

We need change at the Treasury

Congratulations to Rishi Sunak. He is able and hard working, with a knowledge of the expenditure side of the Treasury from his role as Chief Secretary.

The immediate task is to challenge Treasury officials into completing the change from the Maastricht economics of austerity to a pro growth optimistic economics that chimes with the Prime Minister's vision. Boris has been clear we want growth, opportunity and levelling up. The aim is prosperity, not austerity. The purpose is more people in better paid work, more owners, a better spread of wealth and income around the whole UK.

You do not achieve that by writing the Maastricht rules back into the fiscal framework, nor by hiking taxes or trying to tax the rich out of the country. I think The PM was right to want common working between the Chancellor's team and his own. The leaks, briefings and rows about the forthcoming budget were not helpful. I expect Rishi to spend more time on persuading Treasury officials to complete their journey. They need to move on from pessimistic Hammond style economics which said the UK cannot be a success on her own and needs to beg to stay close to the EU, to an optimistic global UK approach. We need to grasp the future by investing in it. We need a bigger and more prosperous private sector, which requires lower tax rates and a holiday from yet more prescriptive regulation.

The cost of homes

It is not surprising the cost of homes is so high, given the large increases in demand from new household formation, and the attempts to ration or limit supply by the planning system and the actions of the main housebuilders. It is also the case that pumping money into the system at low interest rates makes higher mortgages affordable for more people, so home prices like bonds and shares have risen thanks to QE and low official interest rates.

To contain prices we need to cut demand and raise supply to better balance. Markets would do this for us but we have instead migration policies, housebuilding standards and planning policies that give government crucial roles. The government via Councils and Housing Associations is also a major developer itself. All the time interest rates remain low we should expect mortgages at higher multiples of earnings to be affordable.

In a managed system the government could reduce migration numbers as it has promised to do. It can continue with efforts to increase the number of homes built. It can also ask whether its standards and specifications are the right ones to encourage more building. A combination of UK government standards and

wish to produce traditional looking buildings by the industry means a lot of work takes place on site. The UK has not taken up factory made sections and components on the same scale as in some other countries. It means the task of building is prone to delays for bad weather. It requires a lot of on site supervision to ensure decent quality, matters which would be partly taken care of by precision machinery in a factory prefabricating more of the home. The structure of the house building industry with its heavy regulation and high financing demands mean that most of the housing is supplied by a few large companies. They say they are constrained by a lack of skilled people and the need to maintain and supervise high standards from building more homes more quickly against all the planning permissions already granted.

Tomorrow I will look at the latest proposed government intervention into this government steered sector with their plan to use planning gains to offer discounts to some people on buying a new first home.

Purchase of the Denmark Street Car Park

I have received this update from Wokingham Borough Council:

There's great news for visitors to Wokingham town centre today as the council has just finalised a deal to re-open the former Eurocarparks section of the Denmark Street car park. Completion is due in the next couple of weeks.

WBC has exchanged contracts to purchase the car park and surrounding properties from the current owner who was seeking to redevelop them. This means the future of the site is now safe and the car park can be operated as a council pay and display public car park in the same way as the existing smaller car park alongside.

The 130 space car park has been closed to the public since the end of August 2019. A planning application to redevelop the area for residential use was refused in July 2019 for a number of reasons including permanent loss of town centre parking.

Cllr Stuart Munro, executive member for business and economic development said: "We've invested significantly in creating a future for Wokingham town centre over recent years and facilities, like the Denmark Street car park, are an incredibly important part of helping the town and its businesses thrive. Its closure has proven an issue for visitors to Wokingham over the last few months and we know this is something so many of our residents have asked us to address.

"The car park is ready to operate as a council car park using the existing ticket machines in the lower car park but more machines are being added after

completion. Recognising the impact this closure has had on the town and the pressure it has placed on other car parks, we want to allow people to start parking again as soon as possible. Just buy a ticket from the existing machines in the adjacent car park, as directed on the local temporary signs.”

The new car park will operate in exactly the same way as the current Denmark Street car park and tickets will be interchangeable across the combined car parks. The parking regime allows a maximum stay of four hours. Charges will apply Monday to Saturday between 8am to 6pm.

Cllr Munro continued: “We’ve bought these properties as part of the council’s property investment portfolio which is proving a great success in securing the council a regular source of income that can be used to fund essential services across the borough. This purchase has the double benefit of also allowing us to secure and protect the future of this popular car park which has such wider importance for the town itself.

“Given the previous owners application to redevelop the site I’m sure some people will think we have bought this to submit a similar large scale scheme ourselves and I’d like to reassure people this isn’t the case. As a council we firmly recognise the importance of parking in the town centre and, whilst this demand remains so strong we have no plans to stop providing public parking in this location.”

Planning for a green future

Many of us want a green policy, but definitions of what constitutes a good green policy vary. To me a good green policy protects the beauty of the English landscape. It encourages fresh air and clean water, prevents litter and facilitates good recycling or disposal of waste. We should not prevent all new development, but should seek to preserve much of the natural environment and the farms we see around us. The single most important green policy we can follow is to limit migration, as a rising population of course requires us to build on more green fields.

Since 1945 government and Council led planning has become more and more intrusive, trying to limit the volume of development, and having a heavy influence over where it should go and what it should look like. Substituting the judgement of civil servants for that of private landowners, homeowners and investors has not produced a notable improvement in the beauty and utility of development over say the Georgian terraces of Bath or the Victorian villas of London, nor has it arrested the steady erosion of the countryside around every main town and city. It leaves the market short of homes, helping prices of them upwards to choke off some people’s reasonable ambition to own a home of their own.

It has managed both to create artificial scarcity of development land, and to

encourage concentration of development. In my own county of Berkshire large acres of West Berkshire are protected from most development by being registered as an Area of Outstanding Natural Beauty, whilst much of Maidenhead and Windsor constituencies are protected by Green belt designations. This leaves my own central Berkshire area prone to high levels of development as it does not benefit from any green space special protection.

We need to ask ourselves some basic questions about our current system of planning. How does it manage to let homebuyers and conservationists down at the same time? Why does it require high density of development and such large mortgages to buy? Why does so much development end up in London and the South East? I will explore further in future blogs.

The resignation of AKK

The recent resignation of the Leader of the CDU in Germany, AKK, received little attention in the UK media compared say to the daily stories about the Democrat opposition in the USA. We should consider why the lead party in the German governing coalition has just lost its new Leader, who was meant to be taking over from Mrs Merkel as Chancellor candidate or as Chancellor before the next election. Germany is an important country and economy, and her current troubles will have an impact on our economy just as US politics has an impact on it.

The tribulations of AKK got worse late last October with the Thuringia State election. We are told far more about the Democrat caucus in Iowa than such Lander elections in Germany. In that election Mrs Merkel's CDU party fell to third place with just 21.7% of the vote, losing 13 of its 34 seats in the Parliament. The AFD came second with 23.4% of the vote, adding 11 seats to its existing 11. Its leader is a very contentious figure with views about Germany's past that all mainstream parties find unacceptable. Mrs Merkel's main coalition partner, the SPD (Social Democrats) sank to just 8.2% of the vote, losing 4 of their 12 seats. Die Linke, the left wing challenger party stayed top with 31% and 29 seats.

In this state election the combined forces of CDU and SPD (Traditional centre right and centre left dominant parties, Conservative and Labour in UK terms) polled just 29.9% of the vote. Two radical parties of left and right polled 54.4% between them. In the hung Parliament created in a recent vote CDU members helped the AFD throw out the Die Linke left radical Minister President and replace him with the Leader of the Free Democrats who got just 5% of the vote. This broke the Merkel rule that CDU members should not support the AFD, and led AKK to take the hit and resign, for the bad result and above all for the voting decision taken in the new Thuringia Parliament. Public protest soon led to the resignation of the new Minister President. The

Parliament is currently unwilling to hold new elections which Mrs Merkel and some others want and has yet to appoint a new Minister President.

This tells us there is great unhappiness in Germany about current policy and the stance of the present government. It means there is a lack of leadership in the CDU who have been leading government for much of the time in recent years. Mrs Merkel clings to her pro EU green strategy, offering no support to her struggling car industry. The economy has plunged from good performance to little or no growth interspersed with the odd negative quarter. There is a big argument going on about how to spend the surplus on the budget within the coalition, with some CDU hawks still unhappy about the whole idea of fiscal reflation.

It is still not clear what will happen about who should govern Thuringia. Many Germans are alarmed at what has happened there.