

# Deficit reduction and EU rules

In a recent debate in the Commons the UK government presented its report to the EU over the UK's progress in meeting the debt and deficit rules of the EU Treaties.

Every year the UK has to report to Brussels on how far it has got with getting its running budget deficit down below 3%, and its stock of national debt down to below 60% of GDP. These rigid requirements have been an integral part of EU policy ever since the ratification of the Maastricht Treaty. Most EU states have conformed with the budget deficit rules, but few have got anywhere near reaching the stock of debt requirements.

Euro area members are subject to possible financial penalties for failing to comply. The EU authorities seem to take a much stricter approach to supervising the annual budget deficit rule than the stock of debt rule. They seem to recognise that making states repay large quantities of debt would be very deflationary, whereas curbing annual deficits they judge to be less so. The EU does not have the same power to fine non Euro members, but it still makes the UK go through the business of submitting its plan for deficit reduction, and can respond with a statement on whether it approves or disapproves of the approach being taken.

The issue arises as to how much impact this requirement had on the previous Labour and Coalition governments? They said they took the exercise seriously, and they have always faithfully reported their position against the Maastricht obligations. The Coalition always pursued a policy of trying to get the annual deficit down, as did Labour after the crash, and have always looked forward to a time when they will also be reducing the stock of debt as a proportion of GDP.

During the debate I found it fascinating that the SNP and Labour, parties who dislike deficit reduction and the spending cuts that often accompany it, could not bring themselves to condemn the Maastricht requirements and the policies they have clearly led to on the continent. Apparently plans to cut the growth in spending or to raise taxes on anyone other than the rich are not desirable if home grown, but are just fine if in pursuit of compliance with the Maastricht Treaty, You would have thought parties of the left especially would welcome freedom from these debt and deficit controls when we leave the EU.

Free of them I do not suggest we let rip with larger deficits and faster build up of debt. I just want us to make rational decisions of how much to borrow and for what purpose, given the state of the economy and the ability to invest sensibly. It does not seem likely that most EU countries will get to below 60% any time soon, yet the requirement still sits there unamended.

---

# The government's approach to making working more worthwhile for families

I have been sent a reminder of changes coming in this April. We want to support people in work, as well as ensure the welfare system works as a safety net for those who need it.

The measures include:

- A further increase in the Personal Allowance to £11,500; an increase of over 70% since 2010. Since the start of this Parliament we have cut income tax for 31m people and taken 1.3m of the lowest paid out of income tax altogether.
- Increasing support for low earners by raising the National Living Wage to £7.50.
- Helping working parents with childcare costs by launching Tax Free Childcare from 28 April – saving working parents up to £2000 per year for each child under the age of 12.
- Increasing income for 3 million households by reducing the Universal Credit taper rate from 65 per cent to 63 per cent.
- Investing £330m in practical employment support to help disabled people back into work.
- Helping savers with the launch of a new NS&I bond offering a market-leading interest rate of 2.2% and increasing the annual ISA limit to £20,000.

---

## School money and class sizes

All UK parties have been keen to get class sizes down in state schools. Yesterday Labour decided to make an issue of this, forgetting that class sizes have risen quite a lot in Wales where they are in government. I was interested to hear one of their spokesmen defend this by pointing out satisfaction with schools in Wales had gone up at the same time as class sizes. He was then at a loss to answer the obvious sequel – if parents and pupils think things are getting better, why did class size worry him?

I am all in favour of decent funding for schools, and have been asking for more money for Wokingham and West Berkshire schools where budgets are tight. I have been asking both for more in total to schools, and more as a proportion of the budget to areas like Wokingham that have traditionally been

given much less than the best funded. I would, however, be interested in your thoughts on class size.

It seems to me there are obvious occasions when individual pupils need individual help. That requires a good staffing ratio., There are also occasions when a good teacher or outside speaker or lecturer has something interesting and important to say when you can open the lesson or lecture up to many more pupils, as many more can benefit from it. Class size is an average figure which can conceal as well as reveal. Some star teachers and star lessons are so good that they are recorded and used in a wide range of ways by many students. On line learning is both one to one and one to many.

The best judge of how many teachers a school needs should be the School Board and management team led by the Head. There need to be sufficient teachers for those things that need teaching in small groups or require individual attention. There can also be other times of day and topics that can be covered in larger groups. In practice schools experiment with smaller and larger groups depending on subject and age range of pupils, and often have more than one adult in the classroom so individual pupils can have individual attention as well as more general group or whole class work proceeding. The number of teachers in a secondary school is also affected by how many subject options the school wishes to offer. The number of subjects varies considerably between schools.

---

## [Proposed closure of Marks and Spencer in Wokingham](#)

I have been notified of a plan for the possible closure the Wokingham store, following consultation with staff who will be offered jobs in neighbouring stores.

I have written back to Marks and Spencer asking why they think they need to close the store, and why they are pessimistic about its future turnover and profitability. I asked if they have found the best mix between food, household and textile products. They need to examine their merchandising and marketing strategy for what should be a successful and profitable store. They also need to take into account the growth of Wokingham and the surrounding area as new housing goes in.

I will let you know what response I receive.

---

## Probate fees

I lobbied the government against the proposed increase in probate fees. I was pleased to learn yesterday that they are not proceeding with this increase in the present Parliament. I hope they do not reappear in the Manifesto.