Headroom for tax cuts

Briefings from Treasury and OBR say little room for tax cuts. This is all based on OBR forecasts which have been wildly wrong in recent years. They have mainly been too pessimistic about revenues, greatly exaggerating the deficit.

The government must help itself by curbing spending and correcting obvious forecasting errors. Here are some key items.

1 Debt jnterest has soared thanks to the addition of the non cash item of indexing debt to the genuine cash payments and costs of higher interest burdens. Having terrified us with a surge to over £100 bn of so called debt interest, we should see a big drop of at least £35 bn in interest costs going forwards as the inflation rate this year subsides. They only showed £17 bn of this in the budget numbers.

2. The government has promised to cut legal migration by 300,000. This will create substantial savings on additional subsidised benefit top ups, revenue costs of extra NHS and education service and the additional capital costs of extra provision. New arrivals need subsidised homes, school places for children and health capacity. This should save £75 bn over the next few years using the old EU number on costs adjusted upwards for recent inflation.

3.There should be a write back for losses on Bulb which were probably overstated in the provisions

4.Cancel gilt sales by Bank of England. With overall Bank losses currently running at £34 bn so far this year, ending market sales at low prices would save a substantial part of this

5. Get public sector productivity up by half the amount lost since 2019. Thus would save an estimated £15 bn

6 Re phase and require much larger private sector contributions to any carbon capture and storage projects. We cannot afford £20 bn public money or anything like it on this.

7. Railways – Require faster reduction of deficit and grants