

Paying the bills

I see in the press stories about alleged tensions between the Treasury and the PM's Office about the magnitude of future bills and the affordability of the government's programme. I agree with the PM that the U.K. should be willing to pay to support the economy, individuals and business all the time some jobs are banned and businesses shut to contain the pandemic. The Treasury largely did this but was unhelpful to some small businesses and the self employed for no good reason and is reluctant to continue the support for the delay in Freedom day. The budget deficit last year was very large but came out well below Treasury forecasts. It is highly likely it will contract quickly as soon as we have a full and vigorous recovery. Threatening tax rises or ill judged spending cuts now will delay recovery and might worsen the deficit.

It is however important the Treasury provides a voice for value for money and for sensible priorities on spending. Let's look at a couple of the alleged battles looming up.

The first is the issue of the next upgrading of the Retirement pension. The Conservative Manifesto promised to maintain the triple lock, which says the pension will go up by the largest of 2.5%, inflation or average wages. Most of us Conservative MPs want to keep the promise. This April wage growth hit 8.4%, showing how distorted the figures are by the affects on the base from lockdown and massive shedding of lower paid jobs during the emergency. Most people have had nothing like a 8.4% pay rise. Maybe as we see the next few months figures some of the distortion will unwind, removing the anomaly. Maybe the July figures which will be used for the September pension updating will still flatter.

If the Treasury wants to rid itself for one year of the wages part of the triple lock then it needs to tell us why and what it thinks would be a fairer figure. It should consult and trust the public. It should not simply insist on tearing up a Manifesto promise. It would need to set out what it thinks the underlying increase in wages and living standards is adjusted for the distortions on the CV 19 labour market and see if enough of the public agrees before venturing change. Clearly recent figures for wages are not a good representation of a general increase in income which the triple lock was designed to copy for pensions.

We also read that the Treasury is not in favour of a new U.K. ship to help represent us diplomatically and commercially around the world. The capital cost is modest relative to the HMG capital budget and the costs will be spread over several years. The vessel must be built in the U.K. which would generate some offsetting tax receipts. It is strange the Treasury did not sort this out before No 10 briefed all the main outlets and released an illustrative picture. Sometimes you should be bold and spend a bit to boost future business and influence. Such spending would be better than a bigger advertising budget for example. The Treasury could find more offsets.

The big changes that come from ending lockdown must result in early and big savings. Ending all the special support measures and cutting back all Covid related spending should make a big difference. Implementing the ideas I and others have put forward to get more discipline and control into quango budgets would also help. Controlling public spending is hard graft and lots of detail. The Treasury needs to work away at raising productivity and getting better value for money whilst not cutting priority spending on health or education or promoting a strong U.K. recovery.