

The Bank seeks to slow the economy some more

As I have reported before, the Bank of England has been tightening money conditions for sometime because it wishes to slow the UK economy. It has recently increased the base rate to 0.5%. It used macro prudential policy to seek to rein in consumer credit. It has been particularly successful at reducing car loans and it refers to this in the latest Inflation Report. The government has also been active in cutting car demand with its high VED taxes on dearer vehicles introduced last spring and its attack on diesels. Mortgages are a bit dearer and higher Stamp duties and BTL taxes have also hit the housing market.

This month the Bank ends the Term Funding Scheme for the commercial banks, a scheme designed to ease credit conditions a bit. Now in this Report we hear that the Bank wants to get back to the inflation target faster, and expects to have to raise rates again to do so. Meanwhile there has also been an additional monetary tightening through the increase in the exchange rate in recent months. So why is the Bank doing this when most people want to see a bit more growth?

The Bank has gone back to its idea that the UK economy can only grow at a fixed pace, and if it starts to grow faster than the trend increase in capacity it will cause more rapid inflation. The Governor himself has questioned this theory in a good lecture he gave pointing out that if you are capacity constrained then you can simply import more, keeping prices down. You can also invite in more workers from abroad, keeping wages down as has been happening on a large scale in recent years. It is difficult to know why the Bank thinks the UK trend growth can now only manage 1.5%, and why they ignore the sensible thoughts of the Governor on the impact of the global economy on prices and wages. They also need to ask how flexible the economy is to scale up capacity. We see new capacity going in and there is plenty of corporate cashflow to invest. Many companies are expanding capacity considerably by continuing to recruit extra staff.

It is also curious that they seem to have an asymmetric and distorted view of sterling and its role in inflation. Apparently a recent devaluation is causing most of the price rises we are seeing, but the more recent strengthening of sterling will not redress this sufficiently. They tell us sterling is 15-20% down on the levels of November 2015. That was of course a peak level. Sterling on the trade weighted is currently around the levels it was at for a long period from 2009 to 2014. Against the dollar is almost back to the pre referendum vote level. If you want to see a big devaluation which did not reverse you need to go back to 2008-9 when sterling was badly damaged by the banking crisis. That devaluation did not generate as much inflation as some expected.

The Bank claims that Brexit uncertainty is a big factor in the UK economic performance. There is precious little evidence to support that. The Bank,

after all, has had again to scale up its growth forecast for the UK, which paradoxically gives it a better excuse to tighten money more. Consumption remains the main driver of the UK economy. I don't meet lots of people telling me they have cut back on their shopping because of Brexit. If, as the Bank now thinks, wages are going to pick up a bit that should be good news for consumption and therefore for economic activity.

[Press release: Cyanide spill in Derbyshire still being assessed](#)

Environment Agency officers are continuing to investigate and monitor the impact on the local environment following an accidental chemical spillage at an industrial unit on Adams Close, Heanor, Derbyshire. The accident caused a spill of around 400 litres of liquid cyanide, some of which leaked into a nearby pond.

The incident happened on Tuesday 6 February and Environment Agency officers were immediately on the scene along with colleagues from Derbyshire Fire & Rescue Service, Severn Trent Water and Derbyshire County Council to manage the spill and minimise the risk to the environment.

Environment Agency officers are now in their third day at the scene and are continuing to take water samples and are assessing any potential environmental impacts this spill has had on the local watercourses and ponds.

Penny Thorpe, Area Duty Manager at the Environment Agency said:

Our officers have been on site since the incident occurred on Tuesday and have worked alongside Derbyshire Fire and Rescue and Derbyshire County Council to contain the spillage in order to minimise any effects on the environment and wildlife in the surrounding area.

A temporary dam has been created in order to stop the spillage leaving the pond and to prevent any further contamination and our officers will continue to monitor the environment for any other impacts from this spillage.

We have taken water samples from Adam's pond and the brook further upstream to help us establish the best way to clear the environment of any contaminants that may remain, we will also be investigating the cause of this spill and following up with action as necessary.

Our staff work 24/7 to protect people and wildlife from pollution incidents, if you see pollution in your local river, call our

incident hotline on 0800 80 70 60.

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[Press release: Oxford flood scheme moves a step closer](#)

Updated: Now with links to YouTube videos about the Oxford scheme.

The £120m Oxford flood alleviation scheme, which will reduce flood risk to homes, businesses, and transport in Oxford and the surrounding area, has moved a step closer.

The Oxford flood alleviation scheme partnership has just announced that it has secured the funding for the scheme, which will include at least 15 hectares of new habitat creation, 7 new bridges and 2.6 kilometres of new flood defences.

More than £65m in funding has already been committed by Government. A record amount of partnership funding totalling over £55m has now been given by a wide range of partners. Investment has been secured from Oxfordshire Local Enterprise Partnership, Thames Regional Flood and Coastal Committee, Oxfordshire County Council, Oxford City Council, Thames Water Utilities and the University of Oxford.

Joanna Larmour, Project Director at the Environment Agency, said:

This is a huge scheme – one of the biggest the Environment Agency is working on – and when complete it will not only reduce flood risk to homes across Oxford but it will also protect vital infrastructure, enabling the city to keep moving during flooding. It will also benefit communities and wildlife in a number of ways, including improving existing public footpaths and creating new habitat for wildlife and improving biodiversity.

Today's fantastic news shows that working in partnership can help us get the best scheme for Oxford. We are very pleased that our partners have recognised the multiple benefits it will bring and helped us secure the funding required to progress the scheme to the next stage.

The scheme will benefit everyone who lives, works in or visits Oxford. As well as reduced property flooding, the railway and Botley and Abingdon roads will be protected keeping the city open for business during future flooding. There will also be fewer flood related electricity, telephone and internet disruptions. The scheme will allow Oxford's successful economy to continue to thrive and also provide environmental benefits and a longterm green legacy.

County Councillor Yvonne Constance said:

The flood relief channel has been a hope for many people for a long time. Now we are at the stage where it has the funding it needs to be made into a reality there will be thousands of homes and businesses protected from the devastating effects of flooding.

Clearly there is still much work to do, but this funding announcement means we can continue to work in partnership to move forward to the next stage.

Councillor Susan Brown, Leader of Oxford City Council, said:

The Oxford Flood Alleviation Scheme will bring huge benefits to householders in West and South Oxford, and to all parts of the business community. I am delighted that we have been successful in our application for this final tranche of funding.

HM Treasury approved the outline business case for the scheme in November 2017. This detailed that full funding for the scheme had to be committed before it could move to the next stage. This has now been confirmed, thanks to increases in contributions from the scheme partners.

The total amount covers the design and construction costs to deliver the scheme. The project team will now work on the Full Business Case, which will be submitted to HM Treasury later this year. Partners will continue to work together on ongoing negotiations with external companies for future investment in the scheme.

The Environment Agency will submit the planning application for the Oxford flood alleviation scheme in March. It will take approximately 3 years to build the scheme, which is designed to work with the natural floodplain west of Oxford.

[The route of the Oxford flood scheme](#)

[Flood risk in Oxford before and after the Oxford flood alleviation scheme](#)

[News story: Improvements to Mare Harbour jetty in Falklands complete](#)

Work to upgrade the jetty in Mare Harbour was officially opened recently by Geoff Robson, Defence Infrastructure Organisation (DIO) Chief Operating Officer.

The improvements to the roll on roll off jetty are part of a £19 million

contract with VolkerStevin for design and construction.

The new facility will enable larger 20,000 tonne Point Class vessels to berth in the harbour, delivering up to 85% of the military supplies such as hardware, food, building materials and commercial freight needed on the Islands. The new berthing facilities on the jetty will allow goods to safely roll on and roll off from the Falkland Islands Resupply Ships (FIRS). The deliveries made by these ships are vital to military capability, maintaining life on the Islands and to ensuring the complex schedule of building and development works continue as planned.

In addition to the jetty, VolkerStevin has also replaced walkways along the berth, lighting improvements, capstans and a PA system. Firefighting capabilities have been upgraded as well.

This £19m contract is part of a £180 million overall investment by DIO to improve facilities on the Islands over the next 10 years. Additional works include improvements to the power station at Mount Pleasant Complex as well as new services accommodation at the 3 Remote Radar Heads on the Islands. There are currently around 1,200 military and civilian personnel based in the Falklands supporting defensive air, naval and land assets, including RAF Typhoon aircraft, helicopters, Royal Navy patrol vessels and an Army infantry company.

Minister for Defence, People and Veterans, Tobias Ellwood said:

The opening of this new jetty is an important milestone in our 10 year programme to modernise defence infrastructure on the Falklands. We're investing £180 million on the Islands that will benefit its residents, as well as service personnel and their families who live, work and train there.

David Graham, Deputy Head of International Projects at the Defence Infrastructure Organisation, said:

This new jetty will improve military capability in the Falklands as the previous harbour berth was unsuitable for the new Point Class ships. This significant investment by DIO will modernise defence infrastructure in the Falklands for years to come as well as enhancing life on the Island for our personnel and their families.

Commander Bill Dawson, Queen's Harbour Master, East Cove Port said:

Improving our RoRo facility here has been vitally important, and allows us to safely berth the much larger vessels needed to sustain our military capability here in the Falkland Islands. We were delighted that DIO appointed the experienced maritime company, VolkerStevin, as their prime contractors, a clear investment in

proven quality. In particular their safety and environmental awareness has been excellent, and the opportunity to work with Falkland sub contractors has been a really important initiative. Delivery of the new facilities here at East Cove Port, to time and very high quality, is the outcome of good project management by the prime contractor, and an excellent relationship with myself and the port as clients. We now have a really robust facility that will last for many years to come.

Terry O'Connor, operations director and DIO account director for VolkerStevin said:

We are delighted to have handed over the Ro-Ro berth a month early, this latest berth upgrade continues our successful relationship with the DIO and the Royal Navy.