in state activities where people pay for the product or service they use.

If we take the UK media sector the large presence of the BBC and the allied presence of Channel 4 as public sector broadcasters has marginalised the UK in the vastly expanding and fast changing media world beyond the UK dominated by the US majors Comcast, Disney, Charter, Netflix and Paramount. The combined turnover of these big five US media conglomerates is \$285 bn compared to just \$7bn for the BBC. The largest has a turnover 17 times the BBC. It is true some of them offer broadband services as well as entertainment and news, but this is now an integral part of broadcasting. Non UK BBC, where we ought to compete commercially, has a turnover of just \$1.4 bn. The BBC has a world non UK commercial company which is tiny in comparison to the US success stories, held back by public sector financing and regulatory constraints. We could keep the licence fee and national programmes people like domestically whilst freeing BBC World to raise its own money and expand its service to compete more effectively with the modern media giants.

Whilst some people vote for more nationalisation, they express growing preferences for free enterprise US solutions to many features of their lives. They buy more and more US entertainment, shop at Amazon. use Microsoft software, search with Google, talk to friends with Meta and use Apple devices . The UK and the rest of Europe is falling behind in ways nationalisation and beefed up regulators cannot remedy.

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## California Crossroads

I called in today as a local resident to refuel at the garage. The works I am told are now running behind schedule. The local businesses are suffering very badly. Turnover is massively down with many customers unable to get there or to park easily. We local users did not want the junction changed and certainly did not want roads closed for weeks on end. We want the local businesses to flourish and to be accessible. One business I was told had its electricity cut off without warning. Residential roads are clogged with cars trying to get round the closures.

Why didn't the Council listen to local opinion and the Opposition Councillors who warned them not to proceed? Why did they proceed with no plans to help the local businesses? Why is there no compensation for lost business? Why are the works over running? Why did the Council tell us it would make things better and that it was on schedule? Why do some Councillors who voted for it now want to blame anyone but themselves?

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## The IMF were wrong. It's wasteful spending that needs to go

The IMF like the left wing parties says there must be no unfunded tax cuts. Like them it does not complain about unaffordable wasteful spending. Indeed it argues spending needs to go up. Why?

There is so much to be done by getting a proper grip on spending. There is no need to let the Bank of England lose another £40 bn this week on top of the £49 bn they have already billed taxpayers. It is a needless disgrace.

There is the identified £20 bn of lost public sector productivity the Treasury put in their last plans. Why is it taking so long to get it back? Why do they need to spend to save when the task is to get back to 2019 efficiency levels?

There is the announced sale of Nat West. Why are we waiting? Why are the proceeds spread over three years in the forecasts? That's another £8 bn. The OBR puts £3.2 bn of the proceeds into 2025-26

The large losses and cash absorption by the railways needs controlling better, with a proper plan to increase fare revenues. £33 bn of subsidy and investment spending is too high.

Introducing a ban on external recruitment to the civil service and public sector admin would help. Getting rid of bad quangos like UK Government

Investments and selling off the British Investment Bank would be a good idea. Making a big reduction in legal migration would cut demand for more social housing and public service capacity .

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## A football regulator?

It is fashionable amongst the political parties and some football fans to demand a Statutory "independent" football regulator. Some fans support such a change as they are critical of some club owners or managements and think a Regulator might be able to sort things out for them .

I fear the prospect of an all wise Regulator who would just happen to bring about change in each club that fans would like is a good dream, but difficult for any appointed Regulator to achieve. A Regulator faces very difficult pressures when Team A claims rival Team B has broken rules and then Team B responds with a counter claim. The more rules there are, the more disputes. Where two or more teams are in dispute any verdict will upset a lot of fans.

Football is a popular sport. It is entertainment. It attracts a large number of rich individuals and some companies that like the game and want to spend their money on trying to build a winning team. Some do make more money out of it by succeeding in getting their team promoted and so generating more revenues. Some make money out of associated property development and retail opportunities using the club assets and brand. Many just spend their money on the costly hunt to transfer talent and then pay mega salaries to retain good people which can end in financial losses.

The FA is the regulator. They believe there needs to be rules over how much money a club can spend and borrow and rules over how clubs attract and retain talent. There obviously have to be game rules all accept, and rules over how you win or lose in league and cup competitions. It is difficult to see how an independent regulator could usefully change FA rules over most of these matters. The FA itself is discovering that its efforts to regulate club finances using penalties that include reducing a teams points in the league can upset fans and make rivalries more bitter. What is best settled on the pitch ends up being settled by lawyers.

If we do set up an independent Regulator under Statute law there will then be a wish to drag Ministers into decisions. When too many fans become critical of the Regulator the cry will go up for Ministerial interference or for some change of the law.

There is a good case for an element of fan ownership or for clubs to be established as trusts owned by fans. This would need to be arrived at with agreement or from buy out of the existing owners. All the time the football model is based on bidding ever higher sums for a small pool of well known

players and managers clubs will turn instead to billionaires to help fund their expensive habits. Fans will not have sufficient collective money to pay the sky high prices of the famous. They then have to live with that relationship. The rich shareholder is well advised to keep on the right side of the fans. The fans offer the team support, pay high prices for tickets and buy the merchandise. I do not think politicians should tell football clubs and the FA how to finance themselves. There must be no question of taxpayers bailing out clubs.