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Dame Meg Hillier MP
Chair of the Treasury Select Committee
House of Commons
London SW1A 0AA

[By email]

14 March 2025

Dear Dame Meg,

The work of the Treasury evidence session

My sincere thanks to you, the Committee and clerks for coming to the Darlington Economic Campus (DEC) for the first select committee hearing to be ever held at the campus. Please find attached a note in response to various questions raised by the committee that we said we would follow up to you in writing.

James Bowler

Permanent Secretary

Question 5: the reporting of elements of the OBR forecast by Bloomberg.

Answer: A leak inquiry has been instigated pursuing all reasonable lines of inquiry, including whether the article actually was sourced from a leak or speculation. It is our policy not to comment on leaks or speculation, for very good reason and as you will understand, I am very clear that on the over-arching point of principle that, prior to publication, all forecasts are private. Therefore, as a broader response to this I have revisited access to the forecast and our approach to security and reminded those involved of the strict need to adhere to confidentiality.

Question 42: Can you provide the list of names of individuals who are on departments' challenge panels who have been identified and public?

Answer: HM Treasury has devolved management of the ZBR Challenge Panels to their individual departments, who hold responsibility for establishing and organising their own panels. This approach ensures that departments can tailor their panels to suit their unique operational contexts and objectives.

We fully support the need for transparency through this process, however it is for individual departments to provide the names of those on their Challenge Panel. We can confirm that the HM Treasury Challenge Panel members are Dame Sharon White, Katharine Braddick, Giles Wilkes, Dr Tim Leunig and Mike Potter.

Question 73: Details of how the Spending Review Challenge panel appointments are made, including safeguards to prevent conflicts of interest.

Answer: Panel membership is comprised of department non-executive directors and external stakeholders. Non-executive directors are expected to adhere to and uphold the Seven Principles of Public Life and the Code of Conduct for Board Members of Public Bodies. As part of this process, consideration is given to any potential conflicts of interest that may arise in carrying out their role. It is for each department's Permanent Secretary to agree the exact role of external stakeholders who become challenge panel members. This includes making sure that the appropriate safeguards are in place regarding access to information. The usual expectations around not providing unfettered access to sensitive information apply.

Question 102: How were the number of jobs deemed to be created by the National Wealth Fund in the press announcement calculated?

Answer: The National Wealth Fund (NWF) measures the direct jobs created and supported through its projects, with supported jobs relating to roles that already exist that would have been at risk without the investment. Direct jobs refer to the people involved in the construction and operation of the projects being funded. For each project, NWF takes the peak year of employment which then represents the 'Direct Jobs Created and Supported' by that project. These are then summed across the portfolio to give a portfolio-level view. NWF always request jobs in Full Time Equivalent terms, which means that the 'double-counting' referred to in the committee does not materialise, as six months of work for 10 people would only be classified as 5 jobs. The NWF reports its jobs figures on an attributed basis. That is, if NWF funds 50% of a project that creates/supports 100 direct jobs overall in the peak year of employment, we would report 50 jobs for that deal.

Question 112: Will the NWF play any role in assessing the value of the projects it lends to in advance of the lend, and then post the lend as the project is implemented? How will it do that?

Answer: The NWF undertakes impact measurement both pre- and post-investment. Prior to making an investment, NWF estimates the impact that a project will generate against the Fund's strategic objectives. Post-investment, NWF monitors the performance of that investment in delivering those expectations. The NWF undertakes full reviews of projects annually, including an impact review, and detail of NWF's impact and additionality is reported in its Annual Report & Accounts.

Question 122: Examples of other areas where deregulation has increased growth.

Answer: Improving economic growth is the number one priority of the government. We know that the supply side of our economy has suffered in some sectors from stifling and unpredictable regulation, which can be a drag on investment and innovation.

The Chancellor sent new remit letters to the financial services authorities in November 2024, encouraging the regulatory system to support greater levels of informed risk-taking to support growth. Building on her requests to regulators to provide options to drive growth in their sectors, the Chancellor has also committed to publish an Action Plan to make regulation work much better for our economy.

Robust regulatory standards are the cornerstone of the attractiveness of UK markets, and the stability and soundness of the UK's financial system is an important priority for the government. The government wants to maintain a sound and stable financial system with appropriate consumer protections, while allowing businesses and consumers to make informed choices about the level of risk they take on and reducing the overall burden of regulation.

One example of this approach is the new listings rules introduced by the FCA last year, delivering on Lord Hill's proposals to help boost UK growth and competitiveness by making our regime more attractive to a wider range of companies, so they list and grow here. The FCA was clear that these reforms, which bring the UK in line with international market standards, represent a rebalancing of its approach to risk in this area. The changes will support firms to more easily raise capital on UK markets by streamlining regulation, whilst still maintaining appropriate protections for investors.

Question 127: FCA are doing advice on the Guidance Boundary Review, and I can write to you on this. They are looking at the extent to which the current regulations are stopping people doing something that would be sensible for consumers.

Answer: The government and the FCA want people to get the support they need to be able to make informed decisions about their finances with confidence. The Advice Guidance Boundary Review provides a transformational opportunity to rethink the way that financial support is delivered to consumers, and the government is backing the FCA's consultation on a new regime, Targeted Support. Targeted Support would enable firms to suggest products or course of actions based on broad consumer target markets, including supporting customers with excess cash savings to consider investing. Targeted Support could also be used to help consumers to manage their pensions e.g. providing support to consider options for taking a retirement income.

The FCA published high level proposals for Targeted Support in pensions in December 2024 and will consult on the rules for Targeted Support in pensions and retail investments in the first half of 2025.

Under the FCA's Consumer Duty, firms must act to deliver good outcomes for consumers, by acting in good faith, avoiding causing foreseeable harm, and enabling and supporting consumers to pursue their financial objectives. In the FCA's work on cash savings, it said significant sums of money are held in lower paying savings accounts or non-interest bearing accounts and firms must do much more to prompt consumers to make use of better savings products. In July 2023, the FCA and ICO published a joint letter confirming that direct marketing rules do not prevent savings providers from giving their customers neutral, factual information about the interest rate and terms of the savings product they hold, and their options for moving to another product.