

# Treasury Committee

## Oral evidence: Budget 2023, HC 1217

Wednesday 29 March 2023

Ordered by the House of Commons to be published on 29 March 2023.

[Watch the meeting](#)

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

Questions 177-273

### Witnesses

**I:** Rt hon Jeremy Hunt MP, Chancellor of the Exchequer; Sean Jones, Deputy Director for the Budget and Finance Bill, HM Treasury; Cat Little, Non-Executive Director, Head of the Government Finance Function, and Second Permanent Secretary, HM Treasury; and Gwyneth Nurse, Director General, Financial Services, HM Treasury.

### Examination of witnesses

Witnesses: Jeremy Hunt, Sean Jones, Cat Little and Gwyneth Nurse.

**Chair:** Chancellor, welcome to this session of the Treasury Committee to talk about your recent Budget. Would you start by introducing yourself and the panel?

**Jeremy Hunt:** Good morning, Chair. I am Jeremy Hunt, Chancellor. I have Gwyneth Nurse, who is my Director General, Financial Services; Cat Little, who is the Permanent Secretary responsible for all Government spending; and Sean Jones, who is Deputy Director, Budget and Finance Bill.

Q177 **Chair:** Good morning, everyone. Chancellor, in the debate on the Budget, I started by saying that I thought you had been lucky, because after you did the autumn statement in November, energy prices turned out to be a bit lower this winter because it was a bit warmer than expected. How lucky did you feel when you saw the Office for Budget Responsibility forecasts for this year?

**Jeremy Hunt:** I was quite surprised when you used the phrase “lucky,” because I think it has been a very challenging period overall for anyone doing my job.

Q178 **Chair:** But do you accept that it was good luck that the energy price



## HOUSE OF COMMONS

guarantee did not cost quite as much as you were anticipating?

**Jeremy Hunt:** Yes, indeed, the energy support package for businesses and households was less expensive than predicted in the autumn, but it is quite important to understand the impact of that on our national finances. It did not in itself give me any additional headroom for permanent changes to tax and spending; what it meant was that, in the coming 12 months, we are borrowing a little bit less than we were originally planning to borrow in order to fund those. So borrowing went up by slightly less than planned, which is a good thing, but the fundamental headroom that I had to play with did not change significantly from the autumn statement, which was, after all, only a few months earlier.

Q179 **Chair:** One of the things that this Committee has been flagging up is what we call “fuel duty fiction”. In the autumn statement last year, you had numbers in your fiscal forecasts that assumed that fuel duty would rise by, I think, 12p this spring, and none of us thought that that was likely to happen. But you have now put that in your numbers for next spring. I think it is fair to say that this Committee is very sceptical that, in an election year, you are going to raise fuel duty by that much, and we note that the Office for Budget Responsibility now highlights that risk much more clearly in its report. You are not going to raise fuel duty by 12p next year, are you, Chancellor?

**Jeremy Hunt:** We don’t know. We have not made any decisions. I do not agree that it is a fiction, and the reason I do not agree that it is a fiction is because of what Paul Johnson himself said, which is that the cost of making it a permanent change would be a reduction in our—

**Chair:** It has been a permanent change.

**Jeremy Hunt:** It has not, if I may say so. Just to give you what Paul Johnson himself said, he said that the cost of making it a permanent change would be a £4 billion reduction in the headroom after four years. The headroom is only £6.5 billion, and that would bring it down to £2.5 billion, which in my judgment would be too low. We are not in a position—we cannot afford—to make that change permanent, so it has just not been an option.

But did I want to do it this year? Yes, I did, because inflation is running at above 10%, and the combination of that measure and extending the energy price guarantee at £2,500 for a further three months brings the headline rate of inflation down by 0.7%. I thought that that was an important thing to do in a year when inflation is the No. 1 destabilising influence on the economy. Although some of that effect unwinds the following year, it is in a period when inflation is predicted to be much lower, and I think it really is important to get inflation down this year. That is why I decided to do it this year.

Q180 **Chair:** Okay, so next year, when the Office for Budget Responsibility predicts that inflation will be practically back down to target, with lower fuel prices at the pump, you are saying that you are going to raise fuel duty, potentially by 12p, in an election year.



## HOUSE OF COMMONS

**Jeremy Hunt:** The 12p rise was based on the level of inflation at the moment. The amount that it would go up by next year would depend on the inflation rate at that point. That is a decision that we will keep under review, and we will make a decision at the next Budget. It will be decided on the basis of the room we have in our fiscal forecasts—the OBR's fiscal and economic forecasts. At the moment, we do not have the headroom to do that, so that is why we are not planning to do it, but of course we will look at what the numbers say close to the next Budget and keep that decision under review.

**Q181 Chair:** You have a very long wish list that you stated in this Budget. You have just stated that, if you can, you would quite like not to raise fuel duty by 12p. You want to raise defence spending—you aspire to that being 2.5% of growth. You want to return the aid budget, when conditions allow, to 0.7%. You would like to keep the investment allowance at 100% past the three years that you put in your Budget.

The Office for Budget Responsibility, when we took evidence from them last week, said that, basically, your fiscal rules allow a kind of one-way ratchet to a higher level of debt in this country, because every time there is a bit of headroom, you are going to put it into those priorities, and then, when things are worse than expected, you are going to let the deficit take the strain. That is one way to an increasing deficit, which is completely against the Prime Minister's priority. What are your thoughts on that ratchet effect?

**Jeremy Hunt:** I would say two things. First of all, we have those fiscal rules to make sure that Chancellors are properly constrained in the decisions they take on spending, so that they have to make difficult decisions. Indeed, it is because we have fiscal rules—and I think it is a good thing to have fiscal rules—that I took the very difficult decisions in the autumn to put up tax by £25 billion and to reduce spending by £30 billion.

Those fiscal rules mean that, whatever those pressures are, in the end, this country's Chancellor of the Exchequer is required to make trade-offs so that people can be confident that we are being responsible with national finances. I think the Office for Budget Responsibility said that it was harder for me to do that than for any Chancellor whose Budget plans they had ever assessed, because of the fiscal situation. But I think it is good that Chancellors have to make those trade-offs, because it is very important that we are responsible with national finances.

But what is the long-term answer to your question, Chair? It is growth. If we can get the economy growing at a faster rate than is currently planned, and if we can get productivity growing faster, we can get out of that vice. That is why this was a Budget for growth, where I tackled the two biggest things that businesses up and down the country say are preventing them from growing. Those are investment incentives—with the capital allowances and the 100% first-year deduction, we have the most attractive capital investment regime of any advanced economy; we are



## HOUSE OF COMMONS

equal top in having 100% allowances—and labour supply, which is why we had the big labour supply package.

**Q182 Chair:** We will have more questions on that during the session, I am sure. I just want to raise the letter that you sent the Committee this week about the Office of Tax Simplification. One of the things that your predecessor did that you have not reversed was to abolish the Office of Tax Simplification. Is that because taxes are now so wonderfully simple, or is it because it failed in its task?

**Jeremy Hunt:** Neither. Taxes are far too complex. There is a huge job to do to make them more simple, and I intend to be a Chancellor who makes progress in simplifying the tax system during my time in office. The abolition of the LTA was one very major simplification in the tax system.

**Chair:** The pensions lifetime allowance cap.

**Jeremy Hunt:** Yes. I will continue to make sure, as far as I am able, in every fiscal event, to try to make progress on tax simplification. I am happy to take that as a personal responsibility, rather than have a separate group of people who are funded to do that. But if you are asking whether I am asking my officials in the Treasury to do work on tax simplification ahead of every Budget and every autumn statement, the answer is yes; I just do not think we need to do it with a separate body.

**Q183 Chair:** The Office of Tax Simplification is set up in statute. Presumably, therefore, you would welcome the opportunity to put something in statute that reflects that change that you have decided to make.

**Jeremy Hunt:** At the appropriate time, yes.

**Q184 Danny Kruger:** Thank you, Chancellor, for coming. I want to ask a general question at the outset about the overall strategy. You described growth as the fundamental priority that will address the economic challenges that we face. The Government that I support has had a bumpy ride, and we have had a whole list of economic strategies from the Government in recent years. We started this Parliament with the industrial strategy; we had the build back better plan for growth; we had the current PM's Mais lecture when he was Chancellor; we had the growth plan from Kwasi Kwarteng, and then your Bloomberg speech with the new Budget setting out your four priorities.

Can you describe the evolution of growth strategy over recent years? Do you think there has been a consistent theme, or do you feel it has been bumpy? The evidence we took a few days ago from economists suggests that one of the great problems has been a lack of coherence in economic strategy. Or do you think that we have actually been on a fairly coherent path?

**Jeremy Hunt:** I think it has been more coherent than you might think, with one exception. Yes, there were some mistakes in the mini-Budget that we had to reverse. In particular, it is clear that you cannot fund tax cuts through increased borrowing, so that is a clear thing that we changed course on.



## HOUSE OF COMMONS

Taking that aside, if you look at the industrial strategy, to say that we are going to be the world's next Silicon Valley and that we are going to be global leaders in clean energy, life sciences, digital, creative industries, advanced manufacturing and to set out how you are going to do that in terms of improving the skills base and making sure that growth is spread across the country—those are things that are what anyone would call an industrial strategy, so I do not think it is necessary to publish a new document. I just want to get on and do it.

If you look at the big decision made by Boris Johnson's Administration at the start of the Parliament to increase capital spending very significantly, we have honoured that. We were not able to continue the rate of increase that was originally planned, but we froze the increase at its higher level in cash terms. I should bring in Cat Little because she is in charge of Government spending, but I think that is one of the biggest changes in Government economic policy in recent times.

**Cat Little:** At the last SR we increased capital spending to nearly £600 billion over the course of the spending review period. That is the highest level of capital spending since the late 1970s. The autumn statement and the Budget reaffirmed that we will have capital spending at historical highs despite there being, as the Chancellor described, some small changes to the way in which we have set out the capital spending envelope overall. It is a big decision to sustain that level of capital spending over the medium term.

**Danny Kruger:** Indeed.

**Cat Little:** In previous encounters looking at how we balance tax and spend overall, we might have chosen to reduce capital spending, so it is quite critical for the growth agenda that that spending continues at a historic high.

Q185 **Danny Kruger:** Okay, thank you. Let me come on to one of the consequences of that increased spending, which is our debt forecast. One of the priorities of the Government now is to reduce the debt. I am interested, Chancellor or officials, in the forecasts, because we are looking at public sector net debt rising from nearly 90% this year to nearly 95% in 2027-28, then fractionally falling. This does not feel like reducing debt to me. That we are trying to stabilise it is probably the best we can say, isn't it?

**Jeremy Hunt:** I think the accurate description is that we are stabilising and starting to reduce debt. You are absolutely right that it is high. It is too high. That is one reason why I did not just spend the additional headroom created by lower energy prices. We have ended up with debt levels that are £54 billion lower than predicted at the autumn statement, and our deficit will be £20 billion less in the final year than in the autumn statement. As a result, our debt interest payments on average are going to be £6 billion a year less than planned at the autumn statement.



But those changes are in the context of a national debt that is still going up for the early years. The context of that is a pandemic, where we spent about £400 billion supporting businesses and families. Making a decision like that is not consequence-free, but it was the right decision, because that has meant that, despite the disruption of the pandemic, we have come out with unemployment still at a near 50-year low, and that is a big achievement, mainly because of the decisions of my predecessor—the Prime Minister—as Chancellor.

**Q186 Danny Kruger:** The other cause of the high debt levels we have, in my view, is an unreformed public sector that consumes ever larger quantities of public money. My final question to you is about public sector reform, which was one of the great missions of the Conservative Government that you served in from the beginning of our time in 2010, and it feels to me that we have lost the impetus there. Other things have interceded, obviously, but I would still like to hear about how you regard public sector reform as a priority for the Government—particularly the chronic productivity challenge that we have in the public sector and, equally crucially, the lack of a real focus on demand reduction. How are we going to ultimately reduce the call on the public sector through economic and social policy? I am asking about public sector productivity and then wider reforms that might reduce demand.

**Jeremy Hunt:** I very strongly agree with you, and when I was Health Secretary for nearly six years—often being questioned by Mr Baron in a different context—I was a very strong believer in public service reform in the NHS, which is our largest public service. Obviously, it has not been possible to pursue that agenda in the context of the pandemic, when we depended on the NHS—it was all hands on deck, and they did a fantastic job—and we just had to concentrate on getting through that once-in-a-century issue.

But now that that is behind us, and we are dealing with a waiting list of over 7 million people, we are very much thinking about public service reform. That was why, in the autumn statement, I asked Patricia Hewitt to do a review of the way the NHS is structured—in particular my long-standing concern that we have far too many targets in the NHS. They make it difficult for managers to run things efficiently on the ground, because their hands are tied by thousands of targets. We are looking forward to her recommendations.

**Danny Kruger:** Thank you. Anyone else? Cat, you may be in a position to talk further.

**Cat Little:** I would add two things. I think you are absolutely right about public sector productivity. It represents a third of the economy. The rest of the economy has recovered to pre-pandemic productivity levels and grown, whereas the public sector is still lagging behind. That is because of the context that the Chancellor set out. But I think it means we have to work even harder on the productivity gain. At the same time, we have seen massive increases in inputs. So, quite rightly, we are investing more



money and more people, but the demand to see the productivity gain has to be the focus.

I think we have done quite a lot of work to look at input efficiency, but I want to change the dialogue in Government to be as focused on the productivity gain that we get from the public sector. That needs digital reform, and it needs us to think about the balance of preventive and responsive spend, which I think gets into your question about demand. The best way to go after demand is to think about prevention rather than response. As we start to think about the big questions of how the state operates and public sector reform, going into the next spending review, these are the sorts of questions that we would want to focus on.

**Q187 Danny Kruger:** Lastly, Cat—this is not so much a question as a plea—the last time you were before us, I raised the principle of payment by results and outcome commissioning, which I still regard as one of the great innovations in public sector reform of the last decade or so, and which again seems to have lost momentum. I wonder whether we can review that. I agree with your point about improving inputs and preventive work, but fundamentally we should be holding people to account for the outcomes that they deliver, and paying for results feels to me one of the great ways to do that. You were a little sceptical last time. Can you revisit it?

**Cat Little:** I won't repeat the conversation that we had last time I was here. I really do agree with you, and that is why we created the public value framework, which is all about focusing on how we drive outcomes and then working backwards to look at what is the best value for money to deliver those outcomes. On your point about payment by results, we are doing, as you know, a number of pilots, and it is important that we evaluate those pilots before we scale up.

**Q188 Danny Kruger:** We have been piloting for 10 years. We know it works. But anyway—

**Cat Little:** Some of it hasn't worked, which is why I am potentially sceptical.

**Danny Kruger:** It works as well as a lot of the public sector current spending, but okay.

**Q189 Mr Baron:** Thank you to the whole team for joining us today. Very quickly, following on from Danny's line of questioning, I completely agree with focusing on outcomes. As Jeremy will know, we have been banging on about this for a little while, and I am delighted to hear that it is being focused on as a priority—certainly in the health service, anyway.

Can I just continue with a few of Danny's themes before turning to inflation, if I may? I put to you, Chancellor, that there is a real risk of the UK being squeezed by the sorts of investment packages that are being declared by the US and the EU. On the one hand, we have the Inflation Reduction Act in the US—\$300 billion-plus, maybe more; in the EU, we have the green deal industrial plan—a little less, but still sizable money.



## HOUSE OF COMMONS

This is all about, as you well know, encouraging energy security, the energy transition and safeguarding key technologies.

We have seen what you have done about the investment allowance and the writing-off of IT equipment, plant and machinery—deducted in full for the next three years. How sure are you that that is going to be enough, given the initiatives we see globally? If I may add, we have seen AstraZeneca make a major decision about moving offshore. We have seen Arm, a computer chip designer, and the building materials giant CRH deciding to list in the US. There are clear indications that this may be a factor in their decisions.

**Jeremy Hunt:** It is a very important question, and I said in the Budget that I would return in the autumn statement with a fuller response. There was a reason for that, which is that I want the UK to remain competitive and I needed to see—I was not able to do so at the Budget—what the EU response was going to be before we formulated our full national response. So we will return to this, and we are doing a lot of very detailed work.

I would make two points. First of all, in terms of the transition to a net zero, clean-energy economy by 2050, it is a good thing that the United States is taking climate change seriously. There is a lot of catch-up in what it is proposing to do, because we are, even after the Inflation Reduction Act, spending a higher proportion of our GDP on the clean energy transition than the United States is. We are doing it in a different way—I happen to think it is a more effective way—through measures such as carbon pricing, contracts for difference and so on.

We have been extremely successful. We are global leaders in offshore wind. Nearly 40% of our electricity now comes from renewable sources—the second biggest renewables industry in Europe. But I am very aware of the fact that, even despite that success, which we should be very proud of as a country, this is \$369 billion of subsidy. There are risks as a result of that, and we need to mitigate those risks. That does not necessarily mean matching subsidy for subsidy, but it means making sure that the overall package that means people choose to invest in the UK remains attractive.

**Q190 Mr Baron:** I am pleased to hear what you say, Chancellor, because this is going to be a moving target, and you sound as though you are fully aware of that. It is not just the big names. I would suggest to you that we are leaders in very small niche technology areas, particularly in the green space, and one hears that those smaller companies are thinking of making the move, certainly across to the US.

We should ask ourselves why so many of our rising stars on the technology and green fronts were banking with SVB, for example. It is an indication that there is a real tendency to look at the States and say, “Look—better tax and allowances.” All I can do is encourage you to think about that. You said that the investment allowances are only there for three years. If you can soon put an end to that uncertainty—to allow businesses to plan—once public finances allow, that might be a good thing. Could you please bear that in mind?



## HOUSE OF COMMONS

**Jeremy Hunt:** Absolutely, and I made it very clear in the Budget speech that I would like the move to 100% full expensing to be a permanent change as soon as it is affordable to do so. But I wanted to set out the direction of travel. I would say that, although there are some well-publicised stories of companies choosing not to invest in the UK, we are the world's sixth largest economy, and there is going—

Q191 **Siobhain McDonagh:** We used to be fifth, though.

**Jeremy Hunt:** Well, we have been overtaken by India, which I think is perhaps not unexpected given the size of its economy.

**Siobhain McDonagh:** Still, we are going down.

**Jeremy Hunt:** What I am saying is that we are the world's sixth largest economy, so there are going to be a multitude of decisions that go in either direction.

Even this year, you can point to decisions such as Pinewood investing in another 9,000 jobs in the UK because we now have Europe's largest film and TV industry; and BioNTech, the people who made the Pfizer vaccine, saying that they want to develop cancer drugs—

**Anthony Browne:** In South Cambridgeshire.

**Jeremy Hunt:** —in South Cambridgeshire, on the same principle. Airbus is investing to build aircraft wings for Air India. These decisions have all happened this year, so a lot of positive things are happening.

Q192 **Mr Baron:** It is a balance, yes.

May I turn to inflation? You rightly said that it is the No.1 priority this year. I suggest to you that policymakers' record generally—not just in the UK, but elsewhere—has been woeful on inflation; despite clear evidence of pockets of inflation and money supply figures going up, we were told that it was not a problem. When it became evident that it was a problem, it was always going to be transitory. When it became evident that that was not true, it is now going to fall away. I happen to be sceptical of that; I think inflation is going to be volatile and higher for a variety of reasons. How confident are you that the OBR's forecast of 2.9% is going to be met?

**Jeremy Hunt:** I am confident in the forecasts, but I think you are absolutely right to say that there can be no complacency at all on bringing down inflation. The reason is that a significant amount of that fall—4.7% the last time I looked, I think—is simply a mathematical result of increases in food and fuel prices working their way through the system and then falling out of the index. That does not mean that the prices of food and fuel have fallen down to the levels they were at 18 months ago; it just means that compared with a year ago they have fallen out.

But there is still core inflation, which is driven by underlying demand in the economy—things like pay settlements. That is more than 6% and will be harder to bring down. There is absolutely no room for complacency, and we need to really keep our eyes on the target.



## HOUSE OF COMMONS

**Q193 Mr Baron:** It sounds as though you are confident about the 2.9%. Given policymakers' past record on inflation, may I put this to you? Everybody is confident about 2.9%, but we have seen four bank failures, the rescue of Credit Suisse, and wage growth inflation beginning to fall away a little faster than anticipated. Why, then, has the Bank of England put interest rates up, given that there is usually a time lag of six to nine months before rate rises have any impact at the front end in the economy? It does not seem to make sense.

**Jeremy Hunt:** It is for the exact reason that I said, which is that they believe that there is inflationary pressure beyond what is automatically going to fall out of the index—core inflation—and that therefore they need to continue to focus on bringing down inflation through interest rate rises.

I might bring in Gwyneth Nurse, my Director General for Financial Services, but I think the underlying reason for those bank collapses has been the move to a world where people are now anticipating that higher interest rates are here to stay. That, I think, is because central banks remain resolute in their determination to bring down inflation.

**Q194 Mr Baron:** Given that I do not have too much time, I will remain with you on inflation, if I may—I mean no disrespect to Gwyneth. It feels as though policymakers continue to be behind the curve. If they were confident about 2.9% and given the time lag with interest rate rises, do you not think that there is a risk that interest rate rises could go too far, given the reasonably fragile state of the global economy?

**Jeremy Hunt:** Well, I don't think we can have it both ways—on the one hand be critical of central bankers for not raising interest rates early enough, and on the other say that they might be overshooting when they do raise them.

**Q195 Mr Baron:** What I am suggesting, Chancellor, is that they were too slow. They have not got a grasp of the situation. Perhaps that is because of the processes, techniques and programmes they use. They were too slow in recognising inflation as a problem and now they have got to the point where they are overreacting to the inflationary pressures that there are, if you believe the OBR's figures of 2.9%.

**Jeremy Hunt:** Well, I don't believe that they are overreacting. I think there is still inflationary pressure in the economy. I am very concerned about that and I think we need to keep our eye on the ball. Only a week ago, we found that inflation had actually gone up from 10.1% to 10.4%. I think that demonstrates there can be absolutely no room for complacency.

**Q196 Dame Angela Eagle:** When you were last here, Chancellor, it was shortly after your predecessor's catastrophic intervention in economic policy, and you were notably humble about the effects that that had had. He is now being seen touting himself round for work, expecting to charge £10,000 a day. Is that the payment for results that Mr Kruger was talking about in the public sector?

**Jeremy Hunt:** I am not going to comment on that issue because it is not relevant to my brief. What I will say is he has said that he supports the



## HOUSE OF COMMONS

measures I took in the Budget. He thinks they were the right thing to do, and he also said you cannot pretend that the things that happened around the mini Budget did not happen. I think he recognises some of the things that you and I talked about the last time we had an exchange on the mini Budget.

**Q197 Dame Angela Eagle:** Is that about right on the rate for ex-Chancellors—£10,000 a day?

**Jeremy Hunt:** I have absolutely no idea. I hope never to find out, by the way, because I hope to be Chancellor for a very long time.

**Q198 Dame Angela Eagle:** You will try to avoid that for a few years yet, but there are those of us who will try to stymie your plans.

I want to ask about the current issue of health service pay because, as we know, a deal was done the day after the Budget, even though you did not make any approaches or say anything about how these public sector pay settlements will be paid for. Why did you not budget for the costs of this deal and be transparent about it?

**Jeremy Hunt:** Because we didn't know, and we still don't know, how much it is going to cost.

**Dame Angela Eagle:** You don't know how much it is going to cost.

**Jeremy Hunt:** Because we still haven't settled all the public sector pay disputes. Even within the NHS, the junior doctors dispute is still ongoing. We have not settled with teachers. When we do settle, there will be a negotiation with Departments as to how much is borne by additional support from the Treasury and how much is borne by efficiencies and reprioritisations within the Departments.

**Q199 Dame Angela Eagle:** The Health Secretary has said that the deal with nurses, paramedics and others—obviously not doctors yet because that has not been decided—will be fully funded. Those workers are voting even as we speak as to whether to accept it. The Treasury has said it will come from wider spending plans for the coming year, which implies cuts to other Departments. Which is it?

**Jeremy Hunt:** I have not seen the words that you ascribe to the Health Secretary, so let me tell you the Government position. The Government position is, as with all pay settlements, that Departments fund pay settlements from the money they receive in a spending review, but in exceptional circumstances there can be a discussion with the Treasury as to any additional help. This is a different situation because inflation was so much higher than expected and therefore the pay settlements have ended up being higher than expected. But there is a discussion with Departments as to how much help comes from the centre, and we have not had that discussion yet.

**Q200 Dame Angela Eagle:** The teachers have said that their pay offer is not fully funded. Is that true as well?



## HOUSE OF COMMONS

**Jeremy Hunt:** The commitment we have made is that there will be no reduction in frontline services as a result of these pay awards, but that does not mean to say that Departments will not make efficiency savings and reprioritisations. It is very important that they should, because we have a responsibility to the taxpayer in a context where we have just put up taxes by £25 billion, and we need to be responsible with public finances and fair to taxpayers.

Q201 **Dame Angela Eagle:** But I am also talking about how you can be responsible and fair to public sector workers who have had huge real-terms pay cuts, even though they are the ones who got us through the pandemic in a lot of the key services. There is some balance there, isn't there, Chancellor?

**Jeremy Hunt:** That is exactly why in the autumn statement we announced, I think, the biggest ever cost of living support package, averaging this year and last £3,300 per household, targeted at the people on lowest pay. The package amounts to nearly £100 billion. It is a huge amount of help, so we are doing everything we can to help people through cost of living pressures. Perhaps I should bring in Cat. *[Interruption.]* You can stay with me if you wish, but I was going to give you an expert.

Q202 **Dame Angela Eagle:** I have a great deal of respect for your experts, and indeed worked with some of them when I was in here, but I think it is right that you are here to answer questions.

As everyone is voting on these pay offers that are going on now, your message to them is they are not fully funded. Indeed, much of this will have to be reprioritised—as the Prime Minister said—from existing budgets, which are already very stretched. That is your message to those people who are voting on whether they should accept these pay rises today, isn't it?

**Jeremy Hunt:** No. My message is that we will fund these pay rises in the way we always fund pay rises, which is a discussion with Departments. But we make a commitment that there will not be a degradation of frontline services for the public, and we will make sure that we are able to fund these settlements in a way that honours that.

Q203 **Dame Angela Eagle:** I hope that that will be true; we will certainly see how it works as these things go on. In your Budget speech, you said, "Taken together, today's measures lead to a slightly lower overall tax burden for the rest of the Parliament compared with the OBR's autumn forecast." Actually, chart 4.1 of the OBR's forecast shows that tax as a proportion of GDP is higher after the Budget than it was in the autumn statement, so why did you claim that it was lower?

**Jeremy Hunt:** I will bring in Sean Jones to talk about the exact numbers, but it is true that as a result of the measures I took in the Budget, the tax burden as a proportion of GDP does fall slightly. But it is in a context of the overall tax burden increasing because of the pressures that we have on the public finances. I was being very careful to explain the direct decisions that I took in the Budget.



## HOUSE OF COMMONS

By the way, if you choose a three-year period rather than a five-year period, there is quite a significant reduction in the tax burden, because that is the period in which we are having full expensing for capital allowances. But if you go to the full five-year period there is a small reduction. Maybe you can just clarify the exact numbers on that, Sean.

**Sean Jones:** I think that is right, Chancellor. I think the OBR said that the tax burden comes down as a consequence of your policies by 0.3 percentage points between 2023-24 and 2025-26, and 0.1 percentage points in the final year as a result of policies in the Budget, as you say.

Q204 **Dame Angela Eagle:** I think most people will experience something slightly different because of your stealth tax with frozen thresholds. They will raise £119 billion over five years, but according to analysis, they are going to ensure that 6 million people are dragged into higher rates of tax because of the freezes. That is the equivalent of 4p on income tax. Why weren't you more up front about the effect that this stealth tax, by freezing thresholds, would actually have on ordinary people?

**Jeremy Hunt:** I was completely up front. I think I said even this morning that in the autumn statement I increased taxes by £25 billion. I have never hidden from the extremely difficult decision that we took. It was extremely difficult for me as a Conservative because we want to bring down tax rates. What I would say is that if you look at—*[Interruption.]* Would you let me answer the question?

Q205 **Dame Angela Eagle:** Why not be up front and put it on the basic rate? If you freeze thresholds, it happens stealthily. You accept that, surely?

**Jeremy Hunt:** I happen to think this is a better way of doing it. Let me say to you: I have been completely up front. I have never hidden the fact that we have extended the threshold freeze. But overall, one of the things I am most proud of is that since 2010, because of increases in the threshold for both tax and national insurance, someone on the average salary of £28,000 a year is paying £1,000 less tax and national insurance than they were paying in 2010. That is the aggregate impact of our commitment.

What I would simply say is that the Conservative approach is that we bring down taxes when we can, but always in the context of being responsible about public finances. That is what we did with the increase in the income tax and national insurance thresholds. That is what I did with corporation tax this time with the £9 billion annual reduction for the next three years. We would like to continue to bring down taxes when we can, which is why we had a growth Budget, which we think gives us the best chance of doing that.

Q206 **Dame Angela Eagle:** You accept, though, that tax rates are at their highest for 70 years while you are busy saying you want to bring them down?

**Jeremy Hunt:** As a proportion of GDP, yes, I accept that following a once-in-a-century global pandemic and a once-in-a-generation energy



## HOUSE OF COMMONS

crisis—one has cost us £400 billion and the other has cost us more than £100 billion if you include the support for businesses—the tax burden has gone up for the moment, but I want to bring it down. That’s why the focus in the Budget was unlocking our long-term economic growth rate through addressing labour supply and business investment.

**Q207 Dame Angela Eagle:** Just one very final question, which should elicit, I hope, quite a quick factual answer. How many couples are going to lose access to child benefit because of your stealth taxes on the threshold, which will take them above?

**Jeremy Hunt:** I will have to write to you with the exact number because I don’t have it to hand, but what I will say is that I think most working couples will say that the measures in the Budget are going to make an enormous difference to them because of the childcare provisions, which, if you have a child under five, will see childcare costs falling by up to 60%—£6,500. I think we have done everything we can to help people at a very challenging stage of their lives.

**Q208 Rushanara Ali:** Good morning, Chancellor. You forgot to mention the £55 billion in fiscal consolidation after the mini-Budget fiasco, on top of the other costs—the £400 billion and the energy crisis.

**Jeremy Hunt:** I think I did, actually, because I said it was £30 billion of spending increases and spending—

**Q209 Rushanara Ali:** I thought we would remind everybody, when you were listing the £400 billion to Dame Angela and the various costs. That is over £1 billion a day in the 49 days of the former Prime Minister’s time in office.

**Jeremy Hunt:** But I did mention it, just to be clear. I mentioned it earlier in the session. I talked about that consolidation very clearly.

**Q210 Rushanara Ali:** Okay, and that was as a direct consequence of the mini-Budget fiasco under the previous Chancellor and Prime Minister.

I want to ask you some questions about living standards, but before that, I want to pick up on Sir John Vickers’s comments on the Edinburgh reforms. In evidence, he said, “In my view, removing ring-fencing would pose a very great risk to financial stability.” The Governor yesterday agreed with that, as did Sam Woods of the PRA. Do you agree with it?

**Jeremy Hunt:** Okay, can I just— Sorry, your earlier comment about the £55 billion consolidation being a direct result of the mini-Budget—I don’t accept that. That was a consolidation—

**Q211 Rushanara Ali:** Well, you had an emergency Budget last November when you became Chancellor, and you apologised to the British public.

**Jeremy Hunt:** I have accepted that mistakes were made in that mini-Budget, and we reversed them, but I don’t accept that the consolidation that we had to make in public finances was as a result of that. It was as a result of underlying factors that we had to address, which is the £400 billion of covid support—



## HOUSE OF COMMONS

Q212 **Rushanara Ali:** In an emergency Budget? Okay, we will carry on arguing about that. We will take it outside after this session because I have only a few minutes.

**Jeremy Hunt:** Sounds like a gentlemen's club if we are going to take it outside and carry on, but if that's what you wish, Ms Ali, I am very happy to do so.

**Rushanara Ali:** I just meant that we can continue debating that outside. I have a few questions on ringfencing.

**Jeremy Hunt:** Fisticuffs at dawn.

Q213 **Rushanara Ali:** Very important: Edinburgh reforms, Chancellor. Do you have any plans to remove ringfencing now, or indeed at any time in the future? In the document, there was a reference to the possibility of it being removed in the future.

**Jeremy Hunt:** Yes. So, we do think that 15 years after the financial crisis, it's the right time to review the ringfencing regime, and we had a very thorough review, done by Keith Skeoch. We are going to announce some reforms based on the recommendations that he has made, but we have also been very clear that we will not unlearn the lessons of the financial crisis of 2008, and we will make sure that we build on the fact that, for example, for the first time, our regulators have a responsibility to promote financial stability. That is extremely important, and we will make sure that nothing we do compromises it.

Q214 **Rushanara Ali:** So you are not saying a straightforward no to removing ringfencing. Can you say—yes or no—whether you plan at any point in the future to remove ringfencing? The Governor said yesterday that ringfencing, along with other provisions, is a complementary provision that is very important, and removing it would pose a risk to financial stability. Sir John Vickers pointed to the fact that the Government said in the Edinburgh reforms document that "while it is worth retaining ringfencing for now, there might come a day when resolution can do the job instead." He said: "That is the wrong approach." Are you saying that ringfencing will remain, or are you considering resolution doing the job instead?

**Jeremy Hunt:** I apologise, because we have not announced exactly what we are going to do yet, I can't tell you now, in front of the Committee, exactly what we are going to do. What I can tell you—

**Rushanara Ali:** Given your recent—

**Jeremy Hunt:** Would you like me to tell you what I can tell you?

**Rushanara Ali:** Sure.

**Jeremy Hunt:** We are not going to turn the clock back to 2008 and unlearn all the lessons from that—

Q215 **Rushanara Ali:** You are not answering the question, Chancellor, with



## HOUSE OF COMMONS

respect. I am asking you a specific question about whether you plan to remove ringfencing, despite the points that the Governor and Sir John Vickers made. In fact, Sir Keith also said that that would pose a risk to financial stability. People will want to know, not least given the recent financial turmoil, that you have no plans to remove ringfencing, and that it remains as a complementary provision that the regulators believe is necessary.

**Jeremy Hunt:** As I said, we will bring forward our plans shortly. That is not this morning, but we will bring forward our plans shortly, and then we will answer those questions. The reassurance that I want to give everyone is that we will not do anything that compromises financial stability. We will not unlearn the lessons of the financial crisis. We will not turn the clock back.

Q216 **Rushanara Ali:** Sure, but you are not providing the reassurance that the Governor and the regulators need, which is that you will not be removing ringfencing. That is concerning, in my view.

**Jeremy Hunt:** I think I am reassuring people on—

**Rushanara Ali:** Moving on to living standards—

Q217 **Chair:** Do we have a date for that announcement, Chancellor?

**Jeremy Hunt:** I think we have said, in Government parlance, shortly or soon. We have used a phrase like that, haven't we, Gwyneth? We are very good at using them in Government.

**Gwyneth Nurse:** We are. We will certainly consult on the specific reforms in the summer, so there will be a paper on that taking forward those specifics. There is a call for evidence out now on the comparison between ringfencing and resolution. Once we have analysed the responses to that call for evidence, we will come back on that later this year.

Q218 **Rushanara Ali:** Thank you. Turning to living standards, the OBR considered that British families are now facing a two-year 6% squeeze on living standards, which are expected to be lower in 2026 than they were in 2019. Can you explain why the Budget prioritises a £4 billion giveaway to the wealthiest few? Do you think you have got your priorities right, Chancellor?

**Jeremy Hunt:** Well, that is not what the Budget prioritises. That is a mischaracterisation of the Budget measures. Let me just explain—

Q219 **Rushanara Ali:** Do you recognise the 6% squeeze—

**Jeremy Hunt:** Let me answer the question, Ms Ali.

**Rushanara Ali:** Hang on. Do you recognise the squeeze on living standards?

**Jeremy Hunt:** Yes, I was about to come on to that. I very much recognise the squeeze, which is why there was a large number of cost-of-living measures in the Budget. First, there was the energy support



## HOUSE OF COMMONS

package—£3,300 per household, or nearly £100 billion over this financial year and the next financial year. Then there was the fuel duty freeze. There were measures to help people on prepayment meters. There was a very long list of things to help people with cost of living pressures. We want to do everything we can. We stand ready to do everything we can to help people with those short-term pressures.

After you have been through an energy crisis and a pandemic, there is pressure on living standards. The long-term, sustainable way to relieve that pressure is economic growth, and one of the biggest levers that the Government can control is to remove the barriers that stop people working if they want to. That is how you increase not just GDP but GDP per head. That means you have more money for public services, you can keep taxes lower and so on. The reason why what you said was a mischaracterisation is that the pensions lifetime allowance is, from memory, about £700 million a year, and the childcare reform that we announced is more than £5 billion a year. You are asking what we prioritised. We prioritised helping working families and young families who want to get back to work.

**Q220 Rushanara Ali:** This Committee produced a report some years ago about childcare during the time that your party has been in Government. Many childcare organisations have had to close over the last decade, so you are now playing catch-up, having made cuts in the past.

Going on to the point about who benefits, your own forecasters say that about 15,000 people will be receiving £250,000 each in terms of tax reliefs. By contrast, what we have is nothing in the Budget for over 270,000 people who are homeless, 14 million people are still living in substandard housing, 7.5 million people will still be in fuel poverty, nearly 10 million adults are already skipping or cutting back on meals, and six in 10 adults are unable to afford basic essentials, Chancellor. This is after 13 years in Government, and this is after what you are telling us you have done as Chancellor. I recognise that you had to clear up the mess of your predecessors, and I think there is a sigh of relief in the country that you have not crashed the economy as well, but it has been over a decade and this is the situation in this country. This is what people are having to live through. What are you going to do about it? What you have done so far is not good enough.

**Jeremy Hunt:** Let's just go through the points you have made. First of all, I completely reject the suggestion that our childcare reforms are playing catch-up. When we came into office, there was no 30-hour offer for three and four-year-olds. That was introduced, I believe, in 2013. I was very proud that we introduced that; we did not have it before. That made a very big difference. I have now extended that offer to babies over nine months, and to one-year-olds and two-year-olds. That is a very big change in childcare provision, which will bring us much closer to countries like Denmark and will remove a huge barrier to—

**Siobhain McDonagh:** That is not for another two and a half years.



## HOUSE OF COMMONS

**Jeremy Hunt:** Can I answer the question, please? And yes, because it is a huge increase in childcare provision, there needs to be a very big increase in supply. You need thousands more childminders, thousands more nurseries and thousands more nursery places. That takes time, and you cannot do it overnight, but by September of next year, a million parents will be benefiting from this reform who would not otherwise have benefited.

Q221 **Rushanara Ali:** Per-pupil funding for schoolchildren is not even at the 2010 level, Chancellor. And we have the worst satisfaction in health—

**Jeremy Hunt:** Can I answer the rest of the question, please, Ms Ali? You can either let me answer the questions or not, but you asked something on childcare and you also then asked a very important question about what we are doing to help people who are disadvantaged. What we announced in the autumn statement and the Budget was a package of nearly £100 billion. It is simply not reasonable to say that giving on average £3,300 per household— Let's be clear: that is an average number. It is weighted to people on the lowest pay. People on universal credit will get a one-off payment of £900, pensioners £300, and people with a disability £150. Then there is the help with their energy bills on top of that. Then there is the help with prepayment meters.

**Rushanara Ali:** You are not answering. You are not addressing the points.

**Jeremy Hunt:** You asked me a bigger question about what has happened over 13 years. The answer is that the number of people in absolute poverty after housing costs has gone down by 1.7 million, including 400,000 children, so I think we have made a very big effort. One of the reasons why that has happened is that there are a million fewer households where no one is in work—

**Rushanara Ali:** What about in-work poverty?

**Jeremy Hunt:**—and that demonstrably makes a big difference in reducing poverty rates.

**Chair:** Thank you, Rushanara. I know that other colleagues have questions on related topics.

Q222 **Dame Andrea Leadsom:** Good morning, Chancellor. I have five questions, and I am really keen to get through them. First, although economic participation in the UK is high relative to other OECD countries, why do you think that post pandemic, economic inactivity has risen the most in the UK out of all G7 economies?

**Jeremy Hunt:** That is a really important question to answer. Post Brexit, when we are not part of the single market and we have businesses with 1.1 million vacancies, I have to answer the question as Chancellor of how people are going to find the labour they need and what the barriers are. There are 7 million adults of working age who are not in work, of whom some will have disabilities that mean they cannot work, and we should support them generously as a society.



## HOUSE OF COMMONS

There are some factors. We have declined particularly in the over-50s who take early retirement, and that is something the Governor talked about yesterday. There are various reasons why people do that. There are things that we have no control over—people have paid off their mortgage, they make a lifestyle choice and they decide they do not wish to work any more. But there are other people, including a large number of doctors, who say that the way pension taxes work has prompted them to retire earlier, when actually they would have been willing to carry on working. That is why we made the decision on the lifetime allowance.

**Q223 Dame Andrea Leadsom:** That all makes sense to me, but my specific question was about why economic inactivity is so much greater in the UK relative to other OECD countries post pandemic. Those are factors for every other OECD country too. Is that something you are looking at, or is it an unanswerable question?

**Jeremy Hunt:** I do not think it is. We are, I think, 15th in the OECD out of 38 countries, so we are middle of the pack.

**Q224 Dame Andrea Leadsom:** But it is post pandemic. Is it because we were so generous with furlough that people have enjoyed a much more relaxed lifestyle and do not want to go back to work any more, accepting a lower standard of living as a result? The fact is that a huge number of people—it is the biggest area of growth—are citing long-term illness and disability as the reason. Is that because they are being honest about their problems now, or is it that people's mental and physical health is so much worse than it was? Do you have some of those answers, Chancellor?

**Jeremy Hunt:** I think we have some of them, but not all of them, and it is something we continue to look at. To go back to the early retirement issue, although we are 15th in the OECD when it comes to overall economic inactivity, when it comes to over-50s, we are 22nd. That is an area that has fallen quite significantly post-pandemic, which is why we thought that was an area.

You are absolutely right to focus on the 2.5 million people who are long-term sick and disabled. That number has grown, and I believe we need to completely rethink our approach. I am very proud of the reforms that Iain Duncan Smith introduced, which mean that there are 2 million more disabled people in work, but our understanding of the work that someone with a sickness or a disability can do has changed dramatically with the possibilities of working from home, Zoom, Teams and so on, so we need to rethink that. That is why the DWP White Paper announced the abolition of the work capability assessment, because we think we need to overhaul that.

**Q225 Dame Andrea Leadsom:** That takes me on neatly to that. I have constituents coming to me—particularly women over 50—saying, "No one will give me a job." I say, "This is ridiculous. You're a perfectly competent and capable person. Why won't anyone give you a job?" I also get people with disabilities coming to me and saying, "No one will give



## HOUSE OF COMMONS

me a job.” I think you are on the right track in focusing on what more we can do through our own reforms to help people into work, but what are we doing to incentivise businesses? Can you say a bit about that?

**Jeremy Hunt:** Absolutely. I think that we need a change in attitudes among some businesses, although there are other businesses that are very enlightened in this respect. I will give you an example. This week I hosted a reception in No. 11 for a charity that puts young people between 18 and 25 with learning difficulties into work placements. It supports them for a year, and the deal is that at the end of that period, they have to be interviewed in exactly the same way that anyone else would be interviewed and only given a job if they qualify for it. They have a 65% success rate in placing people with learning difficulties into full-time jobs. It is an amazing project, and that is because the process of supporting someone into employment changes attitudes among the employers as well. They realise that people have an enormous amount of value to add to their organisation in a way they might not have understood before.

Q226 **Dame Andrea Leadsom:** Thank you. Changing the subject completely, do you accept that giving families better support from pregnancy through to two will lead to a more economically productive and happier society in the long run? Would you accept that as a thesis?

**Jeremy Hunt:** Yes.

Q227 **Dame Andrea Leadsom:** Thank you, so what will your childcare policies do for those families where one parent wants to care for their own pre-school children?

**Jeremy Hunt:** Well, first of all, there are a lot of families who are under financial pressure, and they want to resolve that by both parents working. I think that can make a very, very big difference to the life chances of children, if they are able to relieve that financial pressure.

Obviously, it is a matter of choice if someone chooses to stay at home, but I would point out that, for the poorest families with the children we most worry about in terms of being held back in their life chances at a very young age, we have also, in the Budget, made very big provision for families on universal credit to help them. We think that there are a number of families where you can make a positive intervention to a child's life chances by putting them in a stable childcare environment, and so I think this Budget will have a big impact for them.

**Siobhain McDonagh:** The answer, Andrea, is nothing, because unless both parents work, they won't get access to any of it.

Q228 **Dame Andrea Leadsom:** Excuse me, Siobhain. I completely accept that, for some families, a nurturing childcare setting is absolutely vital, and I would not like to detract from that at all. But equally, there are millions of parents who prefer and, out of choice, believe it is the right thing for their baby—their infant—to be cared for in a home setting.

Your policies do a lot for childcare settings, in nurseries, but relatively little for childminders and nothing for parents who, perhaps, want to work



## HOUSE OF COMMONS

shifts so that there is always one parent at home, but the child could be cared for by a childminder or a grandparent. Will you be looking again at more flexibility for families? Will you look again at child benefit and at how families can perhaps make those choices for themselves, rather than just going with state provision?

**Jeremy Hunt:** We looked at everything that we were affordably able to look at, but I would say that, for example, on childminders, we took some very specific measures to increase the supply of childminders, with £600 and £1,200 bonuses for registration as a childminder, because we listened to colleagues like Siobhan Baillie, who talked about the issues there.

When it comes to parents who work shifts, we have the tax-free childcare system, which means that people can get tax relief on their childcare, even if it is being provided in the middle of the night or at unconventional hours. So there is a lot of support in place already, but this was a huge increase in support that I think will make a very big difference, particularly to children in the lowest income families

Q229 **Dame Andrea Leadsom:** Will you continue to look at what more can be done to support families through the tax and benefit system?

**Jeremy Hunt:** We will, and we will continue to listen to you because you are one of the loudest voices in that area.

**Dame Andrea Leadsom:** Thank you.

Q230 **Douglas Chapman:** Good morning. Chancellor, in your speech at Bloomberg in January this year, you said that structural issues such as poor productivity, skills gaps, low business investment and an overconcentration of wealth in the south-east have led to uneven and lower growth. I see a mismatch between these words and what I read in the Budget statement. How did the Budget actually help to solve some of these problems?

**Jeremy Hunt:** There are a lot of things, actually. First, it is important to say that, since the levelling-up agenda started, 70% of salaried jobs have been created outside London and the south-east.

Secondly, I think it is important to give the Government credit for what we have not done, given the financial constraints that we face. We have not, for example, cancelled HS2, which is going to make a big difference to the levelling-up agenda by improving connectivity between north and south.

There were a lot of levelling-up initiatives announced in the Budget, but I think the ones that will make the biggest long-term difference in spreading wealth creation throughout the country are the 12 investment zones in our highest growth industries that we will be setting up around the country, including in Scotland.

Q231 **Douglas Chapman:** In terms of the Budget, though, what specifically was in it for some of the regions of England, for Wales, for Scotland and for Northern Ireland that you can point to and say, "This is going to be the game changer"? If you looking for high growth and more sustainable



## HOUSE OF COMMONS

growth, what are the real drivers that you have missed out in this Budget? It seemed to be fairly weak in terms of where you are taking things.

**Jeremy Hunt:** I don't agree. I talked very specifically at quite some length in the Budget about the success of Canary Wharf in terms of regenerating the east end of London and my desire to have 12 mini-Canary Wharfs outside London and the south-east, including in Scotland. I spoke at length about the support that we are giving to our high-growth industries.

Q232 **Douglas Chapman:** The money you put into that is fairly small beer in terms of what we need to do as a nation to get the level of growth that you want. There is insufficient investment being made in the areas that you are suggesting. It is a tiny hammer to crack a huge nut. It is just not going to cut it, at the end of the day.

**Jeremy Hunt:** I don't agree, with the greatest respect. You cannot look at the investment zone policy and the mini-Canary Wharfs in isolation from the other things that we are doing to turn this country into Europe's Silicon Valley—the huge investment in an exascale computer, for example, and the overhaul of life sciences regulation. What we are doing is creating an environment where life sciences companies, digital technology companies, clean energy companies and creative industries are investing at scale in the United Kingdom, and we are creating 12 investment zones across the UK for them to invest in.

I understand why you ask the question and I know that you asked it with great sincerity, but let me give you an example of a conversation I had yesterday with representatives from the life sciences industry. They say that, much as they love Cambridge and Cambridgeshire, they find it very difficult to get lab space. If we are going to continue to expand—we are Europe's largest life sciences sector—they need space outside London and the south-east to do it. So part of our plan to build our life sciences industry is to give attractive places for people to invest throughout the UK.

Q233 **Douglas Chapman:** You also mentioned connectivity in terms of driving productivity. I was glad you mentioned HS2 today, because you were absolutely silent about it during the Budget. Has HS2 hit the buffers? Is it at the end of the line, as it were, in terms of taking the project forward? It seems that we have vast cost overruns, and it tends to move along at a snail's pace. In terms of getting more bang for our buck, wouldn't it be better to find other projects throughout the rest of the country that would give us the level of productivity and growth that your Government want?

**Jeremy Hunt:** I don't believe so, Mr Chapman. The reason I don't believe so is a very straightforward one, which is that the reason why countries such as France, Japan or Germany have been able to spread their growth much more evenly than we have in the UK is that they have better connectivity. If you live in Osaka, you do not think that, to grow your business and get big-buck salaries, you have to move to Tokyo; you can get on a bullet train and be in Tokyo in three hours, and you can be back the same day if you want to. That is why, ultimately, if we want growth to



## HOUSE OF COMMONS

be evenly spread out, the answer is better connectivity across the country. That is why I have been very careful to protect the funding for HS2.

**Q234 Douglas Chapman:** I am not quite sure when the bullet train is going to arrive in Scotland or Wales.

**Jeremy Hunt:** As far as I am concerned, as soon as possible.

**Q235 Douglas Chapman:** I think the whole point is that there seems to be a level of non-connectivity between Departments as well. We had the levelling-up debacle towards the end of last year. Cities such as Glasgow, formerly the second city of the empire, did not receive any levelling-up funds at all, yet Glasgow has some of the most drastic levels of poverty between different areas, some people are unable to keep in good health and so on. How does it send the right kind of message to people all over the country if one Department, which I know you are not responsible for, is going off at a complete tangent to how you want to see growth across the whole country? We have also seen it in how the tax subsidy was given for pensions, for example. You mentioned earlier that the average wage was £20,000, and yet there are people living around this area who can put £60,000 into their pension pot. That is a level of inequality that is beyond the pale.

**Jeremy Hunt:** I will write to you, because I think that is not a fair characterisation of the work of Michael Gove's Department. Let me write to you with what is happening on levelling-up projects in Glasgow, but it is true that in the levelling-up announcement that we made recently, we did not give money to places that had already received levelling-up funding, because we wanted to spread the benefits of levelling up more widely.

Let me also say that people on low incomes in Glasgow need their NHS to be functioning, they need doctors to be turning up to work, and they do not need doctors retiring early because of the way the pension tax system works. So, it is very important that, within hours of my Budget announcement, doctors were contacting the BMA to say that they wanted to come out of retirement. The benefits to people on all incomes of having an NHS where there are doctors able to do the operations that need to be done will be substantial.

**Chair:** Douglas, that sends us beautifully to Anthony.

**Q236 Anthony Browne:** Thank you, Chair, and I am indeed going to ask about the taxation of pensions. I declare at the outset that I have in the past called for the abolition of the lifetime allowance—I didn't think you would do it, but am glad that you did. It is absolutely right to probe your reasoning behind it.

Obviously, the proximate cause was the doctors you just mentioned, and retiring early is a big issue in my constituency. You have been in discussion with the BMA and others about a specific NHS scheme, and there has been quite a lot of criticism that you widened it out to everyone. The exam question is not, as Torsten Bell of the Resolution Foundation said, whether it is a good objective to encourage doctors to



## HOUSE OF COMMONS

carry on working, but whether there was a better and more cost-effective way of doing so? Why did you go for the whole big-gun approach?

**Jeremy Hunt:** First, a doctors-only scheme would have been more regressive, because it would have helped all doctors, whereas the measures that I announced do not help the 20% wealthiest of doctors, and it would potentially have cost almost as much as the scheme that we announced that applies to everyone.

Secondly, as we discussed earlier in this session, because we have a growing problem—as the Bank of England Governor said—of people in their 50s taking early retirement. Actually, it is very important for the economy that we remove barriers to people working and that we change the social contract so that they feel that, when they come to my sort of age, if they want to carry on working, they can. That might not be full-time, or some of it might be working from home or combined with volunteering or leisure activities, but we are removing those barriers. The abolition of the LTA achieves that objective as well.

Q237 **Anthony Browne:** One of the points made by the Resolution Foundation when we had them before us last week was that, if we look at the groups that will benefit from this according to the wealth and assets survey, about half were from the public sector and half from the private sector, but about 20% were in banking and finance. They said that it was unfair that that was basically a tax cut for people working in finance—as many of them, almost, as doctors. Is that a concern?

**Jeremy Hunt:** Well, the financial services industry in the UK employs 2.2 million people and pays 10% of our tax base, which is half the cost of the NHS. I think we want to have a flourishing financial services sector, but we want to have other sectors flourishing as well, like life sciences, technology, advanced manufacturing and so on.

It is a benefit to everyone, including people of low income, if we have an economy that removes barriers to work. That is not just the over-50s; it is young parents who have children and might want to go back to work, rather than give up work when they have a young child, which is why the childcare reforms matter; and it is disabled and long-term sick people, who are now able to work in a way that one could never have imagined a decade ago. It is jobseekers, to whom we are giving more support to work. There are 1.5 million of those. They alone could fill every vacancy in the economy.

If we can do that, what the OBR said as a result of the Budget was that this was the biggest upward revision in GDP that they had ever given in a Budget as a result of Government policies. That upward revision in GDP makes it possible to do all sorts of things that help everyone, particularly those on the lowest incomes.

Q238 **Anthony Browne:** In terms of how many people it actually affects, the OBR said that they expected that 15,000 extra people would go into work as a result of scrapping the lifetime allowance, and various analysts—again including, I think, the Resolution Foundation, but also the Institute



## HOUSE OF COMMONS

for Fiscal Studies—pointed out that that would be £80,000 per job. So it's a very expensive intervention. Assuming you accept those OBR figures—they seem low to me—what is your response to that analysis, that it's £80,000 per job?

**Jeremy Hunt:** I respect the OBR's figures. The OBR is an independent forecaster; it is their job to make a forecast. Their central forecast is that, taken together, the labour supply package will bring 110,000 more people into work. But they also say that it could bring 240,000 more people into work. And they said of that 110,000 figure, the low-end scenario is 50,000 or 55,000 and the high-end scenario is 240,000. And I believe that they said that it's more likely to be on the higher side than on the lower side going forward.

So, they recognise that there is a range of outcomes and I recognise that it's very difficult for them to quantify what those outcomes are, but I hope that we will see significant upside in those numbers.

**Sean Jones:** Just to add to that, they also said that more individuals responding to the pensions changes was one of the things they pulled out that might push you towards the 240,000 number. So that was an example they gave that might drive you higher.

Q239 **Anthony Browne:** There was some other commentary, or criticism, that actually this could be used as an inheritance tax loophole, because obviously some forms of pensions are outside inheritance tax and it could encourage people to transfer large amounts of money into their pension before they die, so their heirs don't have to pay inheritance tax on it. Is this something that you looked at and something you might look at addressing?

**Jeremy Hunt:** What I would point out is that we still have an annual allowance, so there's a limit as to how much you can put into your pensions pot every year. And you still pay tax, or your heirs pay tax, on the pension pot when they draw it out, at the marginal rate of tax. So you're not escaping tax; you're just paying it in a different way.

Q240 **Anthony Browne:** You pay income tax, which—if you are a lower-rate payer—is obviously a lot less than inheritance tax.

**Jeremy Hunt:** Correct; you pay it at your marginal rate.

Q241 **Anthony Browne:** I would urge the Treasury to look at the interaction between inheritance tax and pension tax, because I think there are some unusual interactions there.

You mentioned that you have also increased the annual allowance by 50% to £60,000 a year. That's obviously an increase now, but under the last Labour Government I think it was £250,000 a year, which seems extraordinarily high in retrospect. I was just wondering what your rationale was for increasing that? I wasn't aware that there was any pressure to increase it, or demand to be able to put more in than £40,000 a year, which was quite—you have to be pretty well-paid to pay £40,000 a year into a pension.



## HOUSE OF COMMONS

**Jeremy Hunt:** I might bring in Cat on that point, because that was partly because it was necessary if we were going to solve the issue for doctors. It was the interaction of the LTA and the AA.

**Cat Little:** We expected around 22,000 clinicians to exceed the annual allowance and again it was one of the factors that they said was getting in the way of them having sustained, long-term careers in health. So, for those 22,000, we hope that by raising it to that threshold—

Q242 **Anthony Browne:** 22,000?

**Cat Little:** 22,000 would have exceeded it within 2023-24. And that's all clinicians.

Q243 **Anthony Browne:** The annual allowance?

**Cat Little:** Yes.

Q244 **Anthony Browne:** Wow. Did that discourage them from working again? Was there any indication that that was the case, or did they just reduce their payments?

**Cat Little:** The evidence is mixed on that, so we need to do further evaluation once the policy is up and running.

Q245 **Anthony Browne:** And with the taper rate—because obviously you reduced the allowance at higher incomes, over £200,000 I think; on £50,000, it goes down to £10,000 a year. Have you looked at the impact of all that?

**Cat Little:** I think we have, explicitly, but Sean might—

**Anthony Browne:** That really is in the top 1% territory.

**Jeremy Hunt:** We can write to you on that.

**Anthony Browne:** Thank you. That is all my questions.

Q246 **Emma Hardy:** I have a few questions, so I would be super grateful if we could be as concise as possible. The FSB were really critical of the Budget. They said, "We cannot hide our disappointment. On investment and labour market—the measures that small businesses were looking for are missing. It's almost as if the Government thinks that small businesses don't exist." Just in the past week, a local restaurant in my constituency, Crofters, has closed, and Over the Moon Scents, a local shop, is at risk of closing. Those are typical of a number of small businesses closing. I know your priority is to grow the economy, but the economy cannot grow if small businesses are closing. Further to what was announced in the Budget, are there any other plans to support small businesses or prevent the rate of closures that we are seeing at the moment?

**Jeremy Hunt:** I was surprised by that comment from the FSB, because I listened carefully to what they said they would like to see in the Budget. For example, when it comes to investment, only a few months ago we introduced the annual investment allowance, which means that 99% of all



## HOUSE OF COMMONS

businesses can fully expense all their capital. It is up to £1 million, but that covers 99% of businesses. The FSB also said very clearly that childcare was an issue for small businesses, as did the CBI for larger businesses—

**Q247 Emma Hardy:** Is there anything new coming down the pipeline? Is there any hope we can offer those small businesses?

**Jeremy Hunt:** We are doing an ongoing consultation on what can be done to simplify the small business tax regime, and we will look at that very carefully. The biggest point I would make for small businesses, having run one myself for 14 years before I came into politics, is that the most important thing is stability. What we were able to say in the Budget is that, as a result of the decisions we have taken, we are now not predicted to go into recession this year. That is very important for small businesses.

**Q248 Emma Hardy:** What retail businesses are saying to me is that the cost of living crisis means that people do not have the spending power they once did. Hospitality businesses are saying to me that they have concerns around VAT, energy costs—the costs of keeping their businesses open. I do not know what the data shows—I am speaking anecdotally—but there are hairdressers closing all over the place because the energy costs of running a hairdresser have gone up so greatly. What I am looking for is any good news you can give local businesses that things are going to get a bit better.

**Jeremy Hunt:** I think there are three bits of good news. First, we are helping families with over £3,000 on average per family, which is helping the spending power of families, who are the customers of small businesses. Secondly, for businesses themselves, the energy bills discount scheme will mean up to £400 of help for retailers with their bills, and up to £2,300 for pubs with their bills. Thirdly, the OBR, and now the Bank of England as well, say that we are not going to go into recession. If you put all those things together, the outlook for small businesses is a lot more positive than it was just a few months ago.

**Q249 Emma Hardy:** With respect, I really do not think they are feeling it. One of the places you could get some money from to support small businesses is the tax gap. I was concerned to read that there is investment in HMRC's debt management capability, but nothing for compliance work. The tax gap stands at around £32 billion, the tax gap resulting from fraud has increased from 43.7% to 45%, and the tax fraud gap stands at £14.4 billion. Why has more funding not been announced for HMRC compliance work?

**Jeremy Hunt:** We have been increasing the funding going to HMRC for compliance work over recent years. We are expecting to get a lot more income as a result of that. I will write to you with exact details of what we are doing on that.

**Sean Jones:** We announced significant funding in the autumn statement to tackle compliance. The OBR acknowledged that that would help to tackle the tax gap as well, but we can add more detail.



## HOUSE OF COMMONS

**Q250 Emma Hardy:** HMRC has said that tax evasion is becoming “much more complex, more sophisticated, more international and more digitally enabled,” and it has revealed that UK residents hold £570 billion in tax havens. The Rebel Accountant, whose book is out now, says that HMRC cannot compete with the firms that it needs to investigate, because the people it would like to employ are going to work in private business. For every person prosecuted for tax fraud in the UK between 2009 and 2019, 23 times as many were pursued for benefit fraud. Why does benefit fraud continue to be prioritised over tax fraud, when tax fraud brings more money into the Treasury—exactly the kind of money that we need to be using to support our local businesses?

**Jeremy Hunt:** We don’t prioritise one over the other. We want to stop them both, and we put maximum effort into both.

**Q251 Emma Hardy:** So why is one receiving more money than the other when tax fraud compliance brings in more money to the Treasury? It does not make sense.

**Jeremy Hunt:** We put in the money that we think is necessary to do the job, and sometimes a different amount of money is required for different jobs, but they are both equal priorities. We are against all fraud and all tax evasion, and we will continue to work very hard to reduce the tax gap.

**Q252 Emma Hardy:** As you know, HMRC said that for every pound you invest in tax fraud, you get £16 or £18 back, and when you invest in benefit fraud, you get six times as much back. It seems illogical at a time when the Government are desperate for money and small businesses are desperate for money that we are not maximising making people pay the money that they owe.

**Jeremy Hunt:** We are.

**Q253 Emma Hardy:** Okay. Do you think that the newly announced increases in R&D benefits for SMEs, along with the added complexity of the rules, will affect the previously anticipated reduction in fraud and error in R&D tax relief?

**Jeremy Hunt:** I believe so, because we had a system where there was some abuse.

**Emma Hardy:** Yes.

**Jeremy Hunt:** The system we have created has a clear gateway in terms of your R&D intensity that allows you to go through. Because of that, we are able to put in checks and balances to ensure that we really are supporting companies, particularly in life sciences but also some technology companies that are the future for the country but are loss making at early stages. I think we have a much more robust system.

**Q254 Emma Hardy:** Are you confident that this new R&D relief will not also be abused and cost more than the £500 million forecast? The Committee has received evidence on the rate of abuse, and I gave the example of a company that said it was doing research into making cocktails and



## HOUSE OF COMMONS

received R&D tax relief. Have you managed to get a grip on that problem, or are you expecting fraud to continue?

**Jeremy Hunt:** Unless they are spending more than 40% of their turnover researching cocktails and are loss making, they would not be able to get off the starting blocks. I am confident that the system we have put in place will make it next to impossible for cocktail makers to be claiming R&D tax relief.

Q255 **Emma Hardy:** That would be progress.

When you appeared before this Committee in November last year, you told me that you were willing to meet with TUC leaders to discuss issues around funding and public sector pay. You actually stated: "I am very happy to meet with the head of the TUC." The TUC wrote to you on 7 December and 20 January asking for a date and received no response. They also wrote to your special adviser on 1 March and received no response. As someone who wants to be seen as a man of his word, why haven't you met them?

**Jeremy Hunt:** I am very happy to meet Paul Nowak. I am looking forward to meeting him at some stage. The dates you mentioned were in the run-up to the Budget, which is obviously a busy time for any Chancellor. It was also in the context of public sector pay disputes, so I did not think that that meeting would be productive, because there are discussions going on with individual union leaders and individual Secretaries of State. I think it would have added a complexity to those discussions, but he is someone that I would like to meet in due course.

Q256 **Emma Hardy:** When I questioned you in November, your response was, "Yes, I am happy to meet them," not, "I am happy to meet them, but I can't meet them now because of these various reasons." I am sure you understand why it seems concerning when a Chancellor makes a promise at a Select Committee and that promise is not fulfilled.

**Jeremy Hunt:** I am looking forward to meeting him at the appropriate time.

Q257 **Emma Hardy:** How quickly will it be the appropriate time? Are we talking within this Parliament or before recess? When is the appropriate time?

**Jeremy Hunt:** I will meet him as soon as I am able and when it is appropriate to do so. I think you have to leave it to me to find a time that works for his diary and for my diary, but I have made that commitment to you and I will honour it.

**Emma Hardy:** Thank you.

**Chair:** Now for someone who has been bursting to come in: Siobhain.

Q258 **Siobhain McDonagh:** Thank you. My outbursts are because I do not know whether you appreciate, Chancellor, that what drives most people of all political persuasions mad about Governments and politicians is big offers and small delivery—smoke and mirrors—and I suggest that a lot of your childcare plan is precisely that.



## HOUSE OF COMMONS

When my friends Natasha and Pete were looking at your Budget statement, they were delighted. They thought they were going to be helped with childcare for two-year-old Noah, because that couple pay more in childcare for their two-year-old than they pay on their mortgage. Only, when they looked at the detail, they aren't going to get any extra.

When the Sutton Trust—as you will know, a charity that looks at social mobility—looked at your package, it said that 20% of the poorest families are not going to be able to access the 30 hours. When we look at the numbers of children who are nine months to two years old, there will be 1,369,000, more or less, and only 640,000 of those will be eligible for the childcare. There will be more children not eligible.

I am interested in your timing. Of course, September 2025, when all those children become eligible for 30 hours, is two and a half years away, which is conveniently after the next general election. Are you just hopeful you won't have to be there to do it?

**Jeremy Hunt:** Not at all. We are implementing these childcare plans, which are the biggest increase in childcare provision in, I think, my lifetime, as quickly as we can get the market to cope with the additional capacity that will be needed.

Q259 **Siobhain McDonagh:** I can understand that, Chancellor, but—

**Jeremy Hunt:** Will you let me—

**Siobhain McDonagh:** No, it is my opportunity to ask the questions.

I would accept that if it was not the case that 5,400 nurseries closed in 2020-21, and that the amount of money you are giving this year to try to meet the problem that nurseries face in funding the existing free childcare places is only £240 million. The Women's Budget Group think that you need to spend £1.8 billion, and that well-known Trotskyist organisation, the CBI, thinks you need to spend £1.6 billion. How are you boosting the nursery providers if you are not giving them the money to meet the places that now exist? The Women's Budget Group, to whom we are really grateful, tell us that it is going to cost £9.4 billion to bring in your plans for 2025. You are allocating £4.2 billion—less than half of what they need to keep going.

**Jeremy Hunt:** Okay, so now we're going to do this "Two Ronnies" sketch thing where I answer the question you asked me before, which you didn't allow me to answer, and then I will answer that question. You asked about—

**Siobhain McDonagh:** I am ever so sorry, Chancellor, but you are at a Select Committee and I get to ask the questions, as a member.

**Jeremy Hunt:** I know you do, but you need to allow me to answer them.

You talked about two-year-old Noah. When Noah turns three, he will be entitled to 30 hours of free childcare. That was introduced in 2013. If someone becomes pregnant today, by the time their child finishes



## HOUSE OF COMMONS

maternity and paternity leave, they will be entitled to 15 hours of free help.

It is not the case that people will only benefit in September 2025. The first cohort of people will benefit next April, and then there will be another cohort who benefit next September. You are saying children aren't eligible. Let's be absolutely clear. Unless there is someone in the household earning more than £100,000, every household is eligible—

**Q260 Siobhain McDonagh:** As long as both parents work—

**Jeremy Hunt:** If both parents are working, correct.

**Siobhain McDonagh:** Which goes back to Andrea's point.

**Jeremy Hunt:** That is the purpose of these reforms: to remove the barriers to work for people who want to work. Let me answer your last question while I am at it—

**Q261 Siobhain McDonagh:** And you are not eligible if you are training to be a nurse or a midwife.

**Jeremy Hunt:** Can I answer your last question? You talked about the support that is going into the sector. It is £5 billion a year. That is a huge amount of additional support that is going out. But we need to build up to it gradually because there are thousands of nursery places—

**Q262 Siobhain McDonagh:** It is not what is needed to pay the bills. If I thought that this was a sincere effort, I would have thought you would have had a workforce plan. This is an industry that something like 90,000 people have left since 2018. It is an industry where we rely on very young women to earn £5 an hour; they are younger, so they do not qualify for the minimum living wage, and that is how nurseries get by. What is the plan to ensure that people want to stay in this industry and care for our children rather than to leave and stack shelves in a supermarket, which is what they are actually doing?

**Jeremy Hunt:** Well, we announced a number of things in the Budget to improve the supply of labour to this market, including incentives for childminders and childminder agencies. We are having a big discussion—the Department for Education are having a big discussion, because this is a big delivery challenge, which I know they are determined to rise to.

The simple answer to your question is that we have said to the childcare industry, "We are putting £5 billion a year on the table of additional public money into improving childcare provision. We want to work with you to make sure that we can deliver this promise, because we think it is very important for the economy and it is going to help thousands of parents to get back to work."

**Q263 Siobhain McDonagh:** Chancellor, they are saying to you that they need twice that to deliver what you are asking them to deliver.

**Jeremy Hunt:** Some people said that, but what most people said was that this was an enormous step forward. Some of the campaigners who



## HOUSE OF COMMONS

have been campaigning for this cried when they heard the news, because they said it was something that they never imagined they were going to get. We believe it is very, very important. I fully accept there are delivery challenges.

**Chair:** Cried with happiness, Chancellor.

**Jeremy Hunt:** Correct; thank you, Chair.

Q264 **Siobhain McDonagh:** I think some of them are crying tears of sadness now, because they will not be able to cross-subsidise free places with fully paid-for places and make up the difference. I am sure you get emails—I certainly do—from mums and dads who say, “I have had a letter from my nursery. They are closing next week,” or it is the next month, or, for some of them, it is the next day, because they simply cannot afford to carry on.

**Jeremy Hunt:** There have been nursery closures, but this is a big step in the right direction for all nurseries. I think anyone who reasonably looks at what the Government have announced and the money we are putting behind this enormous expansion of childcare provision can see that we are absolutely serious about transforming the lives of parents up and down the country, with reforms that will mean up to a £6,500 reduction in the childcare costs that people face for a child under five. That is a big, big step in the right direction.

Q265 **Siobhain McDonagh:** You need the nurseries and you need the people who want to work in the industry—

**Jeremy Hunt:** And we are prepared to pay for it.

**Siobhain McDonagh:** There seems to be no plan for that at all.

**Jeremy Hunt:** Well, the Budget was a couple of weeks ago. The Department for Education now know they have got the funding, and they will put in place the plans. I am sure you will hear from them the detail of how we are going to deliver but, yes, we recognise it is a big challenge. That is why we are taking two and a half years to roll out the plans in full, but that does not mean that we are waiting until then. Next year—September next year—1 million parents will be benefiting from this package, so that is a big step forward.

Q266 **Dame Andrea Leadsom:** Further to that, just to be clear, in terms of the roll-out and the workforce plan and so on, are you saying it is now for the DFE to determine exactly how this will be delivered?

**Jeremy Hunt:** Correct.

**Dame Andrea Leadsom:** Thank you.

**Chair:** The bell will go in the final set of questions, but we will just go straight through the bell.

Q267 **Anne Marie Morris:** Chancellor, there are two very important sectors that will really matter for the future of the UK. One is the energy sector—



## HOUSE OF COMMONS

and you have already identified very clearly the advances we have made with regard to renewables—and the second is life sciences. The challenges with the energy sector are that, given all those changes, the structure and the payment mechanisms fundamentally need to be changed, and the Government are already looking at that.

In this mix, the challenge for businesses that do not have the same support through Ofgem to regulate pricing mechanisms to ensure that there is fairness in the system is that they are faced with a market where the sorts of increases they have been asked to pay are extortionate. Take non-domestic: I wrote to you, following your invitation, with some examples of constituency businesses and public sector bodies just to show you how bad it is. Sadly, I have not yet had a response.

I set out for you very clearly that some of these businesses are looking at a 400% increase. I have a local school in Devon where the increase is 800%. I value what you have done for businesses and I value the new scheme, but the new scheme represents only 3% of what was on offer before. There is the possibility for businesses that are high energy users to apply under a separate scheme yet to be announced; any further information on that would be gratefully received.

The challenge, therefore, Chancellor, is: if we are supporting our businesses, what can and will you do differently? Could you look at two things? First, rather than the 3%, could you sensibly extend or continue the existing scheme, which is much more generous? Could you also look, as I have asked you to before, at whether that list of high energy users might include pubs and the like? I appreciate that they get and have had lots of support with business rates relief, but they are really struggling. I would welcome your comment on what support you could offer above and beyond what you have already provided.

**Jeremy Hunt:** First of all, I fully recognise the pressures that are faced by some businesses. The question is what the right solution is. As you rightly point out, we have given business what will amount to, I think, £8 billion<sup>1</sup> of support this financial year and next—a very significant amount of support for businesses with their energy bills—but the wholesale gas prices are now below the level they were when Ukraine was invaded, so the businesses that seem to have been caught are those that renewed their contracts in a period where prices were higher, before they fell. That seems to me to be not a question of subsidy, but a question of whether the market is functioning in the way that it should.

That is why Ofgem have agreed to do an investigation. They gave me an update on their investigation. They said they were, in fact, concerned about the way that market is working, and we await to hear their conclusions. I think that is the right issue because, as you know, that is not a regulated market, but Ofgem are looking into whether it is functioning in the way that it should. We obviously have concerns, with

---

<sup>1</sup> HM Treasury clarification: Based on forward prices and demand estimates as of Spring Budget, the cost of business energy support for this financial year and next is in total estimated to cost around £7.8bn.



## HOUSE OF COMMONS

gas prices having fallen to below pre Ukraine invasion levels, that something isn't quite right.

**Q268 Anne Marie Morris:** Chancellor, that's helpful. The challenge is: while this is being reviewed, businesses are still having to pay extortionate bills. It is because of that delay that my ask is—I am not expecting an answer today, but perhaps you might write to me—that you look at what you might do. Even if you had phased rather than cut support, that would have helped.

Let me, in the time remaining, turn to the life sciences. The life sciences, as you quite rightly said in the Budget, are absolutely mission-critical to the future of this country. You made some very welcome reforms, which you have already outlined. You also looked at what you might do for the MHRA, our regulator—to look at how we could provide better support.

But you will know, particularly given your previous role as Health Secretary, that one of the biggest challenges is the medicine pricing arrangement—the voluntary pricing agreement. You will also be aware that that is coming up for review this year, and that, because of such concern as has been referred to already at this hearing, some businesses have effectively said, "This is not a country that we feel really supports life sciences." That is not a message that we want. It is not, I think, what this Government believes.

Can I ask you, therefore, Chancellor—you are the only person who really understands both sides of this, because of your previous role—to look at this pricing agreement negotiation and to recognise that although of course we need to keep medicine prices low, at the same time if we do not properly incentivise and reward the life sciences businesses, they will vote with their feet? That is something we absolutely must not do. Will you assure me that you will get engaged in this, look at both sides and look at something which is fair while recognising the cost constraints that I entirely understand?

**Jeremy Hunt:** I can absolutely reassure you that I am engaging with the life science industry on this issue. I have had a series of meetings. I have discussed it with the leaders of our major UK life science companies on a number of occasions. Of course we have to have something that works for them and also works for the NHS. I think we have to recognise that a complete solution is about more than the prices that the NHS pays for drugs; it is about things like how easy it is to do clinical trials in the NHS, where we have not been doing as well recently as we were during the pandemic and pre-pandemic. We want to look at that issue. It is also about things like speed to market for new drugs, where the reforms announced in the Budget will, I hope, make a difference. I am following those negotiations very closely, and I am very hopeful that we can find a solution that works for taxpayers and for the NHS, but that also reassures the life science industry that we are very committed to sustaining our position as Europe's biggest life science sector.

**Q269 Anne Marie Morris:** Would you meet me, Chancellor, to discuss the issue? As you can imagine, I had been lobbied right, left and centre, and



## HOUSE OF COMMONS

I believe that we need to find a way forward. I would like to see how I could help to come up with a solution that might actually work.

**Jeremy Hunt:** Of course; I'd be delighted to.

**Chair:** John, you have a quick supplementary.

Q270 **Mr Baron:** Just very quickly—one of your growth areas was financial services, Chancellor. You recognised that the City of London generates more than 10% of the UK's GDP. The stock market is only a part, but it is a gateway to a lot of services, whether that be finance, insurance, legal services, derivatives and so forth. Yet we are seeing a lot of companies deciding to delist, and we have seen the equity market fall by a third since 2007, whereas others have risen, particularly in the US. I am referring to their total value.

Part of the problem is that, following the financial crisis, regulators in this country—at odds with many others around the world—encouraged our pension funds to de-risk and reduce their equity exposure. Is this something you could look at, because the stock market is ailing at the moment and it is such an important gateway to the square mile as a whole? We have talked about CRH. We have talked about Arm listing in the States rather than here. Could I encourage you to think outside the box on things like, perhaps, stopping the tax penalties when it comes to equity financing? Perhaps you could also dust down the Hill review, which is now two years old, and have a look at its recommendations.

**Jeremy Hunt:** Well, I met Lord Hill yesterday and we had a very good discussion about his reforms, which we think are sensible. I think he believes that they are largely being implemented, so hopefully there is no need to dust down that review, because it is happening.

I agree with your point about pension funds. We are doing a lot of work on pension funds. That is another piece of work that I intend to have completed by the autumn statement. I had a meeting this week with the Lord Mayor to discuss that; he is a very enthusiastic advocate of reforming our approach. I also had a breakfast with the pension funds industry earlier this week to discuss that very issue. I am absolutely committed to addressing those issues.

Q271 **Mr Baron:** And very quickly—would you mind meeting me to discuss this issue?

**Jeremy Hunt:** Of course.

**Mr Baron:** That's very kind; thank you.

**Dame Angela Eagle:** Can we all have a meeting?

**Jeremy Hunt:** It depends on whether you let me answer the questions.

Q272 **Chair:** We can tell you have a very busy diary, but I have a couple of quick last questions. It has been announced that you have reversed the decision of the Prime Minister when he was Chancellor to issue a non-fungible token through the Royal Mint. Why did you do that?



## HOUSE OF COMMONS

**Jeremy Hunt:** It is a question of demand. We always want to be at the cutting edge of new technology in the UK, but the world has changed significantly since then and we are not convinced that the demand will be there in the same way.

Q273 **Chair:** My final question is about your experience of working with a Prime Minister who has previously been Chancellor. How hands-on was the Prime Minister in developing this Budget?

**Jeremy Hunt:** It was very constructive because I have a Prime Minister who knows just how difficult it is to put together a Budget package in very challenging circumstances, and he was able to help, support and guide me, and was a big part of the success of the overall Budget package in showing the country how we are going to increase our long-term growth rate.

**Chair:** That is a slightly different answer from the one he gave me yesterday at the Liaison Committee, where he said he was deferring entirely to you, Chancellor.

That has been quite enlightening. You have left us with lots of things to follow up on, and there are lots of things that the Committee will continue to work on in scrutinising your Budget. Thank you very much for your and your officials' time.

**Jeremy Hunt:** Thank you.