

We need a new way of forming budgets

Conservative Home article

The two main parties are locked in a budget battle. They are dug into OBR provided trenches and fighting over the odd couple of billion here or there for a Non Dom tax and a Vat on private school fees tax.

£2 bn is under 0.1% of our economy and around 0.2% of revenues. Even when they get so far as to argue about a £10 bn tax cut or spending increase they are still only talking about a sum under 0.5% of GDP. More to the point they are arguing over small rounding errors in the error strewn OBR forecasts of the deficit. The OBR regularly has to revise its deficit forecasts down by several tens of billions.

I understand the need for parties to behave in a fiscally responsible way. They have to live down the huge spending rises necessitated by excessive lock downs as the preferred way of tackling covid. Labour was the bigger offender, always demanding the economy produced less and was subsidised more, always wanting longer and harder lockdown, encouraging huge bills taxpayers could not afford. I do not understand why people think following the OBR will give us fiscal prudence, as they cheered on the covid excesses and now favour an economic austerity that will stifle growth and so depress revenues.

However, in resigned acceptance of the cross party and establishment's wrong approach to necessary prudence I have set out before how there could be substantial cuts to public spending without damaging core services like the NHS and education. Within misleading OBR rules government could find plenty of headroom to boost growth with tax cuts and or cash for investment for those who prefer that public sector led route.

We start with my old friend the heavily loss making Bank of England. They have lurched from creating inflation by

printing too much money and keeping rates too low, to causing a shallow recession by destroying too much money and by driving bond interest rates too high. They have lost us £50 bn since 2022, all reimbursed by taxpayers. Stop the bond sales and follow ECB policy over bank reserves to make a big reduction in the losses and taxpayer subsidies.

Abolish the expensive and useless UK Government Investments . Get Ministers to supervise their departmental monitoring of the nationalised industries and state owned shareholdings that report to them. They already duplicate the UK Government Investments work. Put in management that can stop the huge losses at the Post Office and Network Rail. Dispose of holdings as with Nat West to bring in cash and cut risks. Sell other assets. Mutualise the Post Office. Achieve a substantial reduction in the £33 bn cash injection this year into a heavily loss making railway.

Get an accurate figure out of the Treasury/ OBR on early year capital costs of providing a low wage migrant with a new social home, NHS capacity, school places for children and the rest. Identify the top up benefits , tax credits and public service running costs to support a low paid new arrival. .Increase current targets to cut legal migration by 300,000 and reduce future spending accordingly.

Remove the £20 bn carbon capture spend from future budgets. There is no need for this transitional spend which just makes existing electricity dearer. Press on with cheaper functioning low carbon alternatives. The UK may have good carbon storage facilities so make these available for neighbouring countries producing too much CO₂ financed as a future profit making private sector opportunity.

Speed up policies to get more of the millions of working age not in work back into the workforce. The DWS has some good ideas to reduce the numbers of working age people not in jobs by suitable support, more home working and realistic pay.

Build on the announcement in the budget of a major public sector productivity drive. The 6% collapse in public service productivity since covid can be recaptured before embarking on an ambitious spend to save AI led programme of work. The immediate task should be to impose a recruitment ban on civil service and public sector admin posts to recover 2019 numbers and levels of productivity.

These measures offer scope for up to £100 bn of savings through recaptured productivity, lower losses by state concerns, more private green investment and fewer low wage migrants. These things warrant more debate. The odd £2 bn is an OBR fiction that will be washed away in their forecasting errors.