

FT Weekend

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NATIONAL NEWSPAPER OF THE YEAR

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Gwyneth Paltrow at 50

Exclusive interview

ITSI

Truss plans risk £60bn budget hole

◆ Inflation erodes 'headroom' ◆ Welfare and debt costs to surge ◆ Tax cuts bill to add pain

CHRIS GILES AND GEORGE PARKER

Surging inflation, the rising cost of government debt and Liz Truss's promises on tax cuts and defence spending will blow a £60bn hole in the public finances by the middle of the decade, according to Financial Times calculations.

Truss, favourite to be named as prime minister on Monday, has said she would stick to the government's fiscal rules on debt. But the permanent tax cuts she has pledged, coupled with nasty developments in the public finances, would make that impossible.

Voting in the Tory leadership contest closed at 5pm yesterday after seven

weeks of acrimonious debate, in which Rishi Sunak, former chancellor, claimed Truss's economic plan was "a fairy tale". In March, the Office for Budget Responsibility estimated that the government would meet its fiscal rules with about £30bn "headroom" to spare.

But higher debt and welfare costs have wiped out that headroom. This, alongside Truss's pledges to reverse increases to national insurance, abolish planned corporation tax rises and lift defence spending, will transform the public finances, according to the FT calculation, which is based on OBR methodology.

Julian Jessop, a fellow at the Institute

of Economic Affairs who has been advising the Truss campaign, said if the fiscal watchdog delivered a similar projection "it won't make any difference" to Truss's plans. "I don't believe we will or should be setting policy on the basis of the OBR's three-year forecasts for the public finances," he added.

Truss has also indicated that she would spend billions of pounds supporting vulnerable households and small businesses through the cost of living crisis, although such payments would be temporary.

The FT calculations show the public finance outlook had already deteriorated on July 7, when Boris Johnson said



Liz Truss is expected to be pronounced the next prime minister when the result of the Tory leadership vote is unveiled on Monday

he would step down as prime minister. The outlook deteriorated further during the leadership campaign as financial markets sold off UK assets and priced in significantly higher future borrowing costs. The expectation of higher interest rates has significantly raised the expected costs of the UK's welfare payments and public debt, which stands at almost £2.5tn.

Since March, forecasts for inflation have been consistently revised higher as energy prices have soared.

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War paint Russia reacts to oil pressure

A boy in Odesa paints a Russian military vehicle captured by Ukrainian forces.

The west stepped up its support for Kyiv yesterday, with the G7 economies agreeing to impose a price cap on Russian oil purchases to stem the revenues fuelling Moscow's invasion.

Hours later Russia, which called the price cap "absurd", suspended flows in the Nord Stream 1 gas pipeline indefinitely, deepening fears of a European shortage and sparking fresh accusations of weaponising its natural resources.

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LUCHFORD

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Hot property Ibiza

By Maria Crawford



◀ **Villa, Roca Llisa, €3.5mn**

Where About 3km from Roca Llisa, a coastal town halfway between Ibiza Town and Santa Eulalia.
What A four-bedroom, three-bathroom main house and a guest apartment with an additional bedroom, bathroom, living room

and kitchen. Inside, the south-facing house has traditional floor tiling and wooden beams; outside, there are mature gardens, a pool and sheltered terraces.
Why The property's hillside position means it has wide views of the sea and valleys.
Who Villa Contact/Knight Frank

▶ **Finca, San Juan, €5.2mn**

Where In San Lorenzo, a village in the north of the island about three miles inland. Ibiza Town and the international airport are 25-30 minutes away by car.

What A refurbished finca (farmhouse) and guest house with a total of 650 sq m of living space, including eight bedrooms and seven bathrooms.

Why The 1.7ha plot features a pool, Mediterranean gardens and terraces with views of the surrounding landscape and the sea.

Who Engel & Völkers



▲ **Villa, Siesta, €11.95mn**

Where In Siesta, a hillside area across the river from Santa Eulalia, the island's third-biggest resort. The international airport is about 30 minutes by car.

What A contemporary villa with more than 1,000 sq m of living

space. It has six bedrooms, seven bathrooms, underfloor heating, a four-car garage with a lift and a roof terrace with a Jacuzzi.
Why Glass doors open on to a 600 sq m terrace, a saltwater pool and pool house with views of the hills, town and sea.
Who Engel & Völkers



◀ **Villa, Cap Martinet, €10.5mn**

Where In Cap Martinet, just east of Ibiza Town on the south coast of the island and less than 15 minutes' drive from its international airport.

What An eight-bedroom villa with 780 sq m of living space and interiors designed by Bruno Erpicum. It features staff accommodation, a built-in music system, home cinema, games room, pool, gym area and spa. There are terraces at each level of the house.

Why The property has direct sea access and 180-degree views over the treetops towards the water.

Who Sotheby's International Realty



◀ **Villa, Cala Jondal, €7.2mn**

Where In Cala Jondal, a popular beach on the south coast, 11km west of Ibiza Town.

What A 380 sq m villa with four bedrooms (all en suite), marble floors and underfloor heating, on a plot of more than five acres including mature trees. The property has views of the sea and surrounding verdant countryside.

Why Amenities include a tennis court, gym, sauna, hot tub and a pool with sheltered terraces well suited for outdoor dining or poolside bars.
Who Estelita Exclusive Homes/Christie's International Real Estate