

The government's flexible friend

UK PUBLIC FINANCES

At the Budget (March 2017) The Treasury forecast £58.3bn of borrowings in 2017-18.

The out-turn was 30% lower, at £40.5bn

At the same Budget the Treasury forecast £40.8bn borrowings in 2018-19. This has since been reduced to a forecast £37.1bn. Early figures suggest the Treasury has again overestimated the borrowing.

The Treasury also say they need to reduce the outstanding debt, which is at £1800 bn. or 85.1% of GDP. They need to remember this is a gross figure. The UK state has bought in £435 bn of debt which it therefore no longer owes. The state net debt is £1365bn or 64.5% of GDP. This is a relatively low figure for advanced nations, and eminently sustainable.

The government did not herald tax rate rises in the Manifesto, and there is no need for them to finance the NHS and other priorities. In some cases lower tax rates could bring in greater revenues, as the cut in top rate Income tax did. What is needed is a policy to promote faster growth from the current slower growth brought on by monetary tightening and tax rises on homes and cars.

The NHS spending can be paid for by a mixture of the proceeds of growth and the savings on EU contributions. In the short term borrowing can be allowed to go up to forecast levels, as it has been running well below official forecasts for some time.

Paying for local schools

I renewed my request for better settlements for local schools in my meeting yesterday with the Education Secretary. I have regularly lobbied for a better overall settlement for Education, and for a better share of the total for Wokingham and West Berkshire. We have a strong case as the per pupil amounts for our schools are low by national standards. The government has accepted the need both to increase the total, and to improve the relative position of areas like ours that are at the bottom of the table for cash. We are discussing the magnitude and speed of improvement.

I also made the point about the problems for schools adjusting to sudden declines in pupil numbers. In order to operate a system allowing parent and student choice, and to cope with rising pupil numbers overall, it is

necessary for more places to be available than there are pupils to fill them. If one or two schools suffer a sharp fall owing to say the opening of a new school nearby, this can cause problems for them in handling the budget consequences.

The Secretary of State promised to get back to me with a considered written reply to these points.

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How much money do we save when we leave the EU?

I see some contributors here are out to belittle the amount of money we save when we leave the EU. Let me set out the official figures again:

OBR March 2018 p217 EU financial settlement

2019 figures (assuming we still pay full amount that year)

GNI based contribution 17.7bn Euro

VAT payments to EU	3.4bn Euro
Own resources (customs)	3.8bnEuro
TOTAL GROSS CONTRIBUTION	24.9bn Euro
UK rebate	4.7bn Euro
Public sector receipts (money back)	6.3bn Euro
NET CONTRIBUTION (Gross payments minus rebate and cash back)	13.9bn E (£12bn)

We could save all this if we leave with no deal or an improved deal. If we leave with Withdrawal commitments we will save all this once the transition and leaving payment is over.

Meeting with Education Secretary

I am meeting the Education Secretary this afternoon to go through the case for better levels of school funding in Wokingham and West Berkshire. The final budgets for 2018-19 for Wokingham schools total £98.742 million, compared to £94.45m last year, an increase of 4.5%. This increase does have to take care of the rise in pupil numbers as well as providing for rising costs. The largest rise for an individual school is for Bohunt as it expands, taking on more pupils. In contrast the Forest and Emmbrook experienced a reduction in pupil numbers with adverse consequences for funding, as the per pupil element is an important part of the total.