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Dame Meg Hillier MP
Chair of the Treasury Select Committee
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[By email]

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Dear Dame Meg,

**Follow-up to the work of the Treasury evidence session**

Thank you for your letter of the 13 February following the Committee’s hearing on the 11 February. Please find attached a note in response to the questions that the committee has raised following the evidence session.

James Bowler

Permanent Secretary

Q205 You told us: “we have put out the new charter of Budget responsibility. The only change in it is the judgment on the assessment of the spring.” However, the draft updated charter also removes the following text from paragraph 3.6 in the current version:

- […] where balance is defined as a range: in surplus, or in deficit of no more than 0.5% of GDP.

- this range will support the government’s commitment to a single fiscal event every year by avoiding the need for policy adjustment at forecasts outside of fiscal events. If the range is used between fiscal events, the current budget must return to surplus from the third year at the following fiscal event

Why has this text been removed?

The government made a set of reforms to the fiscal framework at its first Budget in Autumn 2024, including introducing new fiscal rules.

To support the commitment to a single fiscal event per year, the fiscal rules included a range to the stability rule to apply at the non-Budget forecast only, to avoid the government needing to make policy adjustment at forecasts outside of fiscal events, increasing stability for taxpayers and businesses.

At Budget 2025, the Chancellor further strengthened the fiscal framework to support the commitment to one major fiscal event a year, to require the OBR to only conduct one fiscal rules assessment per year, at Budget. Given this change, the range that had applied to the stability rule at the non-Budget forecast is no longer required, as the fiscal rules will only be assessed at the Budget forecast.

The stability rule requires a current budget surplus in 2029-30, until 2029-30 becomes the third year of the forecast. From that point, the current budget must remain in balance or in surplus from the third year of the rolling forecast period. This applies at every Budget, and the Chancellor’s commitment to the fiscal rules is non-negotiable.

Q237 On the Government’s ambition to “double” the mutuals sector, Gwyneth Nurse (HM Treasury Director General, Financial Services) told us: “Ministers have not yet determined exactly how to measure it”. When will HM Treasury clarify how it is measuring success against this target?

The government as a whole, led by HM Treasury, is committed to supporting the mutuals and co-operatives sector to drive inclusive growth across the country. As set out in our evidence on 11 February, we are engaged in a multi-year programme to ensure that mutuals can operate in a supportive legislative, regulatory and business environment. Other government departments have also recently progressed initiatives to support the sector, such as DBT's call for evidence on business support for co-operatives and non-financial mutuals, and the launch of MHCLG's Co-operative Development Unit to support local authorities in England to grow their co-operative and mutual economy.

The commitment to double the size of the co-operatives and mutuals sector reflects its importance and demonstrates the government's ambition for the sector's long-term growth. Given the diversity of the mutuals movement, and the different business models within it, we are approaching this commitment by focusing on removing barriers and creating the conditions that enable sustainable expansion across the sector as a whole.

We recognise that different parts of the sector have begun developing their own growth plans and, in some cases, their own approaches to measurement. For example, Co-operatives UK, via their Policy Plan for Co-operative Growth, has set out an aspiration to double the number of co-operatives and reach at least £20 billion GVA by 2035, and the credit union sector, via the Credit Union Growth Plan developed jointly the UK's credit union representative bodies, is aiming to double membership to 4.4 million people and triple lending to £8 billion by 2035.

Ministers support these sector-led ambitions, and HM Treasury is considering the most proportionate and meaningful way to measure success against its overall commitment, mindful of the diversity of business models within the sector and without presuming that a single metric or set of indicators would be the right or only way to understand the sector's overall growth. The government will continue to work with the mutuals and co-operatives sector on measuring this ambition and we will update the committee on this programme of work in the coming months.

**Q246: Regarding the phase 2 consultation on the Consumer Credit Act 1974, Gwyneth Nurse also told us: "We have already been consulting on some of the Consumer Credit Act, and we would intend to advance through the next piece of primary legislation that we get. We will be responding to that in the spring." Does this mean that the phase 2 consultation on the Consumer Credit Act will open in the spring?**

The Consumer Credit Act is a large and complex piece of legislation, which underpins millions of transactions every day. HM Treasury has been considering the legislation in detail, with the aim of ensuring a regime that is suitable for the modern world and delivers robust consumer protection. The Government will update on next steps – including the phase 2 consultation – in the spring.