



# Treasury Committee

## Oral evidence: Autumn Statement 2023, HC 286

Wednesday 29 November 2023

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Members present: Harriett Baldwin (Chair); Mr John Baron; Dame Angela Eagle; Drew Hendry; Danny Kruger; Keir Mather; Siobhain McDonagh; Anne Marie Morris.

Questions 175 - 265

### Witnesses

**I:** Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer, HM Treasury; and William Macfarlane CBE, Director, Strategy, Planning and Budget, HM Treasury.

### Examination of witnesses

Witnesses: Jeremy Hunt and William Macfarlane.

**Chair:** Welcome to the Treasury Committee session on the autumn statement 2023. We spent yesterday hearing from the Office for Budget Responsibility and outside economists their views on the autumn statement. We welcome the Chancellor and his team to answer questions today. Will you introduce yourselves for the record?

**Jeremy Hunt:** I am Jeremy Hunt, the Chancellor of the Exchequer.

**William Macfarlane:** I am Will Macfarlane, the director of strategy, planning and budget at HM Treasury.

Q175 **Chair:** Chancellor, you are responsible for three of the Prime Minister's five top priorities this year. In yesterday's testimony from the Office for Budget Responsibility, we heard that in terms of the trajectory of inflation from the measures announced in the autumn statement, they thought that there was very little impact—perhaps a 0.1% positive impact—on inflation.

I think you said that you put in 110 measures to tackle growth, and we also heard yesterday from the Office for Budget Responsibility that they thought that the net impact of the measures overall was about 0.2% positive in terms of growth. From the point of view of those two economic objectives, then, there seemed to be some positive testimony.

We heard some more concerning testimony around the third priority,



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which is reducing debt. It is pretty clear from the numbers that, as you must have been aware when you saw the figures from the Office for Budget Responsibility, the trajectory could have been one where you were able to take debt down by more than you decided to. Can you talk us through why you have allowed debt to remain quite high?

**Jeremy Hunt:** Thank you and good afternoon, Chair, and all Committee members. I think we are making good progress on all three objectives. They are linked: when you have high inflation, and therefore higher interest rates, debt interest payments go up and the fiscal situation deteriorates, so halving inflation helps over time, and bringing it down to the 2% target will help, over time, to reduce debt interest costs, which will in turn make it possible to reduce debt. As the Office for Budget Responsibility confirmed yesterday, we are meeting our fiscal rule for debt to start reducing by the end of the period.

It is important to have some context. Ahead of the autumn statement last year, the OBR thought that overall debt—not the debt excluding the Bank of England—would reach 100% of GDP, and they are now saying it will be 94% of GDP, so we are seeing a significant move in the right direction. But I did prioritise growth, because in the end growth is the way that we will generate the income that allows us to make significant inroads into reducing our debt.

By way of context, I should say that it is true that the OBR scored a 0.3% permanent increase in GDP as a result of the measures that I announced. That might sound like a small number, but with a GDP the size of the UK's that is significant. The majority of the impact from the 110 measures—the additional £20 billion of business investment—will not feed through until after the five-year period. We think it is more likely to be over a decade that we will see that £20 billion increase in business investment. So a lot of the measures that I took were very long-term ones that will be both growth enhancing and debt reducing.

Q176 **Chair:** On the debt question again, the Office for Budget Responsibility's characterisation of your fiscal rules yesterday was that they were the loosest of any of the six sets of fiscal rules that they have seen Chancellors ask them to evaluate over their period of existence. Would you accept that your fiscal rules are the loosest of any Chancellor's since the Office for Budget Responsibility was set up?

**Jeremy Hunt:** Well, I think they have also said that I have had the tightest public finances of any Chancellor that they have ever assessed. We faced a truly exceptional situation last year, which I think the markets accepted. If we had stayed with the fiscal rules as they were, we would have had to consolidate in a way that would have been damaging for the long-term growth and, indeed, the long-term debt sustainability of the British economy.

I think it was the right decision to change those fiscal rules last year, but what is important is that, having changed them, we stick to those rules and we demonstrate a responsible attitude to public finance. What I was able to show at the autumn statement is that borrowing will be less in the



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next five years than it was predicted to be in the spring Budget, and debt as a proportion of GDP will end up being lower at the end of the five-year period than it was predicted to be in the spring Budget.

**Chair:** But you do accept that they are looser than the ones you inherited.

**Jeremy Hunt:** There was a loosening of the fiscal rules a year ago in the exceptional situation that we were facing. I think that was the right judgment, but it is also important to say that as a result of the decisions I took in this year's autumn statement, we are overall in a situation where debt is lower than it was predicted to be in the spring Budget.

Q177 **Chair:** Indeed, that is the case for this year, and of course, it is a rolling five-year forecast that you are measuring your falling debt against. If we looked at the previous five years—it is now four years—actually, debt is £4.9 billion higher than you thought it would be this time last year. Do you agree with the characterisation of your fiscal rules as being a bit like the mañana fiscal rules—they keep pushing things out for another year, because it is a rolling five-year forecast?

**Jeremy Hunt:** No, and when you look under the surface, what Torsten Bell said yesterday was relevant. He said that to have a primary balance at 2% is actually historically a lower deficit than we have had in the past. The reason that the overall debt is not reduced further is because we have the countervailing impact of the unwinding of the asset purchase facility that the Bank of England has. That is a temporary phenomenon, but I think the underlying picture is of public finances becoming much healthier over the next five years.

Q178 **Chair:** But are you not worried about the fact that interest payments have gone up so much this year and there is the potential for them to rise further? They are now the highest debt servicing costs of any G7 economy.

**Jeremy Hunt:** They are £116 billion, and that is a lot of money. That is why I think it is important to bear down on borrowing and to have a plan to reduce debt. That is why I do not think it would be right to increase borrowing by £28 billion a year, for example. We have taken policies that will allow us to reduce our debt and reduce our interest payments, and in the five-year period we start to do that.

Q179 **Chair:** You raised the question of the asset purchase facility. Again, we discussed this yesterday with the Office for Budget Responsibility, because they are now saying that the losses on the Bank of England's portfolio of gilts have risen from £63 billion at the last estimate in July to £126 billion now. How does that factor into your thinking in terms of your ability to spend? That must have an impact on your real-world budgeting.

**Jeremy Hunt:** Well, it certainly has an impact on the debt numbers that we have just been discussing, but it is important to put it in the context that the profits made when quantitative easing was introduced were £124 billion between 2012 and 2022, coming in the other direction—

**Chair:** But they have been spent, haven't they?



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**Jeremy Hunt:** They were coming from the Bank of England to the Treasury, so there is an unwinding process that is happening as we go in the opposite direction.

**Chair:** But you acknowledge that the money that came in has been spent, so the money that could potentially be losses could cause a reduction in spending.

**Jeremy Hunt:** I acknowledge that the two items broadly so far have balanced each other out, yes.

Q180 **Chair:** Chancellor, you and I both rebelled on the decision to reduce the international aid budget from 0.7% to 0.5%, and the Minister of State at the Foreign Office was a rebel in that. I believe that the previous Prime Minister—now Lord Cameron, our Foreign Secretary—was also concerned about that. The world has not got any more peaceful or resilient since that decision was taken, yet I notice that there are no provisions in the next five years to say that fiscal conditions allow and you can return to 0.7%. Is that your understanding of the situation?

**Jeremy Hunt:** I don't think the fiscal position makes it possible to do that. I will say this: we are very committed to doing that when it is affordable to do so. I fully share your judgment that the aid that we do as a country is a very big statement of our values. It makes a very massive difference all around the world, and I am absolutely committed to returning to 0.7% when it is affordable to do so.

**Chair:** But you are saying that in the next five years it is not affordable to do so, based on the plans you outlined in the autumn statement.

**Jeremy Hunt:** I don't believe it is possible to budget for that in the figures, no.

**Chair:** In the next five years.

**Jeremy Hunt:** Correct.

Q181 **Mr Baron:** My interests are declared in the Register of Members' Financial Interests. Can I thank you, Chancellor, for listening to my and this Committee's representations regarding investment trusts and the cost disclosure rules they have to adhere to, which make them look unduly expensive? These rules are courtesy of overzealous regulation. You are fully aware of the importance of investment trusts; they are a third of all FTSE 250 companies, and four investment trusts are FTSE 100 companies. Because they look unduly expensive, that is putting off investment in areas such as infrastructure, renewable energy and technology—areas that the Government want to encourage. At the time of the autumn statement, the Treasury published a draft statutory instrument for technical comment on the UK retail disclosure framework. In part, it aims to deal with the issue of cost disclosure and investment trusts. You are seeking comments by 10 January next year. How quickly after that deadline has passed will you be able to enact the SI?



**Jeremy Hunt:** I can't give you an exact date, Mr Baron, but can I first of all say that we recognise the urgency of this? We will assess the responses we have got to that consultation as quickly as we can, and we are committed to resolving the issues. It is a very, very important sector, worth £260 billion. I think we have made a lot of progress in terms of the draft regulations to replace the PRIIPs regulations we inherited from the EU and accepting Rachel Kent's report on the MiFID regulations. We want to work at pace with the FCA to resolve this.

Q182 **Mr Baron:** I am delighted to hear that. You are fully aware that this sector has raised tens of billions, if not hundreds of billions of pounds for the sorts of sectors we discussed, and in which the country needs investment, over the last decade. When it comes to that priority and urgency, obviously the intention behind the SI when it comes to the UK retail disclosure framework is to move it out of legislation and over to the FCA rulebook. One gets that. How quickly do you think the FCA will be ready to complete its consultation process for the move? How is the Treasury applying a bit of gentle pressure? I know it is an independent regulator, but I know that you have discussions at the same time.

**Jeremy Hunt:** All I can say is that there is a joint commitment from the Treasury and the FCA to resolve this issue at pace. We do not want to see any unnecessary delays. I am optimistic that we will be able to resolve it quickly, even if I am not able to give you an exact date.

Q183 **Mr Baron:** You cannot give me a timetable—I understand that. That is fine; thank you for that assurance. The FCA is also considering interim solutions to mitigate the impacts on the investment companies sector and investment trusts in the short term. They themselves said that. How close, to your knowledge, is the FCA to achieving that? Has the Treasury emphasised the urgency of those interim measures while the longer-term solution is being considered?

**Jeremy Hunt:** I don't have the answer to that, but I will happily write to the FCA and not just ask for that information, but stress the importance of doing these things quickly.

Q184 **Mr Baron:** Brilliant. Finally on this issue, before I move on to growth, the policy note that accompanied the draft SI notes that there are also concerns about the requirements relevant to this issue set in the markets in financial instruments directive, commonly known as MiFID, and about EU retained law, and that a separate SI will come to repeal those provisions. Can you give us any guidance on when we can expect that further SI? Will it also come as a draft statutory instrument?

**Jeremy Hunt:** That is my expectation, yes. Indeed, like with the other SI, I am committed to doing this as quickly as possible. It is something that I mentioned in my Mansion House reforms and again as part of the autumn statement process. We are very keen to resolve the issues around MiFID quickly, because it is absolutely essential if we are going to get more investment into our highest growth businesses and a stronger research sector in the London market.



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**Q185 Mr Baron:** I think you are wise to do so. The FCA have confirmed to us, in writing, that EU retained law is the problem as far as they are concerned, so you are providing them with sufficient assurance and saying, "You will have the legislative cover," provided that they come up with the regulatory solutions. I think that that is the sensible approach.

Can I move us on, if I may, Chancellor, to growth and the impact of growth? Just as a matter of interest, how much more difficult does it make your job when you have got forecasters not always—how can I put it gently?—getting it right when it comes to growth? As I mentioned in PMQs today, the OBR and the ONS now admit—or now say—that the UK economy is significantly larger than they estimated only a few months ago. The IMF, over the last 28 forecasts for the UK economy, has underestimated the strength of the British economy 25 out of those 28 times. You cannot ignore the forecasters, but do you treat them with a pinch of salt?

**Jeremy Hunt:** I think we, in fairness to forecasters, have to recognise that it has been a particularly volatile period, and I do not think that there are any forecasts that really have got it completely right. I still think that it is better to have forecasts than not to have forecasts, but I think you have to recognise the inherent volatility in the situation that we face. Sometimes that means that, rather than rushing into a decision, you need to buy yourself time to find out exactly what is going to happen. What it certainly means, I think—this is from listening to some of the global investors who came to the UK for the global investment summit on Monday—is that it is very foolish to predict that nothing bad is going to happen in the world over the next 12 to 24 months, and therefore you need to think about resilience in your approach to economic decision making.

**Q186 Mr Baron:** When it comes to resilience, do you think that one of the key litmus tests—not the only litmus test, because there are a series of them, whether it be living standards or productivity; but this is certainly one of the key measures of how well an economy is doing—is the employment rate? We have record employment at the moment, and an unemployment rate well below the EU average. That seems to be stable, at least for the time being. One cannot be nonchalant or complacent about this, but that is not a bad record to be looking into the future with, is it?

**Jeremy Hunt:** Well, I am very proud that unemployment has fallen by over 1 million since 2010, but I am also concerned that, with 1 million vacancies in the economy, we have 6 million adults of working age who are not in work. I still think that, even though worklessness has gone down, there is a lot of work to do to remove the barriers to work for people who are not in work, but many of whom say that they would like to work. That is why welfare reform was a big part of what we did. That links to the broader macroeconomic challenge that we have on inflation, which has come down a lot but is still not at target. The more we can ease labour supply for businesses, the more we reduce inflationary pressures.

**Q187 Mr Baron:** Is that one of the reasons why you, the Government,



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increased both the minimum wage and the living wage ahead of inflation, to create a greater differential? Was it in order to, while maintaining benefits in line with inflation—making sure that nobody got left behind—create a bigger differential to encourage people back into work and such?

**Jeremy Hunt:** Yes, I think that is a very important part of our overall strategy. If you look at the increase in take-home pay after tax of someone working full time on the national living wage, which is the lowest legally payable wage for people over a certain age, you can see that has gone up in real terms by 30% since 2010. I think that is very strongly connected to the fall in unemployment. The OBR themselves confirm that the 2p cut in national insurance, from 12% to 10%, will lead to just under 100,000 more people, FTE, in the workforce, which is equivalent to filling one in 10 of those vacancies. So it is absolutely central to our economic strategy.

Q188 **Mr Baron:** Finally, following on from the conversations yesterday with various economists and think-tanks, do you also think that by raising the minimum wages and the living wage faster than inflation, you might encourage greater investment by companies, to help the productivity issue? I would contend that too many of the larger companies, certainly, have formerly relied on cheap labour as a substitute for investment. My hope is that this will at least help to put that right.

**Jeremy Hunt:** There is some evidence from some economists of that happening, and I think Torsten Bell was talking about that to the Committee yesterday. What I would say is that at the very minimum, what happens when you increase the national living wage is that you make work worthwhile for more people. Most companies say that the biggest constraint they have is not being able to recruit the staff they need to expand. At a minimum, it does that, but when you combine it with the other measures such as full expensing, which have given us the most attractive investment reliefs in the developed world, the intention is to give a massive boost to our investment and to our productivity. That is not just about increasing GDP. I think I have had the discussion with the Committee before about the importance of GDP per head and raising living standards for families. That, in the end, means more productivity. The reason why our productivity is lower than that of Germany, France or America is not that Brits don't work as hard; it's that we invest less as a proportion of our GDP. That is what I hope we will change as a result of the autumn statement.

**Mr Baron:** Thank you very much.

Q189 **Siobhain McDonagh:** Chancellor, how stupid do you think the British people are? You raise taxes by the equivalent of 10p, and national insurance, and then cut national insurance by 2p. You refuse to raise the tax thresholds for six years. You and I both know that people will be paying £1,200 more in tax as a result of your measures. Aren't people right that you have been gouging with one hand and giving crumbs back with the other?



**Jeremy Hunt:** That is absolutely not what has been happening. It was absolutely right that we helped businesses through the pandemic, protecting 9 million jobs, meaning that we had one of the fastest recoveries from the pandemic of any large European country. I think it was absolutely right that we gave about £400 billion of support there and about £100 billion of support in the cost of living crisis, caused principally by the invasion of Ukraine. I don't remember anyone, on your side of Parliament or on mine, saying that was the wrong thing to do or, indeed, that that was gouging. What they actually said was that we were right to step in and help families, but we were also honest with people that if you want to give that kind of level of support, you have to pay for it. What is different about the autumn statement is that having gone through a period where taxes had to go up in order to give that support, we are now in a position, with inflation halved and with nearly every economic forecast increasing our growth rate, where we are able to start to reduce the tax burden.

Q190 **Siobhain McDonagh:** How much tax do you think it is reasonable for a police sergeant, a senior nurse or a deputy headteacher to pay?

**Jeremy Hunt:** As a result of the cuts to national insurance, an average teacher will get about £630 more next year. For a nurse, it will be about £520. For a police officer, the reduction will be about £630. That is a step towards relieving the pressure, but for a moment that they haven't seen, as everyone has seen—

**Siobhain McDonagh:** Chancellor—

**Jeremy Hunt:** Just let me finish. I wouldn't say that they haven't seen their taxes go up.

Q191 **Siobhain McDonagh:** No, I'm sorry—we get to be members of this Committee and ask you questions, rather than you telling us how long you are going to speak to us. After the Government tax measures, 182,765 nurses, 141,827 teachers and 60,680 police officers will fall into the 40% tax bracket. Is that who the upper tax bracket was intended for?

**Jeremy Hunt:** All I was trying to do was answer your first question. If you are kind enough to let me answer your questions, I will do my very best to do so.

You asked me about the freezing of tax thresholds, which I am happy to talk about. It is true that one of the ways in which we were able to fund that extra support for families during the pandemic and the cost of living crisis was by freezing tax thresholds. In this autumn statement we had a position where it was possible to relieve tax pressure, and I took the choice to concentrate those efforts in areas that will grow the economy the most. That is why Paul Johnson said yesterday that if you are going to reduce taxes, these were the right taxes to reduce.

The national insurance cut that we were talking about means that we get about 100,000 more people—full-time equivalent—into the workforce. That helps growth. The business expensing increase in tax relief—the full





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expensing—means that we will increase investment in the economy over the next five years—

**Siobhain McDonagh:** But are teachers, nurses and police officers the people you intended to go into the upper tax rate?

**Jeremy Hunt:** Let me finish. How do we pay for schools and hospitals? We pay for them through the wealth generated by the economy. The OBR said that the full expensing measure will increase investment by about £14 billion over the next five years, which means more growth, more tax revenues and more money for schools and hospitals.

Q192 **Siobhain McDonagh:** Chancellor, will you remind me who said: “if you put your hands into people’s pockets and take money out of them, and they do not see visible improvements in the services they receive, they get very angry indeed”? Our public services are crumbling, our rivers are full of sewage, 8 million people are on NHS waiting lists—the highest level since records began—and taxes are at their highest since the second world war. Do you think that the voters might be very, very angry by the time we get to the next election?

**Jeremy Hunt:** I think the voters are very realistic—

**Siobhain McDonagh:** Who was that quote from, by the way?

**Jeremy Hunt:** I hope you will tell me.

**Siobhain McDonagh:** You.

**Jeremy Hunt:** Right. Well, then it is a very wise comment. I think that voters are very realistic about the fact that we have been through a global shock with the pandemic and a global shock with the energy crisis. They want to see improvements in public services, which is why they welcome the fact that, for example, since 2010 crime has halved, excluding computer crime and fraud, which were not measured in 2010. Violent crime and burglaries have halved, and school standards have risen to their highest ever, and we have more doctors and nurses in the NHS, although it is still struggling to recover post pandemic. But absolutely, I want to see standards in public services going up. When it comes to river pollution, I am very pleased that the Government have required the water companies to invest more than £50 billion over the years ahead to clean up our rivers.

Q193 **Siobhain McDonagh:** I do not want to end on a bad note—

**Jeremy Hunt:** I know you wouldn’t.

**Siobhain McDonagh:** So I want to congratulate you on a historic first: the first Parliament ever since records began in which household disposable incomes actually fall. Living standards will fall by 3.1% between December 2019 and January 2025. Households on average will be £1,900 poorer at the end of this Parliament than at its start. Do you think that is a proud record?



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**Jeremy Hunt:** What everyone knows is that there are reasons why not just the UK but the whole world is seeing that pressure on living standards: because of the exceptional events we have had in the pandemic and the energy crisis. I just point you to the fact that, a year ago, the OBR said that living standards would fall by 3.7%, and they have actually gone up by 2.5%. So under good Conservative economic management, things turn out better.

**Siobhain McDonagh:** I don't think that is how people are feeling.

**Chair:** Thank you, Siobhain.

Q194 **Anne Marie Morris:** Chancellor, on departmental spending, we obviously have not got the spending review, but the conclusion of commentators and others is that departmental spending will ultimately fall by £19 billion. Is that accurate?

**Jeremy Hunt:** In real terms, departmental spending will be £85 billion higher at the end of the five-year period we are looking at compared with the start of this Parliament. That is a 3.2% real-terms increase every year this Parliament, and then in the following spending review a 1% real-terms increase.

Q195 **Anne Marie Morris:** So why is it that the figures that are being put out in the media talk about this £19 billion cut? What are they talking about? What assumptions are being made that enable them, they believe, to put that figure out there?

**Jeremy Hunt:** Because we have made a decision that public spending should grow at a lower rate than the growth in the economy. Because of the increase in the tax burden as a result of our support for the families that is obviously troubling Ms McDonagh so much, we have decided that it is now time to grow public spending at a rate slower than the growth in the economy. If you look at the difference between those two, you could say that was a £19 billion difference, but we are confident that if we improve the productivity of our public spending, which we think it is entirely possible to do, we can make sure that that happens in a way that does not affect the services that matter to people.

Q196 **Anne Marie Morris:** That is good to know, Chancellor. Productivity is a real challenge: getting productivity and efficiency up has been nirvana for many of your predecessors. What are you going to say to each of the Government Departments about the principles that you want them to apply to drive up productivity? Clearly, some things that they deliver are going to be more crucial—certainly for the frontline delivery of services—than others. What is the guideline—the metric—and how are you going to manage it, which is a challenge, to make sure that change is made in the right way without losing the delivery of front-end services, as is clearly your ambition?

**Jeremy Hunt:** We are saying four things to all Government Departments. First, we want to protect the services that the public enjoy and value. Secondly, we want Departments to look at how they can improve



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productivity by looking at the time wasted on unnecessary admin. For example, initial work with the Home Office suggests that police officers waste 38 million hours every year, which is the equivalent of the time of 20,000 police officers, on filling out and redacting forms—processes that could be avoided. It is an average of about eight hours per police officer per week. We think that the numbers are probably very similar for doctors and nurses, and we know that teachers spend more time not teaching than teaching, so we want to look at what we can do to reduce the unnecessary admin that our public servants face—which, by the way, they find as frustrating as we do.

We also want to look at what can be done by way of prevention. How can we spend money in the short term in a way that reduces the pressure on public services two, three or four years later? There are currently many initiatives in the NHS on how we could take a smarter approach to prevention.

Finally, we want to see how we can use new technologies like AI, where the UK is a global leader.

Q197 **Anne Marie Morris:** Is your expectation that that can be done without any statutory instruments or legislative change? Is it something that can be done simply by looking at work practices, or is there going to be a bit of a battle, whether cultural or in changing a Department's rulebook, that means that Parliament is going to have to intervene to fix it?

**Jeremy Hunt:** There may be times when changes in legislation are necessary, but most of the time it will be because we take a smarter approach to public spending—that includes, by the way, the Treasury taking a smarter approach to public spending. Too often, when Departments have come under pressure the Treasury has said, "You have to consume your own smoke," and then you will find that an IT project is cancelled or delayed, when that IT project could have improved productivity over the medium term. We are all going to have to think differently to deliver those improvements in productivity.

Q198 **Anne Marie Morris:** How are you going to monitor the need to think differently and act differently? When trying to change things, getting mental acceptance, as well as the physical effect, is very hard and unless somebody is monitoring, watching and asking for regular reports, it won't happen.

**Jeremy Hunt:** You are absolutely right: what gets measured gets done. We started this process when John Glen was Chief Secretary to the Treasury—he started the process in October and Laura Trott is now carrying it on—and our intention is to complete it over the next 12 months, in very good time for negotiating the next spending review, which will come into place from April 2025.

Q199 **Anne Marie Morris:** Let's turn to the big spenders, such as the NHS, for which you and I have great empathy. We both see health as being crucial to get right in this country for our residents, but it is the biggest spending Department and, therefore, for them it will be one of the hardest things



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to do. The previous Secretary of State tried very hard to cut out unnecessary roles and unnecessary procedures, but I think he found it quite challenging. Given that this is, first, one of the most important and, secondly, one of the highest spending Departments, what focus will you give and what can you do to fundamentally change how we do this so that we get better health outcomes but do not get bedevilled by all the bureaucracy and wasted money spent on roles that we do not need?

**Jeremy Hunt:** I think there is a huge opportunity. I have had significant discussions with both the chair and the chief executive of the NHS about how to make those productivity changes happen. But I think you only need to talk to a nurse on the frontline about the time they spend filling out forms, as opposed to looking after patients, and you can see that the opportunity is absolutely huge.

It is beginning to improve with new IT systems being put into hospitals, but there is a long way to go. The IFS pointed out that we have 25% more doctors and 20% more nurses than we did pre-pandemic, and the number of people admitted to hospital for both emergency and non-emergency treatment is actually at the same level as it was pre-pandemic. We are still getting over the difficulties and challenges caused by the pandemic, but we are absolutely determined to do that.

Q200 **Anne Marie Morris:** Given the circumstances that we find ourselves in, are there any budget areas that you feel, economically or politically—given the current crisis, I am thinking perhaps of defence—might be ringfenced because, for UK plc, they are just too important? I am not suggesting that they get let off the hook in terms of efficiencies, but perhaps the principle is adopted that this is so important for the nation that we will ringfence it and make sure that what we promised will get done.

**Jeremy Hunt:** On defence, we already have a commitment to spend 2% of GDP. That is a NATO commitment and because we will meet that commitment, defence spending will go up as GDP goes up. In fact, we said that we want to increase it to 2.5% of GDP when it is affordable to do so. So we absolutely recognise the pressures. We recognise the pressures in health because of an ageing population and the long-term increase in demand, and indeed, on the social care system.

But I would say that you could find a very good reason for needing to sustain and improve the level of service received by the public in every area of public service. They are all important in different ways, but in every single one we need to be asking challenging questions about how to deliver more for less and to get better value for money for the taxpayer, particularly after a period of the huge increases in investment in public services that we have seen over recent years, caused by things like the pandemic. I think taxpayers now want to see real improvements in productivity, so that they can be confident that every pound that is being spent on their behalf is being spent wisely.

**Anne Marie Morris:** May I have one more question?



**Chair:** There might be time at the end.

Q201 **Drew Hendry:** Chancellor, you talked earlier about how you hope that growth will pay for schools and other infrastructure in the future. Leaving aside the fact that the analysis pretty much shows that growth will be stagnant or very low indeed, we are still being hit by very high interest rates, yet you have decided to hold capital departmental spending flat in cash terms for an additional year, which the OBR says “means public sector fixed capital formation falls as a share of GDP. It now falls from 3.6% this year to 3.1% in 2028-29”. That is a significant real-terms cut. Do you agree that your investment plans risk future growth?

**Jeremy Hunt:** No, and if I may say so, Mr Hendry, that is not a fair characterisation of what the OBR said. They said that the measures—

**Drew Hendry:** I just quoted it.

**Jeremy Hunt:** Well, let me just explain the context. They said that the measures that I announced in the spring Budget and the autumn statement amount to a permanent increase in GDP of 0.5%. The primary focus of the autumn statement—those 110 measures that the Chair talked about—is to increase business investment, private sector investment, by £20 billion a year. Public sector investment is a very important part of that, but my priority is in getting a £20 billion-a-year annual increase in investment. That is the long-term way. A lot of that will feed through after the five-year period; it is still the right thing to do. Increasing the incentives for businesses to invest makes a massive difference in the long run to the ability of the economy to generate wealth and to pay for our public services.

Q202 **Drew Hendry:** But even if you are right, in that five-year period, public sector investment will go down—it is a real-terms cut. You have not argued with that fact. By holding capital investment flat in cash terms, aren't you merely storing up the need for even greater public investment in the future?

**Jeremy Hunt:** Let me put that particular comment in context. You are absolutely right: we had to take very difficult decisions over revenue spending and capital spending in the autumn statement. But, in terms of capital spending, in the spending review of 2020, the Prime Minister, who was Chancellor at the time, announced the biggest ever increase in capital spending—a 20% increase—so capital spending next year will be £30 billion higher in real terms than it was in 2019. So what you have had is a very big increase in capital spending in real terms, which I have said I will protect in cash terms—I said that in the autumn statement last year. I have not been able to protect it in real terms, but I am protecting it in cash terms. So the comments you are making are in the context of what has already been one of our biggest ever increases.

Q203 **Drew Hendry:** The context is that it is reducing.

Let us look at the public sector estate, which was recently hit by concerns about reinforced autoclaved aerated concrete—RAAC, as it is called. Have



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you looked at where funds will be needed for major works to improve the ageing public sector estate?

**Jeremy Hunt:** Absolutely, but the context is an increase—

**Drew Hendry:** Okay.

**Jeremy Hunt:** Hang on. You asked me about the context. It is an increase and, because of that increase, we are able to allocate resources to RAAC hospitals and RAAC schools. Of course, our absolute priority is the safety of the public.

Q204 **Drew Hendry:** Okay. What funding is required, then? You said that you had looked at it, and you just gave me examples.

**Jeremy Hunt:** When the Department for Education writes to us and says, “We need this funding to deal with unsafe RAAC schools”—

Q205 **Drew Hendry:** So you are saying that there is not an estimate of the amount at the moment.

**Jeremy Hunt:** I am very happy to write to you with what the Department for Education and the Department of Health have written to me about and asked for. I do not have the numbers in front of me, no.

Q206 **Drew Hendry:** So you do not have the numbers.

**Jeremy Hunt:** Not in front of me now.

Q207 **Drew Hendry:** So you do not know what money will be required. By definition, you won’t know what money will be required to do that work.

**Jeremy Hunt:** Well, what we know is that we have done a much more thorough survey of RAAC schools than, for example, has happened in Scotland, so we have a much better picture of where the issues are, and we are funding schools that need to make the necessary repairs.

Q208 **Drew Hendry:** You don’t know what that amount is, though.

**Jeremy Hunt:** I don’t have it in front of me, but I am very happy to write to you with the details.

Q209 **Drew Hendry:** You would have thought that, with such a big decision on such a major issue, you would have those details in front of you just now, Chancellor.

**Jeremy Hunt:** I am very sorry that I do not have them right in front of me now, but I will let you have them.

Q210 **Drew Hendry:** You might at least have taken them into context.

Let’s ask about climate change. Do you think that climate change will require significant strengthening of public infrastructure? If so, where does the current funding meet that?

**Jeremy Hunt:** It is going to need a big transformation in our infrastructure. That is exactly what we have seen. When the Conservatives came to office in 2010, about 2% of our electricity came from renewable



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sources; from memory, I think it is now about 40%. We have the biggest, second biggest and third biggest offshore wind farms in the world. There has been huge public investment in renewable energy, and we need that to continue.

Q211 **Drew Hendry:** Where will that funding go, in terms of that infrastructure?

**Jeremy Hunt:** It will go into CCUS, hydrogen and offshore wind farms. On Friday last week, we announced an extra fund of £960 million to catalyse investment, but we also have the contracts for difference programme, which is attracting investment.

Q212 **Drew Hendry:** Those are very big areas that you are talking about. How does that split between the areas that you have just identified?

**Jeremy Hunt:** We have allocated just under £1 billion—

**Drew Hendry:** For example, how much of that is for CCUS?

**Jeremy Hunt:** I was about to answer your question. The Energy Secretary will in due course announce what proportion of that will go to different areas, but for CCUS in particular, as I think you know, there is a £20 billion commitment to invest in it over the years ahead. We are very confident that we are on track.

Q213 **Drew Hendry:** How much is going to nuclear?

**Jeremy Hunt:** On nuclear, I think in my first fiscal event—the autumn statement last year—I announced £900 million for Sizewell C. We want 25% of our energy to come from nuclear by 2050. At the moment, the principal piece of work that has been happening this year, apart from progressing the Sizewell investment, has been the competition for SMRs, which we hope to conclude shortly so that we can start to invest in SMRs as well as the larger nuclear power stations.

Q214 **Drew Hendry:** Finally, how much is going to offshore wind, tidal and storage?

**Jeremy Hunt:** A large proportion has gone and a large proportion will go, and we continue to have auctions, but we are the second largest generator of offshore wind energy in the world after China.

Q215 **Drew Hendry:** How much are you investing in future, though? What is the split?

**Jeremy Hunt:** The split going forward? It is a combination—

**Drew Hendry:** You mentioned the money that you want to—

**Jeremy Hunt:** It is a proportion of the £960 million. We will be proceeding early next year with the next auctions for offshore wind. As I say, we have been more attractive in getting offshore wind investment off the ground in this country than anywhere in Europe or in the world, apart from China.

**Drew Hendry:** Apart from the fact that it is a relatively small amount.



**Q216 Danny Kruger:** Chancellor, let me start by saying how encouraged and impressed I was by what you managed to achieve with the autumn statement. Considering where we were and the forecasts earlier in the year, it was very encouraging, particularly on the tax cut. I am encouraged by what we are seeing on inflation and the debt forecasts. Congratulations.

May I ask you about a couple of other indicators that are quite concerning? Unemployment is now rising and vacancies are falling in the economy, so what was a very tight labour market is now looking less so, and bankruptcies are up. Some people say that we are already in recession, and they are certainly predicting that we might be. What is your level of confidence that we are not looking at a recession in the coming months?

**Jeremy Hunt:** The OBR's judgment is that we will not have a recession next year. Of course, we want to do everything we can to avoid going into a recession, but you are absolutely right to say that growth is currently subdued and, indeed, that unemployment has started to go up slightly. That is because the Bank of England has rightly put interest rates up in order to remove high inflation from the system. That is a very difficult choice, but it is the right choice, because we know that in the end sustainable growth over the long run is not possible if we have high inflation. This year and next, as we bring inflation down to target, we will see lower growth because of that, but when we have brought inflation down to target, the IMF says that growth here will be faster than in France, Germany or Italy, so I think that the long-term prognosis is much more encouraging.

**Q217 Danny Kruger:** You mentioned earlier GDP per head, which is encouraging—it is really important that we always remember that that is the indicator that matters most—and our chronic long-term productivity challenges. I agree that an underlying cause of that is low investment over many years, and I very much support what the Government are doing to address that. Another factor that drives down our GDP per head and our productivity is our high rates of immigration. Do you agree with that? Do you think that having well over 600,000—and, last year, 700,000—net migrants into the country, many of them on low wages, depresses productivity and growth per head?

**Jeremy Hunt:** I agree with you that immigration is too high. I also think that it is wrong for businesses to be filling their vacancies with people from overseas when we have people here at home who are not working and would be better off if they were working.

I think there is a big transition we need to make so that we are increasing the employment rate in the economy with people who are here and reducing the 6 million adults of working age who are not in work. There are lots of things we need to do to make that happen, but they are all linked to the ability to bring down migration to sustainable levels without damaging the economy. One of them is the childcare measures that I announced in the Budget, which will make it easier for parents to go back to work. There are then the measures that we announced for the long-





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term sick and disabled; we are going to spend about £2.5 billion over the next five years to break down the barriers for them. In the third group, which is the long-term unemployed—people who do not have a sickness or disability—we still have 300,000 people who have been out of work for more than a year, despite not having any illness or disability and there being nearly a million vacancies in the economy. That is what we need to address.

**Q218 Danny Kruger:** I very much support efforts to invest in people and improve skills. That is part of cracking the productivity challenge. The other part is technology, so I will move on to the plans for expensing, which again I welcome. We need to get more private sector investment, and rewarding investment in machinery is very welcome. Do you think that companies will really feel the value of full expensing when they also face a significant increase in corporation tax? Do you expect their experience to be one of relief? Even if it might direct investment in the right direction, do you think that companies will thank you for it?

**Jeremy Hunt:** I think companies were unusually very positive about the Chancellor's announcement after the autumn statement. The CBI said that full expensing was a game changer that would fire up the economy. They recognised, they said before the autumn statement, that it is the single most transformative thing that I could do, because I think there is widespread agreement that we have the most innovative economy in Europe. We have a tech sector that is double the size of Germany's and three times the size of France's. We are the life sciences centre of Europe and the film and TV centre of Europe. We have incredible strengths in the innovation industries of the future, but we still have productivity that is lower than Germany, America and France. If we could sort out that productivity, we would be unstoppable. That is very closely linked to business investment: it is about 2% of GDP lower here than in countries such as France, Germany and America. The headline rate of corporation tax is still the lowest in the G7, but I think this—

**Danny Kruger:** Not as low as it should have been if you had become leader.

**Jeremy Hunt:** Well, I have changed my views on that. I used to think that what mattered more than anything was the headline rate of corporation tax which, as I say, is still lower than our large economy competitors, but what we have done is reduce the effective rate of corporation tax with an investment relief, which will be more effective at encouraging investment than a reduction in the headline rate would have been.

**Q219 Danny Kruger:** Okay, but it is only for certain parts of certain companies—certain forms of investment. Can you explain the decision not to apply it to all forms of investment? Related to that, the allowance of, I think, £1 million is being brought forward. That will predominantly benefit larger businesses. Do you think you could have done more to stimulate investment and support start-ups, which, as you say, are the future of our economy in the tech sectors?



**Jeremy Hunt:** We need to support all types of business. For start-ups, we announced that we are extending the EIS, the SEIS and the VCT scheme for another 10 years from 2025. That is probably the single biggest measure that has made us the start-up capital of Europe for high-growth, high-tech businesses. We want to do lots of things. The Mansion House reforms to pension funds are also designed to make a big difference to their ability to raise capital. We specifically want to ensure that larger businesses, which make decisions that can have a huge impact on investment levels in the economy, are incentivised to do that in the UK. We now have a more attractive business investment regime than any of the large countries that out-invest us. That is that way that we think we will catch up.

**William Macfarlane:** If I may add one thing to the Chancellor's comments. As he explained, the permanent full expensing measure is targeted at those largest, most capital-intensive firms. You asked about small business, and it also builds on the Chancellor's decision last autumn to set the annual investment allowance at £1 million. That means that 99% of all businesses—those smaller businesses—already receive, up to that £1 million, the same benefits as full expensing. That is 100% tax relief on their qualifying plant and machinery investment.

Q220 **Danny Kruger:** That is very helpful. One of the problems in our economy is a major emphasis on debt finance, particularly compared with the US. We do not seem to generate enough equity financing, particularly for start-up businesses. Is there anything in the package that encourages more equity?

**Jeremy Hunt:** Certainly, the extension of the EIS and SEIS for start-ups will make a big difference. That is one of the most generous schemes of its kind in the world. More broadly, I completely agree with you. The Mansion House reforms are designed to increase the amount of capital going into unlisted private growth companies in a way that successfully happens for Australian and Canadian pension funds. If we can do that, we can dramatically increase the flow of capital, which will increase the use of equity financing.

**Danny Kruger:** Okay. Very good. Have I got time for one last question, Chair?

**Chair:** A quick one.

Q221 **Danny Kruger:** A very quick question and a quick answer. To jump on to another topic, are you content with the rate of QT and the Bank's decision to unwind, bearing in mind that it is selling the bonds at a great loss, which is being borne by the Treasury and the taxpayer? Ultimately, you have to sign off those sales. It is not an independent Bank in respect of QT. Are you content with what it is doing?

**Jeremy Hunt:** I have to indemnify the Bank to make that possible, but QT is a tool that is exercised independently as part of its array of tools on monetary policy. It is therefore not appropriate for me to comment on

that, just as I would not comment on whether it is right or wrong to raise or lower interest rates.

**Danny Kruger:** But you have to approve those sales?

**Jeremy Hunt:** I have to indemnify the Bank to make it possible, but the extent to which it then does QE or QT is its decision.

**Danny Kruger:** Okay. I'll leave it there. Thank you.

Q222 **Chair:** Thank you, Danny.

William, on the question about full expensing, is the Treasury seeing information not yet in the public domain that shows that full expensing is working so effectively that it is worth making it permanent?

**William Macfarlane:** The Chancellor has talked about the combined effect of his growth measures and their long-run impact on business investment at the 10-year horizon. The OBR has assessed that the impact of full expensing on business investment is broadly £3 billion—

Q223 **Chair:** No, no. I meant: in the time that full expensing has been in place—this fiscal year—have you started to see that it has had a really positive impact?

**Jeremy Hunt:** Maybe I could help you on that one. There is some evidence. I introduced it on a temporary basis at the start of this year, but the precursor was the super-deduction that the then Chancellor, now the Prime Minister, did in 2019. Since then, we have had the fastest growth in investment of any G7 economy—since the super-deduction was announced.

Q224 **Chair:** But the super-deduction was 130%, wasn't it?

**Jeremy Hunt:** Yes, but it was a kind of precursor. It was the first time that we put in place an investment incentive. Then, before that finished, I introduced temporary full expensing, and now I have introduced permanent full expensing. So I think you can see, since we have started down this journey of introducing investment incentives, that we have actually had investment growth that has outpaced other large economies.

**Chair:** Okay. Thank you.

Q225 **Keir Mather:** Thank you, Chancellor, and thank you, Mr Macfarlane, for coming. I would like to turn to work capability assessments and welfare reforms more generally. Businesses in my constituency and across the country are suffering from enormous labour shortages. The number of vacancies stood at around 960,000 in October of this year, but the OBR expects that the labour market impact of changes to work capability assessments will actually be quite small and will raise employment by only 10,000 by 2028-29.

When the Resolution Foundation has identified that these changes will hit the welfare of the poorest hardest, and when a lot of disability rights charities have raised concerns about these reforms too, why are you



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persisting with a policy that, in many senses, will have quite a piecemeal impact on those labour market challenges that we are facing?

**Jeremy Hunt:** Well, the long-term effect of these changes will be significantly higher than that. It is precisely because this is a very vulnerable group of people that we are introducing these changes very gradually over a five-year period, but the result of these changes will be that the number of people who get the form of benefit where there is no support to help them to work, and no requirement for them to look for work, will be more than halved.

Those people will be helped with a programme that we are spending about £2.5 billion on over the next five years, to reflect the fact that many of them would like to work. Many of them have mental health issues, when there is a lot of evidence that working is better for your mental health, and many of them with mobility issues will be able to do work from home in a way that would not have been possible before. So, reflecting all those changes, I think the OBR says that the overall impact of the welfare reforms that we have announced is 50,000 in total, of which the WCA is a proportion, but we think that the long-term impact will be very significant.

Q226 **Keir Mather:** I see. I would perhaps question some of those underlying assumptions, when we know from the existing labour pool that people with disabilities are not more likely to be home workers than the general labour force. In any case, I would be interested to ask you about the challenges, which are quite well documented, that we know that a lot of people with disabilities face with the DWP, such as being judged as fit to work when they are not and being sanctioned as a result.

I do have concerns that if these failings repeat themselves under the new changes to work capability assessments, we might end up in a situation where people with disabilities have their benefits stopped altogether. I just wonder whether you could put yourself in the shoes of somebody who might fall into that unfortunate predicament. What would you do if that ended up happening, when you had already faced a stonewall from the DWP on many other occasions?

**Jeremy Hunt:** Well, I would hope that we have a system that is compassionate to people with disabilities but also fair to taxpayers. My starting point, if I can explain it this way to you, Mr Mather, is that at the moment around 100,000 people every year are being classified as too ill, or sufficiently disabled that they should not be helped to find work and they should not be required to look for work. That is 100,000 people a year.

I think that that is a shocking waste of potential. I do not believe that it is good for the individuals involved, many of whom would like to work, so I think we have to find a better way. These measures are designed to give people support to help them get back into the world of work. About half a million people are going to get additional mental health support, including 100,000 people with the severest mental health issues. We are going to extend the universal support programme to 200,000 people. We are



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spending hard cash to do this, because we think that it is better for them, better for society and better for the economy.

**Q227 Keir Mather:** So is it your view that the existing reforms to work capability assessments, as they stand, build sufficient safeguards into the system to ensure that people who are not able to work are not wrongly classified as such, and then have their benefits stopped, when we do have evidence of that currently occurring under the existing regime?

**Jeremy Hunt:** That is my judgment, but I also know that Mel Stride, the DWP Secretary, is monitoring these things very closely and he wants to make sure, absolutely, that we give the right kind of support to people when they need it.

**Q228 Keir Mather:** Can I turn to business rates, please? Paul Johnson described the roll-over of business rates relief as “no way to make policy”. The IFS’s official response to the autumn statement has argued that the “uncertainty about whether reliefs really are temporary or are likely to be permanent makes it difficult for...businesses...to plan” for the future. Do you feel that this kind of culture of unstable roll-over necessitates or makes the case for a more comprehensive reform of business rates overall?

**Jeremy Hunt:** We introduced a very big reform of business rates a year ago at the autumn statement; this was a big request from business. We are transitioning to a new system of business rates, to new valuations, and we gave businesses a £12.5 billion cut to business rates, which was an average of about 10% for every business in the country, in order to make sure that the transition was effective.

I agree with Paul Johnson in principle, but I think there are times when you have to make an exception. One of those times was the pandemic, where particularly retail, hospitality and leisure were very badly affected and business rates was one of the immediate ways we could stop many of those businesses going bust. I think coming out of that is a process that you go on, and I think it was right, in the autumn statement, to roll it on for one more year.

**Q229 Keir Mather:** And not to have it over a longer timescale. I agree that the circumstances were exceptional, but they don’t remain exceptional in the same way. But if small businesses needing that sort of support is going to become a new reality, is it not better to have a comprehensive and longer-lasting interpretation of how long to extend the relief for?

**Jeremy Hunt:** I think we have shown, in the autumn statement, that we understand the need to move away from temporary relief. We are not extending the energy price guarantee, at its low level, beyond April. But we are introducing other support for families with cost of living pressures—for example, by increasing benefits by double the rate of next year’s predicted inflation, or increasing pensions by triple the rate of next year’s predicted inflation. Those are permanent increases to people’s income. I think that in the long run you do need to transition out of temporary



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support, but you need to make a judgment as to the rate at which you do that.

**Keir Mather:** Do I have much time left, Chair?

**Chair:** You do.

Q230 **Keir Mather:** Wonderful. I was wondering about the question of high streets as well. I have seen from the closure of the branch of Wilko in my own constituency that, irrespective of the rhetoric we have seen from successive Conservative Governments over the levelling-up agenda, it seems that high streets in northern towns like mine, Selby, are particularly hard hit by the economic headwinds that we are facing. I wonder whether, in your view, these reforms or extensions to business rates relief offer enough to those brick-and-mortar businesses, as opposed to the kind of online retailers that increasingly take greater shares of the market in which they operate.

**Jeremy Hunt:** Well, we want to help all businesses. We spoke to the Federation of Small Businesses, and it said that the No. 1 thing that we could do to help all small businesses was to take measures to end the scourge of late payments, so we have said that anyone getting contracts from the Government must pay their suppliers and their subcontractors promptly, as the Government pay them promptly. I think the second thing on the list was rolling over the temporary relief for retail, hospitality and leisure businesses, to protect the high street, so we took our cue from them as the people who are the voice of small business.

Q231 **Keir Mather:** As a final question, and to build on the point that Anne Marie made earlier about defence spending, I want to ask this. The Defence Secretary has consistently reminded us that we must keep Ukraine and the situation there at the absolute forefront of our mind, and I agree, but in this context, why was no 2024 military funding or action plan for Ukraine contained within the autumn statement?

**Jeremy Hunt:** We have made very big commitments to Ukraine, with £2.3 billion last year and £2.3 billion this year in direct support, and then there is support for the Ukrainian economy through World Bank loans. We continue to keep under review our support for Ukraine, but the Defence Secretary is absolutely right: this is an existential battle for democracy and human rights, and we must continue to stand four-square behind the people of Ukraine. By the way, the Ukrainian Finance Minister said to me in Marrakesh, when I met him earlier in the autumn, that there was no country giving more support to Ukraine than the UK.

Q232 **Keir Mather:** But in terms of certainty, would it not have been wise to use the autumn statement as a moment to signal the level of support that the UK continues to demonstrate, in your view?

**Jeremy Hunt:** I think we have signalled that, and I think the Ukrainians would say that.

Q233 **Dame Angela Eagle:** I am a bit concerned about the gap between rhetoric and reality in your autumn statement, Chancellor. You said taxes



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were down, but they're up, aren't they?

**Jeremy Hunt:** I did indeed cut taxes. I think yesterday Torsten Bell said that it was the biggest tax cut since 1988.

Q234 **Dame Angela Eagle:** But overall taxes are up, aren't they?

**Jeremy Hunt:** Yes, it is in a context where taxes have been going up, but I wanted to make the point that—taxes having gone up for some years because of the pandemic and the energy crisis, when I think it was right to support families and businesses—we were now in a position to start to bring them down, and that is what I did.

Q235 **Dame Angela Eagle:** Since you have quoted Torsten Bell, he described you in the Resolution Foundation's summary of the Budget—well, your autumn statement, which is sort of a Budget—as getting your “pre-election giveaways in early, with an Autumn Statement offering tax cuts today, at the price of implausible spending cuts tomorrow.” That seems a reasonable summary to me.

**Jeremy Hunt:** Well, I agree with many things that Torsten Bell says, but not that. Let me explain why.

**Dame Angela Eagle:** Oh, right. So you were quoting him a second ago, but you don't agree with that particular bit.

**Jeremy Hunt:** I don't agree with that, no. The reason is that the tax cuts that I announced are tax cuts designed to help growth, and the way that we fund our public services over the medium term is by having a healthily growing economy. When I was Health Secretary, I negotiated a £20 billion increase in the NHS budget—nearly 1% of GDP—after we had successfully turned around the economy post 2010 and got it healthily growing again.

**Dame Angela Eagle:** But the growth outlook is deteriorating.

**Jeremy Hunt:** Hang on—let me finish. When the CBI says that this is something that is a game changer and that will fire up the British economy, I think you can say that things like full expensing—or indeed a cut in national insurance, which adds 100,000 people or thereabouts to our national labour force as an FT equivalent—are things that help growth, and they are good for public services.

Q236 **Dame Angela Eagle:** Well, what you want to do with public spending was described as fiscal fiction, because basically you have taken all the extra tax receipts and benefit that you have got from inflation persisting longer and higher than was originally thought, but you have not compensated public spending, local authorities or anybody for the extra costs of that inflation, have you?

**Jeremy Hunt:** First of all, public spending is still going up in real terms. Secondly, it would be fiscal fiction if I had used those resources in tax cuts that had no impact on growth, but I didn't. For example, the most expensive tax cut I announced was to capital allowances, which is a tax cut that I am sure the majority of voters in your constituency and mine



have never heard of, but which is something that makes a massive difference to long-term growth in the economy. That is why I chose it.

**Q237 Dame Angela Eagle:** We want it to make a massive difference to long-term growth rates, because the OBR forecast downgraded future growth for the next three years, quite substantially. Why cut public sector investment if you want growth? In real terms—you mentioned this earlier—you have cut it substantially.

**Jeremy Hunt:** First of all, the OBR forecast was out of line with that of most other independent forecasters. As David Smith said in *The Sunday Times*, the reduction in the growth rate to 1.6% was nothing to do with my measures. My measures, they said, permanently increased GDP—if you combine them with the spring Budget—by 0.5%.

If we want money for public services, the OECD today said that the increase in business investment and the increase in labour supply to the economy has the potential to improve the fiscal position and improve our ability to fund public services, because it increases growth. That is what I was trying to do.

**Q238 Dame Angela Eagle:** Well, time will tell, but I would have thought that, given the desire and the absolute requirement to reach net zero and transform a lot of our infrastructure—I will come to that soon—we need a proper partnership between public sector capital investment and the private sector. Yet you have signalled to the private sector, just as you want it to invest more after the chaos of the last few years, that you will not put your money where your mouth is on public sector investment.

**Jeremy Hunt:** Well, that is not what the private sector has said. The private sector has said that the business investment reliefs, which are now the most generous of any large economy anywhere, are a game changer and will really encourage investment going forward. I think that clean energy is the sector in which it is very visible that we have already made a lot of progress over the last decade, but we need more to happen, because we have to double the amount of energy we generate by 2050, and these measures will make it easier to attract private investment. That was the very strong message that we had from investors from all over the world who came to the global investment summit on Monday.

**Q239 Dame Angela Eagle:** This is the worst Parliament on record for growth in household disposable income, isn't it, with a 3.5% fall between the last election in 2019 and the coming one, whenever that is next year? I don't know whether you want to announce when that might be today, but we know it is some time next year.

**Jeremy Hunt:** This is the Parliament where we had a once-in-a-century pandemic and a 1970s-style oil shock, so what the Government will be judged on is whether we put in place the policies that allow us to grow out of those absolute catastrophes for households in this country and around the world. Every single major forecaster has upgraded its forecasts for the UK economy this year, compared with where we were a year ago. What I would say is that the long-term prospects—





**Q240 Dame Angela Eagle:** The Bank of England's forecast says that there is a 50:50 chance of a recession next year.

**Jeremy Hunt:** That is what it is saying now. What it said a year ago was that we were going to have the longest recession in 100 years, so there is a big improvement in the outlook for the UK economy. A year ago, the OBR believed that the economy would contract by 1.4%; now, it thinks it will grow this year by 0.6%—that is a 2% difference, so there has been a big improvement in the outlook for the British economy. But what I would say to you, Dame Angela, is that I want our long-term growth rate to be higher than the 1.6% that the OBR is talking about within the five years. That is why I announced those 110 measures to increase business investment by about £20 billion a year. When those feed through, I believe that it will be significantly higher.

**Q241 Dame Angela Eagle:** Okay. Let's look at your measures on infrastructure investment. Sir John Armitt, your own infrastructure adviser, told the *Financial Times* last week that private industry will not fund the tunnels that HS2 needs to get the final 4.5 miles to Euston, and he dismissed the idea that the public-private partnership behind the Battersea redevelopment is a comparable model to apply. With no provision in your statement for the London leg of HS2, what is going to happen?

**Jeremy Hunt:** Well, I have had very encouraging conversations with organisations like Lendlease about the Euston development. In fact, they have made proposals in the past as to how it would be entirely possible to fund those changes through private sector investment. What I would say is that Sir John Armitt made some very wise recommendations about how we can boost investment in infrastructure through the National Infrastructure Commission. We published our response to his recommendations, and we are accepting the vast majority of them.

**Q242 Dame Angela Eagle:** You set out how your reforms aim to make UK infrastructure more attractive to outside investors by making the planning process faster, but many of us who know how our local planning authorities work know that there is not enough resource available—nor are there enough planning inspectors—to make the system work, even at a reasonable level, so the delays are ridiculous. But you have essentially cut funding to local authorities in real terms to pay for your tax cuts. How is that going to help solve the planning problems?

**Jeremy Hunt:** You are absolutely right that planning departments need more resources. I have talked to lots of businesses, and they have said that they would be very happy to pay higher fees for their planning applications if they knew that they would get a prompt response. We are therefore introducing a new service that allows local authorities to charge the cost of processing an application at cost, so that they can get extra resources in, but they are then obliged to deliver the answer within the statutory framework; if they don't, they have to give the money back and process the application free of charge. We are directly addressing the issue. That will mean that local authorities can put more resources into their planning departments, which I agree that we urgently need.



Q243 **Dame Angela Eagle:** The shortage of planning inspectors will not be solved overnight. Do you have plans to help with that?

**Jeremy Hunt:** It is not going to be solved overnight, but what I announced in the autumn statement will mean a significant increase in the funding going into planning departments, which means that they can process those large business planning applications much more quickly. We are also going to reduce, as a result, the average time it takes to process a large planning application to two and a half years, and we will reduce 90% of the delay in access to the national grid. Taken together, those measures have been strongly welcomed by the clean energy industry as one of the single biggest things that we could do to speed up investment in infrastructure.

Q244 **Dame Angela Eagle:** Can you confirm to the Committee that you decided in your autumn statement to spend 96% of the extra money—the headroom that you got from changes to the forecasts—on tax cuts, be that on NICs, full expensing or other things, leaving yourself very little fiscal headroom to meet your rules?

**Jeremy Hunt:** First of all, the headroom to debt falling has doubled compared with the spring Budget—

**Dame Angela Eagle:** To £13 billion.

**Jeremy Hunt:** Yes, but it was £6.5 billion in the spring.

Secondly, what I would say is this: I used most of the extra headroom that I generated from the economy outperforming forecasts on growth measures. Yes, they are cuts in taxation, but they are cuts in taxation that help growth and that help get more people into the national labour force, which helps businesses fill their vacancies. They were measures that help reform the welfare system by giving more support to help people back into work. They are measures that help stimulate business investment by giving us the most attractive capital allowances business investment tax regime in the world, yes, and I don't apologise for that. It was the right thing to do, because if want to fund our public services, we need to be a dynamic, lightly regulated, low-tax economy.

Q245 **Dame Angela Eagle:** Half of your fiscal headroom is that assumption that is always in the Budget documents: that the fuel duty escalator is going to be applied. Will you be doing that? If you do not apply the fuel duty escalator, your headroom is halved back to where it was in March.

**Jeremy Hunt:** I am afraid you will have to wait until the spring Budget before I am able to answer that question.

Q246 **Dame Angela Eagle:** Don't you think it would be easier and more acceptable for all concerned if measures such as that, which never get applied, get taken out of the scorecard?

**Jeremy Hunt:** If they are a permanent measure, they should be described as such, but that is something that is not a permanent measure.



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I was very pleased that we were able to roll it over this year, and we will look at that decision again in the run-up to the spring Budget.

**Dame Angela Eagle:** Interesting. Thank you.

**Chair:** We have a bit of time for a second chance for some colleagues.

Q247 **Danny Kruger:** I want to talk briefly about regional spending and growth. It is very encouraging that you have been able to double the investment in investment zones and I feel very jealous of the local leaders in the combined authorities with their single funding settlements and so on—jealous on behalf of Wiltshire. All those places claim to be the new headquarters of advanced manufacturing, which seems to be the thing that attracts your support, but Wiltshire is an amazing centre of advanced manufacturing, agri-tech and all sorts of other innovations, but it is just one little local authority. What are we doing as a Government to support growth at a more local level than that of the large combined authorities, in particular in rural areas?

**Jeremy Hunt:** The first thing I would say is that there is a very conscious strategy to spread growth more evenly from prosperous parts of the country to less prosperous parts of the country. Since we started the levelling-up agenda, more than two thirds of new jobs have been created outside London and the south-east, which I think is a good thing. It is good for social stability and good for the economy. One of the reasons our productivity has been held back is because there is a much bigger difference in, for example, the productivity of the Manchester and London economies than there is between the economies of Lyon and Paris. We need to address that. But we should never underestimate the growth potential of counties such as Wiltshire, or, indeed, Surrey. One of the things we have decided to do—Michael Gove and I together—is to wind up the LEPs and to give that responsibility back to upper-tier authorities, because we think they are in a better position to promote economic growth, mainly because they have control over things like planning. A lot of economic growth is related to planning decisions, and we think it is important that we align incentives. I am in favour of more devolution and more responsibility and accountability for economic growth.

Q248 **Danny Kruger:** They don't have enough control over planning because the inspectors apply crazy rules that override local authorities' and local communities' wishes, but that is a question for another day and another Secretary of State, perhaps. One thing they do control is the budgets that they receive from you, but they are required, naturally and appropriately, to finance the social care requirements, particularly of elderly people—60% of the Wiltshire local authority budget goes on adult social care. I appreciate, support and welcome the investment that you have made—another £3 billion most recently into social care; I think there is important support coming—but fundamentally the system as a whole does not work. We were elected on a manifesto commitment to reform that. What can we do to reassure our constituents that we are going to fix the deep structural challenges in social care, not least so that local authorities can have some more money to spend on other things?



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**Jeremy Hunt:** Thank you for mentioning what I announced at the autumn statement. When I secured a big funding increase for the NHS in 2018, I wanted to do it for social care as well, but I was not able to do so because I moved to a different job. When I became Chancellor, it was unfinished business. In fact, the increase was a £2.8 billion increase from where they were before this year, and it is going up to £4.7 billion next year, which I think is a 25%-plus increase in the core adult social care budget, so it is a big increase. But with that additional funding needs to come reform, which is something I very much hope we will see; it is something I hope I can work with the new Health Secretary on to deliver. I agree with you: it is an area where we need to see more integration with the NHS and, indeed, more reform.

**Danny Kruger:** The Health and Social Care Secretary.

**Jeremy Hunt:** Indeed.

**Chair:** Thank you. Drew?

Q249 **Drew Hendry:** I want to ask about tax avoidance and HMRC funding, Chancellor. HMRC has been allocated £163 million to manage and settle their debts. It has had outstanding tax debts for a number of years now, with the latest data showing that this stood at £45.9 billion in March. Why are you only giving it additional funding now?

**Jeremy Hunt:** I think—to use our favourite word, Mr Hendry—the context of this is that the tax gap in this country is much lower than most of our international comparator countries. However, in every fiscal event I have done, I have prioritised giving extra resources to HMRC, because I think it is absolutely fundamental that people pay the taxes that they owe. When it comes to covid fraud, we have had 1,000 people at HMRC working on this; I think they have got £1.6 billion back. We have had 81 arrests, and there are 50 criminal cases under way. We allocated more resources to tackling this issue at the spring Budget, and I will continue to do so whenever HMRC make a good case.

Q250 **Drew Hendry:** I think a lot of people would suggest that there is still a lot to be done, and that that is actually a drop in the ocean. You talked about allocating additional resources to HMRC, but no additional resources have been provided for HMRC's compliance or customer service functions. HMRC recently told us that it is struggling to meet its customer service targets—basic stuff such as answering the phone and dealing with correspondence. That is in part due to fiscal drag, which you will know all about, bringing more people into the tax system. Why did you choose not to increase HMRC's funding for these functions?

**Jeremy Hunt:** I actually had discussions with the head of HMRC about their failure to meet customer service targets, and my understanding is that they are actually on track to meet those targets, even if they are not meeting them now.

**Drew Hendry:** That is not what they told us recently.



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**Jeremy Hunt:** Let me write to you and give you the full update on that—the full context, I should say.

Q251 **Drew Hendry:** Okay. Has HMRC outlined any risks to you about the collection of taxes, including how it helps HMRC's customers despite its lack of resources?

**Jeremy Hunt:** I can assure you that when I have had requests from HMRC to increase the number of people they need to tackle taxes that should be paid but aren't being paid, we have responded very sympathetically.

Q252 **Drew Hendry:** But the question I am asking is about resources for dealing with people trying to contact HMRC. Are you, as Chancellor, content for more people not to be able to get in touch with HMRC, by either phone or letter?

**Jeremy Hunt:** No, and I have had a discussion with the head of HMRC about that. He has assured me that they have plans in place that will improve the quality of customer service.

**Drew Hendry:** And yet you have applied no additional resource to these functions.

**Jeremy Hunt:** Well, my understanding is that they will be able to meet their customer service targets with the resources they have.

Q253 **Drew Hendry:** You are not concerned, then, about HMRC's ability to collect taxes without additional funding?

**Jeremy Hunt:** I have given them extra resources to help them collect more taxes.

**Drew Hendry:** Not in these areas, Chancellor. In terms of customer service—

**Jeremy Hunt:** In terms of customer service—their service to customers who are contacting HMRC about their tax bill—I believe they are on track to improve it. I don't think that is a question of resource. I think the management of that service is improving. Obviously, I have said to you that I will write to you with some more details on that, but I had a meeting with the head of HMRC about that. When it comes to chasing up taxes that aren't being paid but should be paid, very often people don't want any contact with us because they are not paying the taxes they should. That is when we contact them, and there I very much have increased resources.

**Drew Hendry:** We await that information with bated breath, given the recent conversations we have had with HMRC. There must have been a miraculous change of performance.

**Jeremy Hunt:** I can just give you a bit more information from Will Macfarlane.



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**William Macfarlane:** You have made the exchange on resources, but on the Chancellor's previous point about public sector efficiency and productivity, we also announced in the autumn statement that the Government plans to remove the threshold for high-income employees to submit a self-assessment tax return. That is one of the points about individuals being in HMRC processes when they don't need to be because they don't need to go through self-assessment. There was previously an income trigger to enter self-assessment, but the Government is streamlining that, not with additional resources but by trying to improve the customer interface between HMRC and the taxpayer.

**Chair:** Thank you so much. I think colleagues have a couple more questions, and then I have a few final ones.

Q254 **Dame Angela Eagle:** The Equality Act suggests that all Government pronouncements should have a gender statement about the effect of the policy on women, but there is no gender analysis of the Budget. Why is that?

**Jeremy Hunt:** All the measures in the Budget are checked, as they are required to be under the law, for equalities impact, including the impact on women. When it comes to individual policies that I approve, I sign off that I have noted the equalities impact of individual policies.

Q255 **Dame Angela Eagle:** But might it not help debate and the understanding of what can sometimes be technical areas, but which can have a very important impact on women, if there was a gender analysis published with your Budget papers? It sounds like you've got one in there somewhere, but you have just not published it.

**Jeremy Hunt:** We assess, as we are required to, the equalities impact of every individual measure, so there is a very thorough process. It is not just women; it is for all protected groups and protected characteristics. That process does happen.

Q256 **Dame Angela Eagle:** It would be nice if it could be more transparent. Talking about that, in your own distributional analysis that you did publish, you grouped together all the policy announcements since the 2022 autumn statement. Why did you pick that particular year? I note that it shows, in the distributional analysis from 2022, that the measures help those in lower income deciles, but the announcements you have made in this fiscal event are the other way around: they give more to those who are higher up the income deciles.

**Jeremy Hunt:** I think that is a logical place to start when you are talking about a group of fiscal events, because that is when the pandemic was over and we have started a new chapter in terms of our economic programme. In terms of the measures I announced a week ago at the autumn statement, the point I would make is that the bulk of our effort is to help people on low incomes. The biggest single change—the increase in the national living wage—has a huge impact on people being paid the lowest legally payable wage if they are above a certain age. That will make a big difference, and the national insurance cut focuses its effort on



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people on—

Q257 **Dame Angela Eagle:** Obviously, national insurance is not always paid by those who are on lower incomes.

**Jeremy Hunt:** No, and for people who are below £12,570, we had an increase in benefits at double next year's predicted inflation. The state pension is going up by nearly three times next year's predicted inflation. Local housing allowance is £800—

Q258 **Dame Angela Eagle:** If it is so good, why didn't you publish a distributional analysis of the autumn statement, rather than take it back to year zero, which seems to be 2022?

**Jeremy Hunt:** Because I would like the impact of my decisions to be taken in the round over a group of fiscal events. I think that is a fairer reflection of my record and this Government's record.

Q259 **Siobhain McDonagh:** Those are very interesting comments, Chancellor. Let's look at a group of women who are finding it particularly difficult financially: lone mothers. The Women's Budget Group suggests that the national insurance changes for lone mothers will benefit them by £76 a year in contributions, compared with £248 a year for lone fathers and £437 a year for a dual-parent household. Perhaps analysis might inform you as much as the rest of us.

**Jeremy Hunt:** If you look at the measures that I announced in the spring Budget, they included a £4 billion annual increase in childcare. That will make an absolutely huge difference for lone mothers who choose to work, and I make no apology in my decisions for prioritising measures that make it easier and break down barriers for people who want to work.

**Siobhain McDonagh:** I think there is still challenge about whether those childcare measures will actually be able to be implemented, given the age profile and the state of the childcare sector, but lone mothers are clearly not doing as well as other groups in terms of the national insurance changes you have made. You seem to have become a fan of Torsten Bell.

**Dame Angela Eagle:** We are all fans of Torsten Bell.

**Siobhain McDonagh:** It is a bit of a surprise that the Chancellor is such a fan.

**Jeremy Hunt:** Without always agreeing with him, I have to say.

Q260 **Siobhain McDonagh:** Perhaps you would like to think about one of his quotes that you did not mention today, which was about the impact of the national insurance disparities between those on the highest and lowest incomes: "Those in the richest fifth of households will be £1,000 better off on average in 2027-28 from these changes...much higher than those in the lowest fifth, who look set to gain by just over £200."

**Jeremy Hunt:** I will happily reflect on that if you will reflect on what Torsten Bell said about my plan in the spring Budget—



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**Siobhain McDonagh:** You don't get to ask me questions.

**Jeremy Hunt:** I am answering your question, not asking you a question. I said that I will happily reflect on that if you will reflect on what he said about the decision to pay people on universal credit childcare in advance to enable them to look for work, which they had not been able to do previously because it was paid in arrears. That will have a particular impact on lone mothers.

Q261 **Siobhain McDonagh:** I find it absolutely amazing that you would want to be praised for paying childcare in advance to people who are on universal credit, when surely it was mad to think that you would be able pay childcare in arrears in the first place.

**Jeremy Hunt:** To quote Mr Hendry's favourite word, I was just giving you the context of Torsten Bell's overall comments on the measures I have taken.

**Siobhain McDonagh:** It would take somebody who did not know a great deal to introduce that in universal credit in the first place.

**Chair:** I am going to move things on slightly. I promise that I am not going to quote Torsten Bell in this section.

**Siobhain McDonagh:** You disappoint me, Chair.

Q262 **Chair:** I will wrap up with a few things that colleagues have not raised, but which I think will be of interest. The first one was to echo, on behalf of Wiltshire experiencing adult social care pressures, that Worcestershire have also flagged that to me, as well as the home-to-school transport pressures in large rural areas. I assume that the local government settlement announcement will come this side of Christmas, Chancellor.

**Jeremy Hunt:** That is the normal practice. It is obviously, in the end, for Michael Gove to confirm when the precise date is.

**Chair:** But conversations are ongoing between your teams and his.

**Jeremy Hunt:** Correct.

**Chair:** It is not going to be as late as next February, because it was not until February this year, was it?

**Jeremy Hunt:** I cannot give you the exact date, but discussions are ongoing.

Q263 **Chair:** Okay, thank you. On the subject of dates, we note that the temporary 5p off the price of fuel expires on 23 March. Can we infer from your comments that you do not like temporary reliefs and that that will just be allowed to lapse, or can we infer that we might have a Budget before that date?

**Jeremy Hunt:** I do not like temporary reliefs. Something that is permanent should be described as permanent. What you refer to is a





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temporary relief, and we will make a decision on that when we have the spring Budget, the date for which has not been decided.

Q264 **Chair:** It has not been decided, but it is likely to be before 23 March. Are we incorrect in suspecting that?

**Jeremy Hunt:** I am afraid that I cannot tell you anything about the date of the next Budget, because it genuinely has not been decided.

Q265 **Chair:** Okay. On the subject of simplification of the tax system, as you know, this Committee has a strong view that it was a mistake to abolish the Office of Tax Simplification. We acknowledge that you have simplified a few things in your time as Chancellor—for example, the pension lifetime allowance and some NICs measures in this Budget. Do you accept that a lot of work is still to be done in terms of simplification of the tax system on the high marginal tax rates at various points on the income scale, the cliff edges that exist that will be capturing more and more people as time goes by, and incomes growing faster than inflation? What are your thoughts on simplification generally?

**Jeremy Hunt:** It is something that I always try to practise in every fiscal event that I am responsible for. I think I have done some major simplification, as you generously commented on, and I would hope to continue in that vein. I agree with you, by the way, that there is lots more simplification that we need to do; I accept that lots of simplification is necessary.

**Chair:** Okay. Thank you very much. Unless colleagues wish to catch my eye on anything else, I think we have covered a lot of ground in this afternoon's scrutiny of the autumn statement. You have committed to write to us on the details around the aerated concrete issue and what you are hearing from the Department for Education on that—

**Mr Baron:** And investment companies.

**Chair:** And investment companies. We will obviously be in touch on the outstanding issues, but, on behalf of my colleagues, can I thank you very much for your evidence this afternoon?