

REDUCING THE DEFICIT, PAYING OFF OUR DEBTS

Years of mismanagement by Labour and Conservative governments have left our public finances in a mess. The public sector deficit in 2014/15 is expected to be around £90 billion and our national debt close to £1.5 trillion, £500 billion more than it was when David Cameron took over in 2010.

This is a terrible legacy to leave our children and grandchildren.

Interest payments on our national debt alone cost £46 billion every year: more than £700 for every man, woman and child in the country. It is more than we are spending on defence.

The Chancellor has failed to stick to his 2010 promise to wipe out the deficit by the end of the current parliament, despite damaging cuts to public services. In the March 2015 Budget, a new deficit reduction schedule was unveiled, envisaging the elimination of the deficit by the third year of the next parliament, with a surplus being recorded after that.

While this current Treasury plan is a reasonable target, there is little public faith it will be achieved, coming as it does in the wake of previous failure. UKIP MPs in the next parliament will make sure the Treasury sticks to this latest plan, with no backsliding.

We will hold the next Chancellor's feet to the fire when it comes to improving public finances. UKIP will make a difference by being a powerful, much-needed voice in favour of sound financial management.

FINANCING UKIP SPENDING PLANS

UKIP will finance a fairer tax system and fund our public spending proposals by sharp reductions in spending on specified public sector programmes. By the end of the next parliament we will:

- Save £9 billion a year in direct net contributions to the European Union budget by leaving the EU
- Reduce the overseas aid budget from 0.7 per cent to 0.2 per cent of GNI, matching the percentage contribution made by the USA. This change will be phased in so projects in progress can be completed and contractual obligations met. Annual savings will increase to £11 billion by 2019/20 and money for bi-lateral aid projects will not be languishing in EU bank accounts
- Save £4 billion a year in capital expenditure by scrapping the HS2 vanity project, which will benefit the few at the expense of many
- Reduce spending by £5.5 billion by replacing the Barnett Formula

REPLACING THE BARNETT FORMULA

The Barnett Formula is the method by which HM Treasury allocates funds to Scotland, Wales and Northern Ireland. Despite being in existence for thirty-seven years, since when we have seen devolution and significant changes in the respective countries' fortunes, this formula has never been reviewed or updated. Now discredited, it was disowned by Lord Barnett himself.

UKIP believes the Barnett Formula has passed its sell-by date. Spending has become increasingly unfair, with Scotland receiving a considerably higher per capita spend, despite moving towards further tax-raising and spending powers of its own.

Scotland receives almost £1,400 more per person in public spending than the UK average and nearly £450 more than Wales. This is why Scotland is able to spend in a manner not possible elsewhere in the UK.

We agree with the House of Lords Select Committee on the Barnett Formula which in 2009 concluded that:

- The Barnett Formula results in 'per capita allocations that are arbitrary and unfair'
- Scotland has 'markedly lower overall need than Wales'
- 'The Barnett Formula should no longer be used to determine annual increases in the block grant for the devolved administration'
- 'A new system which allocates resources to the devolved administrations based on an explicit assessment of their relative needs should be introduced'
- 'A formula based on relative need is a practical possibility.'

These conclusions echoed a House of Commons Justice Committee report in the same year, which stated: 'The Barnett Formula is overdue for reform and lacks any basis in equity or logic.' The government of the day was urged to devise a new, needs-based formula.

Both reports have been ignored.

UKIP will implement these recommendations within the time frame anticipated by the House of Lords Select Committee: 'a transitional period of between three and five years, preferably no more than seven.'

The introduction of a new system will result in substantial reductions in funding for Scotland, but, as the Scottish government is to have significant further powers over taxation, borrowing and spending in due course, it can make its own decision as to whether to raise taxes or cut public spending to balance the books. Either way, the devolved administration in Scotland will be well placed to balance its fiscal, economic and spending priorities.