



Treasury Committee

Oral evidence: Autumn 2022 Fiscal Events, HC 740

Wednesday 23 November 2022

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Members present: Harriett Baldwin (Chair); Rushanara Ali; Mr John Baron; Anthony Browne; Dame Angela Eagle; Emma Hardy; Danny Kruger; Andrea Leadsom; Siobhain McDonagh; Anne Marie Morris; Alison Thewliss.

Questions 422 - 532

Witnesses

I: Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer, HM Treasury; Dan York-Smith, Director of Strategy, Planning and Budget, HM Treasury.

Examination of witnesses

Witnesses: Jeremy Hunt and Dan York-Smith.

Q422 **Chair:** Welcome to the Treasury Committee evidence session on your autumn statement, Chancellor. Can I invite you to introduce yourself and your colleague for the record?

Jeremy Hunt: I am Jeremy Hunt, Chancellor of the Exchequer. Dan York-Smith is my top official helping me put together the autumn statement. I thought it was probably a reasonable guess that you might have one or two questions about that. Dan is here for some of the detail.

Q423 **Chair:** Absolutely, this is definitely our autumn statement session. I am going to start with a quick yes-no question on something slightly different. Did the story that senior Government figures were planning to put Britain on the path to a Swiss-style relationship with the European Union originate in the Treasury?

Jeremy Hunt: Perhaps it would help if I—

Chair: It is a yes-no question.

Jeremy Hunt: I know it is a yes-no question. I will give you a yes-no answer, but perhaps it would help if I stated very clearly what my position is and what the Government position is. We support the trade and co-operation agreement. It is an excellent agreement that was negotiated by Boris Johnson and David Frost.



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We do not support, we would not contemplate, I do not support and I have never contemplated any agreement that means we are moving away from the TCA; that we are not negotiating or deciding the regulations we want as sovereign equals; that we are paying unnecessary money to the EU; or, indeed, that we are compromising on freedom of movement.

That has always been my position as Chancellor, and I would suggest that for politicians actions speak louder than words. If you look in the autumn statement, with Solvency II and what we have planned on growth regulations, you can see there is a very clear intention to diverge from EU regulations when it is the right thing to do for the United Kingdom. That is the Government position.

With respect to the story in *The Sunday Times*, if you are asking whether the Treasury or I were the source for any suggestion that we should seek to renegotiate the TCA to move it towards an agreement more like the one with Switzerland, the answer is no. That is not my position and never has been.

If you are asking whether I believe we could remove the physical barriers to trade in the way that happens on the Franco-Swiss border and the Norway-Sweden border, and in a way that is relevant for the Northern Ireland protocol issues on the island of Ireland, that has been my public position for some time. I answered questions on that with Mishal Husain. That, I think, answers your question.

Q424 **Chair:** It was not a yes-no answer, though, Chancellor. I heard a “yes” there.

Jeremy Hunt: I am sorry, Chair. I need to correct you. I am not and the Treasury is not the source of any suggestion that we want to move away from the TCA or not have sovereign control of our regulations. That is very important.

If you are asking whether I believe that technology can reduce barriers to trade, yes, I do. That could be a very important way forward. In the context of people saying that Brexit trade barriers are the cause of our problems, my answer is that technology will be a solution.

Q425 **Chair:** From *The Sunday Times* story, it sounds as though the hares that suddenly set off on to the front page of *The Sunday Times* may have started their run from the Treasury.

Jeremy Hunt: You will have to talk to *The Sunday Times*. I want to be clear about what I have said in public and in private. To be absolutely clear, my position and the Government’s position has always been to support the TCA and full regulatory independence. You can look at the autumn statement to see that is what I believe because it is what I actually did.

Q426 **Chair:** You cannot rule out that those hares that ran out to the front page



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of *The Sunday Times* originated in the Treasury.

Jeremy Hunt: I can rule out any suggestion that it has ever been the Government's intention to move away from the TCA, to move to a situation where we do not have full control of our regulations or to compromise freedom of movement. I can absolutely say that has never been our position, and we have not set those hares running, no.

Q427 **Chair:** It is entirely possible that that story came about because of something that was linked to work within the Treasury.

Jeremy Hunt: Not a story about moving away from the TCA, no, because that is not our position. It is not my position. You can see that in what I did in the autumn statement and the responses I have given in public interviews.

Q428 **Chair:** I will move on to another thorny topic, then. Over the last decade or so, quantitative easing by the Bank of England has allowed £120 billion to be transferred to the Treasury. The Bank of England is now reversing that and it has started quantitative tightening. The Office for Budget Responsibility estimates in paragraph 50 that the Treasury will have to do the reverse of that and transfer about £133 billion to the Bank in the next five to six years. What advice have you asked your officials to provide you about how that would get paid?

Jeremy Hunt: I have asked my officials for a lot of advice on that topic because I am aware of the concerns you might have and indeed those of a number of colleagues who have mentioned it to me in the House.

By way of context, it is important to say that it is right that the Bank of England is responsible independently for monetary policy. That structure works and has served us well. The Bank of England thinks about the cost to the public purse of the decisions it makes, but it also has to think about its policy objective, which is to make sure there is access to credit for British companies and that there is a macroeconomic environment that is bearing down on inflation. That is its job.

In that context, I have asked to be kept fully informed, but I also recognise that this is the Bank of England's responsibility.

Q429 **Chair:** Other central banks are taking different approaches at the behest of their Governments. Have you commissioned advice on that?

Jeremy Hunt: I have asked to understand exactly what is happening, within the boundaries of the fact the Bank of England is independent. It is important that I respect those boundaries because that regulatory framework has served as well.

Q430 **Chair:** At the moment you do not have clear sight as to how the £133 billion that the Office for Budget Responsibility has plonked in its publication would be financed.



Jeremy Hunt: I have seen the OBR's numbers. I have not seen Treasury analysis as to whether it agrees with those numbers because the OBR is also independent. The purchases happened this October and are due to happen this January. People were concerned about a potential £11 billion loss. As far as the October sale is concerned, it was less than £1 billion. In the context of £120 billion going the other way, it is important to look at the whole picture.

Dan York-Smith: Could I add to this point on how they will be paid for? The £133 billion is a figure that is already incorporated into the forecast for debt interest costs and the change in the level of public sector net debt.

In a sense, the autumn statement is delivering the Chancellor's fiscal rules with that forecast reflected, although, as the OBR says in the document and said in its evidence to you yesterday, that is very uncertain because the biggest driver of the forecast is the difference between bank rate and the interest rate the Government are paying on the debt that is now held by the Bank, which was bought over a period of years from 2008. It is particularly uncertain because of the movements between those two different rates.

Q431 **Chair:** It is a niche issue, but it is very substantive in terms of the numbers. That is why I wanted to raise it. I now want to turn to the 2019 manifesto on which you, Chancellor, me and my Conservative colleagues on this Committee were elected.

The Prime Minister has made emphatically, a number of times, the point that he wants to stick to that manifesto as much as possible. We have already breached the manifesto commitment to the world's poorest. I wondered whether you could talk about the other manifesto commitment that was broken in the autumn statement, which is the commitment that you will not have to sell your house to pay for care. Can you talk about your thinking around that?

Jeremy Hunt: It is an area I am very familiar with from my time as Health Secretary and, indeed, as chair of the Health and Social Care Committee. I want to say straight up that I support the Dilnot reforms. They make a very big difference to a certain category of family who are affected by what I would call catastrophic care costs, normally caused by a neurological condition that means someone is incapacitated for a very long time and the cost of their care being delivered is very high.

I was keen to proceed with those reforms, but I also looked at the overall pressures in local government, the overall pressures in the social care system and the pressures in the NHS. The pressures in the NHS have been particularly exacerbated by something that was not the case when we made those manifesto commitments, which is a once-in-a-century pandemic. That put extreme pressure on the NHS. As a result of that, the NHS has 7 million people on its waiting list. That is its own estimate. We cannot make progress in bringing that number down if around 13,500



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NHS beds are occupied by people who should be being looked after in the community.

The difficult decision I took was to put nearly £5 billion of extra spending capacity into the social care system. About a third of the cost of that comes from delaying the implementation of the Dilnot reforms. I decided that was going to give the most direct help to people in need of health and care over the next two years.

Q432 **Chair:** You accept that it was a breach of the manifesto pledge, but you had to make difficult decisions. That is effectively what I am hearing.

Jeremy Hunt: If I may say, it was a delay in implementing a manifesto pledge on the basis of the extreme circumstances we had in the pandemic. The result of that, along with extra money coming from the Treasury and extra support from local councils, is an increase in the social care budget of nearly £5 billion, which is, from memory, around 200,000 additional care packages. That was the balanced decision to take in the circumstances.

Q433 **Chair:** By putting it off until the next election, you run the risk that it is never implemented.

Jeremy Hunt: I understand that people might have those concerns. I should also say that we received a number of representations from local authorities themselves saying that they did not feel they were ready to implement it ahead of the next election. There is a very extreme situation facing the NHS and care system. It was important to take action pretty decisively in the autumn statement.

Q434 **Chair:** Another manifesto commitment was not to raise the rates of income tax. You have not raised the rates of income tax unless you are making between £125,000 and £150,000. Was that a footnote in the manifesto?

Jeremy Hunt: The basic rates of income tax have not been raised; the thresholds have been raised. The threshold at which you pay the 45p rate has been reduced dramatically. I did not make any attempt whatsoever to hide in the autumn statement that this was £25 billion of tax rises because it was a package of tax rises and spending cuts. I was very open about that.

If you ask me why I did not choose to raise headline rates of taxation, that is because I believe in cutting taxes, as a Conservative. I want to bring those headline rates down over time. I decided that, although there is an element of symbolism, it is actually important symbolism that I want to bring those rates down. That is why I decided that it was better to do it through the thresholds.

Q435 **Chair:** I have a couple of other quick questions. Have you allocated enough to the Home Office and the NHS to meet those other manifesto commitments about having 20,000 more police, 40 new hospitals, 50,000



additional nurses and the other commitments along those lines? Is there enough money in the system to achieve those manifesto objectives?

Jeremy Hunt: There are pressures on all Government Departments because of inflation that was not expected. We are going through a process of working through, with all Government Departments, how they are going to manage those pressures. For the Home Office in particular, even after the decisions in the autumn statement, its budget is going to increase by 3.1% in real terms in every year of this Parliament. It has seen a substantial increase. The Ministry of Justice is nearer 4%.

Q436 **Chair:** Turning to capital budgets, I have two very quick questions. First of all, you made an explicit commitment to deliver HS2 up to Manchester and to keep that capital commitment in the Budget. Were you able to look at the Policy Exchange report that suggested that most of the benefits would come from doing Old Oak Common to Birmingham? Was that something you looked at? There are colleagues who are not particularly happy about the capital spending being allocated to HS2.

Jeremy Hunt: I decided to proceed with HS2 to Manchester for two reasons. First, we have long had in this country infrastructure that is inferior to peer countries with respect to both our rail and our road network. If we want to be the most prosperous economy in Europe, we have to sort out these problems. We still have profound difficulties in the way we execute large infrastructure projects. That is something we need to come back to as a country.

Secondly, our failure to have good national infrastructure is one of the key reasons why we have such large regional imbalances in wealth. If you look at our country, we have a much greater concentration of wealth and living standards in London and the south-east relative to other parts of the country as compared to countries like Germany.

One of the ways that you deal with that is by having good transport links that mean, if you want to benefit from those higher standards of living, you do not have to move down to London. You can stay living up north, and you can travel easily to other parts of the country when you need to. Having good connections between our countries is one of the central ways in which we spread wealth and opportunity across the country.

Q437 **Chair:** Within capital spending—I speak as a representative of a constituency that is quite flood-prone along the River Severn—are you maintaining the capital commitment to flood defences?

Jeremy Hunt: We are going through all our capital commitments now. It was a big priority for me in deciding the autumn statement to avoid cuts in spending that would damage future growth. Protecting people from floods is an important thing to do because of the damage to economic growth if people are flooded.

We are not specifically making commitments to individual areas until we have been through that process. What I managed to do was to protect



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capital spend broadly at its current levels in cash terms, but we are not increasing it by as much as we were planning to do.

That means it is going to continue at around double the level it was a decade ago, which is very important given what I was talking about earlier. We want to do as many of the major projects as we can, and certainly all the ones that are strategic to our growth plans.

Chair: Thank you, Chancellor. Please note my interest in capital spending on flood defences.

Q438 **Danny Kruger:** Good afternoon, Chancellor. Can I ask you about the fiscal rules? We now have a sixth set since 2010. What is the real value of having fiscal rules at all? How can we have confidence in these latest ones?

Jeremy Hunt: The point about the structures we have is that people want to know some basic truths about our approach to public finances: that we understand that, in the end, you cannot spend money you do not have and that we are a country that is going to repay its debts. The purpose of the structures we have is to allow the Chancellor of the Exchequer to make commitments and for the independent OBR to then assess whether those are credible and true.

We do change our fiscal rules. Chancellors do change fiscal rules from time to time. It is reasonable to change the time period over which our fiscal rules operate from three years to five years, given that we are dealing with a once-in-a-century pandemic and an energy crisis that is the biggest since the 1970s. People still want to know that there is a serious intention to reduce our debt. That is why it is important to have fiscal rules.

Q439 **Danny Kruger:** It is helpful to have them because it means that we can hold you to account for the trajectory you are on. The rules you have now set are very tight, particularly the headroom. The OBR has said you have £9 billion. It is all predicated on stable interest rates and falling energy costs.

We had the OBR in yesterday and we were asking it why it was so confident that energy costs are going to fall over the course of the next year. If they do not, it is going to be very difficult to meet the rules and to do what you are saying. Can you explain to us why you are confident that energy costs are going to come down so dramatically, as they need to in order for the rules to be met?

Jeremy Hunt: We have to accept that in a period of massive global instability there is uncertainty in any forecast. The OBR has as good a record as anyone. Normally its forecasts are broadly in the middle of the pack of all the economic forecasters, but it is very open about the fact that there is a range of outcomes.



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The headroom in the final year is only £9.1 billion. You are absolutely right: it is very small. If we are going to be sensible about this, we have to have a central scenario based on our best guess of what is going to happen to energy prices, produce a set of accounts based on that and recognise that, when it comes to the spring Budget and next year's autumn statement, these things may change.

Q440 Danny Kruger: What would you do in that scenario, if you do not have the money you think you are going to have at the moment? Our taxes are already at their highest since the Second World War and our debt is at its highest since the Second World War. It feels inconceivable that we could increase either of those substantially. The only change that is feasible is spending reductions.

Do you accept that is indeed the path that we would have to be on if we did not meet the expectations that have been set out this month? You have made some spending reductions, but spending is rising over the autumn statement period. Is that sustainable?

Jeremy Hunt: It is difficult to predict how you would react in a hypothetical situation. That is not just a politician trying to duck hypothetical answers. It is genuinely difficult. The forecast might move against us; energy prices might go up again; there might be a big hole in our accounts. Depending on the challenge you face, your reaction might be different. It is not sensible to speculate on exactly what you would do because you do not know exactly what the problem will be.

You have to be honest with people and say, "The situation might change and our response might have to change". On the basis of the facts as they appear now and what appears to be most likely, we have a good plan. I think it is the right plan. It brings down inflation and shows we can balance our books and repay our debts. We have to be honest with people that things can change in the wrong direction.

Q441 Mr Baron: Chancellor, good afternoon. Thanks for showing a compassionate side with regards to your autumn statement by maintaining the link between benefits and inflation, accepting the Low Pay Commission recommendations and the business with the triple lock.

In a way staying with the fiscal targets, I sense from the autumn statement that you also share my scepticism and indeed that of Members on this Committee about the value of forecasting. You have to attach a certain importance to them, but, as Galbraith said, economic forecasting is only there to make astrology look respectable.

In making your estimates and suggesting your targets within the Treasury, where do you go with regards to the forecast? Is it mostly the OBR? Is it the Bank of England? Is it a Treasury unit? Is it a combination of the three?

Jeremy Hunt: I listen very carefully to the Bank's forecasts and the OBR forecasts, but my observation would be that there is only one thing worse than a forecast, and that is not having a forecast.



It is really important as a discipline. Even though you are aware of the likely inaccuracy of any forecast, your starting point has to be what is most likely to happen on the basis of the information we have now. You have to recognise that there is a fan of outcomes, if you visualise what the graphs look like, and a sensitivity in the analysis.

There is less sensitivity, if I can put it this way, in the overall direction of travel. We can know from the forecasts we have from the OBR and the Bank of England that we are likely to be in recession, that we are likely to be spending more on energy, and that we are likely to be faced with an increasing tax bill and more pressure on public spending. Even if you do not know exactly what that pressure is, you can react to the direction of travel, and broadly prepare the country and prepare people for the fact that there are some difficult decisions that you have to take.

Q442 Mr Baron: Does it not worry you a little bit? You say that there are forecasts and a broad consensus, but I do not remember a time—I was working in the City before I came into politics—where there has been so much disparity between the official forecasts. For example, the OBR is forecasting overall growth of 2.5% between 2022 and 2025, and yet the Bank of England is projecting a shrinkage of 2%, if it raises interest rates as the market expects, or at least a shrinkage of 0.5% if they stay where they are.

That is a big disparity when you are trying to project targets, whether they be fiscal or not, is it not?

Jeremy Hunt: It is. For both of those, the overall picture is a period where it is going to be much more difficult for the Government to raise the kinds of sums of money it is used to raising, and therefore we have to be responsible with our finances. The single biggest thing we can do to reduce the pressure on the public finances is to bear down on inflation because so many of our costs, as a Government, are index-linked.

If you look over the near term, a lot of the concern people had about those forecasts was about whether we were about to embark on a big consolidation when the forecast might be wrong. In the near term, the OBR says that the measures I announced on Thursday make the recession shallower and lessen the increase in unemployment by about 70,000. In the near term, I am confident we are doing the right thing.

Q443 Mr Baron: You will perhaps understand the scepticism within the Committee or from certain Members of the Committee when it comes to the track record of forecasting. There is clear evidence that forecasts have been inaccurate in the past. Initially inflation was not a problem, despite clear evidence of that. When it became a problem, it was clearly evident that it was going to be transitory and then fall away. There is a picture here that does not inspire confidence going forward.

To what extent is the Treasury undertaking its own in-depth research looking at, for example, the medium-term drivers of inflation such as shortened business supply lines, ageing demographics and climate



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change disruption in order to try to improve the accuracy of forecasts going forward? This is an important area to try to get right as much as possible.

Jeremy Hunt: I agree with that. I would say the correct response to the inaccuracy of forecasts is to try to make them more accurate, not to fly blind. In defence of the OBR, its forecasting record has been more accurate than the record of the Treasury when it was doing those forecasts before the OBR existed.

It is important for Ministers to take their own views. They look at forecasts by other organisations. They take their own view. My judgment is that, looking at the range of forecasts, a consolidation in our national finances was necessary to bring down inflation, which is the number one threat to stability in the economy. That is why I took the decisions I did.

I would be very honest with people. There is a range of outcomes. None of us knows what is going to happen next in Ukraine, and therefore none of us knows what is going to happen to international energy prices. We have to be honest that that uncertainty means decisions may change in either direction in the future.

Rushanara Ali: Good afternoon, Chancellor. Just to be clear, the scepticism about OBR forecasting is not a unanimous view. We do not all share Mr Baron's views, just to be clear.

Mr Baron: I said "some Members".

Q444 **Rushanara Ali:** Chancellor, you have been focused on stabilising the economy after what happened in February, in part because your predecessor as Chancellor and the former Prime Minister chose to fly blind and make economic announcements without an OBR forecast. I just want to take you back to where we are at the moment.

The OECD has warned that the UK will have the lowest growth among the big Group of Seven industrial countries next year. Only Russia, facing sanctions from the West over its attack on Ukraine, will perform worse. The OBR has reported that living standards will fall by 7% over the next two years.

The Governor of the Bank of England, to this Committee and elsewhere, has mentioned differences between the UK and the eurozone. Eurozone growth rates are 2.1%; the US growth rate is 4.2%; the UK economy is 0.7% smaller than at the start of the pandemic. Just to finish off, by 2024, people's disposable incomes will have gone back to 2013 levels. We are likely to see by 2027-28 a third of people's disposable income being reduced per capita.

We have seen all of this happen over a number of years, particularly over the last few crucial months. Our credibility is on the line internationally. Somebody—I forget who it is—said that the British people are paying a moron premium. What is the point of having the Conservatives in



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Government with that legacy, Chancellor? I appreciate you have inherited a poisoned chalice, but, on behalf of your Government over the last 12 years, perhaps you can explain to the British public what the point of your party being in Government is.

Jeremy Hunt: I am going to answer that question in a less party-political way than it was asked.

Rushanara Ali: Your party has been in power for 12 years, with respect, Chancellor.

Jeremy Hunt: Ms Ali, will you let me answer your question?

Rushanara Ali: Please do.

Jeremy Hunt: I would like to give you a proper answer. You can take a snapshot of economic statistics to tell you any story you like. If you look at this year's growth, the UK is the fastest in the G7. If you look at next year's, we are one of the slowest, according to some projections. If you ask, "What is the point of my party?" I would say that since we have been in office in 2012—

Chair: It has been since 2010.

Jeremy Hunt: Yes, thank you for that, Chair. We have had the third highest growth in the G7. That is over a period when we have had three global shocks to contend with: the financial crisis, the pandemic and the energy crisis. That is a record we can defend very comfortably. If you look at a more recent but longer period of time, the OECD report you talked about says that, since 2020, we have had the fastest recovery from the pandemic of any G7 country.

There are some very big economic challenges we face that are not related necessarily to those shocks, and I am very keen to address those. I am concerned that employment is still, from memory, 334,000 lower than the pre-pandemic level, when in a number of our peer countries employment levels are back to what they were pre-pandemic.

That is why Mel Stride, the Work and Pensions Secretary, is doing a review for the Prime Minister to look at the issue of workforce participation. There are many issues that relate to that—the way the benefit system works, childcare arrangements and the decision to retire early. He is doing that. We have some long-term issues over productivity. That is why in my autumn statement I spent some time talking about the skills challenges we face. We have had a lot of initiatives there, but there is still a lot of progress to make.

I do not for one second say that there is not a lot of work to be done, but I do not agree with your overall suggestion that, over the period of time my party has been in office, we have not grown impressively given the challenges we face.



Q445 **Rushanara Ali:** We will agree to disagree. Can I take you on to the OBR figures? They state that by 2024-25 the tax burden will be at its highest level since the Second World War. Can you talk us through what the impact of such a high tax burden will be on economic growth?

Jeremy Hunt: I am very concerned that, if taxes are too high, it makes it difficult to be a modern and dynamic economy. I am concerned about the effect on incentives and I am a Conservative who believes you should bring taxes down.

If you look at what the OBR said, there are two big drivers of that increasing cost. The first is debt interest payments, which are now £120 billion a year. That is around double the entire budget of the Ministry of Defence. It is a massive increase from around £40 billion, from memory, before the pandemic. That is one of the big things. The other big thing is health and care costs. The ageing population has led to a surge in those costs.

What do we do to bring those tax rates down? From memory, the forecast projections show that tax as a proportion of GDP goes down from 47% to 43% over the forecast period. What do we do? First of all, on debt interest, the key thing is to bring down inflation and bear down on interest rates or support the Bank of England so it can bear down on interest rates, in order to reduce those debt repayments and bring down our debt levels. That is one of the most important reasons why we announced that difficult consolidation.

When it comes to the NHS, the answer is real public service reform. The British people want a good strong NHS. They want to know that every penny is being spent wisely. That is why what we invited Patricia Hewitt to review the way the new integrated care boards work, which are the new structures that are going to determine how the NHS is run, to make sure we can reduce micromanagement and targets, which I believe drive a lot of the inefficiency, and empower local decision-making and better use of every pound we spend.

Q446 **Rushanara Ali:** Just on health, then, since you have brought it up, there are 7 million people waiting. About 117,000 people have died while waiting for treatment, and we have 400,000 people who are economically inactive. Two days ago, one of our witnesses said that could be a hit of about 0.7% on economic output. That is pretty serious.

Do you believe that the investment you are putting in and the reforms you are proposing, whatever they may be, are going to be able to bring back into the economy people who are willing to work but are not active because of health issues? Can you give us an assurance that that is going to happen, given your expertise in healthcare both as a former Health Secretary as well as a Select Committee chair? This has a bearing on migration as well, if we want to keep migration down.

Jeremy Hunt: That is why we put an £8 billion package—



Rushanara Ali: Is it going to happen, though? Are we going to be able to get those people who are economically inactive back into work with that investment?

Jeremy Hunt: Just to start to answer again, that is the purpose of putting in £8 billion a year. In a context in which you are consolidating by £55 billion in tax rises and spending cuts, to choose to put £8 billion into the NHS and the social care system is to say you are prepared to have £8 billion more of cuts or £8 billion of tax rises elsewhere to fund it, but we think that is the right thing to do.

First of all, we are absolutely committed to the NHS. We want to have first-class health and care in this country, and we think that is what voters want. Secondly, absolutely, the NHS has a crucial role in helping get people better and get people back into the workforce.

Q447 **Rushanara Ali:** Unfortunately, the voters are not getting the first-class healthcare they deserve. It is good to hear that you are taking your health expertise into the Treasury. They are not getting it. People are not getting GP appointments; they are not getting seen for their treatments. You know about the cases; you have seen it over the years as chair of the Select Committee.

Jeremy Hunt: I have written a book about it as well, Ms Ali. Yes, of course there are major challenges the NHS is facing. It did—

Rushanara Ali: I am saying that it is good—

Jeremy Hunt: Could I possibly answer your question?

Rushanara Ali: I do have one final question.

Jeremy Hunt: It is important to recognise the NHS did an absolutely fantastic job in the pandemic. It is having to recover from the biggest external shock to its services in the history of the NHS. That is why we want—

Q448 **Rushanara Ali:** Let me pay you a backhanded compliment, Chancellor. It is good that you are in the Treasury, given your health background.

I have one final question. The Resolution Foundation has said that the net result since the start of the pandemic is that total long-term spending plans are largely unchanged, leaving the consolidation entirely driven by tax rises. Are you comfortable with that?

Jeremy Hunt: The consolidation was a combination of tax rises—what I announced in the autumn statement increases tax as a proportion of GDP by about 1%—and reductions in planned spending to a long-term rate of around 1% in real terms a year. It was planned to go up by much more than that.

That is going to put pressure on spending because we know in areas like the NHS it is highly unlikely that you will be able to contain the growth in



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spending at 1%. I do not pretend this is going to be anything but challenging, but we are absolutely committed to public services. That is why we took the decision to find extra money for schools and extra money for the NHS: to make sure they are protected through the worst of a difficult period.

Q449 Anthony Browne: We all agree, across the House and across the party, that we need more economic growth. Your predecessor, in his growth plan, prioritised growth at all costs. That did not work out. In your autumn statement, you have prioritised balancing the books first. The OBR projects that overall growth will be 2.5% between 2022 and 2025, so less than 1% a year as we go into recession and out of it. Is that good enough?

Jeremy Hunt: We need a long-term growth rate that is closer to 3% than 2%. To get there is going to take a combination of short-term support to help the economy weather the recession—the measures we announced on Thursday do that: they reduce the peak-to-trough reduction in GDP from about 3% to 2.1%, which is important—and some structural changes. The structural changes revolve around a lot of areas I touched on in the autumn statement.

In terms of investing in people, the education and skills agenda is so important, which is why Michael Barber is doing his review on whether we are achieving our objectives on skills and why we have put the extra money into schools. We also need to look at the levelling-up agenda and how we can be better at spreading wealth throughout the country. That is why it was important to me to protect key infrastructure projects, which is one element of levelling up.

A very major factor for our long-term economic growth is going to be having a stable source of cheap green energy. Proceeding with Sizewell and our national energy efficiency ambitions are part of making sure energy supply does not become a shadow hanging over firms and making them hesitate as to whether to invest.

Perhaps most importantly, I talked about our long-term plan for the UK to become the world's next Silicon Valley. We have a huge Brexit opportunity to set our own regulations in areas like life sciences, technology, AI and gene editing so we can make the UK the must-go-to destination for all the embryo and other research companies that want to invest in these very exciting areas that are going to determine the future. It is a mixture of short term and long term.

Q450 Anthony Browne: A lot of the measures you mentioned there were long term, and indeed you did talk about them in the autumn statement. In terms of the actual measures in the autumn statement, the OBR has analysed the impact on growth on the supply side and concluded, "The net effect of the new measures announced since March on potential output is neutral over the forecast period".



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Things like not going ahead with the health and social care levy encourage more people to go into the labour market, but freezing the tax thresholds reduces that. Keeping the annual investment allowance at £1 million encourages more business investment, but some of the changes to the R&D scheme reduce business investment. Overall, they say it is neutral on growth. Are they being too pessimistic?

Jeremy Hunt: A lot of supply-side measures, which I very strongly support because doing things to improve the productive potential of our economy is what a good Conservative Government does, do take a while.

Anthony Browne: This is over the forecast period.

Jeremy Hunt: Yes, which is five years. If I give you an example, the average economic growth rate in the 1980s, when we had all the Thatcher supply-side reforms, was not that much higher than the average growth in the 1970s, but the benefits of those supply-side reforms really showed in the decades that followed when Margaret Thatcher was not Prime Minister. That is not a reason not to do them.

Ultimately, if we want to be a highly prosperous, high-skill and high-wage economy, we have to be much better at making sure all our people have really good skills in a modern economy. That is a big agenda. I want to make sure we progress on that, and I want to attract investment from all over the world in high-growth industries. That is a process that I recognise I can make a start on, but it is not going to come to fruition until long after I have gone.

Q451 **Anthony Browne:** The Prime Minister, when he was doing your job, gave the Mais lecture in which he identified, like many people, that the long-term economic problem is productivity. In particular, he said the solution to that was having higher business investment. Business investment in the UK will be no higher, according to these latest OBR forecasts, in 2025 than it was in 2016. It has gone up and down a bit, but it is basically flat over a decade. Are you disappointed with that performance? I assume you agree with your boss's analysis on business investment. What can be done to get it up?

Jeremy Hunt: My boss is absolutely right to talk about business investment.

Anthony Browne: I thought you would say that.

Jeremy Hunt: I absolutely do believe that. My priority in the autumn statement was not to do anything that would make it go in the wrong direction. The bit I control as Chancellor is public investment, and that is principally around infrastructure. That is why it was a priority.

Q452 **Anthony Browne:** You also have control over tax policy, which affects business investment as well.



Jeremy Hunt: That is true, but, given the lack of available funding for big tax breaks to encourage business investment, which in ordinary circumstances would be a priority for me, the priority in the autumn statement was to avoid cutting capital projects or the capital budget in a way that would be detrimental to our long-term investment in the productive potential of the economy.

I succeeded in avoiding the big cuts to capital, which is often the first place people go when they are looking for savings in a hurry. That was important. Is there more to be done to encourage business investment? Yes, absolutely.

Q453 **Anthony Browne:** How are you going to encourage more business investment, then?

Jeremy Hunt: There are lots of things you can do. First of all, you have to make sure your tax system is competitive and you do as much as you are able to do at any one time to make it competitive. You can set out long-term plans for growth industries like life sciences, technology and green industries, which attracts people to come to the UK, because we are using our Brexit freedoms to allow things to happen with forward-looking regulatory structures that you cannot do in other countries.

As I talked about in the autumn statement, I look at Nigel Lawson's "big bang" in 1986. That was not something that cost the Government any money, but far-reaching regulatory changes attracted enormous investment into UK financial services in the years that followed because there was more competition and more innovation, and because it was possible to do more things here. That demonstrates that you can do very good things even if you do not have money to spend.

Q454 **Anthony Browne:** In this autumn statement, you have put taxes up because you need to balance the books. Taxes are going up to the highest level for 70 years, as my colleague talked about. You also describe yourself as a low-tax Conservative. Presumably, you accept that in the longer term, beyond this autumn statement, part of encouraging economic growth will be getting taxes down.

Jeremy Hunt: Yes, absolutely. That includes business taxes as well. We absolutely want to do that. In the context of raising taxes by £25 billion, I felt that people would really welcome long-term promises to reduce taxes. We were not going in that direction in that Budget, but I absolutely believe that, if you want to have the right culture around enterprise and the dynamism that encourages entrepreneurs and small companies to get off the ground, reducing the taxes people have to pay before they have made a penny's profit can be very beneficial.

Q455 **Anthony Browne:** One thing that has not been very much commented on is your reversal of the promised cut in the basic rate of income tax, which the Prime Minister had promised in a couple of years and your predecessor brought forwards. You have now cancelled it. Are you



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concerned about the impact that will have on work incentives and so on?

Jeremy Hunt: My belief in the importance of work incentives is why I would consider myself a Conservative who wants to bring down taxes, but in this situation that was one of a number of extremely difficult decisions I had to take.

Overall, I decided that the balance should broadly be shared evenly between tax cuts and reductions in spending. When it comes to spending it was mainly reductions in planned growth in spending, but there will be some real cuts in spending, too. Broadly, I tried to balance business taxes and personal taxes, but these were very difficult decisions. I do not pretend otherwise.

Q456 **Anthony Browne:** Finally, your predecessor had a target for how much he wanted to get growth up to. You said in your first answer that you prefer growth closer to 3% than 2%. That was how you put it. Do you believe in having a growth target? It is not something UK Governments have traditionally done.

Jeremy Hunt: I am not sure whether it is of value to have a growth target because it is really difficult. If you talk about all the measures we have been talking about, it is very difficult to know precisely what impact they will have cumulatively and what the timescale is.

Do I agree with the central insight of my predecessor that the only way we are going to square the circle of paying for decent public services and being a competitive low-tax economy is increasing our growth rate? He was absolutely right to say that.

Anthony Browne: I have lots more questions but no more time. Thank you, Chancellor.

Q457 **Siobhain McDonagh:** Chancellor, in advance of your autumn statement you said that those with the broadest shoulders would bear the heaviest burden. We on this side—including, I hope, Andrea—would agree with that. I have searched high and low through your statement, but I cannot seem to find the section on those with the broadest shoulders of all, the non-doms. How much would closing the tax loophole for the super-rich raise for the public purse?

Jeremy Hunt: I have asked the Treasury to look into that, but let me say what my concern is. The Labour Party is claiming that it might raise £3.5 billion. Is that the number that springs to your mind?

Q458 **Siobhain McDonagh:** You will find that it is not just the Labour Party. The London School of Economics has assessed it as £3.2 billion; the IFS has said £3 billion; Warwick Business School had £3.6 billion. Are these people not reputable people whose assessments you should not accept?

Jeremy Hunt: I have asked for that to be looked at. My point was different, actually. I understand that non-doms pay in tax, in all the taxes they do pay, around £8 billion of tax a year.



I want to make sure that wealthy foreigners pay as much tax in this country as possible. Ireland has a non-dom regime; France has a non-dom regime. These are people who are highly mobile, and I want to make sure we do not do anything that inadvertently loses us more money than we raise.

Q459 Siobhain McDonagh: Yes, but we already know that the London School of Economics has done precisely that piece of work with anonymised data from HMRC. It assesses that 100 non-doms would leave the UK if that loophole was closed. That is not exactly a huge exodus, is it?

Jeremy Hunt: I want to be sure there are no dynamic effects that mean we lose more income than we gain. I would point out that, if you look at the Budget as a whole, we very much did deliver on the commitment to ask people with the broadest shoulders to bear the heaviest burden. Look at what we did with the 45p tax rate payers and what we did on income tax as a whole.

Siobhain McDonagh: We know—

Jeremy Hunt: Hang on. Let me finish. Okay, you carry on, then.

Q460 Siobhain McDonagh: We know how the non-dom double whammy works. You do not pay tax in the UK on the money you earn abroad as long as you do not spend it in the UK. We are getting hit twice. We are not getting the tax and we are not getting the spend. How does it make any sense to carry on in that way?

Jeremy Hunt: We are getting a lot of spend. As I understand it, the spend we get brings in about £8 billion a year, which is a lot. I want to make sure that anything you do in terms of the non-dom tax regime does not mean you lose more than you gain.

Q461 Siobhain McDonagh: This is a really interesting concept, is it not? When it comes to the super-rich, we always want to give concessions, whether it is the non-dom tax loophole, charitable status for private schools or lifting the cap on bankers' bonuses. It is incentives for the rich and responsibility for the police sergeant, the senior ward sister or the school head of year, who will be brought into higher tax bands through your frozen thresholds. Is it not the case that there is one rule for the rich and another rule for everybody else?

Jeremy Hunt: No. I do understand the picture you are trying to paint.

Siobhain McDonagh: I am not painting it. It is real.

Jeremy Hunt: If you would let me answer, very kindly, I understand the picture you are trying to paint, but it is 180 degrees wrong. Look at what we did in that autumn statement. We increased taxes on wealthier people, but when it came to poor people—

Siobhain McDonagh: Not the wealthiest—that is my point.



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Jeremy Hunt: Could you possibly let me finish? I let you ask the question so it is reasonable that you should let me answer it. We increased taxes on the wealthiest. When it came to the poorest people, you can see we uprated benefits by inflation. That is an £11 billion commitment. We respected the triple lock, which reaches a lot of pensioners on low incomes. We have a very generous energy price guarantee worth about £900 per household and £500 next year. There was a £900 payment for everyone on means-tested benefits. There was a huge range of measures.

When you add up the increase in the national living wage, the benefits uprate, the cancellation of the health and social care levy and the support with fuel duty, this is thousands of pounds going to some of the poorest people in the country. That reflects our values as a nation.

At the same time as doing all of that, I believe it was very important that we avoided doing things that might be politically charged but would have been damaging to our long-term growth. My concern about what you are proposing on non-doms is that it would cost us more money than it would make us.

Q462 **Siobhain McDonagh:** You know that the research suggests it would not: £3.2 billion; midwives, nurses and primary school breakfast clubs. I know what side of the divide I am on.

Jeremy Hunt: I know what side of the divide I am on because midwives and nurses got a lot of extra money for the NHS. There was a big increase in funding for schools. For people on low incomes, there was a huge amount of effort to help people through a very difficult time. When it comes to measures on wealthier people that we know will increase the money coming into the Treasury, we took those measures. Where we were not sure whether it was damaging to economic growth, we held back for very good reason.

Q463 **Chair:** Chancellor, you have published the distributional impact overall on households. Perhaps you want to just refer to where that is published.

Jeremy Hunt: It is published in the autumn statement document.

Dan York-Smith: It is a separate document that is published alongside, which does show that the measures announced in the autumn statement are progressive, with the top decile paying the most, certainly in cash terms. It is quite hard to read the diamonds, but it is very progressive in terms of the overall impact.

Chair: Could you name that document, Dan, so people can google it?

Dan York-Smith: Its name is *Impact on households: distributional analysis to accompany Autumn Statement 2022*.

Emma Hardy: Good afternoon, Chancellor. I would be super-grateful if you were able to give quality but short answers to my questions.



Jeremy Hunt: I always give quality but short answers.

Q464 **Emma Hardy:** I just have a few. You will be aware that there are serious concerns about falling real pay across the public sector. While the pay review bodies have responsibility for recommending pay awards for many public sector workers, their remit is guided by affordability, which is as defined by guidance received by the Treasury. It would be therefore helpful to know at this point what provision you have made for public sector pay growth in the departmental settlements you set out in the autumn statement.

Jeremy Hunt: That is a process that is ongoing with Departments at the moment so I cannot give you an answer.

Q465 **Emma Hardy:** One of my colleagues is going to talk about departmental spending. When you made your autumn statement, was any of the departmental spending you allocated put aside, recognising that there would be public sector pay growth?

Jeremy Hunt: We always make allocations recognising what pay awards are likely to be. I just do not know what those numbers are at the moment. We have had very big growth in inflation recently, so we are having to work through all those numbers.

Q466 **Emma Hardy:** There are some, but you are just not sure what they are at the moment. Is that right?

Jeremy Hunt: No, we are going through a process to work out what those numbers should be, given the recent peak in inflation.

Q467 **Emma Hardy:** You will be aware that an increasing number of public sector workers are considering industrial action at the moment. This is as a result of the cost of living crisis and the difficulty many of them are finding in making work pay. Will you agree to meet with the unions to discuss the pay issues in the public sector and understand the pressure members are under?

Jeremy Hunt: The responsibility for engaging with unions, which I strongly encourage, rests with the relevant Secretary of State. In health, for example, Steve Barclay has been engaging very frequently with the RCN. That is very important.

As a Government, we recognise that there are real pressures on people's spending power caused by inflation. We have to respect the PRB process because it is fair and independent—when I was Health Secretary, it would often rule in a way that was very difficult for NHS budgets—but, at the same time, not do anything that means the inflation problem we have gets worse and stays for longer.

Q468 **Emma Hardy:** Would you, as Chancellor, at least meet with the TUC or some of the representatives just to hear from members personally about the difficulties they are facing?



Jeremy Hunt: I am very happy to meet with the head of the TUC.

Q469 **Emma Hardy:** Thank you very much. The autumn statement froze income tax thresholds. Do you know how many more people are now going to be paying income tax because of that freeze?

Jeremy Hunt: I do not have the number in front of me, but I can certainly write to you and let you know.

Q470 **Emma Hardy:** Would you also be able to write and let me know how many families will see their child tax credit withdrawn because of that freeze in income tax thresholds?

Jeremy Hunt: I will happily do so.

Q471 **Emma Hardy:** On tax, hopefully we will all agree, Chair, that getting people to pay what they owe is a good thing. Looking back at the autumn statement, you allocated a further £79 million over the next five years to HMRC in order to tackle tax fraud, which works out at £15.8 million a year. The Department for Work and Pensions is set to receive an extra £280 million between now and 2024 to tackle fraud, error and debt in the benefits system, which works out at £112 million a year.

The Government have calculated that over five years this £79 million HMRC investment sees a return of £725 million. That is an investment gain of £646 million, which as a percentage is an 818% return on investment for tax fraud. Chancellor, what was the reasoning behind the decision to allocate more money to benefits fraud, which has a lower yield, and less money to tax fraud, which has a much higher yield?

Jeremy Hunt: We want to stamp out all fraud, wherever it is, because there should not be any at all. We allocate money based on what the relevant Department says it needs, whether it is DWP or HMRC, to bring down fraud in its area. In the case of DWP, it is a more intensive process with, on average, smaller sums of money. Where there is fraud, we should stamp it out. That applies in all areas of Government spending.

Q472 **Emma Hardy:** I totally agree with the decision to stamp out fraud. My point was that if you tackle tax fraud you get an 818% return, which is much higher than tackling benefit fraud, but more money went into tackling benefit fraud. This seems illogical.

Jeremy Hunt: Sorry, just to reassure you, there is no ideology in this. If HMRC said that it could get the same again, with the same money again, it would get it. We want that money.

Dan York-Smith: The figures for how much we get are things that the OBR scrutinises. Obviously we always try to persuade it that, if we make additional investments, we will be able to achieve more, in terms of HMRC collecting more tax or DWP preventing more fraud. Ultimately, that is one of the constraints, in that there is a point at which they say the additional money will not get an additional yield. There is an OBR process that we have to go through here as well to recognise the revenue.



Q473 **Emma Hardy:** Last month, during a Public Accounts Committee oral evidence session, Jim Harra, the head of HMRC, said, "On average, for every pound that we spend in our customer compliance group, we recover about £18 worth of additional tax revenues". He said in the Public Accounts Committee that for every pound he can get £18 back. TaxWatch has found HMRC estimates that, in 2020-21, £32 billion of tax went uncollected; 45% of that is a result of fraud. TaxWatch believes that these numbers are an underestimate.

Why only give £79 million, when the head of HMRC is saying, "For every pound you give me, I can get £18 back"? When we have all these problems with budgets, we have departmental cuts, we have the public sector potentially not getting the pay rise it needs, why not give more money to tackle tax fraud?

Jeremy Hunt: If you are trying to suggest that we have not done everything that we possibly can to reduce tax fraud, I am afraid that is mistaken. We are cracking down with HMRC, and with DWP on benefits fraud. The cost of doing so is different in different sectors, but we assess each case on the basis of how much money they need to do the job. That is why those numbers are what they are.

Q474 **Emma Hardy:** I was not suggesting that. I was quoting from the head of HMRC, who said, "On average, for every pound that we spend in our customer compliance group, we recover about £18". When a Government are looking for additional money, it seems a little nonsensical to put more money into lower yield in benefits fraud and not put more money into tax fraud, when that generates so much more income for the Government.

Jeremy Hunt: That is why he got an extra £79 million. I hope he maintains that 18:1 ratio. If he can do even better, I will consider giving him even more money because it is very, very important that we do that.

Q475 **Emma Hardy:** I think he would welcome that. Finally, the OBR forecasts a cumulative 7.1% fall in real disposable household income over 2021-22 to 2023-24, which is the largest on record by some way. I recognise that the energy price guarantee and cost of living payments reduce that fall by about a quarter, but is a fall in household disposable income inevitable?

Jeremy Hunt: When you look at what the OBR says, in terms of the three global shocks that we have been dealing with in the last 15 years, but two global shocks in the last three years, unfortunately it is not particularly surprising that you see a fall in disposable income. It is our responsibility as a Government to do everything we can to help people through a difficult patch.

Yes, they say that we reduce that fall in living standards by a quarter, but the thing that is more important is that over the next year we reduce it by a half. That is the time when people are going to be in the most difficulty, because that is the forecast recession period. As a Government, we should do everything we can to cushion people through difficult times.



Q476 **Emma Hardy:** I accept that, but how can a fiscal policy that reduces household incomes be justified in a cost of living crisis?

Jeremy Hunt: That is not our fiscal policy. If you remember, the OBR said that the measures I took in the autumn statement reduced the impact of the recession by a full 1% of GDP and saved 70,000 jobs. We have acted to help people through a very difficult period.

Dan York-Smith: There are two other things that I would say. One is that the rise in energy prices is the biggest driver, as the OBR said, and because we are a net importer of energy that is a cost to the economy. The figures that they present are economy-wide figures. Within that, of course, the decisions made in the autumn statement affected how the distribution of that average fall in household disposable income was shared, as demonstrated in the distributional analysis.

What the Government could do through the policy was to change where some of that burden fell, and skew that more towards the higher income deciles and provide more support at the bottom. That is an average, rather than a specific, income-by-income hit.

Q477 **Anne Marie Morris:** Chancellor, the support on energy bills, albeit generally at a lower level, and what you have done for specific help to vulnerable groups were very welcome. But commentators have observed that there are two particular problems. Because the extra support is linked to means-tested benefits, it means that about 40% of lower-income families, who are not on benefits, do not get support.

The second comment that commentators have raised is that the way the £900 support effectively works is that, if you are on universal credit, you get the lot. If you are £1 the wrong way, you do not. It might be fairer, or perhaps better, to spread it so that that test, "Are you eligible or not?", comes in different tranches rather than one. Hopefully you will tell me that is your proposal.

The other concern we have is the unintended consequence of linking this benefit to universal credit, so there is a disincentive to work more hours, which will take you outside that cut-off, which means you will lose quite a considerable sum of money.

Jeremy Hunt: I recognise those concerns. If we have these high energy prices for the long term and they are here to stay—and we were talking about the forecast before—I do not think doing that support through the benefits system is the optimal way. I would point out, of course, that you can work on universal credit. By targeting it at people who are on universal credit, you are not just targeting it at people who are out of work. But I do recognise the point you make.

The challenge we had, or have, is that, if we want to help people quickly, the benefits system is a way that we can do that. We know who everyone is and we have a good idea of the circumstances of the people we are helping through the benefits system, so it is an efficient way to get



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people help quickly. What I said in my comments in the autumn statement is that, while we will be using that system this year and next year, from April 2024 we want to work towards a social tariff or social discount approach whereby we reach all people equally on low incomes. That means a lot of complicated work to marry the information held by HMRC with the information held by DWP on benefits. That is a very big operational challenge, but that is the direction of travel we want to go in.

Q478 Anne Marie Morris: Might that also impact your thinking on the pensioner benefit, which currently is universal?

Jeremy Hunt: Yes.

Q479 Anne Marie Morris: One of the things the OBR makes very clear is that the affordability of all of this depends very much on what happens to energy prices. It suggested that this particular scheme, in a scenario, could cost another £71 billion, and it gave a scenario in terms of where energy prices might land up.

There are two concerns. First, where would you find the extra money? Secondly, thinking about householders, if that happens do you still stand by the guarantee and the specific support scheme you have put in place to the deadline that you have currently set, so that people are not concerned as to what might happen if energy prices go up during the next couple of years?

Jeremy Hunt: As things stand, you are absolutely right to point to the high cost. It is probably going to cost around £80 billion this year and possibly around half that next year. We do stand behind what we have offered. We think it is very important that we give people security that what we have promised we will deliver. But in the long run we are going to need everyone to help us crack this problem if we are not going to have a huge additional burden on taxpayers, which ultimately will lead to the high taxes that I do not believe are desirable in the long run going forward.

What we are really saying is that we will always be there to help poorer households. The way we do it will change, and that is why we talk about the social tariff or a social discount, but for most people we need you to play your part in reducing our energy dependency on what Putin chooses to do in Ukraine. That is why we have this national ambition to reduce energy consumption by 15%. The EU ambition is 13%. We are a couple of percent higher, but other countries are doing the same thing. That is not just at a national level, but that is for every household.

On the £500 that we are offering to help people save next year, if people did the 15%, at current gas prices they could save that £500 themselves in the amount they pay in the years that follow. We are trying to help people to help themselves. We are giving them a cushion this year and next, but we do need people to change their behaviour.

Q480 Anne Marie Morris: With regard to businesses, you said there would be



a more targeted approach. I appreciate I do not expect you to tell us today what that is going to be, but I would like to understand what you mean by targeted and what criteria you are looking at, because their support is much more limited. A number of them have ended with fairly difficult fixed-term contracts at very high rates.

Jeremy Hunt: I would say that "limited" is perhaps not the right word to use to describe the support we are giving businesses this year. It is probably going to cost about £18 billion, which is huge support for businesses. Next year, we will have a scheme that is generous, not on that scale, but we will have generous support for businesses.

We are going through the process of how that is going to work, but we are particularly thinking about businesses that might be vulnerable to those higher prices. These are smaller businesses in particular and also larger businesses in energy intensive industries. We are in the process of designing that. We want to design it as quickly as we can. It just was not possible to do it in time for last Thursday.

Q481 **Anne Marie Morris:** That is good to hear, Chancellor. A final question is on fixed-price contracts that both individuals and businesses have entered into. Some of them have entered into them at the peak for two to five years. They are tied into them. The whole autumn statement and the OBR commentary assumes that energy prices will come down in 2024-25. While the wholesale price is coming down, the retail price is not, clearly, because energy companies have bought ahead. We may well find that those who have entered five-year fixed-term contracts are very heavily penalised.

Is there anything that you could do, or might think about doing, to help those people trapped, through no fault of their own, who entered into fixed-term contracts because that was the only way they could then qualify for the Government's support?

Jeremy Hunt: I do not think, as a Government, we can be in the business of second-guessing the decisions that people make with their own individual energy suppliers. What we can do is say, "We are going to help you this year with a £2,500 cap. We are going to help you next year with a £3,000 cap. We are going to help you conserve the energy you use". For the poorest people, we will try to find a more effective structure that we are able to do at short notice to help them going forward.

But we are saying to people that, in the end, everyone is going to have to take responsibility for their energy bills. They are going to have to think about how they reduce their energy consumption, because it is a national mission to make sure that we cannot be blackmailed by people like Putin when they do things that interrupt international energy supplies.

We have done extremely well as a country to get up to 40% of our supply through renewables and nuclear. We announced a very big investment in nuclear at the autumn statement with Sizewell C. There is a long-term process to make sure that we have a permanent, cheap, green supply of



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energy, which is very important for everyone. As we get there, we are going to need everyone's help.

Q482 **Anne Marie Morris:** As a final comment, Chancellor, you need to recognise that, for some people, their energy bills have gone up from hundreds of pounds to tens of thousands of pounds. Some of my businesses have come with many-100%-plus increases. That is the sort of bill. For one of my businesses, it will take out 25% of all its profit. That is unsustainable.

With respect, there are some very specific issues around these fixed-price contracts, which the Government have some responsibility for because that was part of the term to get the benefit the Government offered. The Government have a responsibility to look at what they might be able to do, working with the suppliers and energy companies, to bring some sense to what would be a very perverse consequence if the energy companies came out of this making a lot of money off the backs of people who can ill afford it.

Jeremy Hunt: If you would like to write to me with the details of that, I would happily look into it as we construct our package for next year.

Anne Marie Morris: Thank you, I appreciate it.

Q483 **Chair:** To Anne Marie's question about the £900, we took evidence from the Resolution Foundation saying that it would be better to spread that £900 into smaller payments. Is that something you are planning to do or would it be binary: you get the £900 and the next day you do not?

Dan York-Smith: No. The intention, and this is for the DWP to set out, is that it will be like the one-off payments this year. The £650 was made in two separate payments with two different eligibility dates, recognising the fact that people move in and out of eligibility as they claim or move off universal credit, for example.

Q484 **Chair:** It will be two—a maximum of two?

Dan York-Smith: That is a decision yet to be made. We have not made it. We will discuss it with DWP, which will set it out. I do not think it will be one payment.

Q485 **Alison Thewliss:** Just to pick up on where Anne Marie left off. Toryglen Community Base, a community hall in my constituency, is seeing its gas bill go up from £9,700 to £62,000. They cannot afford that and I would urge you to consider them within what you are looking at for energy bills.

Jeremy Hunt: Absolutely, but they are the people we are helping this year with our energy price guarantee: £18 billion of support across the country, so it is very, very significant help. We will be giving very significant help next year. If you are saying we need to think hard about the long-term impact, I absolutely agree.

Q486 **Alison Thewliss:** Can I ask about the energy efficiency plans that you



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had in the statement? Why is the £6 billion of new funding for energy efficiency going to be available only from 2025?

Jeremy Hunt: That is because we are spending £6.6 billion in this Parliament up until that point. I decided it was very important to extend the programme. It is also because I was advised that there are very severe supply chain constraints with things like the supply of cavity wall insulation and solar panels. The right way to boost the supply and deal with those supply chain constraints is to stage the investment.

Q487 **Alison Thewliss:** It is not much of a national mission if you have to wait three years for it.

Jeremy Hunt: That would be the case if we were not spending any money now, but we are.

Dan York-Smith: The other thing that was announced in the growth plan, preceding that, is an Exchequer-funded increase in the ECO scheme, which is where the energy suppliers do the insulation and energy efficiency measures themselves. It was an additional £1 billion over the next couple of years funded by the Exchequer via energy companies.

Q488 **Alison Thewliss:** The chair of the Environmental Audit Committee has said that “the numerous schemes can be confusing to consumers to know what they are eligible for and the stop-start approach of programmes over the years has bruised industry”. That talks to some of the supply chain issues that you are finding. Industry has not had that predictability of these schemes so that it could invest properly. Are there plans to simplify these schemes into something consumers can understand better? How will you avoid a further scandal like the HELMS green deal scandal?

Jeremy Hunt: That is something that my colleague Grant Shapps is going to be announcing—the whole scheme. I wanted to announce the broad outlines of the strategy, a big push towards energy independence, renewables and nuclear, and a big push towards energy efficiency with this £12 billion of investment, this Parliament and the next. We will be announcing a plan, but, yes, I want this to be a very straightforward offer for families that we are asking to take these measures themselves.

I want it to be very straightforward for them to know exactly what they need to do to improve their energy efficiency. For families that we are helping, because they are on low incomes, I want it to be very straightforward for them to know how we are going to help them.

Q489 **Alison Thewliss:** Many families just do not have the spare cash right now, and will not have for some time, to invest in that.

Jeremy Hunt: That is one of the reasons why I am putting so much extra money into it.

Q490 **Alison Thewliss:** You mentioned the notion of energy independence. EDF, which the Government are working with in Sizewell C, is French. That is not really UK energy independence.



Jeremy Hunt: Let me be clear: it is going to be a nuclear power plant in Britain supplying the equivalent of power needed by 6 million homes. I have absolutely no problem with foreign ownership of some of our key energy infrastructure, providing it is consistent with national security concerns. You have to get the balance right but, if we want to move to energy independence, we should welcome investment from the best companies all over the world that can help us do that.

Q491 **Alison Thewliss:** Where is the fuel for nuclear power stations sourced from?

Jeremy Hunt: You would have to ask nuclear experts on that, but I will happily write to you with some information.

Q492 **Alison Thewliss:** It is not the UK, is it? That is not independence either.

Jeremy Hunt: When I talk about independence, I am not talking about cutting ourselves off from the rest of the world and from our friends and allies. We have to work together with fellow democracies to deal with the fact, which we have all discovered, that we are extremely vulnerable to what dictators like Putin do in countries like Ukraine. We have to work together to insulate ourselves from those threats, but that means working closely with countries like Norway, the European Union and the United States, so that we can deal with these challenges together.

Q493 **Alison Thewliss:** Really, you are moving from dependence on Putin for fuel to some other country or regime for nuclear materials. That is not independence.

Jeremy Hunt: You and I have different definitions of what independence is. I appreciate that independence is your specialist chosen topic in life generally but, when I am talking about energy independence, I am talking about making sure that our energy supplies come from sources that we can trust. That means nuclear generated in this country, it means renewables, and it means where there are international flows from friends and allies that we can trust.

Q494 **Alison Thewliss:** Going a wee bit further on the issue of nuclear and Sizewell C, that is not going to come onstream for quite some time. You have a very poor record in delivering this, considering that Hinkley is already significantly overdue and about £26 billion over budget.

Jeremy Hunt: I do think that we take too long to deliver major infrastructure projects—that was the comment I made earlier—and we need to do what we can to improve that track record. Other countries have similar issues when they are delivering nuclear power plants. You will hear about our nuclear strategy when the Business Secretary makes his announcement, but that is why renewables are a very important part of this plan as well.

Q495 **Alison Thewliss:** Why was there no announcement in your statement, for example, on increasing the renewable capacity in Scotland and, in



particular, increasing funding to projects like carbon capture and storage in the north-east, such as the Acorn project? If that was taken off the reserve list, it could make a significant impact.

Jeremy Hunt: We have increased our supply from renewables by more than any other large European country. We are second only to Germany in terms of the total proportion of our energy that comes from renewables—about 40%. It is a record that I am very proud of because this Government has really blazed a trail internationally. But is there more we can do? Absolutely, and you will hear that from the Business Secretary when he makes his announcement.

Q496 **Alison Thewliss:** Will you take carbon capture and storage off the reserve list?

Jeremy Hunt: Carbon capture and storage is extremely important but, if you are asking me where I think the biggest gap in our strategy is at the moment, it is nuclear. We have done well on renewables. We need to do even better, but we need to make more progress on nuclear.

Q497 **Alison Thewliss:** How much additional cost will go into bills for individual bill payers from investment in nuclear and for how long?

Jeremy Hunt: The whole purpose of this plan is to reduce bills by giving people plentiful access to cheap, green energy in time. But we are very aware that this is a decades long project. We have a national ambition, a national promise, a commitment to get to net zero by 2050, and this is a very, very important part of that.

Q498 **Alison Thewliss:** It will add a levy on to people's bills, though, will it not?

Jeremy Hunt: We have levies on people's bills at the moment to pay for this transition. We recognise that that is going to be one of many ways. There is also going to be investment by taxpayers from central funds. The Sizewell C announcement is about £700 million of taxpayers' funds, so they will be funding from many different sources.

Q499 **Alison Thewliss:** Can I ask you a question? Is £1.7 billion or £1.5 billion the larger figure?

Jeremy Hunt: You and I both know the answer to that. Can you just explain why you are asking it?

Q500 **Alison Thewliss:** In this year's Scottish Government budget, John Swinney has identified that the budget is worth £1.7 billion less because of inflationary pressures. You have said that the Scottish Government will get £1.5 billion over the next two years in Barnett consequentials.

Jeremy Hunt: The truth is that every Government Department, every devolved Administration, every family in Scotland and the whole of the UK are having to deal with inflationary pressures that we face. The number one thing we can do, and the number one thing we can do to help John Swinney, is to bring down those inflationary pressures, which is



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why I hope that behind the scenes, even if not publicly, you and he will welcome the fact that we had a very strong package of measures that the OBR says is going to reduce inflation to below what it would have been because of the very difficult decisions that we have taken. That is the root cause.

In the meantime, we have provided £1.5 billion more for Scottish schools, Scottish hospitals, or however you choose to spend it, because you have that decision under the Barnett consequential, which we hope will help Scotland—and, indeed, the money that we are giving to Wales and Northern Ireland equally.

Q501 **Alison Thewliss:** That is over the next two years. That does not help with this year's shortfall in the budget caused by inflation.

Jeremy Hunt: Everyone is facing those pressures and the best thing we can do to help you, and to help all Government Departments, is to have a credible plan to deal with the root cause of that issue. That is to bring down inflation.

Dan York-Smith: The spending review settlement means that this year, compared to last year, there was a 7% increase in real terms in Scottish AME.

Q502 **Alison Thewliss:** The House of Commons Library figures that I have seen do not quite support that. They see cuts in the budget in real terms. John Swinney has asked for flexibility to move money from the capital budget to the resource budget. Is that something you are going to agree to?

Jeremy Hunt: I know he had a meeting with the Chief Secretary to the Treasury, and I look forward to hearing the outcome of those discussions.

Q503 **Andrea Leadsom:** On the subject of energy efficiency, Chancellor, could you take away the proliferation of accreditation schemes for insulation and energy efficiency installers? There are so many of them, and that is what people say is leading to the proliferation of poor installations that people then lose confidence in.

Jeremy Hunt: Obviously, that is an area you know a great deal about, and I will happily take that away and talk about it to Grant Shapps.

Q504 **Mr Baron:** You have talked in the round about NHS and education spending. Can you confirm that you feel that the increases to both are going to be sufficient to improve services in the NHS, but also stave off the prospect of staffing cuts that headteachers are predicting?

Jeremy Hunt: I hope so. Amanda Pritchard, the chief executive of NHS England, said that she believed that the package we announced for the NHS and social care should be enough to deal with the pressures she is facing. The campaigners for schools, ahead of the autumn statement, were saying that they believed they needed £2 billion, which the IFS



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confirms restores funding in schools to above 2010 levels per head. So I very much hope so.

Q505 **Mr Baron:** Can I therefore move us on to defence? In your autumn statement, you did not commit to increase defence spending. Why was that?

Jeremy Hunt: We did say, very clearly, that both I and the Prime Minister believe that defence spending needs to increase. We recognised the very real pressures. My views on this are in the public domain, because I was on the Back Benches and I talked about my strong belief that we need to increase defence spending as a proportion of GDP. My views on that are on the record, but I think it is very important when you are responsible for taxpayers' funds to know what it is that you are buying.

We have this process, which you will be very aware of, called the integrated review. It led to the largest sustained increase of funding, £16 billion from memory, since the Cold War when it was announced by the then Prime Minister Boris Johnson. That was written, though, before Ukraine. We need to go through a process to update that. But I was very clear in my autumn statement this was not pushing things to the right. I wanted that process to be complete ahead of the spring Budget.

Q506 **Mr Baron:** Your views are on the record, as are those of a number of other Ministers, including the Defence Front Bench. Do you think there is a general acceptance within Government, at the very core of Government, that given events in Ukraine and geopolitical events generally—it is an increasingly unstable world out there—there is a value in increasing defence spending on a sustainable basis, if only to act as a deterrence, because war is very expensive at the end of the day?

Jeremy Hunt: Yes, I do. I also believe, having been Foreign Secretary for a year, that it is one of the biggest ways that Britain can make a contribution to global peace and prosperity, because we have absolutely superb Armed Forces respected throughout the world, the second largest military in NATO, and hugely experienced Armed Forces who have been involved in conflicts in Iraq, Afghanistan, Bosnia and so on. There is a very important contribution that we can make as a global citizen in defending democracy, open societies and the rule of law.

Q507 **Mr Baron:** Hard power is very important, but so is soft power. As you well know, as a former Foreign Secretary, the work of the British Council, the BBC World Service and so forth is invaluable in promoting understanding and trust over time. Could I make a plea that you continue with that focus now as Chancellor, given the importance of soft power in trying to avoid the use of hard power at the end of the day? The two come as a team, but you always try the soft power first.

Jeremy Hunt: David Cameron used to use the phrase that we are a “soft power superpower”. We have enormous cultural reach around the world,



and it is very important in terms of Britain's role as a force for good in the world. I absolutely recognise the case you are making.

Q508 Danny Kruger: Chancellor, earlier in the session you mentioned that £8 billion is going into health and social care, and you stressed the importance of getting good value for money from that. I think you said the way to do that is through real public service reform. I am very pleased to hear that, because I think that perhaps the only tragedy of the Brexit years was the loss of focus on public service reform that had preceded 2016. The Government you were part of under David Cameron set a whole train of reforms in place. I would like to see a return to that.

Can you just flesh out what you mean by public service reform? You mentioned Patricia Hewitt—delighted to draw on the expertise of the Blair era—but what are you tasking her to do? Crucially, do you agree with me that the great objective should be to reduce demand on the state, rather than just improve the efficiency of the supply? How do we achieve that?

Jeremy Hunt: It is right to start with the NHS, because that is the biggest single area where we can see demand going up, because of an ageing population, new medicines coming on stream and very big pressures. But there is also the biggest opportunity, and the real heart of that is to move to prevention rather than cure and to tackle diseases upstream. If you diagnose a cancer at stage 1 or 2, it is much cheaper than stage 3 or 4, and the patient is much more likely to live. There are all sorts of reasons why you would want to do that.

The pandemic meant the NHS had to focus on an immediate priority to make sure people with Covid got the lifesaving treatment they need and we are incredibly grateful to them for what they did. Actually, public service reform did continue, because Matt Hancock as Health Secretary piloted the Health and Care Bill through the House of Commons. The integrated care boards—it is a technical name—are designed to bring together health and care systems locally so they can focus on prevention and not cure.

The reason that the Health Secretary and I asked Patricia Hewitt to do this review is that she is running one of those integrated care boards in Norfolk and Waveney. She is very experienced as a former Health Secretary. We wanted to make sure these new local NHSs work. She is very committed to tackling waste and inefficiency, and to making sure that we empower local NHSs in the same way that we empower heads of schools to be creative and use their freedoms to make change happen on the ground.

I have a concern, which is no secret because I have written about it publicly many times, that we have more targets in the NHS than any other healthcare system in the world. I think that stops the NHS being efficient. I am hoping Patricia Hewitt's review will help us to move in the right direction.



Q509 Danny Kruger: I completely applaud the ambition of the ICBs and the idea of not only integrating but localising the health and social care system. It is absolutely right. Thank you for that.

Lastly, education, or more broadly skills and welfare, is a major priority here. Do you not agree that, in order to save money and create value for the taxpayer, and to deliver the transition we need—we mentioned insulation installers and so on—we need a skills revolution? You have set out your ambition on that.

Is part of the answer not to radically reduce HE in this country? We are spending too much on putting too many young people through university. We need to be balancing investment—well, maybe taking some of that budget out and returning it to taxpayers—much more towards FE and vocational skills.

Jeremy Hunt: I do not look at it in quite that binary way. HE is one of our great success stories. I think we have fantastic universities. The 50% of school leaders who go to university, on the whole, get a very good education in this country. I am concerned about the 50% who do not. The way I would phrase what you have just said is that I would like to see the same revolution in quality in FE that we have had in HE. I would like to know that every single one of our school leaders leaves with the skill levels necessary to get a decent wage and make a contribution to a modern, dynamic economy.

It will not surprise you to know that I am concerned that is not the case at the moment. That is why I commissioned a lot of work in the autumn statement to try to work it out. What I do not want to do is another big review. We have had very good reviews. We have very good policies in place like T-levels, lifelong learning entitlements, bootcamps and the White Paper. But I want to understand: in the end, putting all these things together, are we going to be giving our young people the same skills that they would get in Germany or Japan? If not, what do we need to do to change it?

Q510 Dame Angela Eagle: Chancellor, this year alone your party has given us three Prime Ministers, four Chancellors, four different versions of a Conservative Government and six fiscal events, while 147 members of the Government, including 32 Cabinet Ministers, have resigned or been sacked. What effect do you think this chaos has had on our economic prospects and our international reputation?

Jeremy Hunt: I wish we had not had that level of instability, but I produced an autumn statement that is designed to restore economic stability and consistency of economic policy-making. I hope we can turn the page on all that instability.

Q511 Dame Angela Eagle: But it has had a detrimental effect, has it not?

Jeremy Hunt: It is not something anyone would wish for but, if you look at what the OBR and the OECD are saying, the primary cause for the economic challenges we face are the two big shocks of the pandemic and



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an energy crisis. That is what other countries are facing as well. Germany, Holland and Italy have higher inflation than we have, so it is wrong to say that this is somehow a uniquely UK issue in terms of the economic instability.

Q512 Dame Angela Eagle: Everyone accepts that there are economic shocks around, but does not that mean it is an even sillier time to be as self-indulgent as we have seen in the governance your party delivers at that crucial time when there are these shocks?

Jeremy Hunt: As I say, I wish we had not had that instability, but it is wrong to say that the economic issues we are dealing with are primarily as a result of that. If you look at this year, and I have just counselled against taking one-year snapshots but you just talked about all the instability we have had in one year, that happens to be the year where we have the fastest growth in the G7. That is why I would hesitate to draw too many comparisons.

Dame Angela Eagle: Right, so you are possibly arguing that we should do this every year as a growth project.

Jeremy Hunt: You will be pleased to know I am not arguing that.

Q513 Dame Angela Eagle: It was not mentioned in the autumn statement, but you have retained a planned cut in the surcharge on bank profits from 8% to 3%. That constitutes an £18 billion giveaway to the banks over the next five years, at a time when rising interest rates will make them more profitable. As real living standards are set to plummet by 7% in the next two years, do you think that this is a fair choice that you have made?

Jeremy Hunt: Yes, and I will tell you why, because I made a decision in the autumn statement that I was not going to do things, as far as I could possibly avoid it, that damage economic growth. What banks are paying, and the reason for that change in the rate, is because we are, at the same time, increasing corporation tax from 19% to 25%. If you add in the surcharge as it is, they are paying higher marginal rates on their profits than in other European countries.

I do not want them to move their operations out of London. I want them to continue to contribute to the Exchequer because I want them to help fund the NHS, schools and all the very important public services that we want.

Q514 Dame Angela Eagle: On today's Bill, 50 MPs on your own side have signed a hostile amendment to the Levelling-up and Regeneration Bill, which is being discussed on the Floor of the House, that would abolish mandatory housebuilding targets. The Government appear to be backing down from putting those targets into position. This has been dubbed by the author of the Tory manifesto in 2019 as the "destroy the planning system and make the recession worse" amendment.



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Are you going to face down the rebels in order to help growth or are you going to give in to them? If you give in, how can you claim that the Government can make the right decisions for our economy and tackle the housing shortage if it is not going to stand up to this kind of pressure?

Jeremy Hunt: This is Michael Gove's policy area, so I cannot tell you exactly what his decision is going to be with respect to specific amendments to the Levelling-up and Regeneration Bill. I can say that we are very aware of the difficulty that young people have getting on to the housing ladder. We are also very aware of shortcomings in the planning system.

The root problem that I, as Chancellor, have to look at is the way that incentives are not aligned across the planning system. We need to ask ourselves why it is that the way our planning rules work often sets local communities against the national need to build more houses, and how we can improve that. That is something that I will be looking at.

Q515 **Dame Angela Eagle:** Has the Treasury assessed the impact on economic growth of lower housing supply as a result of the scrapping of targets, if that were to happen?

Jeremy Hunt: We are not just aware of the impact on economic growth. We are also aware of the impact on thousands of young people if they cannot get on to the housing ladder.

Dame Angela Eagle: Or move to where the jobs might be in a reasonable way.

Jeremy Hunt: Indeed.

Dame Angela Eagle: Are you doing that assessment?

Jeremy Hunt: We are always keeping that under review. It is a very, very important part of macroeconomic policy.

Q516 **Dame Angela Eagle:** I want to ask a question about the cost of the Bulb bailout. The OBR has reported that the cost of bailing out Bulb Energy is now a colossal £6.5 billion, which is more than £200 per UK household. There is very little available information on that. In fact, we were erroneously given a cost here and asked not to publish it a couple of months back. That cost was £4 billion. It has now gone up to £6.5 billion. How are these losses made up and are you expecting them to go any higher? Why on earth is there so much secrecy about it?

Jeremy Hunt: Rather than giving you a second piece of erroneous information, can I write to you and give you more detailed information on that? I appreciate it is a very important issue.

Q517 **Dame Angela Eagle:** Thank you very much. I appreciate that, Chancellor. I wanted to ask about fuel duty and vehicle excise taxes. The Chair has written to you about this in a letter that was published the minute this session started. In the Treasury's response to the *Jobs*,



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growth and productivity after coronavirus report, it stated that the autumn statement brought forward measures to fight rising costs for households and businesses such as freezing fuel duty. But the OBR told us that it had taken account of the end of that freeze and also costed in, as part of its forecast, the proposed 12p increase in fuel duty, which will be due in April.

It is now completely unclear what the Government's policy on fuel duty is. You have given us two versions, one in which you freeze it and that carries on, but you have costed £6 billion as a result of raising it by 12p. Which is it?

Jeremy Hunt: The OBR is independent. It makes assumptions based on what it believes will happen. Constitutionally, that is its job. We want it to be independent. The truth is that fuel duties are frozen for this year until the end of March, and we will announce our decision as to what is going to happen next year at the next Budget.

I cannot tell you what that decision is now, because it has not been made. I do not know what the economic situation will be when it comes to the next Budget, but we will make that decision in the way that Chancellors always make that decision in the spring Budget.

Q518 **Dame Angela Eagle:** Just to be clear, if you freeze fuel duties going forward, that is £6 billion you are going to have to find. That is the cost.

Jeremy Hunt: That is about the right number, yes.

Q519 **Dame Angela Eagle:** You have chosen to raise taxes by freezing income tax thresholds rather than raising the rates. You talked about that in answer to an earlier question. This has been called the stealth tax—the so-called stealth tax.

Analysis shows that this hits middle earners harder. The Resolution Foundation demonstrated that someone earning £62,000 a year, for example, loses as much from these threshold freezes as someone who earns £124,000; that is £1,600. But for the lower earner, as a percentage of their earnings, it is twice as much as for the higher earner. Is this your definition of fairness?

Jeremy Hunt: You have to avoid taking individual measures from the Budget and not looking at the context of all the measures taken together. For higher earners, we did some very specific things, such as reducing the threshold at which the 45p rate is payable by £25,000. That means anyone earning over £150,000 is going to pay £1,000 more tax next year.

The distributional analysis shows that people on lower incomes benefit most from the measures and decisions that I took. But I did decide, yes, that I would prefer to do this through extending the freeze on thresholds for two more years rather than increasing the headline rates, because over time, when we can afford to, I would like to reduce those headline rates. I did not want to go in the opposite direction.



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Among my many failings, that I increased tax stealthily is not something you can really say. I have been completely open with people that taxes went up by £25 billion as a result of the autumn statement, and I spelled out very clearly where that was happening.

Q520 Dame Angela Eagle: I suppose, with inflation rising at that level, fiscal drag is worse. People get dragged into higher rates of tax in their millions. Many would say, even though you have said that taxes are rising, that it is not obvious at what stage they are going to flip from the one to the other.

Jeremy Hunt: I understand that, but in the OBR forecast it has inflation going into negative territory. Towards the end of the period, relatively, far fewer people are dragged into the higher rates.

Dan York-Smith: On personal tax, the primary threshold had a very significant increase in July this year. It was about £9,500 and it went up to £12,570. Since 2010, because the personal allowance has been doubled and with this increase in the primary threshold, even by the end of the forecast period, 2027-28, someone earning £28,000 will still be paying £870 less income tax and national insurance than had both thresholds just risen by inflation since 2010.

Chair: It would be helpful to get that clarified exactly.

Q521 Andrea Leadsom: Chancellor, do you approve of retrospective taxation?

Jeremy Hunt: In general, no.

Q522 Andrea Leadsom: Do you think that the windfall taxes on electricity generators, and also offshore energy firms, is retrospective?

Jeremy Hunt: I do not want to say something that is inaccurate. I will write to you with a precise answer to that question, but can I tell you how I approach those windfall taxes more generally? I believe that they raise about £54 billion. That is a reasonable contribution, given that this year alone we are spending £80 billion to support people with their energy bills.

I am absolutely against windfall taxes that are not real windfalls—in other words, an unexpected increase in profits—because I do not want to deter investment. In the case of electricity generators, the 45p tax that we introduced on that is when they are getting more than £75 per megawatt hour, which is 50% more than the average cost of electricity over the last decade. It is much higher than they would have expected when they made their investment decision.

Q523 Andrea Leadsom: I completely understand that. Sorry to cut you off, but the time is very short and I understand that. Do you suspect that it will reduce investment in energy infrastructure in the UK, either from the offshore energy companies or from the electricity generators?



Jeremy Hunt: I very much hope not because our oil and gas industry employs 116,000 people, more than a third of them in Scotland. They are a very important part of our transition to net zero.

Q524 **Andrea Leadsom:** What was your expectation in the statement? Did you just think, "Well, we need the money; so be it" or did you talk to the industry before making this decision?

Jeremy Hunt: If you do not want to deter investment, your starting point has to be that this has to be fairly designed in a way that is genuinely taxing the profits that people were not expecting to make as a result of a sudden surge in global prices. The way this has been structured is that, if you invest, you do not have to pay these windfall taxes. You get 91p in the pound back. If it is a decarbonisation project, you get 109% back, so you get more than you spend.

Q525 **Andrea Leadsom:** That investment allowance does not apply to the electricity generators, does it?

Dan York-Smith: For the electricity generators, the key thing is that most largescale new renewables and nuclear investments are under contracts for difference. If you are within the contracts for difference scheme, you would not be subject to the energy generators levy. It really applies to a subset of investments that took place under the renewables obligation. Under contracts for difference, the Government commit to make good the price.

Q526 **Andrea Leadsom:** I know how it works. Nevertheless, those electricity generators could presumably offset that tax liability by investing in new renewable projects under CfDs in the UK, but you are not giving them the investment allowance.

Dan York-Smith: For corporation tax, which they will pay in addition to this, they will be able to write off their investments as they normally do. For the new energy generators levy, no, they will not.

Q527 **Andrea Leadsom:** Moving on to energy suppliers, those supplying to consumers and businesses, what plans, if any, do you have for requiring them to offer fixed-rate prices to consumers? At the moment, as you will know, very few do. They would argue that it is partly due to the collapse of energy suppliers that they cannot afford to, because those costs can hit them unexpectedly.

Is there not a virtuous circle of treating them like banks, requiring them to have capital requirements and to offer fixed-rate prices to consumers and businesses to enable them to better manage their cashflows?

Jeremy Hunt: There may be, and we are looking at the way the whole energy market functions, because it has not been functioning in the way that we would want. We have had some huge external shocks. Some huge bills have landed at the doors of taxpayers as a result. I appreciate this is an area that you know a great deal about, and we are very happy to engage with you as to the reforms that the energy market needs.



Q528 **Andrea Leadsom:** It seems to me that there is no evidence of speed of decision-making coming on some of these critical areas that we have just paid in spades in our economy, as a result of a failing energy market, not least of which is quick decisions on planning. For example, do we want grid overhead or underground? It seems to me that the autumn statement is spending billions and billions of pounds that would not have been necessary had we taken those decisions earlier.

Jeremy Hunt: That may be a fair criticism, but what I would say is that we are trying in the autumn statement to show what the solution is. The solution is to move more quickly on nuclear and renewables, to encourage energy efficiency, but also to look at the fundamental reforms that we need in the energy market going forward, which is all going to be set out by the Business Secretary very soon. I recognise the case you make that it has not been operating in the way that it needs to.

Q529 **Andrea Leadsom:** Just to completely change the subject, in terms of how to make our economy more productive, so on the growth side, there is such a dearth of women coming back into the workplace as a result of primary childcare responsibilities. It is so difficult to find good childcare and to be able to afford good childcare. From a productivity point of view, what are we doing to get more good women back into the workplace?

Secondly, I have to ask you the question about investment in human potential in the early years, getting those families well established so that we do not see so much family breakdown, which has such devastating consequences on tiny children, who then go on to not to be school ready. What are you doing in the Treasury to think about investing in human potential and the quality of getting women back into our economy?

Jeremy Hunt: When I delivered the autumn statement, I had only been Chancellor for five weeks.

Andrea Leadsom: I will give you another five weeks, then.

Jeremy Hunt: Thank you. I did not think it would be much longer. I will not pretend that I was able to get to the bottom of those issues. On both of those things, I pointed a direction of travel.

On the skills agenda, I have asked for some root and branch help in understanding whether we really are equipping all our young people with the skills they need. I do not believe that will just be about further education. I think a lot of the issues set in earlier than that. People leave primary school unable to read and write properly, and often that is because of problems they had before they went to primary school. I accept the argument on which you have been campaigning very effectively for many years.

Your other point was about childcare. I accept there is a big issue there and, as part of Mel Stride's review into workforce participation, we will be looking at childcare issues. You are right to highlight the problems.



Q530 **Andrea Leadsom:** It is a growth strategy. One in five enterprises are largely dominated by men. That means four in five of the potential other workers who could be generating taxes for the Exchequer are simply not there. What is happening to them?

Jeremy Hunt: It is not just a growth strategy; it is an anti-inflation strategy, because the inability to get the labour that you need to grow your business ends up with people having to pay more and charge their customers more. I could not agree with you more. It is a very, very big issue.

Q531 **Chair:** Thank you, Chancellor. I appreciate that this is your first time in front of the Committee and that you have been in this chair in the Health Committee for many years. It is funny to see how these tables turn, is it not?

You have made a number of commitments to write to us with follow-up information, and we will go through the transcript and follow up with you so that we get the replies to those things that you have committed to send us.

My final commitment that I am going to try to get out of you is that we heard from the Office for Budget Responsibility, yesterday, that it is written into law that its forecasts get published alongside a Budget. There is a commitment to do two of these a year. These words "mini-Budget", "fiscal event" and so on have entered the language in order to get around that commitment.

Obviously absent a major emergency like a pandemic, requiring you to make fiscal changes, as a general rule, will you commit as Chancellor to do those two events a year alongside an Office for Budget Responsibility report?

Jeremy Hunt: Yes.

Q532 **Siobhain McDonagh:** Can I apologise to Members, and to you, Chancellor, for stepping out of this meeting? I am chair of the All-Party Parliamentary Group for children with short lives. At our AGM, we heard from Sophie, whose daughter Isabel is 10 and does not have much longer to live. She will not be able to have her hydrotherapy sessions in the pool in her garden because of the cost of energy. Would you meet people from the APPG for children with short lives to discuss the specific problems they are experiencing?

Jeremy Hunt: I am very happy to. It might be important for the Health Secretary to meet, so let me talk to you offline about which one of the two of us would be most able to help you.

Chair: Thank you, Chancellor. Thank you, Dan. That concludes the Treasury Committee's evidence session.