

Better Schools

There is general agreement in Wokingham and West Berkshire that our local schools need some more money. Just before Parliament was dissolved for the election, the government published proposals for fairer funding. The idea is to narrow the gap between the best financed and the worst financed schools by changing the formula for financing them.

I look forward to the government's response to the consultation, as there could be improvements to the formula they proposed. I argued the case for more cash in the last Parliament.

It will be important in the new Parliament to find additional money for education in the years ahead to benefit all state schools. We want good provision for teachers and for all the support staff and buildings it takes to provide a good education. This can come from the proceeds of growth, as tax revenues rise with a growing economy. The best tax collector is growth and success. Often the worst tax collector is higher tax rates, which may curb growth and lead to loss of revenue if ill judged.

I will take the argument to Parliament if elected to find more money overall for schools, and to offer a better share to the lowly funded areas like Wokingham and west Berkshire.

Promoted by Fraser McFarland on behalf of John Redwood, both at 30 Rose Street Wokingham RG40 1XU

Higher taxes and the miraculous £6bn more

Several parties are out to show they can deliver more money to public services without hurting most voters. The Lib Dems say they will increase Income Tax by 1p to deliver £6bn more for the NHS and social care. Labour argue for a big hike in the Corporation Tax rate to pay for a wide range of extra public spending and various expensive renationalisations. These views are based on two common fallacies in UK debate.

The first fallacy is an extra few billion will make all the difference. The truth is all parties in government do increase the spending on the NHS, social care and other priorities every year, and all wish to see these services properly funded. Since the Conservative led coalition entered government, total public spending has risen by 20% from £669 bn to £802 bn. Health spending has gone up more, by 23%, from £96bn to £117bn. The Conservative government has promised another £8bn to the NHS and £2bn more to

social care, and will doubtless review the figures regularly to see if they are enough or need increasing if re-elected to government. Just adding £6bn as a one-off will not suddenly transform the NHS, I doubt there is a thought through budget of how to spend that money and what improvements it would buy. The extra pound has no magical powers not shared with the pounds already being spent.

The second fallacy is the idea of painless tax rises. 1p on Income tax rates sounds modest. That is a 5% increase in the standard rate, a 2.5% increase in the 40% rate and a 2.2% increase in the 45% rate. It means hundreds of pounds extra for most earners. That is money which families cannot then spend on their priorities.

The proposal for a big rise in Corporation Tax might well backfire. Having a low rate by international standards is one of the ways the UK attracts substantial inward investment, building a strong presence by many dynamic international companies here. Over the period when the reductions in rate have been put in, our revenue from Corporation Tax has gone up. Why wouldn't we lose some revenue if we push the tax rate up, especially at a time when the USA is planning a major move the other way. I have no wish to be a soft touch for big business, but it does seem we are finding the right levels of Corporation Tax to get them to pay more.

In 2009-10 the Corporation Tax rate was 28% and the tax take was £36bn/ £6.4 bn of that came from North Sea oil. This year the rate is 19% and the estimate is for £46bn of tax revenue with no revenue from North Sea oil. The take has gone up in recent years despite a major reduction in North Sea volumes of output. So by cutting the rate from 28% to 19 we have gained 28% more revenue, or an impressive 55% if you adjust for the ending of North Sea taxable output.

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Some reality breaks out in the EU

It was good to hear Mr Juncker say the EU had made a mistake in briefing in the way they did about the Downing Street dinner. Just as it makes sense for the UK to be friendly and positive in its offer and dealings with the EU as we prepare to leave, so it makes sense for the EU to be the same. We, after all, are an important market for their exports, a valued partner in many collaborations, an important part of their defence and security alliance, and a frequent ally or coalition partner in international matters. We are happy for that to remain true in the future but expect reciprocal good will.

There is a clear need for strong and stable leadership in the UK to represent our interests. The UK needs to explain patiently and firmly that we will be

taking back control of our laws, our money and our borders. We also need to make clear that we are making a generous offer of continuity over trade, defence, security and many other joint ventures and common workings across a wide range of areas. There are technical matters to be settled over market access, transport rights, the rights of citizens living in each other's territories and the rest that need not be difficult to resolve if there is good will on both sides. I see no lack of good will on the UK side. That is why Mr Juncker's recalibration of the EU response is welcome.

It is never a good idea to try to punish your main customer. I still expect reality and commonsense to break out in due course in the EU over the UK departure, as it has done over the commentary on a dinner.

Meanwhile I see the Evening Standard on line gives prominence to the fear that university research will be damaged by Brexit. Have they not heard Ministers stating clearly talented and well qualified people will be free to come to the UK. This will include faculty members, with an open door for foreign students to undertake courses at our universities.

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[Good retail sales and no shop price inflation](#)

The April retail sales figures were good. Total sales were up 6.3%. The delayed Easter reduced the March figures and flattered the April ones as I argued at the time of the March release. We can now see the underlying pattern, which is still one of decent growth. Food has been stronger than non food, with the BRC itself saying that taking the two months of March and April together food sales "were up by around 4% on last year, exceptional growth by all recent standards". More importantly, there was no overall shop price inflation, giving the lie to those who have argued rising prices will follow from a weaker pound.

Why haven't prices risen as some said? There is considerable competition in world goods markets. There is even more competition in UK retail. The main store groups have increased their trading areas at the same time as on line retail has provided formidable competition to them. Discount retailers have kept their prices down, whilst use of the web has enabled shoppers to look around for the best deals especially for the larger items. The pound is now strengthening again, some 8% up on its lows. I do not expect that to suddenly cut prices, just as I did not expect a price surge from the previous falls in sterling.

The construction outlook has also brightened. Recent figures imply good

growth in house building coming through, and a quickening of the pace in industrial property. New offices are weaker. Overall the PMIs and the recent starts figures point to a growing industry with more investment in buildings.

It is interesting to note that the FTSE 250 Index of smaller companies with more UK business as a proportion is now up by one third since June 27th 2016, whilst the large companies in the FTSE 100 with more exposure to foreign currency earnings are up by 23%.

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[Mr Macron guides France](#)

There is a lot of nonsense talked about how the election of Mr Macron will lead to a much tougher French stance over Brexit. Mr Macron, after all, was not so long ago a Minister serving the outgoing President, who has not been critical of the outgoing President's stance on all this. Anyone leading France will of course be putting EU and French interests first, but this does not mean they will wish to punish the UK.

Recent press comment tells us that the EU itself has researched the legality of sending a leaving bill and realised there is no legal basis for any such payment. That is doubtless why they did not put the phrase leaving bill or equivalent into their statement of how they wish to handle the negotiations. They want the UK to settle the bills it owes, which the UK has always said it will. We are still paying our regular contributions even though we have told them we are leaving, and will doubtless do so up to departure. This implies Mr Macron will be unwilling to make a huge financial demand on the UK, knowing there is no legal back up to it.

Mr Macron has already stated his task – to bring greater unity to France by dealing with the economic hurts parts of the country feel. This will mean securing a good deal for French farmers and others to carry on selling produce into the UK market on favourable terms. IT is difficult to see how Mr Macron could keep faith with farmers if he insists on World Trade tariff levels on agricultural trade between our two countries.

His language of wishing to mellow the discourse and soothe tensions would also sit ill with stoking a wider trade war with the UK. People are affected by the emotions of the moment when they make decisions on what to buy. There are global alternatives to many well known French products, so it behoves the President to help woo the UK customers, just as the UK government wants to reassure and keep UK exports to France which we value.

I wish the new President every success in his stated aims after the election. I see no reason the UK cannot get on well with him in our mutual interest. I

expect him to take a firm line in defence of French interests, but to see that it is in France's interest to have a good deal with us. The French people will of course decide next month just how much power to give him ,when they decide on a Parliament to promote his ideas or to tame his reforms.

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