



Treasury Committee

Oral evidence: [Budget 2015](#), HC 1082

Tuesday 24 March 2015

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Members present: Mr Andrew Tyrie (Chair), Rushanara Ali, Steve Baker, Mark Garnier, Stewart Hosie, Mike Kane, Mr Andrew Love, John Mann, Jesse Norman, Teresa Pearce, Mr David Ruffley, Alok Sharma, and John Thurso

Questions 180-288

Witnesses: **Rt Hon George Osborne MP**, Chancellor of the Exchequer, and James Bowler, Director, Strategy, Planning and Budget, gave evidence.

Q1 Chair: Chancellor, thank you very much for coming to see us this afternoon—your last appearance before us of this Parliament. I'd like to begin with a question about the eurozone. Most people think that the Greek economy cannot recover in the current exchange rates. Virtually everybody agrees that the Greeks cannot repay the huge debt overhang that they've got. Now that the eurozone is more resilient in financial and banking terms than it was, might not it be better all round for Greece to leave the eurozone and give the eurozone a better chance of recovery, which would benefit us?

Mr Osborne: First, Mr Tyrie, thank you for inviting me here. I should introduce James Bowler, the director of the Budget at the Treasury. My view would be that Greece shouldn't have joined the euro, but now that it's in the euro, I think it's difficult for it to leave without there being traumatic impacts on Greece and, indeed, very considerable impacts on the broader eurozone because I think you would establish that the single currency was really just a currency peg. Once you establish the principle that people can leave, that of course opens the eurozone up to potentially repeated bouts of instability.

My judgment at the moment is that the risks of Greece leaving are rising because the ill will around the table is palpable between the eurozone and Greece. Although I don't think anyone wishes the outcome of Greek exit, it could happen through accident or mis-step and misjudgment. I still don't think that is the likeliest outcome, but it is certainly something that we need to be prepared for and, indeed, the whole European financial system has to be prepared for as a contingency.

Q181 Chair: If a country, however badly behaved it is—this is a country that employed Goldman Sachs to help them cook the books—is expected to stay in on the grounds of the common good, and given that we do not have any binding fiscal rules and there is no prospect of getting to a point where we have binding fiscal rules, at least that markets will believe in,

isn't what you have said really just a licence for irresponsibility by various members of the eurozone from time to time with its own attendant risks of instability?

Mr Osborne: Well, I think my answer would be that they should have thought of that when they dreamt the thing up.

Q182 Chair: They should, but we are where we are.

Mr Osborne: Once you are in a currency union, of course you have to deal with the fact that some parts of the currency union will have weaker growth, less responsible government, spend too much, or whatever it happens to be. But that is part of the burden sharing of a currency union. Now, by all means, I think they can improve the operation of the currency union. They will, as I've said before, have to integrate further and develop more of the fiscal and political union that they have at least now raised in public. That is an opportunity for the UK because, of course, we want to achieve a reformed and different relationship with the eurozone and the EU. So there's a potential opportunity there over the coming years.

Q183 Chair: It was widely held that the reason that Greece couldn't leave was that this would have powerful contagion effect on the banking system. Nearly 90% of claims on Greek debt, which were held, are now no longer there, so it should be manageable.

Mr Osborne: It is certainly true that the immediate contagion effects on the European banking system would be considerably less than if this had happened in 2012. European banks have reduced their exposures. UK banks have almost no exposure at all to Greece. So you would not get the immediate contagion that people were fearful of a couple of years ago but you would—this is not to be underestimated—be establishing the fact that a country can leave the euro. Once you have established the fact that a currency peg can be broken or a country can leave the ERM, as we know from our own history in this country and our own past on this, the markets and others will seek to test that. You don't know necessarily when that will next happen, but clearly Greece is not the only weak economy in the eurozone.

Q184 Chair: I want to turn to measures of average or median earnings that have been part of public debate in recent weeks and months. Just to clarify one point, which I sought to clarify with the IFS and discovered that they hadn't actually done all the work necessary to demonstrate it, which is that an important, perhaps the most important measure of median earnings is the median earnings of those who have been in continuous or near-continuous employment for the period measured. Otherwise, the number will be heavily distorted by people who may be joining the median cohort, and in this case likely dragging it down because they are often new entrants to the labour market or people coming in at lower wages, giving the appearance of a fall and disguising the reality of a rise. Has the Treasury done any work on this?

Mr Osborne: We have looked at the earnings of those in continuous employment. I agree with you that this is perhaps an underused measure, because it captures the experience

of people in work. The overall average earnings figure can be dragged down by, for example, younger people coming off unemployment and into work. That pulls down the median wage, so you can have the effect of the median wage falling, even though everyone's individual experience is one of improved prospects for them. The unemployed person has got a job and the person in continuous employment has seen their earnings increase, even if the average will come down. We have drawn people's attention to that over the last couple of fiscal events, and earnings for those in continuous employment have been rising at 4% or over 4% a year collectively. We have made that observation. It is certainly something that we could do more work on and look at. But one of the points I tried to make in the Budget and which is drawn out in the Budget document—I know that it has come out in the discussions you've had as part of these hearings with the IFS and others—is that there are several measures of living standards. The one that probably gives the fullest picture of people's experience is real household disposable incomes per capita. That has shown an improvement, and people are £900 better off. Of course, that captures the experience that people have—not just what they earn but the taxes they pay and the benefits they receive.

Q185 Mr Love: Chancellor, how much has been cut from the welfare bill during this Parliament?

Mr Osborne: Well, we have legislated for £21 billion-worth of reductions. Of course, things like pension expenditure have gone up, but I make no apology for that because it was a deliberate act of policy to triple-lock the pension and make sure that people had a better deal with their state pension. The way to control pension costs, in my view, is through increasing the pension age in line with life expectancy, which is what we have done.

Q186 Mr Love: You have told us how much you plan to cut the welfare budget, but you have still not told us how much you have actually cut it by. Can I ask you that question again?

Mr Osborne: As I say, the discretionary measures we have taken have amounted to £21 billion of legislated-for savings. Welfare is £21 billion less than it would have been if we had not taken those measures. But, as I say, if you include the state pension, obviously the state pension went up.

Q187 Mr Love: According to the Institute for Fiscal Studies, who are the experts in this area, you actually managed to achieve a reduction of £2.5 billion. That's over the £21 billion that you had factored in. You are suggesting that you will save a further £12 billion in the next Parliament. How can we believe that figure, based on the experience of this Parliament?

Mr Osborne: The £12 billion figure forms part of a £30 billion consolidation. The Conservative party has set out how we expect to achieve that. We have not heard from other parties that also voted for that £30 billion how they are going to make those savings. To be fair to Mr Hosie, he did not vote for it, but the other parties represented here did. We've set out that we should have a balanced approach to this. We would make those savings in welfare, save £13 billion from Government Departments and £5 billion from tax avoidance

and evasion. That is broadly the same as we've achieved in these different spaces over this Parliament, so I think it's perfectly achievable. Of course, it operates off a forecast that includes things like increases in the state pension, because the OBR is anticipating that the state pension would continue to rise.

Q188 Mr Love: The OBR catalogues what it calls an optimism bias in welfare reform. Can you be accused of optimism bias?

Mr Osborne: I don't think so. These numbers are independently audited, of course, by the OBR. If they think that what we are claiming is too optimistic, they have it within their rights not to take that optimistic forecast. There are certain things that have cost us more money—for example, delays in some of the reforms on disability benefits—but other things have saved us money, like lower than expected unemployment. So the mix has broadly been one where we have been controlling a welfare bill that was previously out of control. Of course, we now have a welfare cap: a very important new mechanism for controlling what was previously, as I say, not remotely controlled or managed expenditure. We are coming in below the welfare cap forecast that we published at the autumn statement—or that the OBR published then.

Q189 Mr Love: You have published suggested savings of £3 billion out of that £12 billion. Where is the other £9 billion of welfare savings going to come from?

Mr Osborne: Well, we have set out, as the Conservative party, how we think the £30 billion of consolidation needs to be achieved. As I say, £13 billion from Government Departments, £12 billion from welfare and £5 billion from tax avoidance and evasion. I have given examples of where those welfare savings can be found—for example, the freeze in working-age benefits and the reduction in the benefit cap—but this, I am sure, will be the substance of the election campaign, and I look forward to hearing the Labour party's proposals on how it is going to save money.

Q190 Mr Love: The reality is that welfare reform is very much subject to economic developments: inflation, housing costs, etc. What confidence can you give this Committee that you have a handle on this? You talk about the welfare cap, but the reality is that welfare expenditure has, in effect, gone up on your watch.

Mr Osborne: I don't accept that. Welfare spending is considerably lower than was forecast in 2010. But to answer your question directly, the mechanism we have is, first, we now have independent forecasts of welfare expenditure. They make the best possible judgment on what they think is going to happen to employment, GDP growth and so on. Secondly, we have this new tool for managing public expenditure, which is the welfare cap, which excludes the most cyclical benefits, like jobseeker's allowance, and I think that proves very focused; it's a very effective tool at forcing the Treasury, the Department for Work and Pensions to look at the annually managed expenditure.

Q191 Mr Love: Chancellor, the urgent question here is, what will you do if welfare expenditure doesn't conform to the plans that you've laid out in the election?

Mr Osborne: Well, as I say, I expect that if you run the economy well and have stability and businesses want to invest, you can go on making savings from what you would otherwise be spending, because there are more people in work. I completely agree that if you create a very anti-business environment and destroy jobs and create economic instability because you let debt rise, your welfare bill will go up as well, but that is not my economic plan.

Q192 Mr Love: When answering questions on welfare reform just after the Budget was published, you said, "Judge me on my track record." Isn't your track record to put up VAT? Won't you turn to VAT when the next election is over?

Mr Osborne: No, because our plans do not involve those tax rises. We have set out the plans. You are asking me about the difficult savings that we need to make in welfare. I've identified where the £30 billion of savings, I believe, need to come from, and as you can see, they don't involve a VAT rise. I think that the question for those who say that they are going to try to balance the books but say that it mainly has to be done through tax, as the official Opposition does, is to spell out what those big tax rises are. It is pretty clear today that they have opened the door to a big increase in national insurance and the jobs tax. I think that that would be very damaging for this country.

Q193 Mr Love: But the reality is that you've delivered £2.5 billion-worth of welfare savings when you had planned to deliver £21 billion. There's a huge, gaping hole. It has to be filled. Won't you turn to VAT to fill that gap after the election?

Mr Osborne: Well, as I said, we don't need a VAT rise because we are going to make the savings in public expenditure. The kind of people who are going to put up those big taxes, like VAT, income tax and national insurance, are the people who are promising big tax rises—that is the Labour party in this election, not the Conservative party.

Q194 Chair: Chancellor, did I hear you suggest that the £12 billion in welfare cuts is audited by the OBR?

Mr Osborne: No, the welfare savings that we make in this Parliament—the policy measures that we put forward—are of course audited by the OBR, but there's a distinction between coalition Government policy, which is audited by the OBR, and Conservative party policy, which is not.

Chair: Okay, that's helpful.

Q195 John Mann: How much has net migration increased since you have been Chancellor?

Mr Osborne: Well, migration, I think, is 298,000. Is that right? It has clearly gone up and we have explained why that's the case: because migration from outside the EU has fallen, but migration from inside the EU has increased. That's because we have run a more successful economy than the European Union and the current welfare rules are not acceptable. That's why we want to change those welfare rules, and that's one of the reforms we want to seek in our negotiation with Europe.

Q196 John Mann: Over your five years as Chancellor, how much have you added to the national debt?

Mr Osborne: Well, I think the national debt was around £1.1 trillion when we came to office. It is now about £1.4 trillion, as the OBR figures show, but that is because we inherited a budget deficit of over 10% of national income. The way the deficit works is that it adds to the national debt each year. Now we didn't propose to get rid of the deficit in one year. Our target was to get debt falling as a share of national income by 2015-16—that was the debt target I set in that first Budget—and I am pleased to report that the OBR judged that we will hit that debt target.

Q197 John Mann: On what occasions and by how much have you increased tax on petrol in the five years you have been Chancellor?

Mr Osborne: Well, actually, of course we have frozen petrol duty for the large part of this Parliament, and I think that means that petrol costs 10p less filling up a tank than it would have done if we'd stuck with the plans that I inherited from you and your party. Of course, the question you've often asked me in the past is, what was the cost of a litre of petrol when we came to office and what is it now? It is down. It was £1.21 when the Labour party was in office, and it's now down to around £1.12.

Q198 John Mann: I asked you a question: how much net immigration had increased since you've been Chancellor? You said it was 298,000; in fact the figure is over 1 million. You gave a figure for national debt of £300 million, but in fact it's £505 million, or over half a trillion, and you have failed just now to point out the increases in tax that you made on petrol. So far, three questions, no answers. Perhaps I can get a straight answer to this question: will you give a cast-iron guarantee that you will not be increasing VAT in the next five years?

Mr Osborne: We don't need to increase VAT.

Q199 John Mann: That's not a cast-iron guarantee—

Mr Osborne: I couldn't be clearer: my proposals are to save—

Q200 John Mann: You said so last time that you increased VAT, including on petrol, so let me ask the question again. Will you give a cast-iron guarantee that you will not increase VAT in the next five years, in the next Parliament?

Mr Osborne: Well, we do not need to increase VAT because our plans involve saving money in the welfare budget and from Government Departments. Your party is proposing very substantial tax rises. I suspect that will be VAT or jobs tax or income tax.

John Mann: With respect—

Mr Osborne: Can I make the point—since you refer to history—that we now know from Alistair Darling’s memoirs that the Labour Government was planning to increase VAT?

Q201 John Mann: With respect, your answers are more Bullingdon than Bassetlaw.

Mr Osborne: You’ve obviously been working on that for some time.

John Mann: In Bassetlaw, we like straight John Bull. So here’s some sustenance for you that I’ve brought: a Greggs pasty—

Chair: John, John.

John Mann: In order that you can have the sustenance to answer the question.

Chair: John, do you have any more questions?

John Mann: Yes, I do Chairman.

Chair: Well, I’d be grateful if you would get on with your questions.

Q202 John Mann: Yes, I do have more questions. In fact, I have the same one. Will you give a cast-iron guarantee that you have failed to give three times so far that you will not increase VAT in the next Parliament?

Mr Osborne: Well, the policies we have do not involve a VAT rise.

Q203 John Mann: We are offering you sustenance. We are offering you the chance to straight John Bull. Let me ask one final time, because your failure to give the answer is, of course, an answer with your track record on VAT. Will you give a cast-iron guarantee that you will not increase VAT in the next Parliament?

Mr Osborne: Our proposals, our spending plans, our policies do not involve tax rises. They don’t therefore involve the VAT rise. However, your proposals do involve tax increases—you’ve been quite open about that—and that means it’s either VAT or income tax or jobs tax. That’s what people are going to get if they vote Labour, and of course they won’t vote Labour, because they remember what you did to the economy last time.

John Mann: The pasty eaters will beware again.

Q204 Mark Garnier: Good afternoon, Chancellor. Can I get back to the subject of statistics in terms of living standards, following the Chairman's questions a bit earlier? There does seem to be a lot of ambiguity in the numbers that are out there. We have those on the Government Benches claiming that living standards are up £900 per household per year, whereas the Opposition Benches say they are down £1,600, and there seems to be a huge amount of ambiguity. Certainly, the numbers that I've got in front of me here which look at the continuous employment median full-time gross earnings actually show that people in nominal terms are up 15.6% and in real terms are up 3.1%. Do you think we've eventually come to the time when we need to have one definitive measure of living standards, rather than having these endless different breakdowns of whether you are looking at household mean income, household average income, in continuous employment, all employers? Do you think there is too much white noise out there to really understand what is going on with living standards?

Mr Osborne: Well, to be honest, I'm not sure there is a huge amount of noise out there, because I think most people now accept that living standards have increased. There are various measures. The simplest and sometimes used—and, indeed, was the measure discussed a lot before the last election—is GDP per capita. There's the households below average earnings, which is the IFS projection, but I think the real household disposable income per capita is probably, as I think the IFS said to you, the fullest measure. It's the one that the ONS produced. It's the one the OECD use internationally. It has been produced continuously in this country since 1948, so you have a time series you can look at, so that is the one that I focused on in my Budget. But, as I say, you can use different measures. I think they all broadly point to the same thing, which is the economy is improving, living standards are higher and the country is getting better off. But of course the shocks and effects of the recession are still felt by those who were on the wrong end of terrible economic policies six or seven years ago.

Q205 Mark Garnier: And one of the interesting points the IFS mentioned yesterday is, by whatever standards you look at it, people are better off if you take into account everything that is going on on average, which is very encouraging.

May I turn to a slightly different subject and look at the bank levy? You have increased the bank levy. Originally it was there to help banks, if you like, help sort out the economy, having created quite a significant problem. There has been a little bit of accusation that you are using this now to raise general taxation. Why are you raising the bank levy? Is it in response to Opposition parties looking to impose a bonus tax, which is to all intents and purposes unenforceable because people would work out a way of getting around it? Is this a response to that bonus tax proposal?

Mr Osborne: I've always been clear that the bank levy was designed to achieve two things. One was to make sure that we were bearing down on leverage and on wholesale funding and the like of balance sheets, but I also was explicit that the banks had to make a contribution to the consolidation. That is the reason why I feel, as the banks are becoming

more profitable, they can make a further contribution. The international tax community, in the form of the IMF, have identified two suitable taxes—one is a bank levy and one is a financial activities tax. So the bank levy seemed an appropriate tool to use. I think it has been fairly effective. It is pretty straightforward. It raises the money for the Exchequer so we can spend it on our public services and the like.

On the bonus tax, again I refer to what Alistair Darling has told us. He has told us that it is not possible to sustain a bonus tax because it leads to massive avoidance. His plan was only ever to have a one-year only bonus tax and he has been pretty scathing of his party's proposals in that regard.

Q206 Mark Garnier: He is a very wise man. I have one final question, which is slightly related to a constituency issue. You may have seen that in the last 40 minutes or so HSBC has announced that it is moving its UK headquarters to Birmingham, bringing 1,000 jobs to the centre of that great city. Do you welcome that spirit, in supporting our regions and showing, I hope, continuous support for the UK, but also in working ahead of the curve to ring-fence the bank, to make the bank more secure and take a lead by showing what can be done to comply with the regulations brought in by this Government?

Mr Osborne: Yes is the short answer. The regulation of banking, the splitting of the retail banks from their investment banking arms and the creation of the new regulatory system with the Bank of England in charge, have been some of the most far-reaching and important reforms of this Government. A lot of them have been informed by the work of this Committee and the Commission on Banking Standards. There is still work to be done, as we have seen with the allegations around HSBC Swiss and the like, but that said, let us not forget that our financial sector is an incredibly important sector of our economy. It finances the rest of our economy. It also is the largest private sector employer. It is hugely important not just in the City of London but far beyond. It is a major employer in Scotland. JP Morgan employs thousands of people in Bournemouth, Bank of America employs thousands of people near Chester and now we have this extremely welcome news that HSBC are moving their ring-fenced retail bank headquarters to Birmingham. That is 1,000 jobs in the Midlands, an engine for growth in the Midlands. That is very welcome and, by the way, I think an indication that we are seeing a truly national recovery and that we are no longer, as a country, putting all our bets on what happens in the Square Mile—that there is economic growth and activity happening across the country and jobs are being created across the whole country.

Q207 Chair: Just to be clear, Chancellor, on the purposes of the bank levy, presumably when you said, when the Treasury consulted on the bank levy in March last year, it described its purpose as, “to ensure that the banking sector makes a fair contribution”, that was your reference to the consolidation that you are now talking about?

Mr Osborne: Yes.

Q208 Chair: But it did go on to say, “reflective of its risks to the financial system”. In other words, because there is an implicit guarantee, the value of that guarantee in some way was

associated with the scale of the levy. Now, everyone is agreeing that the risks from the banking sector have fallen, but they have not been eliminated and there is probably quite a bit of systemic risk left. But it does seem that the increase has breached the principle that as those risks fall, the levy might also fall—a point that was raised and extensively discussed during the Banking Commission. Am I right in thinking that therefore what you are saying is breaking that link?

Mr Osborne: No. I think the reason for the bank levy is both to create a safer financial system and also explicitly to raise revenue. I was very clear in 2010, when I replaced the bonus tax with the bank levy, that the bank levy was a more effective way of getting the banking sector to make a contribution, so I did link it to the fair contribution, if you like, that the banking sector should make. In our tax system, we do have taxes that are unique to particular sectors, so I don't think it is particularly unusual to have it.

Q209 Chair: So let's put it a different way. Once we have arrived at consolidation in the public accounts—let's suppose we arrive at the point of budget balance—and it is widely agreed we have achieved the point at which large banks can be resolved, that we have cracked the too-big-to-fail problem, are you still going to be arguing that we need a bank levy?

Mr Osborne: I think the bank levy is going to be here to stay, yes.

Q210 Chair: So it is not a temporary phenomenon; it is a permanent part of the tax system.

Mr Osborne: I think it's perfectly reasonable as a society to ask the banking sector to make a contribution. It does receive all sorts of support from the Government, even if we are of course trying to remove and reduce the implicit guarantee that used to exist.

Chair: I won't pursue this discussion now but I think it is an important one that will need to be had in the future.

Q211 Rushanara Ali: Chancellor, in your Budget statement, you said, "we need to achieve the £30 billion further savings that are necessary by 2017-18. I am clear exactly how that £30 billion can be achieved". In your earlier discussions, you have talked about some of that. Paul Johnson of the IFS said that he was left guessing about where the cuts would come from. You have indicated, he thinks, about £2 billion—£2 billion to £3 billion if we look at the different numbers that people have touted. He suggested £2 billion. Can you be clear now where the rest of it will come from? You have alluded to welfare cuts. Can you be more specific? People will want to know. Certainly, my constituents will want to know how those cuts would affect them.

Mr Osborne: Well, we have a general election. Different parties, including your own, have said that they are going to make £30 billion of cuts, or £30 billion of tax rises or substantial tax rises in the case of the Labour party. I have set out the mix of how I think that that £30 billion can be achieved. I have given some examples of how it can be achieved and it will be the subject of the election debate, but we have gone considerably further than other

political parties who have not given us any examples. One can only conclude some of these big taxes like the jobs tax will go up under a Labour Government, if there were to be one.

Q212 Rushanara Ali: Chancellor, may I ask how many people are likely to be in child poverty by the end of the next Parliament and how many has the figure gone up by in this Parliament with these cuts?

Mr Osborne: Well, we're committed to the child poverty target, as are other parties here. Actually, child poverty has come down during this Parliament in official figures. To make a broader observation, not only is child poverty down, but inequality is down. We have seen the gender pay gap at a record low. The number of workless households is at a record low. We have a record number of people in employment, a record number of women in employment, a record number of people from disadvantaged backgrounds going to university, so the progressive—

Q213 Rushanara Ali: Chancellor, child poverty is going to go up by 700,000 by 2020.

Mr Osborne: You can look at the figures that have been produced—the figures that, by the way, were established by the previous Labour Government. The figures that have been produced under this Government show that child poverty and inequality have fallen.

Q214 Rushanara Ali: Let me just remind you. According to the IFS, it is going to go up by 700,000 by 2020. It has gone up by 400,000. In my constituency, half the children are facing poverty. It has gone up.

Mr Osborne: Child poverty—

Q215 Rushanara Ali: With respect, Chancellor, this is a really important point. You will appreciate that. In the proposals that you are making, the overall point about welfare cuts might be appealing but when you dig deeper, there are concerns about child tax credits and child benefit being cut. That has been reported in the press, and people will be very concerned about their family incomes going down and that contributing further to child poverty. The projections are 700,000 by 2020, and I think that the British public—particularly those who are struggling—will want some reassurance from you about what is going to happen here. I simply ask you to please look at this again and come clean with the British public about where you are going to make that £10 billion-worth of cuts and what it will do to families who are struggling at the moment.

Mr Osborne: People can look at what we have done over this Parliament on welfare and they can see that we have reformed welfare. There are more people in work than ever before. We have the highest employment rate in our country's history. We have reduced inequality. Child poverty has fallen. The gender pay gap is at a record low. Those are the published, independent statistics.

Q216 Rushanara Ali: Chancellor, my question was about your proposed cuts of £30 billion.

Mr Osborne: You voted for it.

Q217 Rushanara Ali: With respect, I am asking the questions. I would like you to answer them to the best of your ability. We are talking about the next Parliament. You have set out that you are going to make cuts of £30 billion. You have set out some of the departmental cuts, which I want to come on to. But I wanted some specifics about what you will do in the next Parliament and the social implications of those cuts. I think that those are legitimate questions, and people will need some reassurance from you.

You are still the Chancellor until 30 March, so it would be helpful if you could clarify how you will do that. Nothing can take away your achievements, of course. I commend you for some of your achievements. But the reality is that there have been major failings, in terms of both making the cuts to welfare that you promised in this Parliament and successive Governments' struggle to make welfare reform happen appropriately. There are quite often perverse incentives. That is no different in your Government. I just wanted some clarity on how you are going to achieve those changes and what the consequences will be.

Mr Osborne: As I said, both of us voted in January to achieve £30 billion of consolidation. I am clear about the mix that that consolidation should consist of—the welfare savings, the departmental savings, and the tax avoidance and tax evasion. The only thing the Labour party has said is that half of that £30 billion should come from tax rises, which means the big taxes like national insurance, maybe VAT and income tax.

Q218 Rushanara Ali: We have ruled it out, and you have ruled it out today, which we are very pleased to hear.

Mr Osborne: Well, my opposite number was notable in not ruling out a jobs tax rise. But that is for the election debate. What I am accountable for here are the decisions we have taken in this Parliament, and they have led to a fairer society, a stronger economy, less inequality and issues like the gender pay gap being tackled. I am very proud of that and of the part I and other members of the Government have played in helping to deliver that.

We have to go on reforming welfare. We have to go on making sure work pays. We have the very important reforms that universal credit represents. As a country and as a Western democracy, you have to make a big choice about where you are going to use your scarce resources. I think we should be investing in our universities, our science and our economic infrastructure like roads and railways, so that our country is a place where businesses want to come, grow and provide jobs to your constituents and, indeed, to mine. That is my view of how a country like the United Kingdom has the prospect of becoming the richest of the major economies in the coming generation, for the benefit of all the people. We see a much more national recovery than we have seen in the past couple of decades.

Chair: A very quick question and a very quick reply please, Chancellor.

Q219 Rushanara Ali: With changes to housing benefits, for instance, we have already seen homelessness going up. People who have had to pay additional housing costs, particularly in cities like London, are really struggling. There are grave concerns that homelessness will go up with some of the changes that you are proposing to make. I refer you back to the social consequences. You have highlighted a very positive vision of our country. We all want to see that, but the dispute is about how those cuts and changes will hit ordinary families very hard and lead to perverse incentives that none of us want to see. I feel that you ought to really think about that.

Chair: This was going to be a quick question. We are short of time.

Q220 Rushanara Ali: My final question is about departmental cuts. You have not really explained what precisely that will mean. Will there be cuts in education? You have set out cross-departmental cuts. What will the impact on schools be? There are likely to be about 1 million public sector jobs going as a result of those cuts. Can you shed more light on that? I think that people who are choosing how to vote in May will want to know.

Mr Osborne: I will briefly answer the different points. On housing benefit, I set out reforms at the beginning of this Parliament that were bitterly contested and opposed, no doubt by yourself and certainly by official Opposition spokespeople. There is no proposal now from the Labour party to reverse things such as the housing benefit cap that I introduced, yet it was strongly objected to at the time.

I think the best answer to the challenge of homelessness, which you talk about, is to see more homes built. We have more social homes being built at the moment than during the entire period of the previous Labour Government, so we are addressing the homelessness challenge by getting more homes built. Of course, there are also measures in the Budget to help first-time buyers get on the housing ladder, for those who want to own their own home.

When it comes to Government Departments, we have to go on making savings because we are responsible for spending taxpayers' money well, but actually satisfaction with public services has increased and public sector productivity is increasing. We have this week set out how we achieved £20 billion in savings over this Parliament in better and more efficient use of public money. I am completely confident we can do that in the next Parliament.

The alternative to doing those things is to go on spending and borrowing way beyond what the country can afford. National debt would start rising again. You would have economic insecurity, jobs lost and poverty would rise. All the things that this country did wrong six or seven years ago would be visited on this country again.

Chair: I make a plea for colleagues to put their questions quickly if they can.

Q221 Mr Ruffley: Chancellor, may I congratulate you on what I called in the *FT* a “grown-up Budget” with a balanced approach? I want to ask you about the public spending side. Compared with the autumn statement, in 2019-20 you are going to spend £16 billion more

and run a slightly smaller surplus as a result. Could you take us through how you arrived at that judgment and why?

Mr Osborne: The judgment was that because we were making more progress than the consolidation, because we were now hitting the debt target a year earlier than we had forecast—in other words, we were hitting rather than missing the target that we set out in 2010—we were able to end the consolidation, or the squeeze on public spending, a year earlier.

Once you have a healthy surplus in good years, you don't have to go on adding to that surplus ad infinitum. You can maintain that surplus to pay down your debt and make sure you are fixing the roof, but you don't have to go on adding to that surplus. So I thought that was a sensible step to take in the last year of this decade.

Q222 Mr Ruffley: Because, in contradistinction to other parties, you have been quite clear that an overall surplus should be run on current budget and capital. Some people will say that is a bit dry; it is not politically populist or sexy. What are the advantages of running a surplus to the British economy and the British people?

Mr Osborne: I think high debt (a) leads to great vulnerability to economic shocks; (b) harms potential growth; and (c) very materially, costs more in debt interest. The billions of pounds you would rather be spending on your health service, for example, you are paying in debt interest payments to the holders of your debt, whether they are at home or abroad. Once you are in better times, you should be bearing down on our national debt. The British economy has been growing since 2010. You have to ask yourself, if after seven or eight years of growth you are not running a surplus, when would you run a surplus?

My fear is that the alternative plan we see would lead to much higher borrowing. Official Treasury projections, done under the Opposition costing regime, which was acknowledged as a perfectly reasonable and accurate thing to do by the previous Government, shows £138 billion more spending under the alternative fiscal proposals. Crucially, the national debt would start to rise in the year after it was falling. Having got our national debt falling as a percentage of our national income, it would start to rise. That would be a complete reversal for the United Kingdom. That is not somewhere we should want to go.

What does that mean for real people? You asked whether it was too dry. This means economic security for people and their families. It means jobs for people and their families. It means economic opportunities for people and their families. If you get the public finances wrong and get your economic policy wrong, those are all lost. They are the people, often the poorest in our society, who suffer most when that happens.

Q223 Mr Ruffley: You have heard a bit about public spending cuts in the earlier questions, Chancellor, and you have made clear the means by which you will do the £30 billion consolidation. You also said something interesting in an earlier answer, which was that if it was not to be done your way, a Chancellor—whoever that might be—would have to find some of that consolidation from tax rises. You talked about the big tax increases. What are

the big ticket tax increases that civil servants regularly serve up to Chancellors? What are the big ones that raise the big revenue?

Mr Osborne: Well, they don't serve them up to me, because I've made it clear that I am not interested.

Mr Ruffley: Sorry, I didn't make that clear.

Mr Osborne: Look, it's totally fanciful to think that you can avoid the public expenditure savings required or the welfare savings required with things like a mansion tax and pretend that that is going to cover the cost. Even on the most aggressive estimate, a mansion tax raises £1 billion to £2 billion, and as I say that is in its most virulent form, which I don't think even the Labour party is proposing. Therefore you are left with the big taxes, such as national insurance and income tax, and of course that is where the last Government looked when they wanted to increase taxes. So there is form there. I am of course going to be asked in the coming weeks about public expenditure savings, welfare savings and so on; but people who do not support those things have to admit that they would either put taxes up very substantially—the big taxes, like national insurance, the jobs tax—or they would run many tens of billions of pounds more borrowing and put up the national debt. That, of course, is just deferred taxation. That is the honest debate to have over the coming weeks, and let the British public judge people on their economic records.

Q224 Mr Ruffley: I have a final question, just on a point of clarification. Looking at the Red Book for 2019-20, on my estimation you have got state spending as a share of GDP back to where it was around the year 2000. Do you share my puzzlement that some commentators start talking about it going back to the 1960s? It is odd, isn't it, because your plans make it quite clear, I think, that it is going back to the share of the economy taken out by spending in 2000.

Mr Osborne: You are right that total managed expenditure as a share of national income would be the same as it was in the year 1999-2000. The 1960s comparison assumes that you are not making the savings on welfare and tax avoidance that I have talked about. If you look at the last 15 or 20 years of British public finances and ask yourself, "Where did it go wrong?" the truth is that it started to go wrong in the early part of 2001-02. That is when the debt started to increase. We have had a 13-year rise in our national debt, which, incredibly, is the longest period it has risen since the 17th century—and think of all the things that the United Kingdom has been through over that period. It is the first time that has happened. We have now got the national debt falling. It would be an absolute tragedy to allow the national debt to start to rise in these benign economic circumstances into which the UK falls.

Q225 Stewart Hosie (Dundee East) (SNP): Chancellor, the OBR complained that your assumptions for 2016-17 onwards were complex and opaque. Why did you make such long assumptions?

Mr Osborne: We try and operate off a relatively simple concept, which becomes a little bit more complex when you actually translate it into total managed expenditure,

projections and so on. But the simple concept is that we want to continue the consolidation at the same pace in the years 2016-17 and 2017-18 as we achieved in the years 2010-11 to 2014-15. That is the concept, which does not change. Of course, with reclassifications and some things coming on to the balance sheet and some things coming off all the time, you have to make adjustments; but the basic concept is the one I have just set out.

Q226 Stewart Hosie: Well, you say that it's a relatively simple thing. I'll just start reading these assumptions gently—just a sentence or two—to let colleagues judge whether this is simple or not. For 2016-17 and 2017-18, "TME should fall in real terms at the same rate as over the 2010-11 to 2014-15 period covered by Spending Review 2010. For 2010-11, the relevant measure of TME should exclude underspending against plans and the in-year spending reductions announced in the June 2010 Budget, but include the retrospective effect of our decision", and so it goes on. It is extremely complex. The OBR asks whether it would not be better simply to tell us what you assume you will spend within capital and resource expenditure limits over the entire forecast period.

Mr Osborne: Of course, we publish projections of that but, as I say, the way that we have tried to explain the consolidation and the guide we take for ourselves—and which we use when explaining to the country—is that the path of consolidation which we pursued over the spending rounds of the first four years is the same path that we will pursue over the coming two years. That is roughly minus 1.1% of TME per year.

Q227 Stewart Hosie: You say that you publish forecasts, but although table 2.5 on page 70 of the Red Book of course shows the departmental, capital and resource budgets, it only has an estimate for 2014-15, and the plan is for 2015-16. I think that the point the OBR is making is that we have a forecast period for many other things that runs until the end of the Parliament. Would it not be better simply to publish the assumed resource and capital spending by Department for the entire forecast period, rather than some data in two years with a set of assumptions which are, frankly, quite impenetrable?

Mr Osborne: First, this is actually similar to what the last Labour Government did. They published figures for one year. I, of course, am a Chancellor in this unusual coalition Government, that doesn't avow its continued existence. I want to see a Conservative majority Government. So we as a coalition Government don't have spending plans for 2016-17 and 2017-18, because there is a disagreement within the coalition about the exact nature of the consolidation. Actually, there is no disagreement about the pace of the consolidation; our Liberal Democrat colleagues and Conservative colleagues have signed up to that, but the Liberal Democrats are explicit that they would like to see more tax rises and less spending cuts. I don't think that you would be able to construct such a table because, as I say, this Government is unusual in that it does not avow its continued existence beyond early May.

Q228 Stewart Hosie: I'm not convinced by that, because the bulk of the spending and cuts implied by the Red Book for 2015-16 will be almost entirely in the control of the next Government, whether it is formed of one party or a coalition. I simply don't buy that as an argument. Let me put the question another way. Could it simply be the fact that, were you to publish all of the resource and capital spending for the forecast period, it would—for

example—confirm a likely cumulative real-terms cut to the Scottish block of around £12 billion over the next five years?

Mr Osborne: First of all, the reason we had to set out the plans for 2015-16 is that most of the year is in the period of the next Parliament—you made that observation—but not the whole year, and we would be in the unusual situation of coming towards the beginning of April in just a few days' time, with lots of Government Departments not knowing what their budget was. So we had to set budgets for 2015-16; that was clearly the responsible thing to do, and indeed we gave people plenty of notice of what those budgets would be.

In terms of the impact on Scotland, of course Scotland benefits through the Barnett formula from things such as the protection of the national health service, which we have committed to. I would make a broader observation about the Budget. If you look at the measures to support the North sea oil and gas industry or the measures to support Scotch whisky, or the measures to deliver city deals to Inverness and Aberdeen and to complete the city deal in Glasgow, or the measures for energy distribution, for example in the highlands, there are a whole set of measures that benefit Scotland. In particular, the measures that we took on oil and gas could not possibly have been afforded by an independent Scotland.

I made the point in the Budget that one of the advantages of a United Kingdom is that we share the resources but we also share the challenges, and when one part of our United Kingdom faces a challenge, as clearly the north-east of Scotland faces this challenge of the impact of the lower oil price, the whole United Kingdom steps in to support that industry at that crucial and critical time.

Q229 Stewart Hosie: That is clearly a nice rhetorical flourish from a Chancellor whose previous Governments have taken £325 billion in revenue from the North sea, but we're not here to discuss that today; we're here to discuss the Budget. On the issue of help in terms of energy, you will have noticed that the £40 million cost of connecting to the grid is going to lead to the closure of Longannet, when a comparable power station in London would receive a £4 million a year subsidy. However, that is also for another time.

Chair: We have very little time. Be very quick.

Stewart Hosie: Let me just ask a final question. Will you please look at the serious point the OBR makes about laying out clearly the spending, resource and capital over the entire forecast period, rather than just the one year? Can you please confirm that the assumptions—you have alluded to them—made by the Chief Secretary the day after your Budget have absolutely nothing to do with you?

Mr Osborne: It shouldn't come as a surprise to people—I know it does, five years on—that we are two different political parties which came together in a coalition. So although we agree on the path of consolidation, we don't agree on the mix of that consolidation. The Chief Secretary set out the Liberal Democrat proposals, while I have given you today, in terms of the breakdown of the £30 billion, the Conservative proposals. So we wouldn't have been able to produce the spending plans that you have talked about. However, we have been able to set, even in coalition, capital budgets for the long term in areas such as roads and railways that require long-term planning horizons, and defence

equipment and the like. So we have sought to escape from the political constraints of being two parties in government where there is an overwhelming economic value in being able to give parts of our economy and our manufacturing sector a long-term budget and a long-term horizon.

Q230 Mike Kane: Chancellor, good afternoon. In the Budget you announced a pilot for the full retention of business rate growth in Greater Manchester. Why do you think that is a good thing for the conurbation and the North?

Mr Osborne: I should pay credit to the civic leadership of Greater Manchester—largely Labour leaders, but also a Conservative leader in Trafford and a Liberal Democrat leader in Stockport. I think they have shown real leadership, collectively, and have taken with both hands the opportunity of further devolution. They are going to have an elected mayor and greater control of such things as their health budget and their economic development budget, so I think that this is a natural place to move away from the very centralised business rate system that has existed for a couple of decades and say to Greater Manchester, “You get the upside of the economic growth you generate in Greater Manchester, with higher business rates.”

We don’t just use Greater Manchester as a place to experiment with this approach. We are also using Cambridge and Cambridgeshire, which is another interesting, high-growth area. I would love to see this then deployed around the rest of the country, but rather than try to create some big bang solution, I thought it was better to use two really good examples and build on that experience to deliver it for the rest of the country.

Q231 Mike Kane: Good. I agree with your announcement; I think it is a good announcement. I want to ask a slightly more contentious question though. The *Financial Times* recently set out 16 measures from the Budget that allocated funds to marginal Conservative or Liberal Democrat seats—the mother of all pork barrel Budgets, apparently. I don’t want to concentrate on the 16 areas, because you conveniently shoehorned your constituency into the pilot for the full retention of business rate growth that you’ve just praised. You rightly talked about leadership in Greater Manchester. One of my more famous constituents is Caroline Aherne, who played Mrs Merton. What first attracted you to piloting full retention of business rates, and the multimillion pounds that goes with it, in Cheshire East?

Mr Osborne: On the money going into the different constituencies, I don’t accept that it’s all going, as people—as that article suggested, into the marginal seats. In some of the big investment decisions that I have made, some of the big commitments have been to the centres of our great northern cities where—with the greatest will in the world and wishing the Conservative candidates all the best—I wouldn’t bet my life that there is going to be a Conservative MP for central Manchester, yet that is going to be the location of the Royce Institute, a £250 billion project. I can give you plenty of examples where some of the biggest commitments that we have made to individual capital projects have been in seats that would be traditionally regarded as safe for one of the parties. Indeed, I have even given the go-ahead to a housing zone in Bassetlaw, which I am sure Mr Mann will like.

So we have made these commitments and Cheshire East, as it happens, was identified in an earlier pilot, not by me but by the Department for Communities and Local Government. It is an unusual council in that it is a new unitary council created by the last Labour Government. As I have said before, the Cheshire MPs, Labour and Conservative, opposed the creation of those two unitary authorities—I was one; we all opposed it—but I have to say, I think both the unitary authorities in Cheshire are working pretty well.

Q232 Mike Kane: That is interesting, because your model has been based on leadership and you rightly said the eight Labour leaders, Sue Derbyshire, Sean Anstee, Trafford and Stockport—but we know that the two Cheshire leaders are like the proverbial ferrets in the sack.

Mr Osborne: They are both called Michael Jones.

Mike Kane: They are both called Michael Jones—

Mr Osborne: It is a little confusing at times, but they are very different characters.

Q233 Mike Kane: My wider point is that it is a bit of a slap in the face to the communities of Weaver Vale and Chester and to Terry O'Neill in Warrington.

Mr Osborne: No. Weaver Vale and Chester are included—they are in Cheshire West, though.

Chair: This is getting a bit parochial.

Mr Osborne: You should come to the North-West, Mr Tyrie—

Chair: I do from time to time.

Mr Osborne: And Mike Kane and I will show you a good time. What is interesting is that it is genuinely the case that Greater Manchester has shown leadership across the political divide. They have not just been able to operate with a Conservative Chancellor but they have actually been able to get their combined authority working across party divides. That is why they are attracting investment, that's why they are getting these additional powers and that's why they have the leadership to take on these new initiatives. As I say, it is something that I would like to see other parts of England pick up and follow the lead of.

Q234 Mike Kane: If it wasn't for the national interest I'd ask you to devolve VAT policy to Greater Manchester as well. But I'm not sure what has been more damaging—I have only been here a year, as you know, Chancellor—is it, over the last five years, the £1.5 billion of local council cuts across Greater Manchester or was it that 2½% VAT rise, which particularly affects northern hard-working families and communities? My particular beef about it is that it is almost like the pledge cards on the student fees, if you don't rule it out—there is form within the Conservative party from Lamont's to Geoffrey Howe before that—those

communities could get another huge hit, first in terms of cuts and secondly in terms of a VAT rise.

Mr Osborne: Well, I think that if you look at Greater Manchester and the situation in that city five or six years ago, with rising unemployment, huge economic insecurity, real poverty setting in—it had been hit very hard by the great recession and the failure of the last Government’s policies—now you have, after five years of a Conservative Chancellor and a Conservative Prime Minister, a situation where thousands of jobs have been created in the city, employment has gone up, business investment has flowed in, economic security is returning to families there and Greater Manchester is leading the way for the rest of the United Kingdom in taking responsibility for its own affairs, because this Government has chosen to work in partnership with it. People can contrast the situation that they faced in Greater Manchester five or six years ago with the situation today and they will see that things are improving but there is still a long way to go to build that northern powerhouse.

Q235 Jesse Norman: It is almost embarrassing to drag the conversation away from Cheshire and Lancashire—

Mr Osborne: We can talk about Herefordshire—

Jesse Norman: Let me put on record publicly my thanks, Chancellor, for your supportive remarks of a university of Herefordshire. I wish that project could have shared in the general bounty that is alleged to have flown into marginal seats, but I respect the thinking that drove it into central city areas, as you described.

Can I clear up a couple of things? On the bank levy, could it not be that the national finances and accounts were balanced and the accounts were in good order and possibly generating a surplus, yet there could still be a potentially substantial deposit guarantee to the banking sector? If so, in your view would that be a justification for having a bank levy?

Mr Osborne: As I said, I think it is perfectly reasonable to ask your banking sector to make a contribution to your tax receipts, particularly in an environment after a massive financial crash where tens of billions of public money was spent supporting the sector. That is something which I suspect is going to stay very long in the memories of the British people.

Q236 Jesse Norman: Yes. So it is not just about making a surplus or about the guarantee; it is also essentially about a form of repair to the damage that has been done.

Mr Osborne: Well, it makes a contribution to the work we need to do to deal with our deficit and our debt but also to fund, for example in this Budget, the big expansion in the personal allowance so that working people keep more of their income tax-free. It is there in the round. I can think of other sectors. We were talking about oil and gas and there is a specific tax regime for oil and gas. We charge vehicle excise duty on cars. There is an insurance tax. There are taxes that fall in specific sectors of our economy.

Q237 Jesse Norman: Quickly—and Mr Hosie is not in his seat—the projected revenue shortfall to an independent Scotland for next year from the fall in oil prices would be in the region of £8 billion?

Mr Osborne: Yes. The projections by the Scottish Government about their oil and gas revenues should Scotland become independent were totally wrong. They were worse than optimistic. They would have been an absolutely catastrophic basis on which a country could have tried to become independent. I made the point that an independent Scotland could not have afforded the kind of support to the oil and gas sector that we were able to offer in the Budget. That was one of the strongest arguments deployed by those who wanted to keep the United Kingdom together. The advantages of an economic and political union is that you can share the burdens when one part of your country is hit by a particular economic shock.

Q238 Jesse Norman: Right. They would've had to have a crash Budget of some kind to fill the gap. It would have been an enormous gap for their national finances.

Mr Osborne: Yes, that's right—of course.

Q239 Jesse Norman: Turning to the pension annuities reforms you announced, historically most people were forced to lock their pension fund into annuities, and past annuity sales lacked decent consumer protections. Many savers paid an awful lot for those annuities. Could you talk a little about how these changes address those historical injustices?

Mr Osborne: I think it right that people who have worked hard and saved through their lives have freedom over how they access those savings. We should get away from a patronising attitude that says we know exactly what is best for people. As people make big decisions about their life in their retirement, we want them to get the best possible advice and guidance. These are big decisions and people will want to reflect on them; they don't have to rush. So, we have created a free guidance service, called Pension Wise. The website is already operational. The phone line went operational today at midday and people can now book their appointments to discuss what they might want to do with their pension. They can book telephone sessions, which will be available from tomorrow, and face-to-face sessions provided by Citizens Advice will be available in two weeks time, after the change comes into effect. That service is now operational and we have already been contacting the thousands of people who registered their interest in advance. That is all happening today and the service is there for people to make decisions about their future. It is there to help people have freedom and access to their own savings. It is a big decision for people. They want to take their time over it and will want to get the best guidance and potentially advice as well and that is now available to them.

Q240 Jesse Norman: Of course, that is right, thank you Chancellor. The Pensions Minister last year talked about the possibility that some of the money could be spent on consumption but I think I am right in saying that the OBR has estimated that that is potentially rather a small amount of money. Is it the Treasury's view that actually relatively small amounts of any lump sums generated from annuity sales would go to consumption?

Mr Osborne: I think we would draw a distinction first between annuities and people saving for a pension, by which I mean it would clearly be in the interests of the majority of existing annuitants to keep their annuity. There are circumstances where, however, it would make sense to access that annuity if family circumstances changed, or people have debts, or perhaps they have several annuities. So that is one set of reforms which we are now consulting on implementing and they will come into effect in a year's time.

The access to pensions savings for those saving for a pension rather than with an annuity will, I think, be more widely used. Free guidance is now available. In terms of the assumptions about what happens to that money, the OBR made those judgments for us and its forecast contained a mixture of both additional expenditure in some cases, but also additional savings, because the product becomes more attractive to people making that form of saving than potentially another form of saving.

Q241 Jesse Norman: A final question: the IFS described the pension reforms you have just announced as a sensible move, but with some caveats, one of which was about the potential for adverse selection. The other one was about mis-selling. Can you talk about whether or not you think there is a worry about mis-selling?

Chair: A quick reply.

Mr Osborne: Yes, of course. We now have a very powerful consumer regulator in the Financial Conduct Authority. It regulates the advice and has looked at the guidance that is available. We are working with the Pensions Advisory Service and Citizens Advice Bureau, which is our partner in delivering the face-to-face guidance that people will receive. The consumer protection is there, the guidance is there, and if people need it, they can go and get the regulated advice as well. I think we have a good package, so that people get all the information they need.

Q242 Teresa Pearce: Good afternoon, Chancellor. You have just mentioned the CAB will be able to give this advice in two weeks' time. Are you confident that they will be able to cope with the number of people coming forward?

Mr Osborne: Yes, is the short answer to that. The way the system works is that people as of today can phone up and book their appointment and go into the local CAB branch.

Q243 Teresa Pearce: Do you know what the current waiting time is for a CAB appointment?

Mr Osborne: This is a separate service alongside the normal service of Citizens Advice Bureau. Just to provide a little bit of context to this briefly: Citizens Advice Bureau bid alongside other providers. They had the best offer—the best deal. I think they are going to provide a fantastic service. They have also addressed parts of the country where there aren't so many CAB offices. They are going to be able to provide mobile sessions for people.

Q244 Teresa Pearce: I agree that the CAB is the best provider. On the cost of Pension Wise, the FCA said last July that it expected the industry to pay 30% of the costs. Why has that gone down to 12%?

Mr Osborne: We are funding the start-up costs.

Q245 Teresa Pearce: But why has that percentage gone down?

Mr Osborne: That is because we wanted to make absolutely sure that the service was up and running and there was Government support for the start-up. But once it is up and running it will be funded by a levy on the industry. So I think it is perfectly—

Q246 Teresa Pearce: But the levy will be less than the FCA expected. It won't be 30% of the costs, it will be 12%. Is that correct?

Mr Osborne: My understanding is that once it is up and running alongside our ongoing running costs of things like the Pensions Advisory Service—

Q247 Teresa Pearce: How much will be industry contribute?

Mr Osborne: My understanding is that the levy will basically cover the ongoing running costs of the service.

Q248 Teresa Pearce: Okay, so the £19.9 million you spoke about in the Budget is set-up costs, is it?

Mr Osborne: That is set-up costs.

Q249 Teresa Pearce: That is in addition to the £22.2 million?

Mr Osborne: Yes.

Q250 Teresa Pearce: It's a lot of money.

Mr Osborne: We want to make it absolutely clear. Of course, when you create a new freedom that is available to all people saving for a pension who might consider whether they want to put in that phone call or look at the website, you want to ensure you have the capacity for it. I expect it to settle down; people do not have to rush to make judgments.

Q251 Teresa Pearce: One of the other things you announced in the Budget was that, as we would probably agree, the annuity market did not work well for lots of consumers. So now we will have people who have already bought annuities who could cash them in. They could agree with their annuity provider to assign their annuity income to a third party. Will that decision be covered by guidance?

Mr Osborne: I give the answer almost certainly yes. I don't want to anticipate. We are consulting on that. I would be very surprised—

Q252 Teresa Pearce: You would want it to be covered?

Mr Osborne: I would be very surprised if the result of the consultation was that we should not have the same guidance. For many cases, because this is a big decision for people to access their annuity, I think people would want to have regulated guidance.

Q253 Teresa Pearce: Okay. Could you explain to me what sort of third party would purchase that annuity?

Mr Osborne: That is precisely what we are consulting on.

Q254 Teresa Pearce: Would they be covered by regulation?

Mr Osborne: Almost certainly, yes, but again that is a matter of consultation.

Q255 Teresa Pearce: What sort of person and what sort of circumstances would you expect, where someone has saved for their old age, then to cash that all in?

Mr Osborne: You could have circumstances where either someone has debts that they would like to pay off, or there is a change of family circumstances, such as someone gets—

Q256 Teresa Pearce: So, desperate people.

Mr Osborne: No. Someone might get divorced.

Q257 Teresa Pearce: You are pretty desperate when you get divorced.

Mr Osborne: Okay. A change in family circumstances. There is a category of a considerable number of people who have several pensions because they will have done several jobs over their lives, and will have perhaps small annuities from shorter periods of employment, where they would rather have access to the sum of money. Indeed, some people might want to leave the money to their children.

There is a whole range of circumstances; I am not trying to anticipate what they are. I am saying: let them have that opportunity, let's make sure they get the right guidance and advice, and let people themselves make decisions about what is right for their own lives.

Q258 Teresa Pearce: Can I just ask you two final questions on something separate, which is an interesting thing you announced in the Budget—the digitalisation of tax returns? You are going to scrap the traditional paper tax return and, as from 2016, there will be 5 million small businesses and 10 million individuals who will have digital tax accounts. Is that just the extension of RTI for everybody? Will that mean that your digital tax account will have access to your personal bank accounts?

Mr Osborne: That would not be a step that we would take lightly. Of course, it would require Parliament—

Q259 Teresa Pearce: So how would a digital tax return have all your information?

Mr Osborne: We would want to set up arrangements where, for example, employers automatically submit the data.

Q260 Teresa Pearce: So it's an extension of RTI.

Mr Osborne: The bit that you alight on is the bit that, of course, people would have a lot of concerns about, which would be access to bank accounts. That is not required for this proposal. I think that would be a very big step and something that Parliament would want to consider. That is not what I am proposing.

Q261 Teresa Pearce: So you would still have to input information but just online?

Mr Osborne: Roughly speaking, there are about 11 million people who fill in an annual tax return. For about half of those people, the information that is required can be automatically provided by employers and the like. They are currently asked to fill in information that is relatively straightforward and I don't think breaches. The Revenue sometimes has that information. For the other half of the people, they would have to input things like rental income but they could do that during the year and they would not have to fill in this big tax return at the end of it.

Q262 Teresa Pearce: Okay. Basically, it is not a scrapping of the tax return; it is the digitalisation of tax returns.

Mr Osborne: For many millions of people the effect is to remove the hassle of having to fill in a tax return. It would all happen automatically for people, like it does for many millions of other people who have PAYE.

Q263 Teresa Pearce: Forgive me if I do not have a lot of confidence in HMRC to be able to do that, given the fact that up until now they have had all the information for lots of people where they have had two or three jobs and still not managed to code or tax them correctly. Best of luck with this; I hope it works.

Mr Osborne: Thank you.

Q264 Alok Sharma: Stuart Adam of the IFS described the Help to Buy ISA as “a rather dubious policy”. When Paul Johnson was giving evidence yesterday I made the point that this was actually an ungenerous description of a scheme that is designed to help people get on the housing ladder. The contention from the IFS is that this will primarily help those who already have the money for a deposit. How can you be certain that this policy will primarily help those who do not have the money and incentivise saving, which is what this is also about?

Mr Osborne: This is designed to help people who do have to save for their deposit, who can’t just get a lump sum from their parents or some other source and who currently face quite an obstacle to getting a home, which is saving that money for a deposit. This is explicitly the state stepping in and saying we are going to help you to save that money for your first home. It is interesting, if you look at the OBR’s analysis, they say first that it won’t have, in their judgment, a significant impact on house prices and, secondly, that it will actually tip the balance in favour of first-time buyers and away from buy-to-let purchasers. Frankly, that is something that I am happy to see.

Q265 Alok Sharma: May I ask—this is, on the face of it, a very popular policy and has been well received by my constituents—why do you think only 60% of first-time buyers will take up the offer? Why wouldn’t more?

Mr Osborne: This is not our assessment, this is the OBR’s assessment. It is one of the advantages of having the OBR that they make these sort of assessments on take-up because it was an easy way in the past for Chancellors to fiddle these forecasts and have unrealistic assumptions about take-up. They are making a judgment—and they can answer for themselves—about the fact that some people don’t want to spend years saving for a deposit, because they have received an inheritance, or they are getting a contribution from their parents, and they can go and buy that first home next month or whenever. But those are not the people that this policy is designed to help. This is designed to help the people who spend several years putting away money each month, each year, to save that deposit. I want to be on their side and the Help to Buy ISA does that.

Q266 Alok Sharma: You made the point about the OBR view that there isn’t going to be a material impact in terms of house prices as a result of this policy. Of course, similar concerns were raised when the Help to Buy scheme was introduced. Can you tell us what has been the experience of the Help to Buy scheme in terms of any impact on house prices and, secondly, assuming you continue as Chancellor in the next Parliament, will you extend Help to Buy?

Mr Osborne: The Help to Buy scheme was introduced at a time when we were experiencing real strain in the financial system because of the problems in the eurozone. There was a huge number of people who predicted that this would lead to an irresponsible boom in house prices. Actually, I think that it has done a huge amount to support the construction industry and to help families buy their homes.

There were two schemes, one has been a mortgage support scheme and one has been a shared equity scheme. The mortgage support scheme is going to come to an end; it was designed for a very specific purpose, which was the problems in the financial system and the banking sector. The shared equity scheme, however, has been a massive success. I regularly go to housing developments where 80% or 90% of the new homes being built are supported by this scheme. It has been a real engine of social mobility and progress and close to 100,000 people have benefited from it. So we have extended that scheme to the end of the decade.

With the new Help to Buy ISA, the forecasts, the expectation—again independently arrived at—is that over a million people are potentially going to use this. That is, again, a massive boost to people who would otherwise find it difficult to save for that deposit and who we want to help.

Q267 Alok Sharma: One of the things that commentators will say is that these schemes are great as they are but the real answer is to build more homes. Do you think that you, as Chancellor, and this Government have done enough in terms of increasing supply? Would you compare that with what happened under the previous Government?

Mr Osborne: Housing supply completely dropped off a cliff in 2007-08 and plummeted to its lowest level since the 1920s. We have done three things, one is we have tried to support the construction sector and those purchasing homes; second, we have increased the construction of social housing, so more social homes are being built than in the entire period—13 years—of the last Government; and third, we have made reforms to planning, which were controversial but I think have been effective. Now we are going further in that regard by creating these housing zones for brownfield sites. In effect, we are introducing into the brownfield sites zoning policy, which you see in some other countries. It is extremely difficult to resist giving planning permission to build on our brownfield sites. If we do not want our green fields built on—of course, I've a lot of sympathy with that—then we do want to build on our brownfield sites. With the new housing zones, including the one in Mr Mann's constituency, which he has not yet thanked me for, we will see that happen.

Q268 Alok Sharma: A final question, Chancellor. We talked about the banking levy, the bonus tax and all the rest of it. When Martin Wheatley came in February 2015 to this Committee, there was a discussion about the idea of a clawback on fixed remuneration for bankers. He made the point that the FCA was sympathetic to this as an idea. Of course, the Governor of the Bank of England last year raised this as an issue. Do you have a view on this in terms of whether this is something that ought to be looked at on an international level?

Mr Osborne: Yes, and Mark Carney's organisation, the FSB, is a good place to do that. There is this perverse consequence of the European law on bonuses: by restricting bonuses, they have led to an increase in fixed salaries. That makes it more difficult to get the

money back from people in the financial sector when they get it wrong and they lose money for their institutions. All the direction of travel for the first few years after the financial crash, which was “Let’s make sure that we can claw back more money from people who have behaved irresponsibly or made the wrong judgments,” has been undermined by this European law. Our attempts to get it struck down and the like have sadly not been successful.

Q269 Chair: Clawback is always very difficult, not least because the money may have already been disbursed; it could have gone to a spouse and there has been a subsequent divorce, and so on. Therefore, doesn’t this point to the need for more emphasis on long and high levels of deferral?

Mr Osborne: As I say, the regulators are looking at this in an international context. We have to find a solution to this self-inflicted problem.

Q270 Chair: It was a major recommendation of the Parliamentary Commission on Banking Standards, as you know, which was not accepted initially. We have gradually been moving from three years to five years, and we are now talking about seven. Our proposals were that in some cases there may be a need for deferral up to 10 years. This could help deal with the very problem that you have just referred to.

Mr Osborne: These are judgments that are, I think, best made by our regulators. They are now, as a result of conversations that we have had, taking this up at an international level, recognising the fact that this is an international industry.

Q271 Steve Baker: Mr Bowler, can we perhaps give the Chancellor a break for a moment? When I look at the document “Impact on Households”, particularly at chart 2.B, which is the overall level of welfare and public spending, what I see is that we are still a country that transfers from the top quintile to the bottom three, and before and after consolidation, by this chart, it is quite a small movement. I cannot reconcile what I am seeing here—I cannot reconcile the rich paying more than anybody else—with the rhetoric that I hear. Can you reassure me that these income distributions are actually objective and reliable, and that the public can have confidence that they are an accurate reflection of what is going on in the country?

James Bowler: Yes, absolutely. The distribution analysis that we publish has been complimented by this Committee in the past, and we go to some lengths to quality assure our product, including with the IFS, which also publishes distributional analysis, and in discussion with a whole host of other people. This is, in fact, one of the best ways of setting out distributional analysis of any Government. We get a lot of other Governments looking at how we do it, so you can be assured.

Q272 Steve Baker: That is wonderful, thank you. On page 7, there is a box that sets out some of the choices that are made in relation to method: choice of counterfactual, choice of

data source, take-up of benefits and behavioural effects. What would you say to those analysts who make different choices about method and come up with quite different answers?

James Bowler: The chances are that we have been talking to those analysts. They know what we do and how we do it. I think we do things very fairly. One of the things that we do, which I think is in that box, is include an impact on spending and how that impacts on different deciles and quintiles. We also publish this at every fiscal event and are pretty transparent about what we do. So, again, I think you can be reassured.

Q273 Steve Baker: Thank you. Chancellor, congratulations on the jobs miracle you have procured. I can't tell people in Wycombe we have halved unemployment in Wycombe, but it has gone from 3.8% to 2% in the course of the Parliament. I'm sure the next challenge is to drive up wages. Can you tell me this? Have the Government done enough to promote productivity?

Mr Osborne: Productivity is one of the big challenges facing the UK. We are trying to improve it in a number of respects: education reform, welfare reform, investment in transport, competitive taxes and the like. It is the big challenge, I think, for the United Kingdom. It is a challenge we have faced for many decades—it has been familiar to the economic debate in the UK over a long time—but it is also a particular challenge when you recover from a financial crash and credit allocation is impaired and the like. Going forward, it remains the big challenge.

Q274 Steve Baker: You mention credit allocation. Is it possible that 13 years of reckless credit expansion created a pattern of economic activity in our country that was actually prejudicial to productivity because it was too dependent on the City, the South-East and housing?

Mr Osborne: I think that certainly in the model of growth, there was not enough investment-driven growth; there was too much consumption-driven growth—debt-fuelled consumption. Thankfully, that's improving. It's also the case that the geographical disparities in our country grew; the gap between the North and the South grew. That now, thankfully, is closing. I think there were big missed opportunities to reform education and reform welfare. Those opportunities are now being seized. So there is a lot of work to be done, but what I am quite optimistic about is that there is an appetite to make the changes I think are necessary to improve productivity and those changes are starting to happen.

Q275 Steve Baker: Let's turn to the output gap. The cyclical adjustments in the fiscal rules mean that the OBR must estimate the output gap, and we have seen estimates vary from minus 3.7% to plus 1.4%. Is it right that something that is unobservable—so very difficult to measure—is inherent in the fiscal rules?

Mr Osborne: There is no perfect rule, because either you have to make some kind of judgment about the economic cycle or you have a very inflexible rule. So we have tried to have the best of both worlds by setting up two rules. One is a current cyclical balance rule,

but the other is the hard debt target. The thing I set in 2010, which was that we would get debt as a share of national income falling by 2015-16, doesn't require any estimate of the output gap or whatever; that is a hard and fast rule. Of course, for much of this Parliament, people thought we would miss it. The fact that we are now expected to hit it is both welcome and the consequence of that being one of the central judgments of the Budget. I used something, again, that is real, which is cash we are getting in because debt interest payments are lower, unemployment payments are lower and we are selling the bank shares. We used that real money that exists to bear down on our national debt and get the national debt as a share of national income falling in the coming year.

Q276 Steve Baker: I was moved when you announced it in the Budget, Chancellor; it was a happy day.

Mr Bowler, in your experience, are economists good or bad at predicting where we are in the cycle?

James Bowler: Er—

Q277 Chair: Come on now. You shouldn't have to hesitate on something like that.

James Bowler: It is a difficult thing to predict.

Q278 Steve Baker: So they are bad at predicting where we are in the cycle.

James Bowler: Better than non-economists.

Q279 Steve Baker: Well, that's an interesting argument. I think I might be referring you to some of my old blog posts on that one.

James Bowler: I think the answer is that, as the Chancellor said, you have to trade off simplicity versus flexibility, and at the moment, when you have such a big deficit that is being brought down, you want a bit of flexibility.

Mr Osborne: When I became the Chancellor, the Permanent Secretary said there are only two real numbers—everything else is a forecast—and the two real numbers are: how many people are claiming unemployment benefit every week and the money you are getting in from your tax receipts each week. Everything else—GDP and the like—is all forecasts.

Q280 Steve Baker: Can I ask you about migration? The OBR said, "A reduction"—in net migration—"over time seems consistent with the international environment and with the Government's declared efforts to reduce it. But in light of recent evidence, it no longer seems

central to assume it will decline so steeply.” Are you concerned that the OBR no longer has faith in the Government’s ability to control net migration?

Mr Osborne: They make their own judgment and of course they can look at the numbers, but, quite rightly, they are not trying to prejudge the outcome of the general election. Of course, the Conservative party has made a commitment to make substantial changes to restrict the benefits that can be received by EU migrants and I think they will have an impact on the migration numbers. The proof will be in the pudding, but, if you do not make those changes, you will have uncontrolled EU migration. That is what other participants in this election are offering the country.

Q281 Steve Baker: Are the migration numbers a consequence of our relative success in the European Union?

Mr Osborne: If you look at the composition of the numbers, non-EU migration, which is the bit that you can directly control, has come down, but EU migration went up. I think that is because of the very striking difference in performance between the British economy and most other European economies.

The answer, therefore, is to ensure that the rest of Europe grows and to have reduced incentives—things like you cannot claim in-work benefits until you have been here for four years; you cannot send child benefit to family overseas if you are working here; and if you cannot get a job after six months, you have to go home. Those are strong incentives, which will bear down on people who are coming to this country without work or a job offer.

Q282 Steve Baker: If the Chairman will allow me, finally I would like to explore the current account deficit.

Chair: Briefly.

Steve Baker: We have heard that the historically wide current account deficit is mostly attributable to poor investment returns.

Mr Osborne: Yes.

Q283 Steve Baker: Are you concerned that it represents a vulnerability to the United Kingdom? What should we do about it?

Mr Osborne: I agree with the analysis that says that the current account deficit is primarily driven by poorer returns from overseas investments than the returns that people get on investments here. That is again a reflection of the fact that our economy is doing better than quite a lot of other economies in the world at the moment.

I think you would be concerned if the trade component was getting worse and worse. Actually, the most recent trade figures showed a marked improvement, but addressing the historic weakness of UK exports is another big task going forward. That would be the bit that

I would focus on. That is the effort that is really required, and then let—hopefully—the recovery in the European economy and the like deal with the disparity in incomes you get here and abroad.

Q284 Chair: We have had a discussion about pork barrel politics. I have got the list of activity that seems to fall within the bailiwick of the current Chief Secretary's constituency, which shows that it is something that really does reach all parts of the coalition, doesn't it? We have got a tourist railway in the Cairngorms; ski lifts in the Cairngorms; a bail-out of the London-Scotland sleeper; the fast-tracked city deal for Inverness; and Inverness among the pilot areas for 5p in the litre rural fuel rebates. I wonder whether we could have one of those in Chichester—that would go down very well.

Mr Osborne: On the fuel rebates, I would love to see them in more areas. Unfortunately, the European Union rules are what constrain us here. We have continually pushed at those rules to try to get more areas of the United Kingdom designated.

I will speak for the Chief Secretary in his absence, so let me say that he has been a very solid colleague in the Treasury and done a huge amount of work. I think he takes the view that it is not very often that you have a highland MP sitting in the Treasury and he is going to make sure that the highlands do not get neglected while he is in the Treasury. I think that is perfectly reasonable.

Chair: I strongly agree with you that—

Mr Osborne: And I suspect that John Thurso would agree.

Q285 Chair: I strongly agree with you that public expenditure control is—*[Interruption.]* You will get your moment in a minute, John. It is a pretty tough job and he has done remarkably well in one of the most unloved jobs in the Government. You are absolutely right, he did say, "This is a Budget for the Highlands, delivered by a highlander", just in case we had not got the point.

Mr Osborne: I think he might have been referring to his event the day after the Budget.

Q286 Chair: Ah, yes. In any case, we pass on to another highlander, John Thurso.

John Thurso: Let me thank you, first, for the 5p remote rural fuel duty cut and express my delight that the Treasury has got over its agnosticism of the previous decade at both Dispatch Boxes. I point out as well that there are a quite a number of parts of Wales and England that have also been able to benefit. As we are on duty cuts, I can say that I have eight distilleries in the constituency.

Chair: It's not the pork barrel, it's the whisky barrel.

John Thurso: Absolutely. One of your predecessors as Chancellor infamously said, “Je ne regrette rien”. You recently said that one of your regrets was the fact that RBS was not split up earlier. Do you have any other regrets from that period that would be good lessons learned for the future?

Mr Osborne: I think that in addressing the banking problems we probably should have done more initially on RBS. We set about undertaking a review of banking regulation, asked John Vickers to do all his work and implemented that, and that was the focus of our banking effort. We could have acted sooner on the Royal Bank of Scotland: I was too ready to accept the settlement that I inherited from the previous Government, that this bank didn’t have to be broken up, the bad assets didn’t have to be separated and it could be operated at arm’s length by UK Financial Investments. Actually, in 2013 we rectified that mistake, split the bad assets from the good assets, said that the bank should be much more European and UK focused, rather than being a world, universal bank and we see the benefits now, actually. RBS is much improved from how it was two years ago. Looking back, that is something I would have done sooner in the Parliament.

The other lesson you learn is that some of those big public service reforms in such areas as education are really important and you should get going on those early in the Parliament. The job is not finished in terms of education reform. If you want the best economic policy this country could pursue of all economic policies, it is getting our schools to a point where more children are taught in outstanding schools, more are going to apprenticeships and more are going to university. That is a big task for whoever forms the Government.

John Thurso: None of us would disagree with that. Can I ask you about inflation? Robert Peston’s comment on it was that it had dropped to a big, fat zero. It is good news in the short term, but how long can we have that level of inflation?

Mr Osborne: Well, look, it is a remarkable moment that inflation has hit zero and we have this freeze in prices. It is driven by falling food and oil prices globally, passed on to the UK consumer, and that is very welcome news for families. I don’t think we see in the UK the kind of stagnation, and the deflation driven by it, that we see on the European continent, but we need to stay vigilant, and that is also the judgment of the Bank of England Governor, not just my own. We set the MPC its target in the Budget and part of its job is to try to see through short-term fluctuations in prices of things such as oil, but we have a very robust regime.

The other thing to watch is that we don’t get problems in financial markets that might develop over time. We now have the Financial Policy Committee precisely to look at the kind of macro-prudential work that, previously, no one was looking at. I think we have got a pretty good set of institutions to make sure that this remains good low or zero inflation, rather than bad deflation.

Q287 John Thurso: My last point, if I may, is on tax evasion and tax avoidance. There are a lot of small businesses in my part of the world, as I’m sure there are in everybody else’s constituencies, that are very cross about the fact that they get clobbered, penalised and given a hard time by HMRC when people who have been fiddling their taxes for decades and who

owe millions and millions seem to get off scot-free. To what extent can HMRC stop asking for more powers to hit little people and get on with using real powers to stop what is actually happening?

Mr Osborne: The weapons in the armoury against international and offshore tax evasion by wealthy people have been greatly increased by this Government. We are consulting on new criminal powers where ignorance of an offshore account is no defence—it is a defence that has been used in some pretty high-profile cases over the last couple of years—and where it is a criminal offence for a company to facilitate tax evasion, which is very similar to the Bribery Act that we passed in this Parliament. The biggest change, and it is perhaps a bit underappreciated, is the common reporting standard that we have coming in in two years' time, through which we will automatically exchange information with all sorts of jurisdictions around the world. That will make it extremely difficult to hide money in offshore bank accounts.

I heard an interesting item on the radio the other day about people in the Channel Islands having to produce much more documentation about their bank accounts to prove that they really are resident in the Channel Islands, and people's bank accounts are being closed if they are not able to prove that. That is a real practical example of how the regime we are operating is much tougher than the one we inherited.

Q288 John Thurso: To what extent would avoidance, as opposed to evasion, become less of a problem and more manageable if we had a simpler tax code with a straight rate of tax and very few allowances, rather than the highly complex code that we have now?

Mr Osborne: I have tried to move in the direction of simpler taxes—the pensions regime we have just been talking about is a big simplification of the tax system—but I don't think you can have a perfect system in terms of not wanting to support giving to charity, not wanting to support saving for a pension and not wanting to support investment in a high-growth business. Parliament wants to support those things, and in this Budget we have done some things in, for example, the creative sector that I think are really welcome. You can say that they are forms of complexity, but as long as we are getting the balance right in the big taxes, which we are trying to make simpler, it is perfectly fine not to try to make the best the enemy of the good.

Chair: Chancellor, thank you very much for coming to see us this afternoon. As you have always done, you have made a serious effort to answer the questions. You have always been prepared to come when we have asked you to attend. You could perhaps have tried to kick this hearing into the pre-election grass, but you did not. We are very grateful for that.

We are also very grateful to you for the co-operation we have had on a number of issues on which we have asked for a good deal more information. I have mentioned the distributional studies on several occasions. Going back 20 or 30 years, I remember Chancellors used to oppose providing them, but I never saw a good reason why they shouldn't be provided. They are very informative, and they now form part of the standard Budget documentation.

Q2 Thank you very much for attending this afternoon. We appreciate it. Whoever our successors may be, no doubt they will reassemble with whoever your successor is, or with you, in the next Parliament.