

## Let's get real with UK governmental cost-cutting

If we get it right we could cover our obligations:

The **interest alone** on our national debt is about **£30bn per annum**; or about £80,000,000 per day.

We could cover this interest quite readily if we addressed the issues that really matter, rather than tinker at the margins.

Savings could come from:

- £27bn from unnecessary public sector posts
- £14bn from properly recovered corporation tax (not including a £4bn potential shortfall from 2009/10 – see below)
- £15bn from wealthy individuals no longer off-shoring their income

A total of **£56bn** which would meet current obligations with a bit left over to repay some of the capital

Instead our politicians tinker at the margins, disadvantaging the weak whilst protecting their wealthy sponsors and friends – and for some no doubt their own lifestyle, so ably pointed out in the Telegraph a couple of years ago; so expect no change there then! Yet change is desperately needed

### Basic statistics

- The total UK government current debt is about £900bn<sup>1</sup>. This does not include any future commitments such as state pensions, public sector pensions, Lloyds bank, RBS, PFI deals (omitted from the note below about off-shoring) and some other 'minor' future costs such as £40bn for decommissioning nuclear power stations (and no doubt continuing to rise like every other government estimate). The total projected indebtedness is reaching £4tn
- If the interest on current debt is 3% per annum (David Cameron TV interview w/c 25 July 2011)
- We need to repay a little under £30bn per annum
- Or an interest repayment of about **£75,000,000 per day**, with no return (but I suppose it supports the bankers' lifestyles – who got into this pickle in the first place)

### How to make a £100,000,000 saving:

How about closing the libraries for example; this action will save about 32 *hours* of debt repayment; and, at the same time permanently deprive the unemployed and disadvantaged of facilities to read newspapers for job ads, gain the support of others, have a place to meet so as not to feel isolated and ostracised – a valuable public service now lost, for the sake of 32 hours of repayment leeway (and politicians' breathing space)

### Let's look also at public sector employment:

In 2003 – from Office of National Statistics, published in 2005 (figures rounded)

- Central Government employed about 2,000,000 people
- Local Government employed about 2,000,000 people
- Public Corporations (e.g. Royal Mail, BNF etc.) employed about 400,000 people

In all, about 4,500,000 million people

In Q1 2011 – from the Office of National Statistics (figures rounded)

- Central Government employed about 2,800,000 (up 800,000) people
- Local Government employed about 2,800,000 (up 800,000) people
- Public Corporations employed about 500,000 (up 100,000) people

In all, about 6,000,000 people

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<sup>1</sup> ThisisMoney July 2010 <http://www.thisismoney.co.uk/money/news/article-1698697/How-much-does-this-country-really-owe.html>

### Some sweeping assumptions:

- Average annual pay per public sector employee (inc. pension, NI, travel, London weighting etc) is £35,000
- Average cost of office space is £50 per ft<sup>2</sup> per annum, (£70 per ft<sup>2</sup> using [www.Findalondonoffice.co.uk](http://www.Findalondonoffice.co.uk))
- The recommended floor space per person is 12M<sup>2</sup> (Office of Government Commerce 2007)
- 12M<sup>2</sup> is about 150 ft<sup>2</sup> so in round figures, an additional £7,500 per employee
- Rounding down – each public sector employee costs the taxpayer about £42,500
- The tax take for £35,000 of income is about £5,500 per annum
- A year's unemployment money is about £10,000 per claimant, including administration

### A calculation:

Let's assume that since 2003 we need a 10% increase in the public sector due to extra demands from Brussels etc – a total of about 5,000,000 people to meet current needs and stay as efficient as in 2003; the difference in headcount may be assessed as: 6,000,000 (today's figure) minus 5,000,000 (2003 figure + 10%) = 1,000,000 unnecessary? posts. Each post that can be cut saves £42,500 but loses tax of about £5,500 per person and costs £10,000 in unemployment; a net saving of (£42,500 – £5,500 – £10,000) £27,000 per post times one million, or **an annual saving of £27bn**

### And some of the rest?

#### ***From individuals***

According to CityWire<sup>2</sup>, Tax evasion by the wealthy costs the UK treasury some **£15bn** in lost revenue from unpaid income tax

#### ***From corporations***

£33bn was collected as corporation tax in 2009/10 according to HMRC as published by Holden Associates – this is down £10bn on the £43bn collected during 2008/9 [v.i.]

It is generally recognised [and I'm very ready to be corrected] that the SME sector which generates 50% of GDP pays 80% of UK corporation tax; the multinationals that generate the other 50% of GDP pay only 20% of UK corporation tax – helped by clever lawyers who interpret the letter of the law, not the spirit.

A simple calculation indicates that the total corporation tax in UK should be about £47bn. So by collecting what ought to be paid, the treasury would benefit from **£14bn of additional revenue**

A similar calculation applied to the £10bn [catastrophic<sup>3</sup>] decline 2008/9 to 2009/10 would generate an **additional £4bn of revenue**. Has this decline been driven by additional off-shoring when times have become a bit tricky? For comparison with prior years, corporation tax in 2008/9 was about £43bn, in 2007/8 was about £46bn, in 2006/7 was £44bn and in 2005/6 was about £42bn [v.s.]

### **Conclusions:**

- If government actually addresses the issue instead of tinkering we could get out of this hole.
- Government seems to be busy protecting the 'great & the good' [an excellent oxymoron] at the growing expense of the millions of people it is meant to serve.

### **Action required by government – please !!**

**You're beginning to stand up to the media; please stop posturing and stand up now to your posh mates and address the issues that really matter – we're not fooled by your high profile diversionary tinkering.**

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<sup>2</sup> <http://citywire.co.uk/new-model-adviser/tax-evasion-costs-treasury-15-times-more-than-benefit-fraud/a378274>

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<sup>3</sup> Caused by the recession and 18 months late reporting, or by opportunistic off-shoring?