

Harriett Baldwin MP
Chair of the Treasury Committee
House of Commons
London SW1A 0AA
treascom@parliament.uk

James.Bowler@hmtreasury.gov.uk
www.gov.uk/hm-treasury

14 February 2024

Dear Chair,

The work of the Treasury evidence session: follow up

Thank you for your letter of the 5 February following the Committee hearing on 24 January. Please find attached a note in response to various questions raised by the Committee.



James Bowler
Permanent Secretary

Question 1: Have you made a formal assessment of the impact of regulating tax advice, and could you describe what the Treasury sees as the benefits and disbenefits of regulating tax advice in a broader sense? [Q252]

Answer: The government is committed to ensuring the tax advice market operates with the highest standards and works for consumers. The government has previously issued a Call for Evidence on raising standards in the tax advice market, and published a summary of responses which is available here: <https://www.gov.uk/government/calls-for-evidence/call-for-evidence-raising-standards-in-the-tax-advice-market>

The government consulted in 2021 on whether mandatory professional indemnity insurance would be an appropriate mechanism to raise industry standards, though concluded that, on its own, PII would not be an effective mechanism to raise standards across the market or have a significant impact on consumer protection. The government remains committed to raising industry standards and continues to explore options to improve the wider regulatory framework.

HMRC have published their *Standard for Agents* which all tax agents are expected to follow: <https://www.gov.uk/government/publications/hmrc-the-standard-for-agents/the-hmrc-standard-for-agents>. Where agent standards fall below what's expected, HMRC will challenge them, and in extreme cases can refuse to deal with the agent unless and until their standards improve. HMRC published a review of powers to uphold its standard for agents in 2022, available here: <https://www.gov.uk/government/publications/raising-standards-in-the-tax-advice-market-hmrCs-review-of-powers-to-uphold-its-standard-for-agents>.

Meanwhile, the government has taken steps to protect customers and tackle the most egregious behaviour in the market following feedback received in the 2022 consultation: *'Raising standards in tax advice: protecting customers claiming tax repayments'*. At Spring Budget 2023, the government banned the use of assignments for Income Tax repayments from 15 March 2023. This effectively scrapped the legal agreement that repayment agents preferred to use, which made the repayment the property of the agent, shifting power away from repayment agents and back to the customer where it belongs. From 26 February this year, repayment agents will be required to provide their Agent Reference Number (acquired through registering with HMRC) on their claim form in order to receive the repayment on behalf of the taxpayer. This will allow HMRC to identify tax advisors who are not meeting professional standards and take appropriate action.

Question 2: What do supportive market conditions constitute with regards to the sale of NatWest? [Q280]

Answer: The government is committed to returning its shareholding in NatWest Group to the private sector and intends to fully exit the shareholding by 2025-26 utilising a range of disposal options, subject to supportive market conditions and achieving value for money for the taxpayer. The government has made substantial progress, with the shareholding currently standing at c.35% (as of 2 February), down from a peak of 84% in 2009. A total of six block transactions have been completed to date (a combination of accelerated bookbuilds, where shares are sold to institutional investors, and directed buybacks, where shares are sold directly to NatWest) and continued progress is being made through the ongoing trading plan, which sells smaller amounts of shares more regularly to the market. As the Chancellor set out at Autumn Statement 2023, to help deliver this objective, the government is also exploring options to launch a share sale to retail investors in the next 12 months as part of the wider disposal programme.

The Treasury and UK Government Investments (UKGI) constantly prepare for windows of opportunity when it is possible to execute sales of shares. This requires the alignment of several factors including a sale representing value for money and market conditions that support a transaction. You asked for further information regarding how we define supportive market conditions for sales of NatWest shares. HM Treasury receive advice on this matter from UKGI who lead delivery and execution of sales of the shareholding on HMT's behalf. Factors UKGI monitor before recommending a transaction include: stability in wider markets and in the banking sector in particular as demonstrated by positive or stable share prices; evidence of investor demand, for example through direct engagement and enquiries received from potential investors; supportive macroeconomic conditions, with key metrics (e.g. inflation) in-line or better than consensus expectations; and examples of market confidence, for example other similar transactions being successfully executed in the broader market. This list is not exhaustive, and it is not always the case that all of these factors must be present in order to conclude that market conditions are supportive of executing a transaction.

Question 3: Can you provide examples of projects that the Infrastructure and Projects Authority has helped accelerate? [Q331]

Answer: We work across all functional teams to set programmes up to succeed and deliver effectively, and prioritising schedule and cost alongside outcomes is a core objective of all major programmes.

The IPA is the government's centre of expertise for infrastructure and major projects. It works across government to support the successful delivery of the Government's Major Projects Portfolio (GMPP), providing assurance and support to departments and projects through:

- **Expert advice and project support:** Direct expert project delivery advice provided into the project and Departmental delivery teams throughout all stages, influencing projects at the earliest stages possible.
- **Tracking and monitoring:** Reporting on the latest forecast for cost, duration and benefits against latest business case.
- **Assurance:** Assurance reviews to inform decisions on whether a project should be modified, continue, or end.
- **Building capability:** Setting standards and building capability on project delivery, including through guidance and training. For example, investing in senior project leaders via the Major Projects Leadership Academy and Project Leadership Programme.

Across the GMPP, IPA actively supports circa 100 projects with hands-on expert project delivery advice. In many instances this involves supporting project teams as they look at accelerating their timelines and / or reducing their costs.

Working closely with industry, the IPA's National Construction and Infrastructure Pipeline (NCIP) reports that £64 billion of planned investment over the next two years will be delivered using Modern Methods of Construction, supporting the Transforming Infrastructure Performance (TIP) programme.

The IPA also plays a vital role supporting the Major Projects Review Group (MPRG) which scrutinises government's most complex and high profile projects, and is one part of the multi-disciplinary team that supports programme delivery.

Specific examples of where the IPA has supported programmes to succeed to time, cost and quality are:

- **A66** (Project Speed pathfinder, GMPP project): In the development phase (Outline Business Case) the scheme was accelerated by a third including 50% saving in construction time. Savings have been made during the design and planning submission stage, and with concurrent working planned during the construction phase. The programme team has worked hard to ensure VfM and benefits have not been adversely affected. However, current fiscal constraints on the RIS3 road building programme does introduce risk that the benefits of Project Speed will not come to fruition.
- **Commonwealth Games** (GMPP project): The B2022 Games Partnership worked collaboratively with IPA and its bespoke assurance and support to ensure this high priority and time critical project was delivered at pace as well as to cost and quality. IPA helped to bring a particular focus on delivery partners for each capital project (e.g. Alexander Stadium, The Sandwell aquatics centre, and the Perry Barr athletes village), as well as providing challenge on contingency options for each. This work eventually led to a stop decision on the use of the Perry Barr development as the athletes village during the Games. A decision to switch to

the contingency option of utilising existing university and hotel accommodation was made. This removed the risk of late delivery of the athletes village.

Question 4: Since its inception in the 2017-18 tax year, how much has the Treasury retained from the apprenticeship levy, excluding that which was handed to the Department for Education or to devolved Administrations? [Q339]

Answer: The Committee asked how much of the apprenticeship levy was retained by HMT since its inception in FY 2017-18. The Apprenticeship Levy is a key part of the government's reforms to the apprenticeship system to both enable employers of all sizes to make a long-term, sustainable and high-quality investment in training and drive an overall improvement in the quality and prestige of apprenticeships.

Introduced in 2017, the Levy is paid by large employers with a total annual pay bill of over £3 million. Their contribution is 0.5% of their total annual pay bill.

HMT sets the Apprenticeship Budget at each Spending Review. The budget funds all apprenticeship training in England – both existing and new apprenticeships – across all employers. While similar, the budget does not exactly match Levy receipts and is based on forecasted employer demand e.g. expected apprenticeship starts and completions.

The system continues to be demand-led and we have never had to stop people doing apprenticeships because of a lack of budget. In the last two financial years: on average, 98% of the English apprenticeships budget was spent.

(£ million)	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
DfE Ring-fence Apprenticeships Budget	2,010	2,231	2,469	2,467	2,466	2,554
Total Ring-fence Apprenticeships Spend	1,586	1,738	1,919	1,863	2,455	2,458
Underspend against Ring-fenced Apprenticeships Budget	424	493	550	604	11	96

While the Apprenticeship Levy is UK wide, apprenticeship policy and spending is devolved. This means that the devolved administrations receive funding through the Barnett formula in relation to English apprenticeship spending. It is their responsibility to allocate their funding in devolved areas as they see fit, including investing in their skills programmes.

Where receipts are not allocated to the apprenticeship budget, or where this budget underspends, they are returned to HMT as per the Consolidated Budgeting Guidance.

The difference between Levy receipts and spend, once Barnett consequentials are accounted for, are set out below:

(£ million)	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Levy Receipts	2,271	2,713	2,798	2,910	3,213	3,580
England – Apprenticeship Budget	2,010	2,231	2,469	2,467	2,466	2,554
Devolved Administrations - Funding (notional Barnett allocation beyond 2019-20)	425	442	459	464	464	481
Difference in levy receipts vs England budget + DA funding	-164	40	-130	-21	283	545

Question 5: Could you provide a copy of the guidance on costing opposition policies ahead of a general election? [Q350 and Q351]

Answer: I wrote to the committee separately on the 6 February providing you with the guidance on costing the policies of Opposition parties. I am also including the guidance here for completeness.

Extract from Directory of Civil Service Guidance: Costing the policies of Opposition parties

Departments are asked from time to time to cost the policies and pledges of Opposition Parties. Successive Administrations have accepted that since Departments would provide factual answers (subject to the limits on disproportionate costs) to questions from MPs/Peers about the costs of identifiable changes in activities or benefits, there is no objection to officials providing Ministers with such factual information.

The basis should be that Ministers, assisted if they wish by their Special Advisers, should be responsible for identifying the text of commitments together with any further interpretations or assumptions necessary to allow the commitments to be costed. Departments should provide factual material, drawing attention to any additional assumptions or qualifications which they have made. Very often the exercise will be co-ordinated by the Treasury, who will then be in a position to exercise their own scrutiny and check consistency with other costings. When the exercise is not being coordinated by the Treasury, individual costings should be cleared with the Treasury before being published.

When the factual material has been provided, it is for Ministers (assisted by their Special Advisers) to determine the form of presentation. It is legitimate for Ministers to ask Departments to check the presentation for factual accuracy and consistency before the material is made public.

[Directory of Civil Service Guidance](#)