

Controlling public spending

The Treasury is worried about the need to control spending as it still wants to eliminate the deficit during the next decade and to reduce it this Parliament. Its task is likely to be made harder by the well leaked suggestion that the OBR will slash their forecasts for productivity growth for the next five years, which in turn will cut their estimates of tax revenue and boost their forecast for the deficit. This is the body which was too pessimistic this year with its deficit forecasts. The deficit so far is £13bn less than their guess.

I am all in favour of eliminating waste, spending more wisely, and concentrating spending on priorities. I would suggest the Treasury could do a much better job in each of those areas. It also needs to get its own views into line with public perceptions of where we are spending too much and where we need to spend more. Here are some areas for savings.

1. The EU. The Treasury seems to be in the lead to carry on paying large sums to the EU for as long as possible, and even to pay them a large lump sum we do not owe them. They need to understand that a majority of voters wants to end our contributions in March 2019 and has no wish to pay them any additional money, as there is no legal requirement to do so. This would be the single largest saving the state has achieved for a good few years.
2. Overseas Aid. Parliament is unlikely to want to revisit the pledge to pay 0.7% of GDP, but many MPs as well as voters do want to make sure we spend the Overseas Aid on items that help. We need to revise our and the international definitions to make sure that all military spending on disaster relief, peace keeping and in some cases peace making is charged to the Overseas Aid budget. We need to ensure that when we go to help Caribbean islands the money spent is also charged to Overseas Aid.
3. Railways. We need better financial discipline at Network Rail where I have in the past highlighted their losses and questionable expenditures. We need more rail capacity but this should be primarily brought about by smarter signalling. If we pressed ahead with this we would not need to build expensive new lines as we can run more trains on what we have already.
4. Housing. A good system for more homes for sale will limit the amount of public capital needed to provide more homes. Moving to a new borders and migration policy could also cut some of the pressures on the housing budget.

We do need to spend sufficiently on schools and hospitals, and need to provide the cash for pay rises as these come through in the public sector.