



Treasury Committee

Oral evidence: Spring Statement, HC 813

Wednesday 2 April 2025

Ordered by the House of Commons to be published on 2 April 2025.

[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; Bobby Dean; John Glen; John Grady; Dame Siobhain McDonagh; Lola McEvoy; Dr Jeevun Sandher; Yuan Yang.

Questions 185-317

Witnesses

I: Rt Hon Rachel Reeves MP, Chancellor of the Exchequer, HM Treasury; Louise Tinsley, Director of Labour Markets and Welfare, HM Treasury; and William Macfarlane, Director of Strategy, Planning and Budget, HM Treasury.

Examination of witnesses

Witnesses: Rt Hon Rachel Reeves MP, Louise Tinsley and William Macfarlane.

Q185 Chair: Welcome to the Treasury Select Committee on Wednesday 2 April 2025. Today, we continue our scrutiny of the spring statement made by the Chancellor of the Exchequer in the House of Commons last week, and we are delighted to have the Chancellor herself in front of the Committee today. She is joined by Will Macfarlane, who is the director of strategy, planning and budget at the Treasury, and by Louise Tinsley, who is the director of welfare and labour markets at the Treasury. Welcome to you all.

I want to start, if I may, Chancellor, with the comments that were made by the Chief Secretary and repeated by you last week, comparing welfare recipients and children's pocket money. I wonder if, on reflection, you think that was a wise comparison to make.

Rachel Reeves: It is a pleasure to be here at your Select Committee today, Chair and members of the Committee. The Chief Secretary to the Treasury has apologised for the clumsy language that he used. It was not the right language. I was asked a specific question. I did not, first of all, hear the previous interview of the Chief Secretary. The question was put to me about pocket money. But it is not a right analogy, and apologies have already been made.

Q186 Chair: So you are making an apology, too, for the comments that you made on the—



HOUSE OF COMMONS

Rachel Reeves: I do not think I made the same comments, but the analogy—comparing pocket money and personal independence payments—is clearly not right.

Q187 **Chair:** Okay. Thank you for that.

I also want to touch on an important issue. When we were up in the Darlington campus examining the work of the Treasury, on that very day, 11 February, there was a leak—well, we believe it was a leak, and I think there was a leak inquiry in the Department—of the OBR forecast. Do you take that as a serious matter?

Rachel Reeves: Yes, I do. I do not condone leaks. There is always going to be speculation ahead of things like a spring statement, or a Budget, about the different measures. Some people who say that they are a source close to one Department or another are not always as close as they say they are, so sometimes those leaks are more speculation rather than leaks. When you took evidence from James Bowler, the permanent secretary at the Treasury, in Darlington on 11 February, he rightly said that he would do a leak inquiry into that, but I will pass to my colleague Will Macfarlane to say a little bit more about that.

William Macfarlane: Thank you, Chancellor, and thank you, Chair. I think the permanent secretary wrote to the Committee in March to update you on the fact that he had opened an inquiry into the article, as discussed with you, including into whether this article was in fact a leak or, as the Chancellor says—and as I think Richard Hughes of the OBR reflected to you yesterday—a feature of speculation by people knowing how the OBR forecast works. That inquiry is open.

Our policy as a Department is not to comment on leaks or other speculation about forecasts or policy ahead of financial and economic statements. However, the permanent secretary is absolutely clear on the point of principle that all forecasts are market-sensitive material and private and should be protected, and should be announced to Parliament in the proper way at the end of the process. As a result, as I think he confirmed to you in writing, Chair, we have revisited internally access to the forecast, in line with our procedures, which are robust, as you would expect, and our approach to security. We have reminded all those involved—which is a large number for complex events of these sorts—of their responsibilities to that information.

Q188 **Chair:** Do you believe any civil servant was behind the leak?

William Macfarlane: I am not going to comment on leaks or speculation.

Q189 **Chair:** Okay. On the OBR's circulation list, there are about 102 people who get the final forecast, but prior to that—prior to 11 February—a number of meetings took place. Four of those include special advisers, including special advisers attending meetings that in the past they would not have attended. Can you tell me which special advisers attended the meetings, Chancellor?



HOUSE OF COMMONS

Rachel Reeves: Professor John Van Reenen, who is chair of the council of economic advisers, attended meetings with the Office for Budget Responsibility. He also attended some of the technical meetings, where he provided evidence to the OBR on the different measures that the Government are taking forward. I feel very fortunate to have Professor Van Reenen as chair of my council of economic advisers. He is a very esteemed economist, previously having been at the London School of Economics and the Massachusetts Institute of Technology, and I think it is absolutely right that he attends those meetings.

Q190 **Chair:** So he is a special adviser? He was appointed as a special adviser to you?

Rachel Reeves: Yes. It is slightly different because it is the council of economic advisers, and he is chair of the council of economic advisers for me.

Q191 **Chair:** Okay, so it is John Van Reenen who attended those four meetings before 11 February?

Rachel Reeves: Yes.

Q192 **Chair:** Okay. Thank you very much for that. When will we have an outcome from the leak inquiry?

William Macfarlane: I will have to raise that with the permanent secretary.

Q193 **Chair:** And does that leak inquiry involve a forensic investigation of the digital devices of all of those who were at those meetings?

William Macfarlane: I cannot comment on technical matters of leak inquiries, Chair, but I will go back to the permanent secretary—

Chair: Well, in a theoretical situation, were there to be a serious leak inquiry in the Treasury, what would be the normal process that would be undertaken?

William Macfarlane: It is not my professional expertise to comment on leak inquiries. They are obviously undertaken very seriously when they are instigated by the permanent secretary.

Q194 **Chair:** Further information was revealed before you made the spring statement last week, Chancellor. Do you consider that that was a leak? Would you like to just comment on that?

Rachel Reeves: You would have to tell me what you are referring to.

Chair: There was information revealed about some of the information that you were announcing in the House that day. It was on the welfare figures—the extra £500 million.

Rachel Reeves: Right. That has not been raised with me or—I don't think—the permanent secretary. There is often speculation ahead of a spring statement or a Budget. I do not know which information you are referring to, but the Secretary of State for Work and Pensions, the week



HOUSE OF COMMONS

before the spring statement, set out the details to the House about the welfare package, and then said in that statement that those numbers would be scored by the Office for Budget Responsibility.

Q195 **Chair:** Okay, that was just for further information. What we will do, then, is write to the permanent secretary, if there is an inquiry going on, to see whether that is considered as part of that inquiry.

Rachel Reeves: Can I just also say, Chair, if it is okay, that we have reduced significantly the number of people who are on circulation lists ahead of fiscal events, because of concerns that we had last year about information appearing in the public domain before I delivered the Budget? So, ahead of the spring statement, we did curtail the list, and we do everything we can to keep that information secure. It is not in the interests of the Government, me as Chancellor, or indeed the Treasury for this information to be in the public domain. As Will Macfarlane has said, often this information is market sensitive, and it is both discourteous and dangerous to leak information—if that is indeed what happened.

Chair: We appreciate, Chancellor, your commitment to not having leaks on that.

William Macfarlane: If I may, just because you are going to write to the permanent secretary, perhaps I can also help with that. After every single economic and fiscal statement, going back many years, we conduct a review, including with the OBR and the Departments involved—in this case, that will obviously be closely with the DWP—that considers all aspects, including security. I do not know exactly which article you asked the Chancellor about, but we would of course bring into that review the points around speculation around the event and what we can do. We do that every time. We report to the executive management board and ultimately to the permanent secretary on those matters, because we take them very seriously.

Q196 **Chair:** We certainly appreciate that there is a big difference between speculation and a leak, and there is an awful lot of speculation every time the Chancellor walks down the street, opens her mouth or, indeed, raises an eyebrow. But it was pretty shocking; it was the first time in 15 years that there had been a leak of a forecast, so I think we would all agree that it is a serious matter.

Just very quickly, the spending review, of course, is due in June, and we are hoping to have the Chief Secretary to the Treasury in front of us to discuss that in advance of the spending review. He himself has said that, when he was chairing a Committee, “no one actually told me what the spending review process was, or how to intervene or lobby on it effectively”. We are hoping that he will be able to come, and we have put that invitation in. Would you be supportive of the Chief Secretary attending the Treasury Select Committee ahead of the spending review? You are expecting it to be the only spending review of this Parliament—it is a significant spending review, for three years—and we would like to know, really, the process that you are putting in place to make it as



HOUSE OF COMMONS

transparent as he is promising it will be.

Rachel Reeves: I have huge respect for Select Committees, as does the Chief Secretary, both of us having previously chaired Select Committees. I know you have written to the Chief Secretary, and we will look at that invitation. But we always want to be transparent and give information to Select Committees. Can I also say that it will not be the only spending review of this Parliament? We have committed to do three-year spending reviews every two years, so we will do another spending review in this Parliament.

Chair: I think you have just announced an election date.

Rachel Reeves: The point is a really important one, because one of the reasons we have had some of the challenges we have faced as an incoming Government is that there had not been a spending review for a number of years. Obviously, in that time, inflation had been very high, so the cost of delivering public services had increased, and yet there was no spending review—or no settlements had been made with Departments. We have committed to do those three-year reviews every two years, so the last year can be updated. I think it is really important that we do that.

Q197 **Chair:** Just to be clear, when there is a review, it will not be for the three years following the end of this one—it could review that third year of the spending review?

Rachel Reeves: Yes, absolutely, because things happen in the preceding time. That is also why we are setting the spending review a longer trajectory for capital spending, because those decisions are often over a number of years. Obviously, we will make sure that evidence is given to the Committee after the spending review, and also subsequent spending reviews, statements, Budgets and the like. We take those responsibilities very seriously.

Q198 **Chair:** We are quite keen to hear about it beforehand. As the Chief Secretary and yourself have said—he, in particular, has repeated this consistently—this is a zero-based review, and all Departments will be looking at every line of their spending. So we are keen to hear about the process, as well as what decisions have been made. Obviously, we appreciate that it might be hard for him to tell us the final decisions in advance of the spending review—that would be rather challenging, and we are not expecting that. But having that evidence would be helpful, given this Government's commitment to transparency and openness, and I would hope that that was something you would welcome.

Rachel Reeves: Let me have a look at that idea. But hopefully you, Chair, and Committee members have already seen how seriously we take the scrutiny process of Select Committees.

Q199 **Chair:** Finally, before I pass to Bobby Dean MP, we had the Office for Budget Responsibility in front of us yesterday, and I used the opportunity to ask Richard Hughes about his potential reappointment—he is coming to the end of his five-year term in October, as you know. He said that he has

written to you indicating that he would be willing to have a second term. Do you have any indication of when you will be making a decision on that, or is there anything you would like to tell us today?

Rachel Reeves: Yes, we have received a letter from Richard Hughes. We will be responding to that and, of course, you will be the first people to know about that, as is right and proper. We have been really focused on the spring statement in the last few weeks, but we will respond in the proper way. I want to take this opportunity to thank Richard and the other members of the BRC, David Miles and Tom Josephs, for the huge amount of work they put into supporting the forecast process and the analysis of the different measures, both at the Budget last year and the spring statement last week.

Q200 **Chair:** I completely appreciate your being very busy with the spring statement. Do you have any idea of the timescale for when you will make a decision on Richard Hughes's position?

Rachel Reeves: His term is up on 3 October, so we recognise that we need to make those decisions quickly, and you will be the first people to know when we have done that.

Chair: Thank you very much for that.

Q201 **Bobby Dean:** The OBR play a big role in our national debate now, with their forecasts influencing an awful lot. They have come under a bit of scrutiny for that recently—not necessarily for their independence or the quality of their work, but for the reliance on their forecasts alone to dictate Britain's economic policy. Do you have a response to that? Do you think that a plurality of forecasts in these moments might be useful, or is it still good to have just one set of forecasts?

Rachel Reeves: Obviously, a number of people do forecasts that we look at and take seriously, including the Bank of England, who publish a forecast four times a year, and that is very useful. The IMF, the OECD and many independent institutions provide forecasts. So it is not the only forecast available.

But what is important is that you have an independent forecast and independent scrutiny, and I guess that is what the OBR can do that other forecasters cannot. We give them the information ahead of changes in policy so that they can look at and scrutinise it. They can also scrutinise directly the people making the policy—not just the Treasury, but the different Government Departments and people making those policies. So the OBR do have a unique role in our public life and play a very important part in providing the economic stability and security that all our constituents, families and businesses need.

I very much pay tribute to the work that the OBR do in keeping us on our toes. It is not always an easy process, but we saw what went wrong when the OBR were not asked to do a forecast in the mini-Budget two and a half years ago. That was not the only reason the economy crashed afterwards—that was because of the unfunded tax cuts—but a contributory



HOUSE OF COMMONS

reason for the economic events that unfolded afterwards was the undermining of independent economic institutions: not allowing the OBR to do a forecast; sacking the respected permanent secretary of the Treasury, Tom Scholar; and undermining the independent Bank of England. So I take the role of the OBR incredibly seriously in this process.

Q202 Bobby Dean: The OBR produce two forecasts a year, but you are committed to one fiscal event a year, which I think you define as making adjustments to tax. Given that the forecasts are instrumental in determining your headroom and that you are going to want to be responsive to that to make sure you maintain your fiscal rules, do you fear that being out of sync means that you have one hand tied behind your back in these processes by not being able to pull the tax lever as well as the spending lever?

Rachel Reeves: It is really important that we have just one major fiscal event a year, because families and businesses do crave stability. In the last Parliament, there were a huge number of fiscal events, mini and otherwise, and that constant chopping and changing of tax rates and thresholds contributed to the economic uncertainty and volatility of that period, which had a direct impact on business confidence and consumer confidence. That is why we have made the decision as a Government to have just one major fiscal event a year.

Q203 Bobby Dean: I guess my question is whether it is important to you to have two forecasts a year. If it is really important to you to have one fiscal event a year, is it important to still have two forecasts? Obviously, it restrains you in those moments if you are committed to having a fiscal event only once a year.

Rachel Reeves: No, I do not feel that. The OBR incorporated the latest economic news from financial markets and we updated our plans on that basis. We could have chosen to say that we would address issues of headroom at the Budget, but I did think it was important to show how importantly we take fiscal sustainability and fiscal stability. That is why we made the decisions we did at the spring statement to restore the headroom. That was the choice that I made as Chancellor.

Q204 Dr Sandher: Thank you, Chancellor, for coming to this Committee. I want to ask about your growth targets, how you aim to hit them in every part of the country and how important you think it is that we do so. At the moment, for example, London's productivity is 26% higher than the national average. In your view, in hitting your national growth target, how important is it to increase productivity in the regions outside London?

Rachel Reeves: It is absolutely crucial. Achieving strong economic growth is not just about lines on a graph; it is about the money that people have in their pockets. We want to see economic growth and the benefits it brings felt in all parts of the country. That is why at the Budget last year we put significant investment, for example, into upgrading the trans-Pennine route. It is why the national wealth fund has made a number of investments, including in mining in Cornwall and in projects



HOUSE OF COMMONS

around the country, including upgrading social housing with better insulation.

It is very important to us that we do feel that growth everywhere. That is also why at the investment summit last year we were pleased to announce investments into data centres and in energy projects in all parts of the country, and why as a Government we were pleased to be able to announce investment alongside Shell and Equinor in carbon capture and storage in Teesside and Merseyside.

We do look through a geographic, place-based lens in economic policymaking. That is also why yesterday we uplifted the national minimum wage and the national living wage, giving a pay rise to 3 million working people, the majority of whom are outside London and the south-east.

Q205 Dr Sandher: That is helpful, Chancellor. We have broadly alluded to some of this, but great capital projects and good jobs have been scarce outside London in recent decades, and there has been lower job security. The average wage of a non-graduate, particularly in post-industrial areas, is about £26,000, but you need £28,000 to live a decent life, and that is without having any dependants. Do you see this as a Treasury strategy to get good, non-graduate jobs outside London? Has that been built into your policy making?

Rachel Reeves: Yes. That is why my colleague Bridget Phillipson, the Education Secretary, has announced reforms to the apprenticeship programmes, for example. She has relaxed the requirements around maths and English at GCSE for foundational apprenticeships, to expand the number of apprenticeships that we are able to offer. It is why, just ahead of the spring statement, we were pleased to be able to announce 60,000 additional places on construction courses, to help create good-quality jobs paying a decent wage. It is also why we introduced the Employment Rights Bill, to ensure that security and dignity always come through work. We will do that by getting rid of exploitative, zero-hours contracts and fire and rehire, and giving additional rights to workers from day one, including access to sickness benefits. We are determined, through some of the supply side reforms and employment law, to improve the conditions of work and the wages of work in all parts of the country, including for those on the lowest pay.

Q206 Dr Sandher: That is helpful. On construction jobs in particular, has that money been targeted at areas that need it the most, or is it at this point a national figure and a national target?

Rachel Reeves: We have committed to technical excellence colleges, one in each region of England, because we want to be building homes in all parts of the country. We have ambitious targets: 1.5 million new homes built in England during the course of this Parliament. We were really pleased to see that, in their forecast, the OBR scored the changes we have made to the national planning policy framework, and said that those changes alone—the changes that I announced on my first Monday as



HOUSE OF COMMONS

Chancellor—will result in the economy being £6.8 billion bigger by the end of the forecast period, contributing £3.4 billion in additional tax revenue.

We need people with the skills to be able to build those homes. We know that the construction industry workforce is older and that we need to be training up the next generation. As part of that package of measures, we have incentives for people who have worked in the sector in the past to train people at FE colleges, which is crucial. When I was at Bury college just a couple of weeks ago with the Education Secretary—I was a not very successful bricklaying apprentice on that visit—we saw that those courses were two or three times oversubscribed. One in eight of our young people is not in education, employment or training, and often that is the fault of policy making. We have young people who are desperate to gain the skills to get on in life, yet when they apply for a course they are told that it is full. We want to change that, which is why we are extending the number of apprenticeships and construction courses, so that more people can get the skills that they need to succeed in life.

Q207 Dr Sandher: That is very helpful. Mr Macfarlane, I have asked your colleagues about the Green Book and some of the reforms you might consider. Continuing the theme of reform, and looking at Louise Tinsley, or whoever is most appropriate—maybe we can have a strategic question and a technical question, but if it is technical and you want to come back on it that is completely fine—when the tyranny of the benefit-cost ratio has been discussed, Treasury officials have told this Committee that Departments are told not to rank projects simply by which has the highest BCR. Yet when I have spoken to Departments, to people in the transport sector and to the east midlands MP whose area has the lowest transport spending in the country, they say that tyranny of the BCR still very much exists, and because of that we have less chance of transport infrastructure projects outside London. Strategically, in the Green Book review, are you planning to send the message out clearly to Departments that that is not the way to make spending decisions, and particularly to consider the strategic case for transport projects?

Rachel Reeves: May I say something first? It is the mayor of Merseyside, Steve Rotheram, who has mentioned this to me more than anyone else, both when we were in opposition and since we were elected to Government last year. I recognise from conversations that I have had with many of our mayors that the tyranny of the BCR does have a very real impact on investment decisions. That is why I instigated this review of the Green Book, so that we can see that investment in capital projects in all parts of the country. I will pass on to one of the officials now.

Louise Tinsley: As the Chancellor says, the short answer is yes. This was identified in the Green Book review in 2020. I think it currently makes it clear that the BCR is only part of a wider balanced judgment, but it is recognised that that continues to be a problem, which is exactly why the Chancellor announced the review in January.

Dr Sandher: That is very kind.



HOUSE OF COMMONS

Q208 Yuan Yang: Thank you, Chancellor, for coming before us with your team. I was in the audience when the Prime Minister announced his key milestones for this Government at the end of last year, including the twin economic milestones of higher growth and higher living standards in every region of the country. Can you set out why it was important to you to have those twin objectives? Are there measures that would promote living standards but not growth and vice versa, and why are there two economic milestones?

Rachel Reeves: Thank you very much for that question. We want to see economic growth. It is important for the competitiveness of our country and for improving living standards. Economic growth is also crucial to provide the money we need for our public services, as well as for reforming them.

There is no better proof of that than the Office for Budget Responsibility scoring our planning reforms. They say that as a result of the new national planning policy framework, we are going to build more homes every year and reach a 40-year high in house building, which has a direct impact on people's lives. It helps to create jobs in the construction industry—going back to my answer to the previous questions—and it provides the homes that, as all our constituents regularly tell us, are desperately needed. Home ownership is going backwards and people need the security that a home brings. It also directly contributes to the public purse by bringing in revenues, not by raising taxes but by making the economy bigger and so increasing tax revenue.

Economic growth is incredibly important, but none of our constituents say, "I feel much better off because the economy is growing." They feel better off if they have more money in their pockets, and that is why we are also measuring real household disposable income as part of our plan for change. We are very pleased that, in the numbers published alongside the spring statement, compared with the spring Budget in 2024, if you look at RHDI in every year of the Parliament, you can see that on average it is £500 more per year. That is more money in people's pockets.

Do I want to go further and faster on both growth and living standards? Absolutely, which is why we are not stopping with the national planning policy framework. It is why we are taking the Planning and Infrastructure Bill through Parliament. That is absolutely crucial for growing the economy and building the infrastructure we need. It is why we are embarking on the big capital markets reform, reform of our pension system and to get more money invested in the economy, and so much more besides. Some of the planning reforms have already been scored and we want more of them to be scored, because we want to grow the economy and make people better off in all parts of the country.

Q209 Yuan Yang: I have some specific questions about metrics on which it may be appropriate to bring in your team. Is there a regional aspect to this metric? The Prime Minister mentioned high living standards in every region of the country.



HOUSE OF COMMONS

Rachel Reeves: There are some measurement issues on RHDH per head, but we are determined to ensure that that growth benefits all parts of the country. Will, do you want to say anything more about that?

William Macfarlane expressed dissent.

Q210 **Yuan Yang:** In its outlook, the OBR explained that much of the £500 you mentioned comes from imputed rent, which it describes as “what homeowners would receive if they rented out their home.” That makes the boost less tangible for households because it is an imputed measure rather than a cash in your pocket measure. I appreciate this is quite a technical conversation about the metrics, but I wondered whether you or one of your staff would comment on what the OBR said.

Rachel Reeves: Another measure you can look at is GDP per capita. That fell in the last Parliament, and the OBR forecast that it will increase by, I think, 5.5% during the course of this Parliament. Obviously there are different measures, but whether you are measuring RHDH or GDP per capita, both are forecast to rise. That is after the last Parliament, which was obviously the worst on record for living standards.

William Macfarlane: I do not have a technical answer to your question, other than to repeat the Chancellor’s points. The Prime Minister has set out a focus on RHDH per capita, and we are looking at means to evidence that regionally, to answer your previous question. There is also a basket of measures here, and we look at how they impact policy, both distributionally and regionally. The two figures that the OBR focuses on, which therefore most drive our analysis of its forecasts of fiscal events, are RHDH per capita and GDP per capita. I think there is positive news in its latest forecasts for what the Government are doing, as the Chancellor has set out.

Q211 **Yuan Yang:** Do you know how much of that £500 comes from the imputed measures, or is that something that you will set out to the Committee later in writing?

William Macfarlane: I think we will need to set it out later.

Q212 **Lola McEvoy:** Welcome, Chancellor. I want to talk a little bit about the productivity puzzle in this country. Public capital investment dropped historically low under the last Government, and Dr Saleheen told the Committee yesterday that our low public capital investment is one of the reasons why we have lagged behind the productivity rates and the bounce-back of the US and other EU economies. Can you outline your approach to public capital investment as a percentage of GDP?

Rachel Reeves: Yes. Let me first give you the numbers in pounds, and then I will say a bit about percentage of GDP. The fiscal rules that we are using as a Government are: first, a stability rule, so we have to pay for day-to-day spending through tax receipts; and secondly, the need to bring down debt and public sector net financial liabilities as a share of GDP in this Parliament.



HOUSE OF COMMONS

The second fiscal rule is so important. I think it is really important that you pay for your day-to-day spending with tax receipts, but it is also really important that we are able to borrow on capital markets to fund long-term investments, whether that is in energy infrastructure, transport infrastructure, technology or new schools and hospitals. Obviously, the return from those comes over many years. In the past, to meet previous fiscal rules, you could just cut capital spending, the impact of which was not felt until later. However, there is then the problem that, at every subsequent Budget or fiscal event, every year, you are not benefiting from the capital investment that you cut in the past to make the numbers add up.

That is why we are measuring public sector net financial liabilities. For the first time, we are counting the benefits of investment, not just the costs of it, and that is why we have taken capital spending outside the stability rule. As a result, in the Budget last year, we were able to announce some additional £100 billion investment into CDEL—capital—projects during the course of this Parliament. Actually, despite the deterioration in the fiscal position in the spring statement, which Mr Dean alluded to earlier, we were able to increase the capital investment in the spring statement last week by a further £13 billion over the course of this Parliament. In the OBR's last forecast in autumn, it said that that additional capital spending, if maintained, would increase the size of the economy.

As a result of what we are doing, we have increased capital spending as a share of the economy. It was due to fall to 1.6% of GDP under the plans that we inherited. Instead, it will stay around 2.4% for the duration of this Parliament. That is the extra 0.8 percentage points that the £100 billion brings. It also brings with it better transport for our constituents, more secure energy produced in this country and better digital technology, so that we can exploit some of those jobs and opportunities of the future. It will also help us to rebuild our schools, where the roofs are literally crumbling in, and to build and upgrade our hospitals, so I was really pleased. The biggest long-term impact, from both the Budget and the spring statement, that we have made so far as a Government is to unlock and maintain that capital spending, because of the fiscal rules and the prioritisation that we have placed on rebuilding our country and its infrastructure.

Q213 Lola McEvoy: Thank you for that. So it is 2.4% of GDP. I think Dr Saleheen said it was around 4% in some thriving economies. Is 2.4% the sum of our ambition in this Parliament, or do you think that if we get growth at a higher rate, we will be able to look at more capital investment?

Rachel Reeves: I think you can tell how keen I am to make sure that we invest in our infrastructure. That is also why we are using means such as the national wealth fund to leverage in private sector investment. Capital spending is 2.4% of GDP in the final year of the forecast, and actually higher in some other years.

William Macfarlane: In preceding years it is 2.7%.



HOUSE OF COMMONS

Rachel Reeves: Thank you. I was underselling what we are doing. It is forecast to be 2.7% earlier in the Parliament and 2.4% in the last year, rather than the 1.6% that we inherited. In addition, the national wealth fund is leveraging in private sector money. Mark Carney, the former Governor of the Bank of England and now Prime Minister of Canada, did a review of that for us when we were in opposition.

Q214 **Chair:** We are doing a review of the national wealth fund.

Rachel Reeves: Yes. The idea of that fund is that it leverages in three times as much private investment as the public investment that we put in.

Q215 **Lola McEvoy:** What is your analysis of the balance of risk for projects from the national wealth fund? Do you think that the primary objective of the national wealth fund should be to derisk new projects and ideas so that private investment can come in behind it, or should it be to get a good deal for the taxpayer from the share that we put into the less risky projects?

Rachel Reeves: It has to do a bit of both. You can see from the remit letters that I have given to the financial services regulators, and the work that the Prime Minister has led on better regulation, that we are saying that we should regulate for growth, not just for risk. That is important. If you only cared about risk, you would never get out of bed in the morning. That is no good for individuals, and certainly no good for an economy. Investing in things and taking a bit of a risk is not a bad idea. If you never take a risk, you will never succeed, so we are keen to ensure that both the national wealth fund and the British Business Bank are able to take calculated risks. This is taxpayers' money, so they have to be calculated risks, but you are absolutely right.

A lot of business say to me that once they get money from the national wealth fund or the British Business Bank, that says to other investors, "Someone has done a lot of due diligence here. If taxpayers are willing to put their money in, then we, as institutional investors"—or venture capital, or whatever—"can, too." There are many great examples of businesses that have had support from the British Business Bank and are then able to go to market and access more.

Q216 **Chair:** Can you give us an example?

Rachel Reeves: Actually, I met with Quantexa yesterday. It is one of the UK's massive success stories—a unicorn firm. Its series C or series D funding got £10 million from the British Business Bank. It has just done its series F funding, and I think that raised £200 million, including more money from the British Business Bank. The people I met spoke passionately about what the British Business Bank had enabled them to achieve.

Q217 **Dame Harriett Baldwin:** Chancellor, already in your evidence you have made clear how much you value the work of the Office for Budget Responsibility, the IMF and the independent economists who help to frame what are effectively the UK's guardrails. I note that last year, in its



HOUSE OF COMMONS

article IV examination of the UK economy published on 1 July, the IMF said that growth is recovering faster than expected, and that, “Inflation has fallen rapidly to near-target.” You became Chancellor on 5 July and the Budget came out at the end of October. I was very struck by the difference between the report that the Office for Budget Responsibility put out last October and the one it published last week with your spring statement. In those five months, the OBR’s forecast for inflation this year went from 2.6% to 3.2%. You highlighted the fact that its growth forecast has halved from 2% to 1%. It also expects UK borrowing to be £47.5 billion higher in the forecast period, and the unemployment rate to go from 4.1% to 4.5%, despite the welfare reforms announced alongside the spring statement. It expects debt interest to be more than £30 billion higher over the next five years, and that more children will be in poverty at the end of the forecast period than at the time of its last report. This is also “awful April”—bills are going up for households across the country, and no doubt we have tariffs being announced later today. I just wondered to what extent you recognise now that business confidence and consumer confidence took a real hit after your Budget in October.

Rachel Reeves: You started by talking about the IMF. The IMF are very supportive of what we did in the Budget last year to put the public finances back on a firm footing. They were also very supportive of the fiscal rules that we announced, both to bring stability to the public finances but also to unlock private investment. I was very appreciative of the support from both Kristalina Georgieva and Gita Gopinath at the IMF for the work that we are doing to bring stability back to the economy and, through our modern supply-side approach, to bring growth back.

You mentioned the OBR forecasts around growth for this year. As you will well know, the OECD and others have downgraded a range of countries in the G7 and the developed world, but the OBR have also revised up growth for 2026, '27, '28 and '29, and they forecast that by the end of the forecast period, the economy will be bigger than they forecast at the Conservatives’ last Budget, and indeed bigger than they forecast at the Budget that I delivered last autumn. So if you take it in the round, the OBR are saying that the economy will be bigger; they put that down to the planning reforms that we have instigated, and the IMF welcomed what we did at the Budget last year.

Q218 Dame Harriett Baldwin: But Chancellor, as you rightly say, you are following a lot of the recommendations in the IMF article IV report on the UK economy. You must acknowledge—you cannot deny the reality—that since October last year and the spring statement, growth in this economy, the confidence of businesses, the confidence of consumers, has been considerably worse than you were hoping for when you announced that Budget. You must be able to see that.

Rachel Reeves: I absolutely accept that there are costs to any policy, whether it is on spending or tax, but there are also costs to irresponsibility. Just imagine if, last October, I had not taken the action that we did—to put the public finances on a firm footing and put more money into the NHS, which has seen, for five months in a row, waiting



HOUSE OF COMMONS

lists fall and 2 million additional appointments, reducing those record waiting lists that were bequeathed to us by the previous Government.

But also, because we brought stability back to the economy, when the world changed, as it undoubtedly has, these last few months, we were able to uplift spending into defence to take it to 2.5% of GDP within just two years—the biggest sustained increase in defence spending—

Q219 Dame Harriett Baldwin: Only by taking away money from the international development budget.

Rachel Reeves: Yes, but if we had not made those decisions last October in the Budget, there would have been other demands on those budgets. You say, “Only by doing that”—I am afraid your party had 14 years to put more money into defence, and money on defence spending fell.

Q220 Dame Harriett Baldwin: Chancellor, I am genuinely interested in the decisions you have taken since you have become Chancellor. What I am not hearing, in these economic statistics since your Budget last October, is anything that has got better in terms of the economic numbers.

You cited the planning reforms as a helpful supply-side measure that has helped the Office for Budget Responsibility to increase their growth figure for the UK economy, but your chart 1.1, in the Treasury document published alongside the spring statement, specifically spells out that the autumn Budget measures, in terms of crowding out and employer national insurance, have actually reduced the UK economy. Surely you can accept that your measures have had some of the impact in terms of the deteriorating statistics that I have mentioned since October.

Rachel Reeves: I have said that of course there are always costs to any policy on tax or spending, but there is also the cost of the counterfactual. The counterfactual would have been leaving the public finances on an unfirm footing, to embed the instability bequeathed to us by the previous Government. It would also have meant further increases in NHS hospital waiting lists, so we increased national insurance contributions and we put £25 billion extra investment into our national health service.

We think that was the right priority. Other people would say, “No, don’t put more money into the NHS,” and it is absolutely their right to say that. If you want more money put into our NHS to reduce waiting times, we have now, for five months, reduced NHS waiting lists with 2 million additional appointments. If you would prefer not to put that money into the NHS, you are absolutely at liberty to say that. But you have to be honest because if you want that extra money, you have to support the taxes to pay for it.

Q221 Dame Harriett Baldwin: Well, we can monitor the impact of that as time goes by, but could you help the Committee out with the extra £500 a year in real household disposable income that you cited? What official document is that published in?

Rachel Reeves: It is from the OBR numbers; I already gave that answer to Yuan Yang. If you take the spring Budget of the previous Chancellor,



HOUSE OF COMMONS

Jeremy Hunt, and compare the OBR's forecast for real household disposable income at that time with the forecast that the OBR published last week, and if you look at RHDl per year, every year, and look at the contrast between those two, you average—

Dame Harriett Baldwin: So it is £500 per year per household.

Rachel Reeves: As I said in the previous answer, it is the average, so some years it is more than £500 and some years it is less. That £500 is the average additional RHDl for the spring statement that I delivered last week compared with the last Budget the Conservatives delivered. In that time, the OBR forecasts that, on average, RHDl per person will now be £500 more, because of the actions we have taken, when compared with the plans bequeathed to me by the previous Government.

Q222 **Dame Harriett Baldwin:** Do you recognise that the deterioration in the economic statistics and the OBR's forecast from last October until now—or March—has caused some consternation in terms of how the markets have dealt with the amount of gilts that the UK has to issue? The Office for Budget Responsibility have confirmed that it has put us much more at the mercy of the markets, because we have increased borrowing by the amounts that I read out earlier.

Rachel Reeves: The Office for Budget Responsibility say that three quarters of the deterioration in the fiscal position since the Budget last year was to do with movements in Government bond yields. You will know that our bond yields have moved in line with our European peers—

Dame Harriett Baldwin: They said a bit worse, actually.

Rachel Reeves: Well, if you look at us compared to Germany and France, I think we have moved in line with our peers. That is what the Office for Budget Responsibility confirm.

Look, when I became Chancellor national debt was twice as high as when Labour left office in 2010. As a result of that, we are spending £105.3 billion on debt interest payments. That is more—*[Interruption.]* Let me finish answering your question. That is more than we spend on defence, the Home Office and the Ministry of Justice combined. That is why it is absolutely essential that we have returned fiscal stability to the economy and are beginning, as the OBR confirm, to bring down debt—public sector net financial liabilities—as a share of GDP. It is essential that we do that, because I would rather spend money on the priorities of the British people, rather than on servicing the debt left to us by the previous Government.

Dame Harriett Baldwin: But you have increased debt.

Q223 **Chair:** We should acknowledge that there was a pandemic in the middle of the last Parliament, whichever party was in power—

Rachel Reeves: And a mini-Budget that crashed the economy—both of those things.

Chair: Indeed. But I think the pandemic would have affected anyone. I



say that just for balance.

To pick up on what Dame Harriett was saying, one of the challenges of the last Budget and the announcements on the national insurance contributions for employers is that some businesses and business sectors have said that people have paused investment or recruitment. Do you have a concern about that? Do you have any words of comfort about what might lie ahead for those businesses that will, as a result, be particularly hit by higher staffing bills when the new financial year kicks in?

Rachel Reeves: As I said in my answer to Dame Harriett's question, of course there are always consequences of any tax changes that a Government makes—

Q224 **Chair:** But do you worry that it might mean that some businesses do not put in the money that they could put in to grow the small jobs Dr Sandher talked about that are important in areas where there are perhaps not the big industries and businesses that will create the growth that we all—all of us, of whatever party, around this table—want to see, but which will not happen in the next couple of years because they are big infrastructure projects? Do you have any regrets or any thoughts about that? Have you had any conversations with businesses that made you rethink what you did last autumn?

Rachel Reeves: As I say, I speak to businesses on a regular basis, including at a breakfast I hosted this morning with some of the UK's biggest exporters. If we had not taken the decisions that we made, we would not have been able to ensure the stability of the public finances. When you lose control of the public finances, interest rates go up and bond yields go up further and since we came into office last July, the Bank of England has had the confidence to cut interest rates three times. That is very different from what we experienced in the last Parliament. As a result, borrowing costs not just for families but also for businesses have fallen.

If you look at vacancies in the economy, they have stabilised. If you look at the forecasts from the Office for Budget Responsibility about employment during the course of this Parliament, they show that employment is due to go up. The smallest businesses—and this is really important—that might, for example, be employing four people on the national living wage, will come out of paying national insurance altogether because we increased the threshold at which they start paying national insurance.

I recognise that the costs on the smallest businesses would have been the most severe, which is why we have excluded them, and actually, some small businesses that were paying national insurance previously are now not paying any at all.

Q225 **Chair:** What metrics are you looking at to see how successful those small and medium-sized businesses are—the ones that have potential to grow, particularly in those areas of the country where there are not other really big options—and what support they may need to create those jobs after



HOUSE OF COMMONS

the changes that will kick in at the end of this week?

Rachel Reeves: Obviously, I regularly talk to businesses, including the business representative bodies. The Federation of Small Businesses welcomed the lifting of the threshold—

Q226 **Chair:** I get that, but people will often say nice things to a Chancellor; I am sure they say not-so-nice things to you as well at these business breakfasts if they want to. How are you going to measure the impact of this and whether those businesses will continue to have confidence to grow?

Rachel Reeves: It is not just about what they say to me. The Federation of Small Businesses have said that we accepted one of their recommendations that they had been recommending to Government for some time, which is to increase the threshold at which small businesses pay national insurance. They welcome the fact that we listened to that and did that. Of course, we look at evidence on business formation, vacancies in the economy and the number of businesses operating in the economy—we look at all those things, as you would expect.

Q227 **Chair:** Are there any things you are looking to see do particularly well or things that would worry you as Chancellor across the sector, but particularly in relation to small and medium-sized businesses? For example, if you saw more businesses folding or freezes on recruitment, would alarm bells ring for you as Chancellor?

Rachel Reeves: Obviously, we look at all the labour market data. At the moment, it is showing that despite some of the concerns that have been raised, wages are rising at around twice the rate of inflation. Many people said that wages would fall or wage growth would collapse because of the changes to national insurance. Actually, for the last few months, wages have been rising faster than prices—around twice as high in the most recent data. Vacancies have stabilised at a historically high level in the economy, which shows that we need to do more to help people back to work.

Q228 **Chair:** You mean that vacancies have stabilised at a low level.

Rachel Reeves: No, at quite a high level compared to the historical averages, which, again, gives confidence that businesses do want to carry on hiring. In fact, it is about redoubling our efforts to ensure that those people who are not in work today are supported to get back to work. Vacancies, at about 700,000 or 800,000, are at a historically high level. Businesses still complain about the challenges they have in recruiting the people they need to do the jobs, and we need to help businesses to access the skills they need.

Chair: Sorry; I misunderstood. I will bring in Mr Macfarlane.

William Macfarlane: Chair, you asked a series of questions, starting with the NICs changes and then what we look at. In terms of our discussions with the OBR and what they look at—I think they explained this to the Committee yesterday—they highlighted some of the uncertainties around their judgment on that measure in their Budget forecast, and they



HOUSE OF COMMONS

therefore have looked at it since, in particular at survey data. What they have said at this forecast is that the survey data is genuinely mixed. We had an exchange on it in the hearing after the Budget, about the difficult judgments between impacts on prices, employment, wages and so on. They have not seen fit in the survey data they have looked at to revise any of their judgments since the Budget.

In terms of what you are seeing from that measure, there is no change in the underlying forecast. It is the story around the forecast of the short-term productivity data being about one third of the lower growth this year, and then cyclical factors, including the higher bond yields that we are all facing, the higher energy prices that we are all facing and so on.

Chair: Which we played out yesterday with the OBR, as you say. Thank you for that, Mr Macfarlane.

Q229 **John Glen:** Chancellor, can I turn to the issue of tariffs? The last time you were before this Committee, on 6 November, there was some uncertainty about the complexion of the new Administration in the US, but you said: "we will make strong representations about the importance of free and open trade, not just between ourselves and the United States, but globally." How effective do you think your representations have been?

Rachel Reeves: I spoke to my opposite number, Treasury Secretary Scott Bessent, in his first week in office. I have joined the G7 meetings since then, and I spoke to him again on Monday this week. The Business and Trade Secretary, Jonny Reynolds, is meeting regularly with his opposite number and the US trade representative. Those talks are ongoing.

As I have said before—I will happily reiterate it today—I do believe in free trade. The UK has balanced trade with the United States. When our Prime Minister, Keir Starmer, was in Washington meeting President Trump just a few weeks ago, they agreed to start a rapid dialogue on an economic agreement. That work is ongoing. We do not want to see trade barriers go up; indeed, we want to see trade barriers fall, not just with the United States but with our nearest neighbours and trading partners in the European Union, with India and with other countries around the world.

Q230 **John Glen:** Sure, but I think it is fair to say—obviously, you are not the arbiter of the US's tariff and trade policy—that the consequences of what has already been announced are quite significant. What concerns the Committee is that the OBR world economy forecast, which is based on the IMF forecast, does not incorporate any of the changes.

My colleagues will ask you in more detail about your headroom, but you have maintained it at £9.93 billion, exactly the same as in October. It is 50% higher than that of your most recent predecessor, Jeremy Hunt, but it is very modest compared with the average over the last 15 years. Professor Miles from the OBR told us yesterday that if we have the sorts of tariffs that have already been announced on cars, and they are maintained, it will "knock out all the headroom".



HOUSE OF COMMONS

One of the other things you told the Committee on 6 November was that you would not be coming back for any more tax increases. Can you confirm to the Committee today that you will not be raising taxes?

Rachel Reeves: There were a lot of questions to—

John Glen: Well, answer the last one first, perhaps.

Rachel Reeves: I said in the Budget last year that it was a once-in-a-Parliament Budget to wipe the slate clean after the economic mismanagement of the previous Administration. We made a number of difficult decisions around taxation. We increased taxes on the wealthiest in our country, and we also increased, as we have discussed, taxes on business. I think that was the right balance to restore stability to our public finances and put money—

Q231 **John Glen:** So you can rule out further tax increases.

Rachel Reeves: I am not going to write another four years' worth of Budgets—that would not be responsible—but I can assure the Committee that I will not need to repeat a Budget on that scale because we have now wiped the slate clean and put our public finances on a firm footing. Indeed, in the spending review in two-and-a-bit months' time, on 11 June, we are going to be setting Departments' capital and day-to-day spending for the next few years, and public services now need to live within the limits that we have set out.

Q232 **John Glen:** Obviously, the consequences of the cross-party consensus on spending £400 billion on furlough and other ameliorations of covid have had a massive scarring effect on the economy. Can we turn to what you might actually do with respect to mitigations of where the tariffs seem to be going? There seems to be a spectrum of responses, with perhaps a more muscular response from Canada and the EU.

The indication from what the Prime Minister said at Prime Minister's Question Time and what you have said is that the UK is adopting quite a delicate, diplomacy-led approach in the context of a trade agreement. Is there anything more you would like to say? Obviously, if we are not going to retaliate as strongly as the EU and Canada, there are fiscal implications of that.

Rachel Reeves: First of all, let us see how other countries and other trading blocs respond. I spoke to Commissioner Valdis Dombrovskis just before I came to give evidence to this Committee today, and we are discussing with other countries and with the EU the appropriate response to whatever announcements are made later today.

The Prime Minister has been really clear, and the Government have been really clear, that we will approach this in a clear-headed way and always represent the national interest. That is why the Business and Trade Secretary and I met big UK exporters this morning. They do not want the Government to rush into any response, because the prize on offer is an economic agreement.



HOUSE OF COMMONS

We don't want to do anything that undermines that; we don't want to get ahead of ourselves. We are still in discussions with our counterparts in the United States. I know that you would not suggest that we did do this—I absolutely accept that—but we don't want to be posturing here. The prize on offer is a good economic agreement between us and the United States, and we won't do anything to put that in jeopardy. We are not going to rush into action to get a quick headline. We are focused on doing what is right for our country, for businesses operating here and for working people here.

Q233 John Glen: Thank you, Chancellor. I certainly recognise the complexity and the trade-offs that you are inevitably having to deal with. May I ask you about the mechanics of how trade and tariffs are calibrated? The OBR makes assertions around the severity of the response and what impact that would have. Does the Treasury do its own impact assessment of the tariffs, or is it reliant on the OBR? Obviously, you have an iterative journey through the lead-up to fiscal events with the OBR, but how does it work on tariffs and trade with the US?

Rachel Reeves: I am not going to disagree with its analysis, but obviously, we are looking ourselves and with the Department for Business and Trade at a whole range of possible scenarios and preparing for all different eventualities. I think the OBR is really clear that the biggest impact comes from global tariffs, not UK-specific ones; the next biggest impact on the economy, both on growth and inflation, comes from retaliation, and actually the specific tariffs on the UK are less relevant to the growth and inflation impacts than the global picture because we are an open trading economy, and depressed demand from overseas because of tariffs, and higher inflation overseas because of tariffs, have a direct impact on the UK, whether we are subject to tariffs or not. That is really important to understand, because even if we are able to secure an economic agreement with the United States, which we very much want to secure and are working hard to secure, that does not mean that somehow we are therefore out of the woods and not impacted by tariffs. We don't just want to see an agreement between the UK and the US; we want to see free trade, fair trade, continue.

At the same time, I do recognise some of the concerns that the United States has. Its concerns are about global trade imbalances, and I do understand those, but I would argue, and we have argued, that the UK is not the cause of those problems: we have balanced trade in goods with the United States, so it would not be the right policy to increase tariffs on us. But of course we are preparing for all different eventualities.

I will also say that trade discussions are not just something that happens with the US; there are other countries in the world that we want to improve our trading relationships with. That is why, as a Government, we are working really hard on improving trading relationships with India and the Gulf countries. We are hosting in London next week an economic and financial dialogue with India, an important growth sector for the UK, and we have a summit on 18 May with the European Union because we want to make it easier to trade there too.

Q234 **John Glen:** May I ask one final question, thinking about America specifically, the relationship with America, and some of the instincts and language, and indeed follow-through policies, of the Trump Administration with respect to global financial regulatory fragmentation? What work is going on in your teams around financial services to ensure that we are putting the case for strong global standards in regulation?

Rachel Reeves: That is also a really important point. I think that you had the FCA and maybe the PRA in—

John Glen: The FCA and the PSR.

Rachel Reeves: I am sure that Sam Woods and Governor Andrew Bailey will also be in to give evidence. We are very much a supporter of high global standards. We also recognise that we operate in an internationally competitive environment, which is why at the end of last year the PRA announced that we will postpone the implementation of Basel 3.1 for a year while we wait to see what the new US Administration do. That is because we need those global standards, but the UK also needs to be competitive in a whole range of sectors, including financial services.

Q235 **John Glen:** The Committee visited the Bank of England and met the Governor and the deputy governors a few months ago. Just to be clear, do you see any particular threat from the US Administration to the fragmentation of global financial regulation?

Rachel Reeves: No, I certainly would not put it like that, but the US Administration are focused very clearly on improving the competitiveness of their economy; and as a global trading economy with a big financial services sector, we need to make sure that we remain competitive on that world stage if we are to secure jobs and investment into UK financial services.

Q236 **John Glen:** What do you see as the key practical steps that our regulators can take? You talk about deferring the implementation of Basel 3.1 to align with what other jurisdictions are doing. This has been talked about for a very long time, and it is quite unclear. We folded the PSR into the FCA, but what tangibly do you think will make a meaningful difference to that sector?

Rachel Reeves: In my Mansion House speech last November—

Chair: I think we were all there; there's no need to repeat it.

Rachel Reeves: Yes. I set out a range of things to make financial services in the UK more competitive: the updated remit letters to the regulators, where we asked them to focus on regulating for growth, not just for investment—

Q237 **John Glen:** But what does that produce? With regard to the letters, I've been there, I've done that. What the industry wants to know is, what practical steps are you taking to hold their feet to the fire?



HOUSE OF COMMONS

Rachel Reeves: Let me give you a couple of examples. We asked all the regulators, including the financial services ones, to come back with specific ideas that they could pursue to make the sector more competitive. The FCA, for example, suggested increasing the limit on contactless payments; also changing some of the rules around mortgage eligibility which can help, alongside the building of more homes, to get more people on the housing ladder. As well as the Basel 3.1 stuff, which was widely welcomed by business, the PRA is creating a concierge service to help inward investment into financial services in the UK.

Later this year, we are going to be launching PISCES on the London Stock Exchange, which is an intermittent trading system, so that companies that have not listed can list for a period of time to raise money on public markets. The London Stock Exchange and the FCA have done a lot of work to make London a more attractive place to list. We are working with a number of businesses that are looking to IPO in London at the moment.

I do think that on financial services we have got a good story to tell. The capital markets reform—particularly what we are doing in terms of pensions—is significant. The consolidation of pensions, both local government and DC schemes, is about ensuring that there is more money to invest in UK businesses.

Q238 **Chair:** When do you think the country will see the fruits of these labours?

Rachel Reeves: Some of this is coming in this year.

Chair: The technical things are coming in, but when do you think that the average person in our constituencies will feel the benefit?

Rachel Reeves: If you are a saver into a pension scheme, you should see the benefit with better returns on your pension savings. If you are saving into a local government pension scheme, that money should work better for your local community. These changes will have an impact on people's lives.

Financial services is such an important part of the UK economy. I am an MP in Leeds, and financial and business services are, I think, the biggest single private sector employer in my city. This is something not just about the City of London and Canary Wharf but about financial services centres all over the UK. Just a couple of weeks ago I was at the new Manchester offices of Bank of New York, where they will be employing 2,500 people. It is one of their six global hubs. This is a real UK success story.

Q239 **Chair:** For you, it is about real jobs as well as the highfalutin' stuff.

Rachel Reeves: It is about two things: good jobs paying decent wages—jobs in this sector are highly competitive in terms of their wages and are increasingly distributed across the UK—and the efficient allocation of capital to fast-growing sectors. I want British start-ups and scale-ups, like some of the ones we have mentioned in this session, to have access to finance to stay in the UK. I spoke to a scale-up business recently, and they said, "Every time that we raise money to grow, we become a little bit



HOUSE OF COMMONS

more American,” because most of their funding comes from the US. I want those businesses, as they grow, to stay in the UK, and for the returns to come to the UK and the jobs to be in the UK. That is why pensions reform is so crucial to unlock that long-term, patient capital to help businesses to grow and stay in Britain.

Chair: Thank you. There was certainly passion there, Chancellor.

Q240 **Bobby Dean:** Chancellor, you have spoken about your commitment to the fiscal rules, and we have spoken about the stability rule in particular. The stability rule obviously does not specify how much surplus you should have. Yesterday, Dr Saleheen told us that the markets are not looking for that either, but it seems like a decision was taken to try and match the surplus that you achieved last time, the £9.9 billion figure. I assume that that was not a coincidence. If it was not, could you explain to us why you decided to target that figure?

Rachel Reeves: We did want to have about the same amount of headroom; it was accident rather than design that it was exactly the same amount of headroom. I don't want to take more credit—even Will Macfarlane could not have engineered that.

Bobby Dean: That really is hard to believe.

Rachel Reeves: No, honestly, because we couldn't, even if we wanted to—

Bobby Dean: It was within £2 million—

Rachel Reeves: I know, but I don't have those superpowers. The OBR look at all the indirect effects and at how policies interact. We couldn't, even if we had wanted to, engineer an exact amount of headroom. We were hoping for about the same; two decimal points was beyond what I had anticipated.

Q241 **Bobby Dean:** We are going to come on to welfare reforms in more detail later, but that feels a little bit undermined by having a whole package of reforms announced and then this extra £500 million coming in late in the day. That feels like it was done as a balancing figure. Are you disputing that?

Rachel Reeves: On the final package, when the Secretary of State, Liz Kendall, set out the welfare reforms to Parliament the week before the spring statement, she said that it would be a package of measures worth around £5 billion, but that the final costings would be done by the OBR, as is right and proper. We were going through a series of iterations with the OBR and the exact measures changed a number of times throughout the process as we refined the final package. Some changes were made late in the day. That is not unprecedented—I am sure that Will can say a little bit about that—but as the OBR say, I think in their executive summary, they were very small changes in the scheme of the total package. The OBR have also been clear that all their assumptions are based on nobody who



is not currently in work moving into work, so they are going to look at that over the summer—

Q242 **Bobby Dean:** We will come on to that. I am going to have to accept for a moment that we did accidentally end up within £2 million, but you did say that you wanted to target round about the same figure. Can you explain your reasoning for that?

Rachel Reeves: Because that is the figure that we chose in the Budget last year. We do recognise that headroom is necessary in an uncertain world. We didn't want to see that erode. Some people were saying, "Don't worry about the headroom. You can address it in the autumn." I felt that that would be the wrong decision, because we have been very clear in our manifesto and our election campaign, and since we came into office, that fiscal stability is so important. All our constituents saw what happened when the previous Government lost control of the public finances. So, I did want to ensure that our economy remained on a stable footing. The way to show that, even with the difficult headwinds that we faced, is that we are able to preserve about the same amount of headroom.

Q243 **Bobby Dean:** I guess others would also say that you set that figure last time, and it had to be adjusted six months later. You heard from Mr Glen earlier that the tariff situation may already have eliminated that headroom again this time, so there are big question marks over whether that is a sufficient level of headroom in these volatile times. Is it a deliberate strategy by you to address that every six months, or are you hopeful that this time this headroom will stay intact?

Rachel Reeves: There is a balancing act, when you are doing a spring statement or a Budget, around what you want to do on taxes, on spending and on headroom. Everything else being equal, would we like more headroom? Of course we would. How do you achieve more headroom? Lower spending or more taxes. I felt that we got the balance right between the spending projections that we set out, the tax policy and the headroom, because everyone would like more headroom, but no one wants more taxes and no one wants lower spending. I think we have the balance about right, but I accept that it is a balance between those three different moving parts.

Q244 **Bobby Dean:** I can see Mr Macfarlane is keen to come in.

William Macfarlane: On your questions, Mr Dean—particularly on your first one around it being precisely the same—to endorse what the Chancellor is saying, at that stage of the forecast process, although the baseline forecast is settled by the OBR, we are still dealing with a number of variables: final costings and the behavioural and indirect effects of those measures. As we QA everything, regrettably, there are some errors that sometimes happen in these significant processes.

Aiming for within £100 million is not something we have ever told Ministers—throughout the history of the OBR, including former Treasury Ministers here—that we are able to do, just to support what the Chancellor was saying there. The Chancellor addressed the point that some costings



were changed quite late in this process. As the Chancellor said, that is not unprecedented—it has happened several times. It is not what we set out to do, but sometimes policy packages are moving late, including because the OBR are making changes to costings: they are independently setting behavioural consequences of the policies that we give to them. That has happened in the past.

In terms of getting back to broadly the same level as the Chancellor said was the Government's objective, the OBR have some analysis on this. We did see a deterioration, principally driven by volatility in global bond yields, which the UK also experienced. It is pretty atypical—though not without precedent—for a statement in response to that to get back all the headroom on a fiscal rule. As the OBR said, we did do that with the current Budget and we almost did that in large part on public sector net borrowing. That is pretty atypical, but a plan was set out in the Budget—a very balanced package of difficult tax decisions, and a spending envelope for the forthcoming spending review, and the Government have decided to stick to that plan, including using precisely the same headroom, so that was the sort of decision taken which the OBR explain.

The OBR also explain on headroom, as I think Mr Glen referred to earlier, in the overall history since the OBR has been created, average headroom has been higher. As the OBR set out, that is driven a lot by the very much larger headroom for different fiscal rules in the early part of the OBR; actually, since 2022, the average has been about £10 billion. Obviously the UK has been facing difficult circumstances since then, but that is where we currently are.

Chair: We acknowledge that there is a useful graph showing that.

Q245 **Bobby Dean:** Final question on this: are you at all concerned that you might have set a precedent in having arrived at the same figure? The fiscal rules are already pretty hard—they are ironclad, you can't breach them—and now you have this surplus figure anchored in people's minds. If we end up at £8 billion surplus next time, will that set hares running? Do you worry about that?

Rachel Reeves: We will approach the autumn Budget and think all that through. I was pleased we were able to achieve about the same amount of headroom this time. As I said, everything being equal, of course it would be nice to have more headroom, but that would require decisions that, as a Government, we weren't willing to take—about having more taxes or less spending—so I think that the balance is about right. Not only are we meeting the fiscal rules with £9.9 billion of headroom, but we do meet the fiscal rule—the stability rule—and actually the investment rule two years early, which I think should give us some confidence.

Q246 **Chair:** One of the challenges we have been puzzling over is the headroom points that Mr Dean has raised, and obviously we will get on to the details of the welfare changes. Annually managed expenditure is an easier Budget to manage in-year, for obvious reasons. If the headroom were to be wiped out, does that mean there are more risks to that Budget than any other,



HOUSE OF COMMONS

given that the spending rule will have taken place in the autumn? We cannot expect you to make a Budget announcement here, but realistically, that is the Budget that is flexible.

Rachel Reeves: The risks around the forecast—there are upside and downside risks—

Q247 **Chair:** This is a day when there is a big tariff announcement expected for the UK, and the OBR has indicated that it will have a big impact. There are lots of shocks that every Government has to deal with—this is a particularly big one right now—but there is that risk, isn't there? You have talked about taxes and the spending review, so there is nowhere else you can go to get changes—

Rachel Reeves: No, but we are not passive as a Government, waiting for things to happen; we also have an agenda to grow the economy. Since the Budget, we have introduced the Planning and Infrastructure Bill, which has successfully got through its Second Reading—

Q248 **Chair:** I don't think anyone around the table would disagree with growing the economy; I think everyone would—

Rachel Reeves: No, but what I am saying, Chair, is that the Office for Budget Responsibility have already scored the national planning policy framework, which is a small part of the growth reforms that the Government are bringing forward. They rightly have not scored anything to do with the Planning and Infrastructure Bill because, at the stage of the forecast, it was still a Bill—it is still a Bill at the moment.

Q249 **John Glen:** Nor the Employment Rights Bill, to be fair.

Rachel Reeves: Indeed, and the Employment Rights Bill will put more money in people's pockets, so there are upsides and downsides there. There are things—the Government are not passive; we are doing a number of things, such as the capital markets reform. I think everybody in this room recognises, because some of it draws on what the previous Government did, that it will be good for our economy by keeping businesses and jobs in Britain. The Planning and Infrastructure Bill will make it easier to build in Britain. Some people don't like that, but this Government are pursuing those policies because they can help grow the economy and bring in money to the public finances.

Of course there are risks on the downside, and we can just focus on those, but the Government are also focusing on doing things that will actually grow the economy and improve our public finances at the same time.

Chair: An optimistic response. Thanks very much, Chancellor.

Q250 **John Grady:** Good afternoon, Chancellor. If you look at chart 7.2 on page 144 of the OBR's report, obviously there is a missing Chancellor of the Exchequer there, in the form of Kwasi Kwarteng—

Rachel Reeves: It would be nice to block him out.

Q251 **John Grady:** Well, I'm afraid we can't. We inherited a fairly small



headroom. If you moved rapidly to increase the headroom, as opposed to taking the trade-offs that you have taken, what would that mean for tax rises in our already stretched public services? I am mindful that there is a vote, so I suspect Dame Meg would like us both to be quick.

Rachel Reeves: To go back to the £30 billion of headroom, that would require £20 billion of tax increases. Actually, it would probably require more than £20 billion of tax increases, because if you do that, the OBR may well assume that the economy would therefore weaken, so you would need to do even more than that. Or you would need to reverse the extra money—the £25 billion—that we have put into the NHS since the general election. As a result, we wouldn't see the falls in hospital waiting lists—actually, I am afraid that in Scotland waiting lists are not coming down, but that is the fault of the SNP, rather than this Government. I think we have got the balance right. I accept it is lower headroom than we had in the earlier years of the OBR, but to rebuild it that rapidly would require changes on tax and spending that the Government would not be willing to make.

Q252 **John Grady:** Another suggestion that people make, Chancellor, is that we should increase borrowing. In your view, would a material increase in borrowing and the change in your fiscal rules that would have to take place lead to a significant increase in the cost of Government borrowing?

Rachel Reeves: There would be numerous impacts if we increased borrowing and were not able to deliver economic and fiscal stability. The first is that the national debt, which is already almost the size of our economy, would grow larger still, and that would increase the servicing costs of that debt, which are already £105.3 billion this year—more than we spend on the Home Office, the MOJ and Defence. I would rather spend some of that £105 billion on schools, hospitals and transport infrastructure, or indeed on bringing taxes down on working people, so I do want to reduce those debt servicing costs.

Also, if we failed to meet our fiscal rules and failed to provide the economic stability that our country needs, I do not think the Bank of England would have the same confidence to cut interest rates, as it has in the last few months. Interest rates have come down three times in just nine months. That would mean higher borrowing costs for all our constituents—for families with mortgages or businesses borrowing to grow. I want to bring down the levels of borrowing and bring down the levels of debt, and the OBR confirm that we are doing that as a Government.

John Grady: So if we were out in Bramley or in Broomhouse in my seat, what you would say is that higher mortgage rates for people, the higher cost of finance for big investments in energy infrastructure and so on, and lower economic growth are what would eventuate from greater borrowing.

Rachel Reeves: Yes, and your constituents in Glasgow and mine in Leeds West and Pudsey do not need the OBR or their MP to tell them that, because it is what happened a few years ago. The cost of borrowing for businesses and families went through the roof, uncertainty was all around



HOUSE OF COMMONS

us, and it constrained the ability of our economy to grow. We have returned stability to the economy—that is the platform on which we can grow the economy.

Q253 John Grady: Another lever that is suggested is tax. The first suggestion is a wealth tax, which would take time and would be complicated to implement. What are the Treasury's thoughts on a wealth tax at the minute?

Rachel Reeves: In the Budget last year, we increased two broad types of tax. We increased national insurance on business, which we have already discussed, and we also increased taxes on the most wealthy. The reforms to the non-dom tax status will bring in £12 billion during the course of this Parliament. VAT on private schools will bring in £9 billion during the course of this Parliament. The energy profits levy on the large profits that the energy companies are making—£2.3 billion. The higher rate additional dwelling on stamp duty land tax—£1.2 billion. The capital gains tax increase—£8.9 billion. The inheritance tax changes—just over £5 billion.

The point is that these taxes, by their nature, fall on wealthy people. My argument would be that we did already significantly increase taxes on the wealthiest in the Budget last year. Now the focus has to be on growing the economy, and reform of public services, as well as spending wisely the additional investment, including the £25 billion into the NHS in this Parliament.

Q254 John Grady: Another tax suggestion that people make is on council tax revaluation or additional bands. We see that from the IFS and others. What is the current Treasury thinking on that?

Rachel Reeves: Some councils wanted to significantly increase their council tax this month. We have resisted calls from a number of councils—including Windsor and Maidenhead, and Slough—that wanted to increase their council tax significantly, because we recognise the ongoing pressures on living standards and the cost of living crisis that people have gone through. We want taxes on working people to be as low as possible. That is why, despite the difficult decisions in the Budget last year, working people in their payslips will not be paying any additional tax.

Q255 John Grady: Do you have any thoughts on more fundamental reform, or is that for another day?

Rachel Reeves: That is not something that we are looking at at the moment.

Q256 John Grady: Finally, the real way out of this is economic growth, is it not? That is what we need much, much more of. Are you satisfied that the regulators and others in Britain are moving fast enough to deregulate to get the growth that we need, or do you want greater and faster progress?

Rachel Reeves: All the officials in the Treasury who meet me know that I want to go further and faster on pretty much everything we are doing, including on the regulation agenda. We have taken out two regulators already. The Health Secretary, Wes Streeting, is abolishing the biggest



HOUSE OF COMMONS

quango in the world—NHS England—and we have set the target of a 25% reduction in the admin costs of regulation during the course of this Parliament. We are also trying to streamline—Steve Reed at DEFRA is leading this work—the environmental regulations that hold up so much of the investment in infrastructure, particularly in housing, that we need to see.

It is right that we have regulations to protect citizens and consumers, but I think the balance has shifted too far. Regulation now too often stops things from happening, rather than enabling them. If we want to build the homes, if we want the energy security—particularly in the wake of Russia’s invasion of Ukraine—and if we want better transport links, without the excessive costs, for example, that we saw with HS2, we need to make it easier to build and we need to reform the regulatory system. That is what the Planning and Infrastructure Bill sets out to do. It is also what our drive on regulation is determined to do.

Q257 Rachel Blake: That was a nice segue into talking more about policy measures; I want to ask some questions about house building and the forecasts. We had some fascinating evidence yesterday from Professor Miles from the OBR. I pushed him on his methodology for the forecast of the 0.2% growth and the number of homes he anticipates, and he said that he spoke to the sector, did some work on land capacity and looked at construction capacity. What came across from his evidence was that the construction sector capacity would really be the rate-limiting factor, so how concerned are you about the ability for the workforce to step up to meet these objectives?

Rachel Reeves: I absolutely accept those constraints, which is why, with Bridget Phillipson, the Education Secretary, we announced the increase in the number of places on construction courses—a combination of apprenticeships, bootcamps, the technical excellence colleges and incentives so that people want to move into the FE sector to train up the next generation of plumbers, electricians, bricklayers etc. We are very focused on that. It is also why we have relaxed some of the requirements for apprenticeship programmes, to actually get people through these courses, which is what the construction industry has been crying out for.

Q258 Rachel Blake: Do you anticipate the construction sector being able to step into that space given that we still have some time to wait to see the developments come forward?

Rachel Reeves: One of the reasons why we brought forward, from the spending review, the £2 billion extra for the affordable homes programme is that we know that the construction sector and the house building sector want some stability and certainty that they can do deals and make commitments around building—so not living hand to mouth one deal to the next, but knowing that they can plan over a period of time. That is why we are doing a three-year spending review for day-to-day spending and slightly longer for capital spending, and why we preannounced some of the money for the affordable homes programme, to make sure that those projects have the confidence to continue.



HOUSE OF COMMONS

That pipeline of projects, which is so important, and the consistency of funding is something that gives the industry confidence to take on apprentices and train people up. It is also something that gives people confidence to enrol on those courses, knowing that there is going to be a pipeline of work and that their qualification will mean meaningful work paying a decent wage for years to come.

Q259 Rachel Blake: Thanks. In the discussion yesterday, we talked about further measures that they might score—so we discussed development corporations within the Planning and Infrastructure Bill. They have said that they think the target will only be 1.3 million, so what more needs to be done in order to make sure that the target is met, given that the outline of what they think means that we will not meet the target at the moment?

Rachel Reeves: They now forecast that house building will be at its highest level for 40 years. That is very welcome, but going back to the further and faster mantra, we will want to do more to get those houses built—in your constituency of Cities of London and Westminster, I dread to imagine what the average house price is. So we do need to build more homes, particularly in parts of the country that are growing rapidly and where the housing demand is greatest. That is why we are doing more through the Planning and Infrastructure Bill. It is also why we are doing more to train people up. As I said in answer to a previous question, it is not just about the homes, as important as they are—both social and affordable homes, and homes to buy in the private sector. It is also about creating really good jobs, particularly for our young people. We want to achieve both of those through our planning reforms.

Q260 Rachel Blake: One more element that we discussed with Professor Miles was the factor of rents, and the cost of rent, particularly in London, and how that could be factored into our house building process. One of the questions that I wanted to put to him was about the impact of more affordable housing and what that could do to forecasts. What consideration have you given to the chances of changes in those growth forecasts, once a determination has been made about the tenure of those homes?

Rachel Reeves: Obviously, it would be helpful for people's living standards if a lower proportion of their wages was spent on rents. It would also have quite a big fiscal impact on councils. You gave me the number recently that your local authority spends £95 million on temporary accommodation. If we were actually building the social and affordable homes that our country and councils like Westminster need, we could reduce the costs of failure and give people more secure accommodation, which is good for them, their family and all their life chances, while also easing the pressure on public finances—in this case, on local authority finances, which are under huge pressure.

Q261 Dame Siobhain McDonagh: The house building programme and the planning reforms have brought a bit of hope and optimism in quite a difficult set of circumstances in the OBR report. Can I urge you to go faster, Chancellor?



Rachel Reeves: Yes!

Q262 **Dame Siobhain McDonagh:** I was delighted to hear from the Prime Minister in the run-up to the general election that you were tackling the issue of building on the green belt, but I think there is much further to go. I wonder whether you have looked at the suggestions that about 1 million homes could be built close to outer London train stations, which would give you not only greater growth but homes in places where people want to live. I want to give you my word of the day—it would obviously give London greater agglomeration, so would assist you in other ways, such as jobs with better salaries and people with more spending power. It would also be greener because people would be travelling less far—they would not be going to Reading quite as much.

Yuan Yang: What a shame.

Dame Siobhain McDonagh: Yes. That would be a shame in itself, but it would allow people to live closer to where they work and spend less on transport costs. It seems a win-win all round, so I am very keen that you persuade your colleagues in Housing and Local Government to go that bit further.

Chair: The problem is that when the Chancellor promises that another Department will do something, she still has to fund it.

Rachel Reeves: On the issue of the green belt, we are very keen, on those areas that we call grey belt, to have more development. We are also, in the next few months, going to announce the outcome of the review that the Deputy Prime Minister commissioned on new towns. A number of proposals have come forward for brand-new new towns, and also the expansion of existing towns and cities, so there are massive opportunities there to build whole new places for people to live.

We are also doing a huge piece of work on the Oxford-Cambridge corridor, with new housing—exactly as you said—alongside the train stations on that route. We need to make sure that people can then access the good jobs that are paying decent wages.

Your point about building around train stations is really important, and we are working very closely with Network Rail. We have come to an agreement with Network Rail about releasing land near train stations for exactly this purpose. I was with Mayor Andy Burnham recently in Stockport, where they used a mayoral development corporation to unlock land—some of it was from Network Rail, some private and some local authority—around the train station to build new homes. It is just eight minutes on the train to Manchester city centre. Obviously, the rent prices, house prices and flat prices are a lot lower, but you have that access to the good jobs in the city centre, which is exactly the point you make on agglomeration. We can achieve that in other cities as well, including London and my own city of Leeds. You can have sustainable travel into work and you don't have such a need to build new infrastructure, which is

obviously an expensive part of any new development, if the infrastructure, particularly the transport infrastructure, is already there.

Q263 Dame Siobhain McDonagh: The £2 billion identified for socially owned homes was gratefully received, but it will build only 18,000. That will have an enormous impact on the 18,000 families who have that opportunity, but it is still only a tiny number in comparison with those that we need. Social housing obtained through planning gain is one of the most expensive ways in the world to get your social homes. Have you thought about any broader ideas on how we can increase the number of affordable homes?

Rachel Reeves: That £2 billion is a down payment on the spending review. We wanted to announce it early, not because that is the total sum of the money that we will make available in the spending review but, as I said to Rachel Blake, because we wanted to give the sector certainty that the money would be there into the new financial year. We will set out a new programme at the spending review. I know that you have strong ideas in this area, and you should definitely feed them through to me and, at MHCLG, to both Matthew Pennycook and the Deputy Prime Minister.

Chair: Our sister Committee will be examining that in due course.

Q264 Bobby Dean: Moving on to the welfare reforms, I would like to ask a clarifying question about timelines. I am not sure whether Ms Tinsley or Mr Macfarlane might be able to help me with the dates on which the OBR say they received the packages from the Treasury. I think there was 5 March, then 12 March was the final package, and then 19 March was the final, final package. At what point were the welfare reforms—the package we see now—given to the OBR? I am not sure who the best person to answer that is.

William Macfarlane: I will start, and Ms Tinsley will take over on some of the detail. Those are the dates when we submitted iterative packages to the OBR. I think they talked to you about that yesterday, and I think they have set that out in their forecast timetable.

On what you refer to as the final, final package, which Ms Tinsley might want to expand on, there were changes made to the parameters of some of the policies at that point. But the parameters of the policy are still consistent with the Green Paper and with the basic policies sent on the prior date, in terms of the final package announced by the Secretary of State for Work and Pensions, albeit that that was after the OBR's final deadline for costing certification—hence it has set out in its executive summary that the parameters that were changed for two measures were not certified, as I talked about earlier. Louise will be able to add to that.

Louise Tinsley: It is usual that it is an iterative process. There are deadlines by which submissions are made, but conversations between the Treasury, the OBR and, in this case, the Department for Work and Pensions were ongoing as the OBR was challenging costings or assumptions. Although those deadlines are the specific deadlines, they are



HOUSE OF COMMONS

a point at which things are submitted and then conversations will continue as part of the usual iterative process.

Q265 **Bobby Dean:** I think the bit we are trying to get clarity on is this: the Secretary of State for Work and Pensions addressed the House on 18 March, so changes went into the package on 19 March. Was that when the variance between what she said at the Dispatch Box and what we saw in the spring statement came in?

Rachel Reeves: What she said in her statement was not contradicted by anything that was given to the Office for Budget Responsibility.

Q266 **Bobby Dean:** Because it was within the parameters?

Rachel Reeves: Yes. It was consistent both with the Green Paper and with the Secretary of State's statement to the House of Commons.

Q267 **Bobby Dean:** Okay. Let's get on to the substance of it. When we were talking to the economists yesterday, they seemed to come to the conclusion that the welfare reforms were driven by a desire to balance the books more than to get people into work. I know that that the Government's view is that it is about getting people into work, but their view was that although they accept that there are issues with the welfare state that need reform, and that there will be plenty of people who need that help to get into work, they do not think that it is anything like the numbers of people who stand to lose out from these reforms. First of all, Chancellor, I would like to get your response to that.

Rachel Reeves: I don't think anyone thinks that the current system of welfare, particularly around sickness and disability benefits, is actually working today. It is not working for the people in receipt of those benefits, not working in terms of ensuring that we have a decent participation rate in the economy and not working in terms of delivering value for money for taxpayers. One in 10 people are now on sickness and disability benefits, one in eight young people are not in education, employment or training, and 1,000 people every day go on to personal independent payment. We are one of the few countries that has a lower participation rate in the labour market than before the pandemic.

I have three basic principles when it comes to welfare. First of all, there must always be support for those who most need it. The welfare state must always be there for them. Secondly, we need a welfare system that incentivises and encourages anybody who can work to work. Thirdly, we need a system that is sustainable for the long term. At the moment, I do not think that the welfare state does any of those three things well enough, which is why we are reforming it to make it work for all those people, but particularly with a focus on helping people back to work. That is why we have announced possibly the biggest ever package of measures to help people back into work, with guaranteed, personalised and tailored support for them.

Q268 **Bobby Dean:** I think there is consensus that change needs to happen, but I guess what people are questioning is the timing and scale. You

commissioned Sir Charlie Mayfield to do a review of that, but the spring statement measures come ahead of it. I am sure we will come on to address that.

The main driver of the saving seems to be restricting eligibility for personal independence payments, and 800,000 people could be set to lose out from that. About a third of all PIP claimants are in work anyway, but presumably if you are going to be tightening eligibility for PIP, that will target the sorts of people who are more ready for work already. It does not seem as if there is a huge proportion of people who will get back into work as a result of that measure. Could you explain that for us, please?

Rachel Reeves: First of all, the important work that Charlie Mayfield is doing is about helping to keep people in the labour market, rather than supporting people who are not in the labour market, so those things are a bit different. Charlie Mayfield is doing a really important piece of work for us, and we know that the best thing that we can do is to help people to stay in work, because once they drop out it is much harder to get them back into work. That is why I have asked Charlie to do that piece of work for us.

You are right that the reforms around PIP are around the eligibility. People will need to get a minimum of four points in one category to get on to personal independence payments. Since the pandemic, the cost of health and disability benefits has gone up by £20 billion. Left unchecked, by the end of this Parliament it would be another £20 billion a year on sickness and disability benefits. The changes we are making will still see the amount spent on those benefits rise substantially—by £16 billion, a little less than the rise that is already in place.

Q269 **Bobby Dean:** The stated purpose of the reforms is to get more people back into work.

Rachel Reeves: Yes.

Q270 **Bobby Dean:** Many PIP claimants are already in work, and others are probably unable to work permanently. Of the 800,000 who look set to lose out on their PIP claims—*[Interruption.]* Saved by the bell! I will complete the question: of the 800,000 who are set to lose out, what proportion would you expect to get back into work? You have a lot of time to think about the answer.

Sitting suspended for a Division in the House.

On resuming—

Chair: Welcome back to the Treasury Committee on Wednesday 2 April 2025. We have just had a vote interrupt our conversation with the Chancellor post the spring statement. Welcome back, Chancellor. Bobby Dean had just asked you a question and had conveniently got to the end of his sentence, so perhaps you could answer that question.

Rachel Reeves: Thank you, Chair, and thank you for your question, Mr Dean. We think that about 17% of people who are on personal



HOUSE OF COMMONS

independence payments are also in work. I cannot tell you what proportion of the 800,000 that you referred to are in work. The OBR have committed to work over the summer to look at the package that we announced—the £1 billion to help people to get back into work—to make estimates of those numbers. Of course, if people get back into work, that boosts their incomes and their family's incomes.

Q271 Bobby Dean: I believe that some analysis was done of people who were passing the assessment criteria, how close they were and so on. Would that also give you an indication of what percentage of people on PIP would never realistically be able to go back into work? Do you have a figure for that as well?

Rachel Reeves: The point of our reforms is that we want to support those people with the most severe health and disability needs, which is why, in the Green Paper that we published alongside the Secretary of State's statement, we are consulting on additional support for those with the most severe needs.

The changes only kick in when you have your PIP reassessment, so nothing changes straightaway; it is only when you have your reassessment. When those reassessments happen, we want them to be done much more face to face. Before the pandemic, seven in 10 people who had a PIP assessment had a face-to-face assessment; it is now fewer than one in 10. As a result, we do not think that those assessments are really picking up people's needs or assessing the points in a way that I think would be more appropriate. When those people come up to their reassessments, we want them to be seen face to face by a trained assessor to make sure that they get the support they need, whether that is support in terms of benefits or support in terms of getting into work.

Q272 Bobby Dean: Are you quite confident, then, that everybody who ends up dropping out of the eligibility criteria has the potential to work and that you will be able to get them into work?

Rachel Reeves: We know that there are hundreds of thousands of people with a disability who want to work, and there are many people with disabilities who already do work. We want to give them more support, whether that is adjustments in the workplace or training, for more of them to fulfil their potential. I do not want to write people off, and I think that has happened for too long and for too many people, whether it is mental or physical health issues or disabilities that they have. The idea of this tailored package is to give people the support that they need to fulfil their potential.

Q273 Bobby Dean: I think many people would support that. I have some fantastic charities working in my own area, trying to get people with disabilities into the workplace and keep them there. That is a noble effort, but I think people's concern is that there might be some who fall through the cracks or face unnecessary hardship as a result of this.

I want to move to the figures on poverty, which I know you have been asked questions about in the media. There was a figure about 250,000



HOUSE OF COMMONS

people moving into poverty, including 50,000 children. I know you say that those figures do not take account of those who you get back into work. Do you expect that all those families will have people in them who will be able to get back into work, and that that figure therefore will go down to zero? What proportion of people do you think might still be in poverty by the end of these measures?

Rachel Reeves: I do not want to pre-empt the work that is now going to take place in assessing that, but I am confident that those impact assessments do not reflect what will happen, because it is inconceivable that you put £1 billion into targeted, personalised support and it makes no difference. In fact, all the evidence, under the last Labour Government's new deal for working people and particularly the new deal for disabled people, was that we were able to support people back into work.

I was at my own constituency's jobcentre just a couple of weeks ago in Pudsey in Leeds, where the work coaches were telling me extraordinary stories about the people they had supported back into work, many of whom had been very far from the labour market; some had never worked before and some had not worked for a long time. They said that with more resource, they could do more to help people back into work. That is what we are determined to do as a Government. Very few countries are in a position like ours, where participation has fallen since the pandemic. I do not believe that as a country we are getting more sick and more disabled, and yet 1,000 people a day are going on to these benefits. I just do not think that that is sustainable. I also think we are doing a disservice to people by putting them on to benefits, rather than supporting them to get into work.

Q274 **Bobby Dean:** Finally, more work is going to be done by the OBR over the summer to assess this. Is it your view that it will become much clearer by the autumn, when we get the next forecast, how many families may end up in poverty as a result of this and how many people will be getting back into work? Will we have figures at that point?

Rachel Reeves: Yes. This is not the only thing that we are doing, remember. We are beginning to roll out the free breakfast clubs—

Bobby Dean: But will we have those figures in the autumn?

Rachel Reeves: Yes, that is what they are going to provide, but this is not the only thing that we are doing. This £1 billion back-to-work package is just one of a number of measures that we are doing to help people into work—apprenticeships, which we have already had a conversation about, the increases in the national minimum wage and the national living wage, the Employment Rights Bill. This is all about ensuring that work pays and that people are supported into work.

Q275 **Bobby Dean:** Ms Tinsley, could you give us some more insight into how you think people will be supported back into work by these reforms?

Louise Tinsley: As the Chancellor said, it was £1 billion for employment, health and skills support. The detail of that will now be worked through.



HOUSE OF COMMONS

The Green Paper sets out the areas that it will be looking at, around targeted support and extending existing programmes. This builds on the trailblazers announced in the “Get Britain Working” White Paper, in which there was £240 million of investment for the 16 trailblazers, as well as Connect to Work. It will seek efficiencies, where appropriate, to put further support into programmes where it is already happening successfully. Beyond that, the detail and evidence of what works will be worked through in the autumn.

Q276 Bobby Dean: Chancellor, it sounds like we do not have the fully worked-up plans or evidence yet. How can you be so sure that these reforms will work, and to the extent proposed by your Government? Yesterday, the economists were very firm that they think this may work at the margins—that it is necessary work—but that the impact on people will still be very severe. How can you have such confidence that this will work compared with past reforms?

Rachel Reeves: I am absolutely confident that the system we inherited is not working and has to be reformed. I think everybody agrees that the current system is not working. There is plenty of evidence from past programmes that we can do more to support people into work. If you look at the international evidence, you do not see such increases in the number of people on sickness and disability benefits. There is something going badly wrong with how our system is set up.

Of course, we have to provide support to those who need it most, but everyone who can work, should work. That is what we are trying to achieve through this programme. Remember that we are also merging the assessments for PIP and the work capability assessments, so you have to go through only one assessment process. The movement to trained face-to-face assessors is a better process as well.

Q277 Chair: When was the decision made to do this, given you say you inherited a broken system? When was the decision made to make these welfare reforms?

Rachel Reeves: We have been working on these for quite some time.

Chair: Months? Weeks? Years?

Rachel Reeves: We have been in government for nine months, so since the election we have been working on the sorts of reforms that we need, and we set them out a couple of weeks ago.

Q278 Chair: So it is since the election that the work started. In preparation for government, was any time given to this?

Rachel Reeves: I guess that is more of a question for the Work and Pensions Secretary, but Liz Kendall has always been very clear, including when she was the Opposition spokesperson, that everybody who can work, should work, and that we need to do more to support people into work.

Q279 Lola McEvoy: Ms Tinsley, you touched on the £1 billion that has been



HOUSE OF COMMONS

allocated for back to work programmes, but you also said there is a health element. Is that where the money for the protections for the severely disabled with lifelong conditions will come from?

Louise Tinsley: No. The £1 billion of employment support was announced last week. The additional premium for those who are severely disabled is being consulted on in the Green Paper. Anything that happens there will be a separate decision, which will be announced prior to the autumn.

Q280 **Lola McEvoy:** Where I come from in Darlington, the case for reform is strong, and the “right to try” reform that is coming in so that people can try work without losing benefits is absolutely welcome. The fact that people have front-loaded unemployment benefits, for when they lose a job at a very difficult time in their life, is brilliant, but I think people with lifelong conditions, or, frankly, everybody who is in receipt of social security at the moment, is anxious about the changes. What reassurances can you give about the consultation process on the severely disabled and those with lifelong conditions? I think we need a bit more meat on the bone, if you can offer it.

Louise Tinsley: It is important to reassure people that the language in the Green Paper says it is proposing to protect the incomes of those who are severely disabled. That protection of incomes is key. There is also a consultation on what that looks like, and how it will be the case, but there is a commitment from the Government to protect the incomes of those who are severely disabled.

Q281 **Lola McEvoy:** So it will be protecting the incomes of those who are severely disabled, and it is one last assessment. Is that right?

Louise Tinsley: Yes, there is a commitment that, where appropriate, people would not continue to be reassessed where they do not need to be.

Lola McEvoy: So that will be a net-positive thing for those people?

Louise Tinsley: Yes.

Q282 **Chair:** Thank you, Ms McEvoy. Before I move on to Ms Yang, one of the things that Ruth Curtice, chief exec of the Resolution Foundation, highlighted yesterday in our session with the economists is that the £1 billion for supporting people back into work is back-loaded to the end of this period. Some of the changes will kick in before that work support does in large form. Perhaps you could explain where the thinking is on that, Ms Tinsley?

Louise Tinsley: The profile of the employment support is £200 million in 2026-27, then £300 million, then £400 million, and then it ramps up to £1 billion at the end of the scorecard. It comes in at the point in the year in which the changes are made. The funds will be there then. But, as I have said before, it builds on what is already there—so £240 million for the trailblazers and roughly £300 million for the Connect to Work programme. This is additional employment support that will come in during the year that the changes come in, but building on existing funding that is already going into building up programmes.



HOUSE OF COMMONS

Q283 Chair: People at my local jobcentre in Hackney are doing amazing work—I went to see them on Friday—with some of the most difficult-to-reach people who have been out of work for a long while. But it does take time, and they explained how long it takes. Is there any upper limit on how much money? That is maybe a question for DWP, but the Treasury will be watching this, I am sure. You can spend a lot of money trying to get someone into work. Is there a point where you say that this is not going to work?

Rachel Reeves: We think this is money well spent. I am very pleased to put money into this, because it can improve people's lives and have a net positive for taxpayers as well. It is a good scheme, and as Louise Tinsley has said, it is on top of the £240 million we announced in the Budget for these trailblazers. The "Get Britain Working" campaign starts this month.

Q284 Lola McEvoy: I have one final question for Ms Tinsley on the impact assessment that my colleague Mr Dean mentioned. When they put forward the impact assessment, did it include the potential income protections for those with severe or lifelong conditions?

Louise Tinsley: No, it will have been entirely on the package as announced. Everything else in the consultation will not be part of that impact assessment.

Q285 Chair: When will we have an impact assessment on the whole package?

Rachel Reeves: That is a Green Paper, so it is being consulted on. Once we have done the consultation and announced what we are doing, we will be able to assess that.

Q286 Chair: I am just running the timetable through my head, because the consultations have certain lengths of time to run, off the back of the Green Paper.

Rachel Reeves: When we publish the accessible version, we will then start the consultation. It is important that we have the accessible version before the consultation starts. The consultation will kick off at that stage, and then we will announce the timeline.

Chair: We will obviously be talking to our sister Committee and the Work and Pensions Committee on this matter as well.

Q287 Yuan Yang: I seek a quick clarification on Ms McEvoy's question. On protecting the most severely disabled, is that package meant to buffer the universal credit reforms or the PIP reforms?

Rachel Reeves: The universal credit reforms, in the sense that you would expect that someone who is severely disabled would meet a four-point assessment—it depends how you define it—and would not lose their PIP following the introduction of a tighter gateway. It is focused on supporting those who might otherwise lose some of the universal credit health element.

Q288 Yuan Yang: So it is addressed to those who, under the new rules, would be eligible for PIP, but might be losing some universal credit?



HOUSE OF COMMONS

Louise Tinsley: I think that is likely. The commitment is to protect the incomes of the severely disabled with the reforms in the round, but it may be exactly that circumstance.

Q289 **Yuan Yang:** Would you consider people who do not score at least four points in any criterion not to be that severely disabled?

Louise Tinsley: That is out of my realm of expertise. That is with the Department for Work and Pensions and the medical advisers. As a broad sweep, I think we are talking about universal credit, in that the starting assumption would be that the severely disabled would not be losing their PIP as a result of this.

Q290 **Yuan Yang:** I have a question about getting people back into work, since expanding the capacity of the economy across all regions is a really important mission for this Government. I am a bit concerned about the data in the ONS labour force survey, as the Committee has quite thoroughly covered. I am glad to see the Cabinet Office gripping that in its announcement yesterday.

I am also concerned about the lack of data that we now have on the drivers of inactivity and, because of the lack of evidence of that, on the assessment of how much we will reduce that inactivity through the current package of reforms—particularly the PIP eligibility reforms, which drive most of the savings. I understand that, because of the timeline that Mr Macfarlane set out, the OBR has not scored the employment effects of the reforms yet, so we will await more news about that in the autumn. It seems to me that, for this to be a back to work policy, there should be some departmental assessment somewhere, separately from the OBR's independent assessment, of how many people you expect to get back into work through, for example, the PIP eligibility reforms. Can you speak to that point, Chancellor?

Rachel Reeves: Let me be a bit clearer about how the process works with the OBR. We do not just say, "We are thinking of doing this. Can you score it and cost it for us?" We obviously do that work as a Government as well. What the OBR are able to provide is an independent lens through which they see the policy. That is why we refer to it as an iterative process, which is why our policy teams in the Treasury and in Government Departments work very closely with the OBR. We will be making our policy based on evidence, and we will share that evidence with the OBR.

Q291 **Yuan Yang:** Is there an assessment, outside of the OBR, of how many people will be back in work as a result of the PIP eligibility reforms?

Rachel Reeves: We are devising the package at the moment, so we have not finalised what that package looks like. We are learning from packages in the past that have particularly helped people with sickness and disability challenges into work. We are also looking at the international evidence so that we can bring in the best package possible. As Louise Tinsley has already said, these changes do not kick in straightaway, so we have a bit of time to make sure that we have the right package of measures. We have not introduced these from April this year. There is a period of time



HOUSE OF COMMONS

before these changes come in, which is right, as it means we have time to make sure the policy works properly.

Q292 Yuan Yang: I just echo Ms McEvoy's concern that constituents in many of our constituencies feel that there is a downside risk, in that they feel that the criteria scoring is now quite clear in terms of who might miss out on the four points criterion, and who might have two or three points in different areas, but the upside gain is not yet clear, because we are not clear about the gains to employment. Can you speak to that in terms of the timing and staging of these announcements?

Rachel Reeves: It is right that we did not announce these changes to come in straightaway. People on personal independence payments will not lose them—if they do lose them—until they have had their next assessment. We are not saying, "The last time you had an assessment, you didn't get four points in one category, so you are going to lose it immediately." This time they will have a face-to-face reassessment, hopefully, rather than the assessment they had last time. We think that we will have more accurate assessments done, but we are not going to rush the package of back to work support. We have time to make sure that we get it right, and it is right that we spend this time working on it.

Q293 Yuan Yang: Hypothetically, what would you say to somebody who writes to me, or to other MPs, thinking that they may lose this benefit? Would you say that the final assessment format is not yet out there, that there is no clear line about who is or who is not going to lose it, and that they should wait for the process? Is that the kind of thing you would say?

Rachel Reeves: Certainly, we want to target financial support at those who most need it, and then we want to target back to work support at those people who we believe can work with the right support. They might not be able to work today, but with the right support, the right adjustments, the right skills and the right training, they absolutely can get a job and support their family by going to work. The reforms to the national living wage, the national minimum wage and the Employment Rights Bill also mean that work offers greater security and pay than it previously would have. It is part of a package of measures. In the end, we want to improve people's living standards. We want more people to have more money in their pocket, and we believe these policies will contribute to that.

Q294 Chair: One of the puzzles for a lot of people is that the changes we touched on earlier—AME spending—is easier for the Treasury to squeeze because of the financial challenges. Would it not have been more logical for DWP to have consulted on this before announcing the changes, or is it that you had to bank the money first?

Rachel Reeves: Doing it through legislation means that Parliament has a say on these changes. Some of the changes could be introduced without legislation, but it is important that Parliament has a say.

Q295 Chair: That does not stop consultation happening before a Green Paper is laid.



HOUSE OF COMMONS

Rachel Reeves: No, it does not, but we could also make these changes through legislation and have that debate in Parliament. There are other aspects, as we have already set out, that are in the Green Paper and are being consulted on.

Q296 **Chair:** The thing is, the money has been laid out, but things are still to be consulted on. If the consultation throws up anything different, you could end up with a different calculation. Is that still an option?

Rachel Reeves: No, we are legislating for the changes that the Secretary of State set out. We will still see significant increases in spending on sickness and disability benefits, but we think they are the right reforms to get the balance between supporting people into work, supporting those who need the support most and having a system that is sustainable for the long term.

Q297 **Chair:** Given that you said these were being discussed when Labour got into government, and certainly I was aware that people were having conversations about the challenges of the gilt market and so on squeezing the Budget back in February, why were the changes announced so late even as a proposal? Was any thought given to the communications and the fear, which others have mentioned that lots of people are worried about, because the detail is not all there yet?

Rachel Reeves: We wanted to make sure that we got the package of measures right. The Department for Work and Pensions has been working on them, and it slipped them out ahead of the spring statement. From our time in opposition, we have focused on how we can support more people into work. The current system is clearly not doing that—

Q298 **Chair:** My point is that there was no pitch rolling—it was a bit of a shock to a lot of people, inside and outside Parliament, that this was coming. Sometimes consultation and those voices can make for better policy in the long run—perhaps even more effective financially as well.

Rachel Reeves: Various aspects are being consulted on through the Green Paper. We think we have the balance right between the legislation and the things that are being consulted on. It will have scrutiny through the parliamentary process, in Committee and debate in the House.

Q299 **Chair:** Will the approach be that things are announced and then consulted on, rather than having consultation and discussion, the pitch rolling, before? Will that be the approach in future?

Rachel Reeves: The legislation will face scrutiny in both Houses of Parliament, and rightly so. We have been very clear about the precise elements of the package. *[Interruption.]*

Chair: Order. There is another Division. We will have to come back again. We did not expect votes this afternoon like this.

Sitting suspended for a Division in the House.

On resuming—



Chair: Welcome back to the Treasury Committee.

Q300 **Chris Coghlan:** Chancellor, I was very pleased to see in the spring statement, as you know, the focus on defence R&D to boost output and economic growth. Do you think that investment in defence can have a greater impact on growth than in other sectors?

Rachel Reeves: I think it is a huge opportunity to secure more good jobs, paying good wages and—going back to our discussion earlier—in all parts of the country. These jobs are geographically spread, from Rosyth to Derby to Wrexham to Bristol. There are so many fantastic firms, big and small, in the defence sector. This is an opportunity, although primarily to defend ourselves and our continent, also to bring good jobs here as we do so.

Q301 **Chris Coghlan:** Excellent. Do you think that the MOD—given the billions it has wasted on Ajax, for example, with years of delays—is really the most credible vehicle to deliver the economic boost we need, and the extra defence spending?

Rachel Reeves: We absolutely need to learn lessons from the past on failed and poor procurement, and on cost overruns. That is why we are determined to do things differently. It is why I am working closely with the Defence Secretary to get value for money for our defence spending. It is also why we are looking, too, at more innovative ways to use the additional money, in two ways primarily: first, reserving a proportion of the money to invest in new and innovative ideas; and, secondly, to expand the pool of businesses that can win MOD contracts, so that we can get that innovation. If we look at the money that we have given to Ukraine to support them during this war, they have used it much more creatively than perhaps the MOD has, so I think there are lessons that we can learn from the innovation over the last three years.

Q302 **Chris Coghlan:** You have just spoken about our allies. Would you consider, say, a customs union on defence procurement as one way of increasing our defence output?

Rachel Reeves: We might not be inside the European Union, but we are very much inside Europe. We have a shared objective with our allies in and outside the European Union—there are other European nations that are not in the European Union who want to be part of defending our continent. Certainly, our allies in the European Union recognise the massive contribution, under both Governments, that the UK has made to support Ukraine. So yes, absolutely, we want to be part of any Europe scheme.

Q303 **Chris Coghlan:** It is easy to envisage that the path to 3% could, by necessity, happen sooner rather than later if international security conditions deteriorate further. Have you given any thought to how the UK will potentially fund that?

Rachel Reeves: Look, we have just set out the funding to get to 2.5% of GDP, which is through a reduction in the international development budget from 0.5% to 0.3% of GDP. You can see in the numbers that all that



HOUSE OF COMMONS

money is being redirected into defence. That is the right priority, given the challenges that we face. We are achieving that in the space of just two years, so by April 2027 we will be spending 2.5% of GDP. The Prime Minister has made it clear that we will look to get to 3% in the next Parliament, as economic and fiscal circumstances allow, but we have just set out the profile to get to 2.5% of GDP. I am determined that we use that money well—it is not just about the quantity of money; we need to get value for it.

Q304 Chris Coghlan: On the aid cut that you mentioned, by definition, surely we will see increases in infant mortality or disease outbreaks in developing countries from halting the programmes that we were previously funding.

Rachel Reeves: We are very carefully reducing that spending. Again, you will see in the numbers that we set out last week that it does not just drop off in one year; it is a £500 million reduction this year, increased in subsequent years, because we are not just going to leave programmes high and dry. That would be an irresponsible thing to do, and we are not doing that.

Q305 Dame Harriett Baldwin: Chancellor, in your documents, you mentioned the fact that you are looking at ISAs. The Committee is also looking at lifetime ISAs. I wondered whether you could set out your vision and timetable for that look at ISAs to help people invest more in the growing sectors of the economy. What is your vision for getting people more advice to do that, as opposed to guidance?

Rachel Reeves: Thanks very much for that question. In the Mansion House speech that I gave in November, we set out reforms on advice and guidance. At the moment, sadly—

Dame Harriett Baldwin: It has been taking forever.

Rachel Reeves: Well, actually, we have speeded up the process, but would I like to do it quicker? Yes. It is really important. At the moment, advice and guidance is the preserve of the wealthiest, and that should not be the case, because people who perhaps need the advice and guidance most are those who make quite big sacrifices to save—

Dame Harriett Baldwin: I totally agree.

Rachel Reeves: I know you have a background in this area. So we are making those reforms. We are also looking, as you say, at making sure that the ISA system works well for savers, a bit like we are trying to do on pensions in making capital markets work better for the UK. The EST, Emma Reynolds, will be very happy to give you more evidence.

Q306 Dame Harriett Baldwin: Are we likely to see that announcement this side of the autumn Budget?

Rachel Reeves: I am not going to give a timetable for that at the moment, Dame Harriett. I recognise the importance of cash for a lot of people. Already, you can save in a savings account, and some of that—the interest on that—is tax-free. We also have the ISA limits. I do want to look



HOUSE OF COMMONS

at the balance, because I think sometimes it is a disservice to people saving. If you think about the inflation we have experienced over the last few years, you have actually seen an erosion in the value of your savings in real terms.

Q307 **Dame Harriett Baldwin:** I can see exactly why you are approaching this, but I wondered if it was imminent, or something we will have to wait for.

Rachel Reeves: We do not want to rush it, because we want to make sure that we understand people's different needs, but do I think that reform would be worthwhile. That is what we are looking at at the moment.

Q308 **Dame Harriett Baldwin:** Thank you. I have a technical question for Mr Macfarlane. In the Treasury document, there is a lot of scoring of savings from welfare fraud and error or from reducing tax avoidance, and you mention the covid counter-fraud commissioner in paragraph 2.4, but I do not see anything scored for expectations of savings from that area.

William Macfarlane: Currently not scored, I think I am right to say. Of course, the further savings we have scored, in addition to the record action taken at the Budget on closing the tax gap, are also resourced, crucially, in line 9 of the scorecard, with additional resources to HMRC. I will double-check that there is not something I am missing on the covid counter-fraud commissioner.

Q309 **Dame Harriett Baldwin:** Yes, could you let the Committee know if they have saved anything, or what they are expected to save?

Chair: A lot of it was already going through the court process anyway.

Rachel Reeves: We appointed Tom Hayhoe earlier this year, but he has only been in post for a couple of months. He is working to see what money can be clawed back, and working with different counterparties across Government in the fraud area. We are determined to do everything we can to get that money back. We will be setting out more detail of that—

Q310 **Chair:** Does that mean it is not—

Rachel Reeves: It is not in these documents.

Q311 **Chair:** A lot of legal disputes are going on—some outside court and some going to court, including some very famous ones. What other things is Mr Hayhoe looking into?

Rachel Reeves: We will soon publish more information on his work. It is important work. He has only been in post for a couple of months.

Q312 **Chair:** Do you have a range—a ballpark figure?

Rachel Reeves: I am not going to pluck numbers out—

Q313 **Chair:** It is just that previous Committees have looked at this a lot, and once it is out the door and gone, some of those fraudsters are long gone.

Rachel Reeves: That is why we were really keen to bring in someone with experience and a very clear remit of doing everything we can to get that money back.

Q314 **Chair:** How far will you reach back? Will you just go after anyone? Will there be a limit?

Rachel Reeves: It is the whole covid period.

Q315 **Chair:** Will you go to the smallest? A lot of local authority fraud, for example, was people claiming £1,000 grants and then just disappearing off.

Rachel Reeves: He is looking across the whole of the covid outlays and where fraud has occurred, but we will be publishing more information shortly.

Q316 **Chair:** We will look forward to that, because obviously there is a challenge of cost-effectiveness. We all would want to pursue fraudsters. Thank you for that.

Briefly, to finish, we talked earlier about financial services and you referred to your Mansion House speech, and we have had other Ministers in front of us. When was the last time you had a meeting with a consumer champion group?

Rachel Reeves: I can give you the exact dates. I have met and spoken to Martin Lewis since I have been in the job—

Q317 **Chair:** Yes, if you could send us the dates. So you have met him. He is an individual—well, he represents MoneySavingExpert. What about any other groups?

Rachel Reeves: We can send you details of different people that we have met.

Chair: Okay. Lots of people in the City are very excited about the Government, but obviously the Committee is doing work to look at some of the consumer interests as well.

Rachel Reeves: We can also send you details of who the EST has met.

Chair: Thank you very much.

I thank the Chancellor of the Exchequer very much indeed for her time, especially given the interruptions of the votes. We live in a democracy, so it is a good thing that we are voting, but in a hot room on a sunny day, it is a little challenging. Thank you, too, to William Macfarlane and Louise Tinsley from His Majesty's Treasury. The transcript of the session will be available on the website, uncorrected, in the next couple of days. Thank you very much indeed.