Letter to Leader of Wokingham Council about highways consultation

Dear Clive

Thank you for extending the period of this consultation. It is important more people are made aware of it given its significance for our community. I trust the Council will seek to make it better known in the days that remain.

The power and responsibility to make changes to our roads, cycleways and paths rests with Wokingham Borough Council as the Highways Authority. The central government does not require you to make specific changes to roads or junctions and certainly does not want to see a policy of impeding the reasonable use of motor vehicles for people getting to work, to the shops, and to leisure facilities. Nor does it wish to see good access blocked for emergency vehicles, service providers and delivery vehicles.

As Wokingham is currently experiencing fast growth in population with a substantial rate of new housebuilding under our local plan it is most important that we expand road, cycleway and walking route capacities to meet the rising demand. I trust the Council will continue with the policy of putting in extra good road provision to bypass busy settlements and to remove dangerous road bottlenecks. It should also wish to ease congestion at junctions to reduce pollution, reduce tensions between different users of the roads and make for smoother and safer journeys. The government does provide additional money for suitable schemes for roads and cycleways but does not lay down where or how these should be introduced.

Yours sincerely

John Redwood

Rt Hon Sir John Redwood MP

Who owns the losses on bonds in Euro area?

The massive Euro 5 trillion money printing and bond buying programme of the European Central Bank was undertaken in conjunction with the Central Banks of each member state. Most of the bonds bought were the debts of individual Euro member governments. 80% of the risk on those bonds rests with the individual member states Central Banks. They were required to buy up bonds issued by their own government and are liable for any losses on them. This is an added complication compared to the position in the US or UK where there is just one sovereign state and one Central Bank involved.

The Bundesbank has reminded us that a 1% rise in Euro area interest rates would lead to a loss of around Euro 48 billion on the Quantitative easing positions for the zone as a whole, with the bulk of that loss resting on the balance sheets of the individual member states Central banks. Each member state is responsible for ensuring the solvency and capital adequacy of its own system. The Euro area is now designing a scheme that will allow it to continue to buy up the bonds of any country with weaker finances in order to prevent their interest rate for longer term loans getting too far out of line with the rest of the zone. There will be interest in whether the bonds bought and added under such a scheme will be at the risk of the member state concerned or whether the European Central Bank will take on the risk.

The Eurozone has particular problems with this for another reason as well. Only in the Eurozone did they take rates down so low that many of the better sovereign bonds were for quite a long time offering a negative interest return. This meant that they were particularly expensive even by the standards of dear advanced country government bonds worldwide, putting them more at risk when rates have to go up.

The Italian general election seems likely to elect a centre right coalition. Whilst they remain committed to EU and Euro membership they may well prove more questioning and difficult in responding to some of these internal EU stresses.

A Letter from the Department for Education regarding All Saints CofE

(Aided) Primary School

I have received the below letter from the Secretary of State for Education regarding the All Saints CofE (Aided) Primary School reaching academy status which I would like to share:

Dear colleague,

FUNDING AGREEMENT FOR ALL SAINTS COFE (AIDED) PRIMARY SCHOOL

I am pleased to inform you that I have agreed to enter into a Funding Agreement to allow All Saints CofE (Aided) Primary School, in Wokingham Borough Council, to become an academy.

The date of conversion will be 1 September 2022 and I am writing to the local authority to instruct it to cease maintaining the school from that date.

As you know, academies form an integral part of the Government's education policy to raise attainment for all children and to bring about sustained improvements to all schools. I am delighted that the school recognises the benefits academy status will bring.

Rt Hon James Cleverly MP
Secretary of State for Education

How high is UK state debt? 82.9% or 95.5% of national income?

The Treasury and most commentators are mesmerized by UK state debt at 95.5% of GDP, the official figure which appears in the ONS monthly updates. They are right that by the standards of the last fifty years this is a high figure and reflects substantial increases in borrowing by government particularly over the banking crash and great recession in 2007-10 and again over covid between 2020 and today. So far this has not proved unaffordable as interest rates have remained very low and markets have been willing to lend.

By international standards the UK level of debt is middle of the pack. Japan leads the high debt league with around 250% of GDP, all financed at around zero interest and with inflation still low. Different rules seem to apply to the Japanese economy. In Europe Greece at 190%, Italy at 150% and Portugal at 127% are much higher . France is at 122% and Spain at 118%. The USA is also above the UK.

The ONS accepts that there are various ways of calculating the amount of UK debt. Indeed, it thinks a fairer or more realistic way is to take its figure for "Public sector net financial liabilities" rather than the figure for "Net Public Sector debt" given the complications created by the balance sheet of the Bank of England, a body 100% owned by the state. What should we make of the state debt owned by the Bank itself? How should we account for the Term Funding schemes the Bank runs?

On the ONS definition of net liabilities the figure runs out at 82.9% of GPD in July 2022, 12.6% of GDP lower than the usually quoted figure.

Of course the state should seek value for money in what it spends, should aim to control public spending well and should look to the private sector to invest and finance most activities outside the core services of health, law, order and defence, and schools. It would be good to see state assets rising and net liabilities falling. The state needs to control the cash cost of interest charges by avoiding excessive borrowing. It is also important not to overstate the gloom about our debt levels and to understand the range of numbers official statisticians come up with to try and capture the complexity.

[How much money will taxpayers lose on the bonds bought by the Bank of England?]()

Hidden away in the latest ONS official figures for the debt and deficit is a revealing number. The Bank of England's bond portfolio bought under its Quantitative Easing programmes cost £112bn more to buy than the bonds will repay on maturity. As most of the bonds will likely be held to maturity this will be the loss. If they are sold off earlier in the market that is also likely to be at a loss in a world of rising interest rates.

These losses are all carried by the Treasury and taxpayers. Right from the start of QE with Chancellor Darling the Bank said it needed a Treasury guarantee as it could not itself afford the potential losses on such a large portfolio. All Chancellors since have offered such a guarantee. It has been an agreed policy between the Labour government that first invented it, and the Lib/Con coalition and the subsequent Conservative governments that continued it.

I quote the official source:

ONS: "In February 2022, the [BoE announced that it will no longer be replenishing the gilt stock]() of the APF. Following a £3.2 billion gilt redemption in July 2022, the APF's gilt holdings currently stand at £731.7 billion (at redemption value).

It is important to understand that this £731.7 billion (conventional) gilt holding is not recorded directly as a component of public sector net debt. Instead, we record the £112.1 billion difference between the £843.8 billion of reserves created to purchase gilts (at market value) and the £731.7 billion redemption value of the gilts purchased."

Quote from ONS July Public Finances