

Department of Transport Answer to my Written Parliamentary Question on Road Maintenance

The Department for Transport has provided the following answer to your written parliamentary question (2439):

Question:

To ask the Secretary of State for Transport, how much funding his Department plans to provide to Wokingham Borough Council for (a) fixing potholes and (b) other road maintenance in the (i) 2023-24 and (ii) 2024-25 financial year. (2439)

Tabled on: 20 November 2023

Answer:

Guy Opperman:

The Department will provide Wokingham Borough Council with a total of £8.053 million for highways maintenance activities over the two years in question. The funding can be spent on activities including (a) fixing potholes and (b) other road maintenance in the (i) 2023-24 and (ii) 2024-25 financial years.

A Written Ministerial Statement has been laid in both Houses, and the Secretary of State has written out to Parliamentary colleagues advising them of the uplift to highways maintenance funding. In addition, officials from my Department will be writing out to all Chief Executives confirming their grant funding allocations shortly.

The answer was submitted on 28 Nov 2023 at 14:24.

My Telegraph Article on growth

I am publishing this today as it contains unfinished business on monetary and fiscal policy. It appeared in the Telegraph before the Autumn Statement. My schedule got too crowded to fit it in ahead of the Autumn Statement, but the issues deserve a further airing, particularly on bond sales and public spending.

The official advice in the run up to the Autumn Statement has been well leaked. It all seems designed to stop as many tax cuts as possible, at a time when the public and the Conservative Party are desperate to turn the tide of rising taxes and unleash some growth.

There is the doctrine of headroom. We are told based on OBR forecasts of deficits that are likely to prove as overstated as the past that there is little or no headroom for tax cuts. They never comment that there is no headroom for spending increases, which continue week after week with inflation of costs, plunging productivity and Ministerial announcements.

There is the doctrine that tax cuts cause inflation. Apparently from media accounts of this thinking a cut in Inheritance Tax is not inflationary because the money goes to someone rich enough not to need it or spend it. Any tax cut that goes to someone who does need it and spends it is automatically assumed to be inflationary. Then the same must be true of increases in benefits. I think we can afford some better news for the many with tax cuts that help get inflation down

The official view is all very bad economics. Money and credit play an important part in inflation. The UK public sector refuses to apologise for an independent Bank creating huge quantities of money and the state borrowing large sums at near zero interest to spend. Surely these lie at the heart of the inflation we are living through. Japan and China facing the same price rises of energy and food on the back of the Ukraine war did not have the same inflation we and the EU had. Their Central banks did not step up the money printing and bond buying.

If the state borrows to spend more on services than it collects in taxes that is not necessarily inflationary. Borrowing the money to pay the bills takes that money away from the person or company that has the savings so they cannot spend it. It is if the banks are awash with Bank of England created money and then lend it out as they did for property and other asset purchases that you get inflation. They do not warn us that borrowing more money to spend on state services or benefits is inflationary yet that must be true if tax cuts are inflationary. The aim of state spending is to give employees and benefit recipients more money to spend.

What I want to see is the end to the aggressive selling of bonds by the Bank sending huge bills for the losses to the taxpayer. That drives rates including mortgage rates still higher and flattens the economy more. I want the bank to be able to cut rates a bit to price mortgages back for people who want to buy a home and to lend to companies that want to expand.

To do so we need lower inflation. So Chancellor, suspend VAT on domestic fuel. Cut fuel duty of petrol and diesel. Suspend carbon taxes on heavy energy using industries. These will directly cut the inflation rate. These are tax cuts to bring inflation down sooner and more.

As this happens so the Bank will be able to ease the squeeze. The Chancellor will have some flexibility even on pessimistic OBR numbers. He can add to this by selling all the shares in Nat West. He can delay some spending on carbon capture or turn to the private sector to finance it. He can pursue a drive to get the lost productivity back in the public services. A recent big fall has cost us around £30 bn extra for doing the same things.

He needs to boost output and capacity in the economy. More services and

goods on offer will help bring inflation down. The quickest and cheapest way to do this is to lift the VAT threshold for small business. Many of them want to do more and have the ability to do so. They do not because they cannot face all the costs and compliance of registering for VAT.

He should reverse the changes to IR 35 . This measure blocks self employed people from getting contracts from businesses nervous about being caught up in an argument with HMRC about the tax Status of their sub contractor. He could lower their National insurance as well to provide more incentive. We have lost almost 800,000 self employed since February 2020. We need to help them back. They would give us more supply, more flexibility, more choice.

Halving inflation this year is welcome but it is not job done. Key to growth and future prosperity is getting it down faster. Then we can have a better money and credit policy to boost jobs and growth. Tax cuts are essential to competitiveness, to promoting self employment and helping small business. Cheaper energy helps everyone, giving hope of a better Christmas with more to spend on good food and presents thanks to lower heating and driving bills. Growth brings more capacity and choice, removing inflation creating shortages

If only the government would break free from the gloomy advice and models at OBR and Bank which have given such wrong forecasts. If we set the same business tax rate as Ireland we would see our business revenues shoot up. Ireland gets four times as much business tax per head as we do by setting a much lower rate of tax.

[Murder Sentencing Consultation](#)

I have received the letter below from the Minister for Sentencing regarding the Murder Sentencing Consultation which was launched today.

Around a quarter of all homicides in England and Wales are committed by the partner, ex-partner, or relative of the victim. Most of these domestic murders take place in the home. When a weapon is used, such as a kitchen knife, it is normally already at the scene. This means that although weapons are often used in domestic murders, these offences generally do not qualify for one of the higher starting points in sentencing. The perpetrators will usually receive a lesser sentence because the weapon was already in the home.

The consultation seeks views on whether a higher starting point should apply to murders preceded by controlling or coercive behaviour against the murder victim, and to all murders committed with a knife or other weapon – a change that would likely result in higher minimum terms in these cases.

You can read more about the consultation and how to contribute here:

<https://www.gov.uk/government/consultations/murder-sentencing/murder-sentenci>

My Telegraph Article after the Autumn Statement

The Office of Budget Responsibility makes running a consistent economic policy extremely difficult. Their numbers change from forecast to forecast with wild swings making it impossible for the Chancellor to know how much future borrowing is likely to be, how much he needs to do stimulate growth and to curb inflation, and what is likely to be the outcome. I have long been a critic of the fiscal rules which seek to ensure debt is falling as a percentage of GDP by the end of a five year planning period. I argue for proper controls on inflation and borrowing for the immediate year of the budget. Strengthen the inflation target, have a growth target, and have a statement about how much it is appropriate to borrow in the light of debt interest costs. No-one can come up with a reliable forecast of what the borrowing will be five years out. The OBR can stop tax cuts by offering an unduly pessimistic forecast of revenues. The Treasury can try to create more scope for tax cuts or spending rises by putting forward an unduly low figure for spending for the fifth year. The Chancellor needs to make good judgements about how much he should borrow, tax and spend in the first year of the forecast when the forecasters have much more opportunity to get the numbers roughly right. Unfortunately the run of estimates this decade have been far from accurate for the immediate year in question, let alone year five.

The latest OBR forecast is a revision for forecasts made as recently as March 2023. The OBR tells us "The combined effects of the historical revisions and latest outturns leaves the level of real GDP at the start of this forecast almost 3% higher than we thought in March" A fall of 1.1% has become a rise. The government had to live with all the bad press for the alleged bad performance, and the March budget judgement was on the wrong basis. Their views of inflation have gone the other way. In March they said inflation would be well beaten next year and into 2026. Now they tell us it will get down to the 2% target a year later and will not go well below as they said in March. That requires a very different policy response as well. They expect the Bank of England's base rate to be 100 basis points higher or a quarter up on the rate in the March forecast, and expect longer dated gilt interest rates to be between 100 basis points and 150 basis points higher. That has a direct impact on the debt interest charges which on the official method of calculation are large. The higher inflation rate also boosts those account items as they lump the indexation of debt costs which are not items requiring cash payments year by year with normal payments of debt interest which are most certainly annual spending.

The government is rightly concerned to get borrowing under good control and not to add to the real stock of debt going forwards relative to the country's ability to pay. The OBR have announced that they overstated the deficit and borrowing for just the period from April to October this year by £20 billion,

so why should we believe their five year figure and agonise over it? The deficit mistake is based partly on an understatement of the amount of revenue that existing tax rates will yield. They confess that they greatly understated migration numbers which they use to boost GDP as more people taking more jobs boost output. There are arguments over what the public spending impact of that is, and whether it helps GDP per head as well as GDP. Their report does include a summary of the overall errors in GDP forecasting and shows they have got larger in recent years.

It seems likely the tough monetary squeeze which the Bank is administering will help inflation down some more and will continue to slow activity. It is clearly hitting the housing for sale market and will drag on some companies ability to expend where they have high borrowings. The Autumn Statement was right to look for ways to stimulate more investment, to help the self employed and small business, and to look for more ways to help people into work. There will only be a stronger recovery when inflation is down enough to persuade the Bank to relax its squeeze. The Bank like the OBR have had major problems with forecasting. They ran far too loose a policy for too long because their forecasts said inflation would stay around 2%. Now they run the risk of doing the opposite and running too tough with forecasts that do not properly reflect the slowdown. The Bank is selling far too many bonds at huge losses, unlike the European Central Bank who made a similar problem by creating too much money and buying too many bonds to create inflation. At least the Bank is reviewing its models and forecasting. Maybe the OBR should do the same.

The idea of the OBR was to have an independent referee or forecaster who could keep the Treasury honest. It can only work if the referee has sensible rules and gets its forecasts right. If it persists in getting growth, inflation and deficits very wrong it can generate wrong policy responses and can certainly distort the debate about how the economy is doing. There are always dangers that an independent body formed largely from Treasury officials talking to Treasury officials a lot may not consider other views and other ways of running models that are more accurate. Maybe a truly independent OBR would be bought out by its managers and experts and would be available to offer tailored forecasts for others. I am all in favour of independent forecasts as a means of exploring public policy and as a check on what governments do and say. I worry about an independent body owned and paid for by the Treasury that offers fluctuating forecasts that are given so much significance when on some of the key variables they are wrong.

[My Question to the Chancellor on the Autumn Statement](#)

John Redwood (Wokingham) (Con):

I welcome the measures to promote more investment and more growth, which is vital. We have lost about 800,000 self-employed people since February 2020. The national insurance measure will help a bit, but will my right hon. Friend look again at the way in which IR35 prevents them from expanding their businesses and getting contracts? The measures to promote the growth of small businesses are also welcome, but the VAT threshold acts as a strong disincentive to expand a business when it reaches a certain point.

Jeremy Hunt, Chancellor the Exchequer:

I thank my right hon. Friend. I had extensive discussions with him in the run-up to the statement, including many discussions about the self-employed. Indeed, it was partly his advocacy of the role of the self-employed that made me so enthusiastic about making the national insurance changes that I was able to make.

I hear what my right hon. Friend says about IR35. We took our decision partly because of concerns about avoidance, but I am happy to look at that again. As for the VAT threshold, many other colleagues have made the same point. We do have the highest threshold in any major European country, and, indeed, any G7 country, but there is always this issue of the cliff edge, and my right hon. Friend is right to draw my attention to it.