

UK public finances are OK

The latest figures for public spending, tax revenue and borrowing published yesterday showed more progress in reducing the running deficit. Total state borrowing adjusted for the bonds the Bank of England has bought in remains at a moderate level, around 65% of GDP.

The main reason new borrowing is reducing is the continued good growth in tax receipts. In the period April 2016 to January 2017 tax revenues were 5% higher than in the same period of the previous financial year. This reflects the continued growth of the UK economy. Self assessment income tax receipts and corporation tax receipts showed especially strong growth based on improved business activity and investment prospects.

This increase in tax allowed an increase of 2% in public spending and a reduction in the rate of new borrowing. In the financial year to date central government current spending is up by 1.4% and local government current spending up by 10.2%. Central government net investment rose by 6%. (ONS official figures). There are some areas where it may be necessary to spend more.

It is still a good idea to spend money wisely. Ending our EU contributions is an obvious improvement to make. There are issues with poor value for money in parts of the overseas aid budget. There are more opportunities to help people into work, to cut the benefit bill by substituting earnings from work. There are many efficiency improvements to be made in areas like railway spending, which is running at high levels.

The government also needs to be careful over tax rates. Taxing income may be a necessity, but it is not wise to tax working and investing too heavily as it can do considerable economic damage and prove self defeating. The budget is an ideal time to review current rates and ask which taxes should be lower in order to raise more revenue as and when economic growth delivers more cash.

The Forest School

I was sad to receive a copy of the resignation letter of the Head teacher of the Forest this week. I wish her well in retirement and understand her wish to pass the leadership of the school on to someone else.

In the letter she draws attention to the current level of the Forest budget. I agree with those in Wokingham who would like our schools to have bigger budgets, as they are at the bottom of the league tables for receiving public money. I campaigned on the Conservative party Manifesto in 2015 that proposed

a move to fairer funding in this Parliament. I worked with MPs from other parts of the country in the previous Parliament who shared the problem of relatively low levels of financial support for their schools. This Parliament I have urged successive Secretaries of State to press on with putting in a suitable scheme that rebalances the cash going to each school so that those getting least are better treated.

The present Secretary of State has promised to introduce such a scheme and is consulting on the details. I have urged her to give more to the poorly financed schools. I have also asked for further transitional relief. Some was awarded in recent years as the Coalition government agreed with me and the MP Group making the case for fairer funding.

I did have a meeting at the Forest to discuss budgets and to suggest ways to attract more money. The immediate pressures have been created by a shortfall of pupils applying to the school, which the Forest attributed to the opening of Bohunt. The main sums of money are given to schools on a per capita basis to cover the costs of each pupil. This will remain true under the new funding scheme, so it will be important for a school that wants a decent budget to recruit pupils up to its capacity. With more pupils and more income it is possible to offer a wider range of subjects and to have more equipment and staff. If fewer pupils attend then it does mean fewer staff and may also entail a narrower range of subjects.

[Night flight restrictions at Gatwick, Heathrow and Stansted](#)

The Government is currently consulting on proposals for night flight restrictions at Gatwick, Heathrow and Stansted. The Government's proposals relate to:

- Environmental objectives
- The length of the restrictions
- The structure of the restrictions
- Movement limits at each airport
- Noise quota limits at each airport

The consultation can be found here: <http://bit.ly/2j4uhwI>. **It closes on 28 February 2017.**

The future of the High Street

The changes to rates has once again highlighted the rapid changes on UK High Streets. Large centres with numerous coffee shops, restaurants, boutiques and the main multiples are usually trading successfully. The Metro Centre, Oxford Street, Bicester Village, Meadowhall and the other well established shopping centres are flourishing. People want a good range of shops, good brands, and the capacity to make a half day or a day of it with stops for food and drink. Big new shopping centres like Westfield are still being added, with the redevelopment of Birmingham Bullring and other leading City retail destinations.

In contrast many of the smaller High Streets are suffering from the attack of internet shopping offering keener prices, and destination shopping offering more choice. Many a small butcher, baker, fishmonger and green grocer has given up the struggle to compete with the volumes, prices and freshness of the leading supermarkets. In their turn the large supermarkets are under strong competitive pressure from the discounters, who target a narrower range of popular products so they can use their dominant volume in these items to command great prices from suppliers.

The advent of new or expanded and revamped destination shopping centres, and more space for the main discounters has intensified the bricks and mortar shopping competition. The large food retailers have added to the complexity of their tasks by opening a range of local smaller stores, seeking to tap into the narrow range essentials that many people buy daily or several times a week at a convenience store near their homes.

The changes to rate valuations seek to mirror the changing fortunes, but some think they throw up anomalies. The aim is to reduce or remove business rates from small independents, to cut the tax on those many shopping centres with falling revenues or weaker margins, whilst boosting the tax on the successful destination shopping areas. We will find out how successful this has been in the debate that has been unleashed by the new rating schedules.

Major problems with overseas aid for Eastern European countries

I was surprised to read in the Sunday press that some people think it a good idea to divert overseas aid to Eastern European members of the EU to “buy” a better deal with that organisation.

As I have explained before, there is no Treaty power to require a UK leaving payment above and beyond completing our annual payments to their budget for

the period of our continuing membership. Nor is it legal under WTO rules to pay for more favoured trade with a particular country or group of countries than the rest. Payment for trade under WTO rules takes the form of accepting tariffs, and these have to be limited to the current mfn schedules the EU has agreed.

The trade choice is for the rest of the EU to make. The UK would be quite happy to carry on tariff free. That will help the rest of the EU more than us. It would mean registering our current trade arrangements as a Free Trade Agreement at the WTO. Or we can trade under mfn arrangements under the WTO. Most of UK trade will be tariff free, whilst EU sales of agricultural products would suffer heavy tariffs into the UK. The UK could agree lower or no tariffs with other cheaper suppliers of food around the world through the WTO process. I have said it is in the EU's interest to accept the tariff free offer, and they may do so after much huffing and puffing. I have also always said that they might decide to harm themselves by accepting WTO terms instead. Under the general WTO arrangements the UK will be fine.

The overseas aid idea also falls well foul of the overseas aid rules. The Eastern countries in the EU do not qualify for overseas aid under the international definition, as they are too well off. UK Ministers by law have to hit the 0.7% Aid target under international definitions, so they could not switch this aid money to Eastern Europe unless they repealed the 0.7% requirement. It would not be easy to achieve repeal, given the likely fact that all the opposition parties would oppose repeal other than perhaps the one UKIP MP. The government might be able to persuade enough Conservative MPs to get it through the Commons, but the Lords would be likely to have a big majority the other way. As it would not be a Manifesto pledge, and does not stem directly from a referendum, the Lords might become very difficult.

In circumstances where the EU Commission and one or two large countries were not wanting a free trade Agreement with the UK for political despite their interests in having one, it is difficult to see how offering to send money to Eastern countries would buy a change of heart.