

Fairer finding for schools

I along with MPs with similarly placed constituencies urged the Coalition government to narrow the large gap between the money going to schools in some parts of the country and the much smaller sums going to schools in places like West Berkshire and Wokingham. Conservatives were not able to get agreement in coalition, but did put a commitment to fairer funding in the Conservative 2015 Manifesto.

Ministers have since been working on a scheme. This is currently out to consultation. The request for people to write in on the "National Funding Formula" was first issued on 14 December. The closing date is 22 March. I am writing to remind those interested as they might like to send in their thoughts.

I have put the case to Ministers along with other MPs on several occasions. I will be having another meeting with the Secretary of State shortly about it again. The case is very simple. The main cost of education for each pupil is similar around the country, as it is based on teacher pay and other staff wages paid at national rates. Of course there should be extra money for pupils that require more support, and to recognise problems in deprived areas. There also needs to be some recognition of higher property and support costs in expensive parts of the country. The current gap between the highest and lowest funding, at more than 100% of the lowest level, is too great.

I have asked for the introduction of a new system as soon as possible, and for further transitional increases in money whilst we are awaiting a fair funding answer. The total support per pupil needs to be sufficient for decent provision. Individual schools may have other budget problems. If a school is unable to recruit sufficient pupils then its total funding will drop, and that may force it to reduce the number of subject options as it adjusts its teaching numbers to the lesser number of pupils.

In 2014-15 the per pupil funding of English schools ranged from £8595 per head in the City of London to just £3950 in the lowest funded authority. The average was £4550. Wokingham received £4125 and West Berkshire £4367.

The contact is SchoolsNationalFundingFormula.CONSULTATION@education.gov.uk

Captcha

Some object to this entry test. I have changed server for a variety of good reasons. I was getting a large number of computer inspired nonsense contributions and some advert contributions which I need to keep out, and am told this is the best way to do so. I will make enquiries to see if there is

any other way to stop this material.

Some also query how I select which items to post. Let me repeat I delete

1. Any unduly long post unless well written, relevant and easy to approve
2. Any post with unproven allegations or prejudicial language about people or institutions, whilst allowing more latitude in criticisms of government
3. Frequent posts from the same person on the same topic, unless they are easy to post
4. Any post with a cited reference to other websites unless they are to official ones or ones I know. I am always happy to see a citation to the ONS or the Fed etc.

I do not delete posts that disagree with me or the Conservative government, and do delete posts that are personally disobliging about people in all political parties whatever the merits of the case.

[My speech during the debate on the Budget, 8 March 2017](#)

John Redwood (Wokingham) (Con): I draw the House's attention to my entry in the Register of Members' Financial Interests.

The good news is in the forecasts. I am delighted that the Government have gone back to the forecasts they put to us in March 2016, when they rightly said that the UK economy would grow by 2% in 2016, and by little over 2% in 2017. I welcomed those forecasts at the time and held to them throughout the past year. I am delighted that the Treasury has now largely backed those more sensible forecasts.

However, we need to ask why the Treasury, the Office for Budget Responsibility, the Bank of England and many other independent forecasters got the forecasts so comprehensively wrong in the summer of 2016, and why the autumn statement forecasts were still so wrong at the end of last year. I wonder whether we need some efficiency improvements in their economic forecasting departments. Do we really need all those forecasters in the OBR, the Treasury and the Bank of England, if they are going to get it so comprehensively wrong and make the Chancellor's job so difficult? He is trying to chart a consistent and stable course through a set of forecasts that are rather like a wild ride to some kind of nightmare world, only to discover that there is no nightmare but rather a good outlook.

Alison McGovern (Wirral South) (Lab): The right hon. Gentleman says that we ought to get rid of forecasters in the OBR and the Bank of England if they get the forecasts wrong. Plenty of modellers and forecasters in the City of

London got their forecasts wrong before the crash in 2008, but I am sure he does not believe that we should end the banking trade in the City of London.

John Redwood: I do not think that the hon. Lady was listening to what I said. I asked whether we have too many of them, because we do not need quite so many to get it wrong; I think that we could be more economical in getting it wrong, if that is what they persist in doing. Certainly, the official forecasters completely missed the banking crash of 2008-09, which some of us did not miss. Then, of course, they got the Brexit impact completely wrong. The Scottish National party is redefining what it believed at the time of the remain campaign. I remember quite clearly it supporting a campaign that said, in terms, that those official forecasts were right—that confidence would be damaged, and therefore consumer expenditure would fall, whereas it has actually gone up very strongly. It said that investment would collapse, but it did not, because the demand was there, and companies need to meet it.

George Kerevan (East Lothian) (SNP): I clearly remember being in the Treasury Committee when we interviewed the Chancellor, and clearly remember holding him to account for his bogus forecasts, which were clearly over the top, clearly bound to turn people off and clearly led to the wrong result on 23 June.

John Redwood: I am delighted that the hon. Gentleman shared my scepticism. I just wish that he had said rather more at the time when we were fighting the referendum campaign, because I do not remember him being on my side or making similarly helpful comments before people went to vote.

Mark Prisk (Hertford and Stortford) (Con): One of the difficulties I found when I was Minister with responsibility for construction was that statistics from the Office for National Statistics are often incomplete and based on only partial information. Does my right hon. Friend agree that if forecasts were more infrequent, we might get the numbers right more often?

John Redwood: That might be worth looking at. We need to consider why the forecasts went so comprehensively wrong on this occasion. We also need to probe further why they went so wrong in 2007-08, when they disrupted the world economy in the west. They disrupted the Labour Government very dramatically, because there was absolutely no foresight about the consequences of the actions they were taking over the banking system, first allowing it to expand too fast and then collapsing it far too quickly, with awful consequences, as we know. I am delighted that I can fully support the Government's latest forecasts, because they are in line with where I have been throughout.

That brings me neatly to the monetary situation. The Government need to recognise that there is a new move afoot. We will probably see an interest rate rise in the United States of America next week, and we might see two or three rises of 25 basis points over the course of this year, because it recognises that its recovery is sufficiently advanced. There is quite a bit more inflation in the American system, and it needs to start to normalise interest rates a little more. We might even hear from the European Central Bank tomorrow that it is no longer thinking of cutting rates further; they

are already negative. It might need to think in due course about tapering its rather generous quantitative easing programme.

We are moving into a world where interest rates tend to go upwards, rather than going downwards or staying stable. If we are too slow in responding to that mood, we will find undue pressure on the pound. I do not think that has anything to do with Brexit; I think it is to do with interest rate differentials. The pound started to fall away in the summer of 2015, and most of the devaluation we have seen to date actually took place by April last year, before the vote, but there has been more pressure in recent weeks. When people look at these interest rate differentials, they will say, "Why don't I hold my money in dollars? Not only will I immediately get a pick-up in interest, but I think there will be further rate rises in America." We need to factor that in. That is why I welcome the Government's decision to increase public spending in certain areas. As a constituency MP, I want more money spent on social care. I represent a high-cost area of the country, where the shoe is pinching and there are more people needing that assistance. The Government were right to make a sensible contribution, and I look forward to seeing the details.

Stella Creasy (Walthamstow) (Lab): Will the right hon. Gentleman give way?

John Redwood: I am running out of time, so I cannot take any more interventions. I welcome the decision to have more money for schools and the NHS, because there, too, my area has been poorly funded for many years. We are looking forward to getting a much better settlement for our schools under fairer funding, and I hope that there will be something for our schools as a result of the Chancellor's sensible decision to make some increases. I think that colleagues will generally welcome the Government's attention to schools, the NHS and social care funding. I hope that the rate relief fund will be generous, because I represent an area where there are likely to be substantial increases in the rates, but where businesses are not necessarily generating the extra turnover that makes it easy to pay those sharp increases. We particularly need to look after small and growing businesses. I hope that the fund will be well targeted and will deal with what will otherwise be a series of tough, hard cases.

I welcome the extra spending and relief on tax, because I am not as worried as some about the level of UK debt. We need to remember that the figures the Government are giving us are for the gross debt. They are saying that the debt, at 86% of GDP, is high and needs to be brought down, but of course quite a bit of that debt is owned by the Bank of England on our behalf, so we owe the money to ourselves. The adjusted figure is about 65%, which is a perfectly reasonable level, particularly at a time of very low interest rates. Whatever happens with advanced country monetary policies, we all think that interest rates will remain abnormally low for quite a long period of time—well below the averages we were used to before the banking crash.

This is not a bad time for the state to borrow, particularly if it is investing in projects that we need and that may have some return. We definitely need better transport and strengthened broadband, much of which can be done by private finance. We also need better flood control and, at the

same time, more water reserves for the fast-growing areas of the country. We need a lot of extra housing, which brings with it the need for more provision of schools and hospitals.

If we are to carry on growing at something like the rate at which we have done in recent years, we have to accept that there is a backlog of infrastructure requirements—everything from roads to water supply, through to getting our broadband up to speed and sufficient in capacity. I want as much of that as possible to be financed in the private sector, and a lot can and will be, but the Government have an important role in all these areas. They have to offer licences and organise planning permissions. They may need to pump-prime. Parts of the networks may not be financially viable without Government money. That is certainly true of our road system, because we have a system that is free at the point of use, owned by the state in all its manifestations. As we need better roads, Her Majesty's Government clearly need to invest a decent amount in roads.

I note that the Budget was mercifully short of measures on the tax side, although I am always in favour of measures that cut taxes, rather than increase them, and I would have welcomed rather more of those. The Chancellor understandably wishes to go to having one Budget a year, in the autumn. We look forward to a Budget that deals with taxation in the autumn. He has set out a number of ideas for consultation, or perhaps pre-announcements; I trust that there might be some modification to those by the time we get to the proper Budget in the autumn. I urge him to understand just how crucial flexibility is to our economy, and that flexibility comes from having so much, and a growing volume of, self-employment. We need to ensure that it is as easy as possible to get into self-employment, and that it is as worthwhile as possible when people are successful.

I always think it is a good idea to try to confine taxes, and certainly tax rises, to things that we do not approve of very much. We have quite a number of sin taxes, which are rather easier to sell to the public. We should not go out of our way to tax work, enterprise and success. I know we have to do some of that, because we need a lot of revenue for the range of public services we offer, but our taxes on those things are quite high enough. We might actually find that we raised more revenue from more work and more enterprise if the rates were lower, because there is definitely a beneficial effect if we can get our rates to a competitive level worldwide. We need to understand that other countries around the world are getting the idea of cutting tax rates. The new President of the United States of America is working with Republicans on the hill on a major set of tax proposals that could cut American corporate tax rates and income tax rates dramatically, which would give America an important competitive advantage and make it a much more attractive place for talent and inward investment. We need to bear that in mind as we go into our autumn Budget cycle here, because I want the UK to be the most competitive major economy in the world.

My last point, in response to the previous speaker from the Scottish National party, the hon. Member for Dundee East (Stewart Hosie), is that he should not start painting this picture of misery and collapse in three years' time, given that there was no collapse immediately after the vote. Were we to end

up on World Trade Organisation terms, we would collect £12 billion in tariff revenue, which we could give back to businesses and consumers here; other countries would collect only £5 billion in tariff revenue from our exports to them, so we would be better off financially in that transaction. We would also be better off because if countries placed large tariffs on food exports to us, which would be an extraordinary type of self-harm on their part, we would presumably substitute a lot of imported food from cheaper parts of the world.

Budget 2017 – Not much changes

Lots of money moved around in the Budget arithmetic. Practically all of the changes resulted from new forecasts. At last the Treasury and OBR have thrown off the inaccurate gloom they were enveloped in from the time of Brexit vote, and have brought their figures more into line with reality. As a result revenues leapt £10.5bn for 2016-17 compared to the November forecast! Borrowing is now scheduled to be £51.7bn instead of the £68bn estimated in November, as spending is down a bit as well. I assume they have at last got their 2016-17 forecasts broadly right, as they must know most of the numbers by now.

I raised the issue of wildly inaccurate forecasts and the danger that they drag Ministers into policy responses that are not warranted by the underlying situation.

The Chancellor himself moved very little money around for next year. He took us through a number of detailed spending pledges, itemising £5m for a commemoration for women's voting rights, £25 million for small business rate relief recipients, £25 million for a one off pubs rates relief, and £20 million for free schools capital. The one major item which is also welcome is the £1200 million more for social care. There is also £250 million for NHS improvements.

The Budget also proposed tax changes for later years, including an increase in Self employed rates of NIC and a reduction in the tax free dividend payable from a company. I would be interested in opinions on those measures, which come in during the likely run up to the next election.

Budget Spring 2017

In the March 2016 budget the government decided to increase total public

spending from £681 bn last year, to £694bn this year and to £706 bn next year. For 2017-18 we are going to need a higher total, given the pressures on social care, the NHS and schools budgets.

The argument over the budget is less about the need for some more spending on priorities than on how this will be paid for. Some of us say that as the Treasury will be able to report stronger revenues than the Autumn Statement there is no need to hike individual tax rates or find new taxes to impose. Indeed, some selective cuts in rates on enterprise would be welcome, and likely to augment the revenues. Mr Osborne's Spring budget last year slashed property transactions with higher Stamp Duties. The revaluation of Business rates will damage some smaller businesses that face high increases with no small premises exemptions.

It is most important that the budget promotes growth, investment and more productive working, rather than taxing it more. Treasury officials are ever minded to look for new sources of income, but the Ministers are there to protect taxpayers and to be a voice of commonsense about how far we can go with increasing tax rates. The UK economy has done relatively well in 2016 and so far this year, but could do better. It will need substantial new investment in broadband, water, electricity, and transport to overcome obstacles to growth and to lift it further. Anything the budget can do to speed these ideas, the better.

With the USA planning major tax cuts and with places like Ireland and Luxembourg also offering an attractive tax package to investors and business, the UK must stay competitive.