

## The Budget – this year's borrowing down £39bn from last forecast

As expected the OBR cut their forecast of borrowing in the year to March 2021. They have lopped £39bn off the total compared to the November forecast and may still find their figure a bit high with only one month left to go. In contrast they have raised their borrowing forecast for 2021-22, partly to reflect the extension of measures announced in the budget to cushion some of the effects of continuing lock downs and social distancing policies. They wisely stress the difficulties of forecasting given the big impact lock down policies have on jobs and business. They rightly draw attention to the fall in debt interest thanks to low interest rates and the purchase of state debt by the state owned Bank of England. It seems to me premature to form a view of what might be needed to control the deficit in a few years time when it is so clear that the deficit is massively swelled by the impact of anti pandemic spending and some loss of tax revenue from less output and income. As their figures confirm it will take a vigorous recovery to get the deficit down, but only a good recovery can straighten out the public finances.

So the budget needs to be judged by how big an impact will it have on that recovery? My questions include

1. When will the Freeports be up and running? Will the areas demarked be substantial? How generous will the tax and tariff reductions be? I strongly support a Freeport led recovery but to be effective they need to be available soon, to be given good incentives and cover substantial areas.
2. How will the supercharged investment allowances work? What is the net effect on a potential inward investor of the improved allowance against the higher CT rate stated to come in in 2023?
3. What more will the government do to back the self employed and small business, as they will be crucial to recovery given their flexibility and enterprise?
4. What plans does the government have to address the issue of productivity performance, which affects the longer term growth rate?

I will develop these and related themes tomorrow as part of the budget debate.

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## Budget day

There have been many mini budgets over the last year. Never have the official figures for the outlook changed so drastically so rapidly, as forecasters rushed to bring their estimates in line with the big lurches in

activity created by anti pandemic policies. Today we await new forecasts from the Office of Budget Responsibility. We should do so remembering that they like all forecasters were of course hopelessly wrong footed by the arrival of the virus. They will now find it difficult to gauge the pace of recovery and the sustainability of growth against an uncertain health policy background and given the damage done to many businesses shut down by lockdown. In an economy where a 0.5% variation in growth was a big movement prior to CV 19 we have gone to a world where a 5% variation is modest.

The lack of clarity and reliability in the forecasts provides a good reason why this is not the budget to raise taxes to tackle the deficit, as the authorities have no reliable idea of what the underlying deficit will be once we are out of lockdown and into recovery. Some are suggesting there is a gap of £40bn or even £60bn that needs filling by tax rises. Yet the forecast budget deficit for 2020-21 is £400bn or ten times the alleged underlying gap. Let us assume this forecast was too high and the 2020-21 deficit comes in lower than that. Who can say what the 2021-22 deficit will be when we need to know how fast the recovery will be in 2021-2. What we do know – or should know – is the bulk of the deficit this year is the result of the pandemic. It comes from a collapse of tax revenues as many people and businesses are not at work earning wages and profits . There was a big fall in VAT on everything from eating out to travel. It comes from a huge surge in pandemic related spending on everything from furlough through the self employed scheme, small business loans to the train subsidies and vaccine costs. As soon as we get out of lockdown most of the extra costs of the pandemic will fall away, and there will be a surge of tax revenue.

What we can also say is that were the Treasury to impose new taxes and higher tax rates on the economy now, or even propose such changes for later this year, it will slow the recovery before it has properly begun. It will prolong the need for special measures spending, and lower the tax take. It will damage confidence at the very moment we need to encourage businesses back to work. Small businesses and the self employed include many who are approaching retirement who could decide not to bother to reopen. It includes people who were not earning a good sum prior to lockdown who might decide it was no longer worth the struggle. The brightest and most energetic will of course be able to reopen and succeed even with tax rises, but we need a more democratic small business and self employment policy that helps the many who provide a good local service but who are not going to be able to battle against heavy odds stacked against them by an overtaxing government.

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## [Reduction in NHS beds to control infection](#)

Question:

To ask the Secretary of State for Health and Social Care, how much bed capacity has been reduced by to improve infection control in hospitals in England during the covid-19 outbreak. (156227)

Tabled on: 22 February 2021

**Answer:**

**Edward Argar:**

The latest data shows that the average daily number of beds open overnight in Quarter 3 2020/21 was 121,524 compared to 128,326 in Quarter 3 2019/20.

Hospitals continue to flex their bed capacity as part of planning to meet the demand from both elective and emergency streams. We are working hard with trusts to maximise the number of open beds while maintaining safe care through the pandemic.

The answer was submitted on 02 Mar 2021 at 12:35.

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## [Cars, batteries and the UK motor industry](#)

The UK government's decision to announce an end to diesel and petrol car production by the end of this decade is speeding up the need for many decisions about the future of this important industry. Yesterday the Business Secretary had to talk to the Commons about the future of Ellesmere Port, where Vauxhall has been making engines and then assembling cars based on the internal combustion engine for many years. He assured us he wants to help Vauxhall stay there, to make a new all electric vehicle. Clearly under government plans for the industry they cannot carry on making the current types of car for much longer. I hope he succeeds in his "discussions" as he called them.

The battery is an important part of the structure of an electric vehicle, and a substantial part of the cost or added value. Car assemblers are likely to want to be close to battery makers, to take delivery of the whole "skateboard" or the sub assemblies which will comprise the battery, the wheels, axles and the electric motor. Electric vehicles are very different to petrol or diesel cars. Designers might soon start to make them look very different too, as they do not need the same engine compartment and fuel tank in the boot that we have grown used to.

In a wide range of questions from MPs wanting some of the new industry to go to their areas the Secretary of State was offered several good potential sites for battery production, and potential willing workforces. He was reminded of the possible production of lithium for the batteries from the hot

springs that can be tapped amongst the granite masses of Cornwall. Because many other countries see the opportunity to gain investment in these new products and technologies, there could be some competitive bidding by governments in terms of support to the companies thinking of taking the risk of putting in large battery and car plants for the new vehicles. Companies will expect help with site acquisition, training of staff and access to raw materials and power at least.

The Business secretary told us he expected to have one battery factory up and running by 2024, then added that he wanted more. 2024 is not far away. Governments have to accept that because they are leading these changes and want them, they need to work hard to help the industry adjust. The industry's problem is they need to commit to huge investments in new products and plant before the demand for the electric vehicles has taken off. Meanwhile their cash flow from existing products has been damaged by the new controls to come on diesel and petrol cars.

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## Speaking for England

Some of you have noticed I have dropped the Speaking for England phrase from this website. I did so after careful consideration. When I thought through and set out my promises to electors for the late 2019 General Election I decided that the forthcoming Parliament had enough to do to see Brexit through, develop the wins from Brexit, and drive through a levelling up economic agenda. I doubted the Prime Minister's interest in constitutional reform for England, so thought it better not to arouse expectations. I did in the past promise a referendum on EU membership before it was party policy, and helped bring that about, and promised to speak for England and helped bring about English votes for English issues before that was party policy.

I was torn over the speaking for England issue, as it is clearly unfinished work. When I helped persuade David Cameron to take the issue of the unfair devolution settlement seriously I both argued for an English veto on laws affecting England and a right to initiate England only laws for English MPs. We secured the new procedure that any law affecting just England requires a majority of English MPs voting to vote for it. I did not secure the other half, the right of a majority of England's MPs to initiate and pass a law for England which MPs from other parts of the UK do not approve. William Hague led a successful attempt to block us. England therefore remains way behind Scotland in our devolved powers, as the Scottish Parliament can initiate and veto legislation for Scotland over a wide range of devolved matters.

Some of you argue England needs its own Parliament, like Scotland, away from Westminster. I disagree. I do not want to spend more taxpayer money on more politicians and another layer of government. I do want England to have a better voice in government, and control over its own laws. This can be done

by having a Cabinet member leading for England and representing England, working closely with the Secretaries of State for Local Government, Transport, Health and Education who are mainly England only Ministers. It can be done by an English Grand Committee of all UK MPs elected for English constituencies forming the English legislature at Westminster. If I were an English nationalist then of course I would argue for a separate Parliament with as much power as possible. I would prefer the UK to survive as my country, but do want a fairer deal and a better say for England within our devolution settlement.