**BACKING EVIDENCE TO NEWS ITEM ON AUTUMN STATEMENT**

This note will provide backing evidence on three points (A) the increase in inflation and reduction in real-terms public expenditure now forecast as compared to previous forecasts (B) the source of the headroom for the Chancellor’s tax cuts (C) the present state of certain public services. It will also (D) comment on the issue of avoiding ‘big government’. As to the politics, it is worth noting that an excellent article in the Financial Times of 23 November gives political background to the issues; it is entitled ‘ Jeremy Hunt’s tax cuts leave poison pill for next UK chancellor’.

**(A)** **INFLATION AND REAL-TERMS PUBLIC EXPENDITURE**

The paragraph 1.1 of the Executive Summary in the OBR’s Economic and Fiscal Outlook published on 22 November states, inter-alia, that ‘Inflation is expected to be more persistent and domestically fuelled than we previously thought, falling to below 5% by the end of this year but not returning to its 2% target until the first half of 2025’. In its article ‘key points from the Autumn Statement’ published in the on-line version of its newspaper soon after the OBR had published, the Financial Times traced through the effects of a continuing higher price level on the OBR’s forecasts for future years. It states that ‘the OBR has revised price growth to 3.6 percent next year from 0.9 percent forecast in March’ – that is prices next year will be 2.7 % higher than previously forecast. Once this higher price level has been established, the OBR projections show the increase broadly being carrying forward into the future.

As to Departmental spending power, the Financial Times article states that , under the forecasts, Departmental Spending suffers ‘a real value fall of £19.1bn by 2027-28 ‘ as budget allocations in money terms have not been increased to compensate for higher prices. This figure of £19bn has also been cited in other press articles, including in the Economist ‘s weekly issue for 25 November.

**(B) SOURCE OF THE HEADROOM FOR CHANCELLOR’S TAX CUTS.**

The Chancellor’s target is that debt should be falling as a percentage of GDP by 2027/8.The £19bn fall in real-terms planned Government expenditure in 2027/28 increases the headroom within this target, In money terms, tax revenues are being increased by the higher inflation, while Departmental budgets in money terms are being held largely unchanged. In its Executive summary, the OBR states that the resulting windfall from this and other forecast changes is being spent on tax reductions and a package of welfare reforms. As the Economist puts it on page 24 of its 25 November issue ‘the fiscal space for these give-aways comes principally from deep implied cuts to public services’.

**(C) THE PUBLIC SERVICES**

Briefly, evidence about the public services includes the following:

* **Record waiting lists for NHS treatment.** The current House of Commons Library Research briefing on NHS key statistics for England states that ‘the waiting list for treatment rose to a record of nearly 7.8m in September 2023’.
* **Local Authority Service Cuts.**  On their website, the Local Authority Association report that if nothing is done, Local Councils will face a local funding gap of £4bn over the next two years. The services at risk of cuts include ‘ bin collections and street lighting, social care for adults and children, support for low-income households and preventing homelessness’. The Association’s concerns are backed by Conservative-controlled Councils as well as Labour-controlled and Lib-Dem controlled Councils.
* **Prison Conditions.**  An online publication by HM Inspectorate of Prisons, dated 5 July 2023, summarises the annual report of Charlie Taylor, the Chief Inspector, for 2022/23. As a main point, Mr Taylor reports that many prisons are still failing to reinstate adequately pre-pandemic regimes aimed at prisoner rehabilitation. Another main finding is that of too little time out of cell in most men’s prisons, many of which are overcrowded and in poor condition.
* **Delayed court cases.** In a press release of 29 June of this year, the Law Society state that ‘New figures released on 29 June reveal that 10% of the backlog in the Crown Courts, a record breaking 6073 cases, have been delayed for more than two years’.
* **Absence of Sustained Industrial Strategy.** It is a matter of common observation that the policies to improve industrial performance have changed repeatedly over the last decade, thus reducing their effectiveness.
* **Foreign Aid Budget** A House of Commons Library research briefing dated 29 November 2022 states that the Government is under a statutory duty to meet the UN target of foreign aid being 0.7% of Gross National Income: that the Government nevertheless reduced its aid level ‘temporarily’ to 0.5% in 2021 ; and that the Treasury do not expect expenditure to return to the 0.7% level until after 2027/8 at least.

**(D) BIG GOVERNMENT**

One of the reasons the Chancellor gave in his Autumn statement for seeking to shrink the size of the state was that of avoiding ‘Big Government’. However, the Lib Dem belief in liberty acts as a safeguard against the oppressive use of Government power. Their belief in individual self-direction argues for enabling individuals and producers to act. An active Government is needed to address problems in a way not expected in previous times: examples being the need to counter pandemics, the need to tackle global warming and the need to avoid deep depressions.