

THE TORIES' CLAIMS DON'T ADD UP



They're the ones
with questions
to answer

THE TORIES' CLAIMS DON'T ADD UP

They're the ones with questions to answer

The Tories think that today they are turning attention onto Labour's spending plans but all they are really highlighting is that their own numbers do not add up:

- They already have more than £8 billion of unfunded commitments in just two of their policies – on tax cuts and the NHS – and have pledged support for other multi-billion pound policies without saying where the money is coming from.
- They have a history throughout this Parliament of producing dossiers on Labour's spending plans based on shoddy claims and dodgy numbers which collapsed under scrutiny. This one won't be any different.

The truth is that Labour is the only party that is committed to having no unfunded spending commitments in our manifesto – which is why we have called for the Office for Budget Responsibility to independently audit the spending and tax commitments in our manifesto and those of the other main parties. The Tories need to explain why they have refused to let this happen

Labour's plans are fully funded

- As the independent Institute for Fiscal Studies has said, Labour has been the most cautious of the three main parties and has not made unfunded commitments.

"Of the main parties, Labour has perhaps been the most cautious of the three in that, at least on the basis of its own costings, it appears to have managed not to announce an overall net giveaway. Just looking at tax and social security spending policies, Labour has announced a small net takeaway of 0.1% of national income."

Institute for Fiscal Studies, 'Fiscal Aims and Austerity: The Parties' Plans Compared', December 2014, p.21

- Ed Miliband stated clearly last month that Labour will only make commitments in our manifesto that are fully funded.

"We will only make commitments in our manifesto that are properly funded.

"Not commitments that depend on extra borrowing.

"That's why we've explained how we will pay for every policy that we've put forward: costed, credible and funded."

Ed Miliband speech, 11 December 2014

- Labour has called for the Office for Budget Responsibility to be allowed to independently audit every spending and tax commitment in the manifestos of the main political parties.

"The British people rightly want to know that the sums add up.

"So we will go one step further and ask the independent Office for Budget Responsibility – the watchdog set up by this government – to independently audit the costings of every individual spending and tax measure in Labour's manifesto at the next election."

Ed Balls, speech to Labour Party Conference, 23 September 2013

- The Tories have refused to agree to independent audits by the OBR despite past support from the Tory Chair of the Treasury Select Committee, who said it could "enhance the quality of public debate".

"OBR involvement has merit if it can enhance the quality of public debate on tax and spend."

Andrew Tyrie MP, Daily Mail, 14 October 2013

Sources close to George Osborne said he will oppose a draft amendment to the law to allow the Office for Budget Responsibility to audit commitments in the manifestos of the main political parties.

Daily Mail, 14 October 2013

- Despite refusing to let the OBR assess Labour's plans, the Tories have been happy to ask Treasury officials to do this – based on Tory assumptions about what our plans are. Yesterday Ed Balls wrote to Sir Nicholas Macpherson, Permanent Secretary at HM Treasury, suggesting that – in the absence of the OBR being allowed to audit manifesto spending and tax commitments – Treasury officials should cost every spending and tax manifesto proposal of the main parties and that this process should involve the parties themselves clarifying their policies so that Treasury officials are not put in an impossible position of having to use blatantly false assumptions provided by Conservative advisers.

The Tories' plans are unfunded

- It is the Conservative Party, not Labour, which has questions to answer about its spending plans. The Tories have set out multi-billion pound commitments with no indication of where the money to pay for them will come from.

Unfunded tax promises

- In his speech to Conservative Party Conference last year, David Cameron made two unfunded tax promises for the next Parliament.
 - Increasing the Personal Allowance to £12,500
 - Increasing the higher rate threshold to £50,000
- The Treasury has said that the combined cost of these policies, if introduced at the end of the Parliament, is £7.2 billion.

“The tax cuts being proposed by David Cameron would cost around £7.2bn, the Treasury has said.”

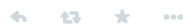
BBC News, 1 October 2014



Tory Treasury
@ToryTreasury

Follow

Andrew Neil is wrong. Basic rate to £12,500 costs £5.6bn. Higher rate to £50k costs £1.6bn. Total cost £7.2bn



@ToryTreasury twitter account, 1 October 2014,

<https://twitter.com/torytreasury/status/517280758730588160>

- David Cameron has hinted that these tax cuts could be introduced as soon as the first budget after the election.

David Cameron has held out the prospect that the tax cuts he announced at his party's conference earlier this week could be implemented shortly after the next election.

The prime minister, speaking during his trip to Cyprus and Afghanistan, indicated that the first moves could happen before the deficit is wiped out in 2017-18 and even as early as the first budget after the country goes to the polls in May.

There had been an expectation that the £7bn tax cuts Cameron announced in Birmingham on Wednesday, including raising the 40p threshold to £50,000, might not occur until there is no longer a budget deficit, or even until the final year of the parliament.

But speaking to reporters in Kabul Cameron said: “I think what we've shown in the last parliament is that it's perfectly possible, if you manage the nation's finances wisely, to deliver tax reductions at the same time as making savings and efficiencies.

“So in the last parliament we had to make something like £100bn of [spending] cuts but at the same time as that we actually made tax cuts in terms of the personal allowance of £9bn so in a parliament.”

Guardian, 3 October 2014

- According to the House of Commons Library, delivering these tax cuts earlier in the Parliament would be even more expensive – they would cost £16 billion if introduced in 2016-17. The Tories have yet to say how they will pay for these tax

policies – measures which will cost the Exchequer the equivalent of a substantial increase in VAT.

Unfunded NHS promises

- In the 2014 Autumn Statement, George Osborne claimed to be spending an additional £2 billion on the NHS.

"Well because we have a strong economy and we've got the public finances under control, we can afford to put £2 billion into the frontline of the NHS across the United Kingdom."

George Osborne, BBC Andrew Marr Show, 30 November 2014

- But this is not new money – it was allocated from the Government's Reserve – and it is not £2 billion but £1.2 billion.
- The £1.2 billion from the Reserve will also only exist in 2015-16. In future years, the pledge is unfunded and would require cuts to other departments.

		£ million					
Head		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<i>Memo: NHS funding from the Reserve, reflected in 2015-16 spending numbers*</i>	<i>Spend</i>	0	-1,200	-	-	-	-

HM Treasury, Autumn Statement 2014, December 2014, p.65

Other commitments

- The Tories have also pledged support for other multi-billion pound policies without saying where the money will come from.
- Last year David Cameron pledged support for HS3, which he estimated could cost up to £7 billion.

"Asked how much it would cost, Cameron said: 'There will be a proper report in March which will put a cost on the scheme, but to give you an estimate, if HS3 were to cost mile-per-mile as HS2 we would be looking at an investment of between £6bn and £7bn. I believe it is affordable'."

The Guardian, 27 October 2014

- And David Cameron has also said he would like to increase the inheritance tax threshold – without saying how he will pay for it. Increasing it to £1 million – the Tories' previous policy – would cost "billions".

"The last government allowed you to pass it between husband and wife, so the effective threshold was £650,000, but I have got ambitions and would like to see that go further."

David Cameron, Financial Times, 15 October 2014

"Lifting the threshold for the 40 per cent levy all the way to £1m could cost billions of pounds a year at a time when the government is trying to cut a still substantial deficit."

Financial Times, 15 October 2014

Six dodgy dossiers – past Tory tax and spending attacks

This isn't the first time the Tories have produced made up numbers to misrepresent Labour's plans. And every time they've produced one of their dodgy dossiers they've got it wrong and changed their own mind as to what Labour's plans entail.

Dodgy dossier 1: March 2011

In March 2011 the Tories published a dossier, *Labour: Maxing Out the Nation's Credit Card*, which collapsed under scrutiny.

- It based a claim that Labour would reverse £5.6 billion of local authority cuts on three quotes from Labour frontbenchers which raised concerns about the impact of these cuts on the front line, but which did not promise to reverse them.
- It pretended that a factual statement by then-Shadow Defence Secretary Jim Murphy, that "Ark Royal has been decommissioned and Illustrious is in for major refit", amounted to a spending commitment. (Honestly, that's the quote they used. In full.)
- It attacked Labour for proposing to cancel a planned 1p rise in fuel duty which the Tories later cancelled themselves.

Dodgy dossier 2: September 2011

In September 2011 the Tories published another dossier, *The Balls Plan: Plan B for Bankruptcy*, which again could not survive scrutiny.

- It attacked Labour for having a plan which, they claimed, would only reduce the deficit by a third in four years. Leaving aside whether this accusation was true (it wasn't) – their own plan, as it turned out, only reduced the deficit by a third in four years.

Dodgy dossier 3: November 2011

In November 2011 the Tories published yet another dossier, *Labour's Mortgage Bombshell*, which claimed that Labour's plans would put £5,000 a year on the average mortgage interest bill – a claim based on spurious argumentation.

- The dossier's main argument was that Labour's spending plans "would mean a loss of credibility and the UK losing its AAA credit rating" which "could cause UK market interest rates to return to the levels of Spain and Italy".
- Thanks to David Cameron's and George Osborne's policies, Britain lost its AAA credit rating in February 2013.

Dodgy dossier 4: September 2013

After a two-year break from dossier compilation, in September 2013 the Tories published *Budget 2015: A Budget for Borrowing*.

- This was presented as "Treasury analysis", but in fact almost none of the calculations were done by the Treasury.
- The main exception was a costing of Labour's Jobs Guarantee – but this was not a costing of Labour's policy, but a costing based on the now-abolished Future Jobs Fund, and based on 2012-13 levels of unemployment.

- Almost half of the £27.9 billion overall figure relied on the inclusion of a cut in VAT to 17.5 per cent, costed at £12.75 billion – but this was not then, and is not now, Labour’s policy.

Dodgy dossier 5: 2 September 2014

In September 2014 the Tories published a list of promises made by Labour over the summer which the Tories claimed were unfunded.

- All of the policies the Tories listed are, in fact, fully funded – and the Tories know this perfectly well, because they have attacked many of the measures which pay for the promises.
- For example, they claimed that Labour’s business rate cut is unfunded – despite having previously attacked the corporation tax increase which pays for it. And they claimed that scrapping the Bedroom Tax is unfunded – despite having previously attacked Labour’s plan to reverse George Osborne’s hedge fund tax cut which helps to fund it.

Dodgy dossier 6: 22 September 2014

Later the same month, the Tories published another dossier listing what it claimed were unfunded spending commitments in Ed Balls’ speech to Labour Party Conference.

- The Tories ignored Ed Balls’ clear statement in that very Conference speech that “in our manifesto there will be no proposals for any new spending paid for by additional borrowing”.
- Again, this attack pretended that fully funded policies were unfunded – even though the Tories had previously attacked the measures that fund the policies. They can’t have it both ways.
- Just a week later, David Cameron made his own speech to Conservative Party Conference including over £7 billion of unfunded tax cuts.