

Energy Bills Discount Scheme

I have received the letter below from the Exchequer Secretary to the Treasury in relation to continued energy bill support for businesses, charities and the public sector.

To: All MPs

10 January 2023

Dear Colleague,

ENERGY BILLS DISCOUNT SCHEME

I am writing to set out further details of the announcement I made today in relation to continued energy bill support for businesses, charities and the public sector.

Following a review of the Energy Bill Relief Scheme, I announced that the government would be launching a UK-wide Energy Bills Discount Scheme – a new energy support scheme that will provide all eligible UK businesses and other non-domestic energy users with a discount on high energy bills until 31 March 2024, following the end of the current scheme.

The new energy scheme will help businesses locked into contracts signed before recent substantial falls in the wholesale price manage their costs and provide others with reassurance against the risk of prices rising again.

This further support follows the government's unprecedented package for non-domestic users through this winter through the current scheme, worth £18 billion per the figures certified by the OBR at the Autumn Statement.

At Autumn Statement, we were clear that such levels of support, unprecedented in its nature and scale, were time-limited and intended as a bridge to allow businesses to adapt.

Whilst wholesale energy prices are falling and have now gone back to levels just before Putin's invasion of Ukraine, we recognise the importance of avoiding a cliff-edge for businesses and want to provide reassurance against the risk of prices rising again. That is why we are launching the new Energy Bills Discount Scheme, which will give businesses the certainty they need to plan ahead.

The new scheme strikes a balance between supporting businesses over the next 12 months and limiting taxpayer's exposure to volatile energy markets, with a cap set at £5.5 billion based on estimated volumes.

Through the scheme, from 1 April 2023 to 31 March 2024, eligible non-domestic customers who have a contract with a licensed energy supplier will see a unit discount of up to £6.97/MWh automatically applied to their gas bill and a unit discount of up to £19.61/MWh applied to their electricity bill. The

relative discount will be applied if wholesale prices are above a price threshold of £302/MWh for electricity and £107/MWh for gas.

A substantially higher level of support will be provided to businesses in sectors identified as being the most energy and trade intensive – predominately manufacturing industries. A long-standing category associated with higher energy usage, these firms are often less able to pass through cost to their customers due to international competition. Businesses in scope will receive a gas and electricity bill discount based on a price threshold, which will be capped by a maximum unit discount of £40.0/MWh for gas and £89.1/MWh for electricity. This discount will only apply to 70% of energy volumes and will apply above a price threshold of £185/MWh for electricity and £99/MWh for gas.

Beyond the energy schemes, the government has also taken a number of further steps to support businesses (all UK-wide except as noted):

- Increasing the Employment Allowance from £4,000 to £5,000 in April 2022, meaning 40% of businesses with Employer National Insurance Contribution (NICs) liabilities were unaffected by recent changes to Employer NICs.
- Protecting 70% of actively trading companies with the Small Profits Rate, which keeps the Corporation Tax rate at 19% for businesses with profits of £50k or less from 2023.
- Introducing £13.6 billion business rates package worth over the next 5 years to support the revaluation (England-only).
- Extending the alcohol duty rates freeze for six-months, providing certainty to pubs and breweries.
- Extending the Recovery Loan Scheme until June 2024, providing businesses with up to £2 million of government guaranteed finance (up to £1 million for businesses in scope of the Northern Ireland Protocol).

This government is committed to supporting UK business and the voluntary sector, and through this package we aim to give organisations the certainty they need to plan through next winter. We will continue to monitor the situation and engage with representatives across the private and voluntary sectors.

Yours sincerely,

James Cartlidge MP

EXCHEQUER SECRETARY TO THE TREASURY

Strikes

The government's statement on proposed new strikes legislation was short and simple. It praised the nurses for agreeing minimum service levels before

going on strike, recognising their greater duty to the public to avoid action which could lead to the death of a patient. The government said it needed to put in place similar minimum service agreements for the NHS, the fire service, education, railways, nuclear decommissioning and borders. They argued they had no wish to take away the right to strike, and were copying practices in some other European countries. The Opposition saw it as an attack on workers rights and said they would oppose.

It will be interesting to see how the government proposes to enforce any such law, as by definition if people have gone on strike it is difficult to get them to come back to work against their will. The Bill implies action for damages against Unions not ensuring the minimum standard, but it will need clarification. Certain workers will be identified as essential to maintain the minimum service and they will be expected to turn up. It will also be difficult to decide what is a safe necessary minimum standard of rail services, given the way motor transport, planes and boats can be substituted for trains. The government intends to consult on minimum standards which will doubtless produce a variety of views. I would be interested in comments on these matters as I do not have settled views myself on how this will work.

A Health package

At last Ministers had something to say about getting waiting lists for treatment down and waiting times at A and E reduced. The fundamental principle of the NHS is free access to health care based on need. Rationing by delay is not part of the deal to taxpayers who are now paying very large sums for the service.

The NHS needs more medical capacity. It needs more GP surgery slots, more hospital beds and more operations performed. The backlogs are unacceptable. This is why I and others have been calling for a Manpower Plan. This needs to set out expectations of manageable workloads per employee and realistic targets for staff numbers needed to cope with likely demand. They also need extra to get rid of the oversized waiting lists.

This raises various questions over training, recruitment and retention. Could we introduce high standards of training in specific areas that take less time than a full doctor's qualification to staff specialist centres for cataracts, knee surgery and the other high volume standard procedures for elective surgery? Can nurses and pharmacists have more authority over prescribing and providing medicines? Can medical tests be streamlined and be more efficient?

When it comes to retaining doctors that does highlight the general tax issue where people get taxed at 60% in the £100,000 to £125,000 range, and where the allowed level of savings for pension has been cut back substantially. It would be good to ease these tax issues for all as doctors tell us they lead more to retire early when we still need their skills.

The Secretary of State yesterday announced more money to buy bedspaces in care homes to allow earlier discharge from hospital for some elderly patients. He also announced the equivalent of 7000 extra beds in the form of virtual wards where people are clinically supervised remotely by professionals whilst be in bed at home. he also announced some increase in capacity through adding modular units to allow more day care in A and E. He also proposed more work for pharmacies to cut the demands on GPs.

There is still no full workforce plan, nor stated plans to add beds with relevant staff to hospitals. As the population keeps on growing, and as an ageing population needs more hospital care the NHS does need to expand its core bed capacity.

The railway strikes

It is most important the government does not settle the rail dispute with more subsidy for little or no improvement.

The public sector has progressively removed a proper role for private capital and competition in the industry. In the early years post privatisation use of the railways expanded. There were sufficient service improvements and new investments for John Prescott to praise it. Important investments which the nationalised industry never prioritised like linking Heathrow into the national rail network to capture many more travellers were made by the private sector.

Then Labour nationalised Railtrack, taking track, signals and stations back into state ownership. Successive governments tightened the controls over timetables and service patterns. Successful experiments in competition to increase services as with Hull were made difficult or blocked. Then governments started into to take various lines directly into public ownership.

Today we effectively have a nationalised railway. Ministers have been dragged into strike discussions as they seek to limit the ability of management and staff agreeing to big increases in pay bills with no improvements to productivity or service quality. The collapse of fare revenues since 2019 should be a major preoccupation of management and staff, as government needs to limit subsidies for running near empty trains with rising costs and little revenue.

Ministers are right to expect nationalised and residual private sector managements to sort out smarter working. They should also advise on a better timetable and route pattern to raise fare receipts. The old nationalised industry performed badly and relied on overcharging the then reliable commuter passengers. Railway bosses threatened Ministers with commuter disruption if subsidies were not big enough. Today the commuter is not 5

days a week and can work from home on strike days. Those negotiating need to grasp this changes things a lot. It means we need a new pattern of rail services and new positive attitudes by managers and employees. The leisure railway mainly thrives on heavily discounted tickets, leaving taxpayers with unacceptable bills.

Labour attacks the GP partnership

I see nothing wrong with the idea that GP s form partnerships, finance their own surgeries, can run their own pharmacies and have a contract to supply services free to patients paid for out of taxation via the NHS budget.

It was decided by the post war government not to nationalise doctor practices in order to secure their agreement to the idea of the NHS. It left GP s free to offer private services in addition to the work they do for the NHS. It means we have thousands of GP small businesses innovating, offering variations of service and providing some choice for patients. The closer we move to an all salaried profession with GP s as employees of a centralised NHS the less choice and innovation will be on offer.

One of the problems today is the reluctance of younger doctors to take on the responsibilities of co ownership and management of a partnership. Many opt for part time salaried employment. This makes it more difficult to provide sufficient cover and irregular hours which Home visits and emergencies can entail.

There is also an issue over early retirement. Some GP s argue that the reduction of limits on tax free pension saving stops them working more years to build a better pension pot. Many GP s are also in the pay band above £100,000 where the effective marginal tax rate is 60% , discouraging full time or longer hours working.

Government needs to listen to GP s over tax and pensions, and look at a range of ways to facilitate more GP surgeries and practices. We are short of capacity. GP surgeries can be places where a whole lot of tests, diagnoses, treatments and procedures can be successfully carried out relieving pressure on hospitals and providing a service close to home for more people.