



HM Treasury

Treasury Minutes

**Government Response to the Committee of
Public Accounts on the Thirty-Fifth to the Forty-
Second reports from Session 2024-25**



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Government Response to the Committee of Public Accounts on the Thirty-Fifth to the Forty-Second reports from Session 2024-25

Presented to Parliament by the Exchequer Secretary to the Treasury
by Command of His Majesty

September 2025



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Government response to the Committee of Public Accounts Session 2024-25

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Thirty-Fifth Report of Session 2024-25

Department for Education

Introducing T Levels

Introduction from the Committee

In September 2020, the Department for Education (the Department) introduced T Levels, two-year technical qualifications for 16- to 19-year-olds across a range of skills such as early years education, healthcare and digital. As at March 2025, the Department had introduced 21 T Levels, with 16 of these delivered on time. One more will be introduced in September 2025, and two existing T Levels will be stopped.

Designed to support young people into skilled employment and bridge skills gaps, a T Level equates to three A levels and involves an industry placement and more learning hours than similar technical qualifications. Those involved in developing and delivering T Levels include: the Institute for Apprenticeships and Technical Education (IfATE), which contracts with organisations to develop and award T Levels; employers, who contribute to developing the qualifications and provide industry placements; and colleges, who teach students and organise their placements.

The Department is responsible for securing value for money from T Levels. Given their design, they cost more per student than other level 3 qualifications. The future economic benefits of T Levels, critical to assessing their success, are uncertain. The Department's current best judgement is that T Levels will be 25% more valuable, with an estimated economic benefit of around £23,000 per student over their lifetime.

Based on a report by the National Audit Office, the Committee took evidence on 24 April 2025 from the Department for Education. The Committee published its report on 27 June 2025. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Investigation into introducing T Levels](#) - Session 2024-25 (HC 768)
- PAC report: [Introducing T Levels](#) - Session 2024-25 (HC 822)

Government response to the Committee

1. PAC conclusion: More students need to complete T Levels for them to be sustainable and deliver expected outcomes.

1. PAC recommendation: The Department should, within six months, develop a structured plan setting out its 'campaign approach' to increasing student awareness and enrolments in T Levels. It should address how the curriculum can be tailored to appeal to a diverse student group (including women) while meeting employers' needs; how the credibility of T Levels can be systematically portrayed through teachers and careers officers promoting T Levels; and how to increase the number of higher education institutions that recognise T Levels. The Department's Treasury Minute response should set out a timeline for implementing the plan.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2026

1.2 The Department for Education (the department) is committed to expanding the uptake and completion of T Levels to help students reach their potential and meet the evolving skills demands of the economy. Over 90% of the first two cohorts of T Level completers are in employment or further study, and 71% remain in the same field as their T Level. Recognition of T Levels by higher education institutes is growing, with 166 universities now accepting at least one T Level.

1.3 The department will build on this by growing awareness and enrolments in T Levels whilst maintaining a high-quality offer. The department will proceed with [removing funding of overlapping large qualifications](#), encouraging a shift towards T Levels. The 'Skills for Life' campaign will continue, to raise awareness of the importance of skills and increase awareness of T Levels and will align with departmental priorities. The department is working to improve careers guidance to inform student choices.

1.4 Provider confidence in T Level delivery is key to encourage student choice. The department will support providers to maintain a high-quality offer to boost student uptake, through continued investment in professional development for teachers, and support to source industry placements. The department will continue to promote T Levels via key moments in the year – T Levels Week, T Level Thursday and T Level Results Day to raise awareness and subsequently grow student numbers.

1.5 The department will streamline T Level content to appeal to diverse groups of students, alongside ensuring marketing content is diverse. Updated specifications for the Digital, Construction, and Education & Early Years routes have been introduced from September 2025.

1.6 The department's plan will be fully implemented by September 2029.

2. PAC conclusion: There is a risk that colleges cannot secure enough industry placements for more students to complete their T Levels.

2. PAC recommendation: The Department should set out its plan to improve employer awareness of T Levels, capitalising on local arrangements, including Local Skills Improvement Plans and expanding good practice in finding health placements through integrated care boards.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2025

2.2 The department agrees that it should continue to improve employer awareness of T Levels, to help increase the availability of industry placements. The department has already taken steps to improve employer awareness. There are now over 1,000 members of the [T Level Ambassador Network](#), a network of employers and providers who promote T Levels on a voluntary basis across the country and help to raise awareness of T Levels amongst providers and employers to support the creation of industry placements. The department plans to appoint regional T Level Ambassador Network chairs this year to better promote T Levels locally. The department has also recently introduced [new flexibilities to industry placement delivery](#) and targeted [Employer Support funding](#) to continue to improve placement availability.

2.3 The department recognises that it can do more to grow the number of high-quality industry placements offered by employers, including in leveraging Local Skills Improvement Plans and building on existing work with integrated care boards in the NHS, and will set out further plans by December 2025.

3. PAC conclusion: The Department has not provided clarity on how T Levels align with other technical qualifications and career pathways.

3. PAC recommendation: The Department should set out publicly, for students, colleges and teachers, how T Levels fit with other funded qualifications, so students understand their route into skilled professions.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2025

3.2 The [Curriculum and Assessment Review Interim Report](#) highlighted that T Levels are becoming an established brand which support successful outcomes for learners taking them.

3.3 The department is developing a post-16 education and skills strategy to be published in autumn 2025 and will set out its system-wide approach to ensuring every learner has a clear route to further study or work, guided by the Curriculum and Assessment Review, and strengthening support for the Further Education (FE) workforce to boost teaching quality and sector prestige. As part of this the government will set out clearly where T Levels will sit alongside other funded qualifications and their purpose.

3.4 The department is working closely with Skills England to make sure that students have clear routes into skilled professions. To provide further clarity for learners, Skills England have published a set of [occupational maps](#) for students to access to establish the types of careers technical education can lead to.

4. PAC conclusion: T Levels are intended to address skills gaps and meet employers' needs, but they cannot quickly be adapted to meet this objective.

4. PAC recommendation: The Department should work with awarding organisations to consider options for developing and reviewing T Level content quickly to maximise the responsiveness of T Level qualifications to changing skills needs in the most efficient way.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2026

4.2 There is an annual review process that is undertaken by awarding organisations (AOs) and Skills England to review the content for each T Level in delivery and make any changes to content based on sectoral needs. This process is more agile than for other qualifications that are in the market, and the department will ensure that where changes are identified through this process, they are implemented as soon as it is practically possible. For example, the department has already reduced the Education and Early Years assessments from two core exams to one. Development work is ongoing for T Levels in health and science. These revised T Levels will have their first teach in September 2026. The department will consider further development work in future iterations of T Level contracts as the opportunities for re-procurement arise and where standards necessitate in-flight changes to content.

4.3 As Skills England becomes increasingly embedded, the department will work with them to ensure that T Level content is reviewed regularly and updated where needed, to continue to ensure that they provide an excellent pathway to support entry into the government's priority sectors.

5. PAC conclusion: The Department has not yet provided complete clarity over what good progress looks like in T Levels becoming established and when benefits will be realised.

5. PAC recommendation: The Department should refine its benefit tracking, update the estimated economic benefit for T level students, and define clear milestones to better understand whether progress, for example on pass rates, aligns with expectations.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2026

5.2 The department has a benefits management strategy which is reviewed annually. The department uses several published data sets to measure key benefits and key performance indicators. These include:

- The Technical Education Learners Survey to measure learner outcomes and destinations; career planning and decision making; and overall reported satisfaction with their T Level experience.
- The Employers Skills Survey which tracks employers' awareness, interest and capacity to offer T Levels, and how much employers value T Levels when recruiting.
- The Pupil Parent Learner Panel survey to track awareness of T Levels and appetite amongst students and parents.

5.3 The economic benefit of students taking a T Level will depend on several factors which the department keeps under review including student enrolments, the funding that is invested into the programme (dependent on annual departmental set budgets), and progression outcomes. The department will update this assessment at regular intervals in line with receipt of relevant data.

5.4 The department will continue to review its benefits management strategy annually and review data sources for realising benefits.

6. PAC conclusion: Various factors, such as teacher recruitment and awarding organisation fees, will influence colleges' uptake of T Levels particularly given their wider financial challenges.

6a. PAC recommendation: The Department should develop a better understanding of the T Level-related funding pressures on colleges, particularly the extent of changes in the costs (or fees) of awarding organisation contracts and recruiting and retaining teachers, and the potential impact of changes in these costs; and ...

6.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2025

6.2 The department has regular 1:1 engagement with colleges, which helps to understand and address any T Level-related funding pressures as part of their overall financial position. T Levels are typically a small part of a college's overall funding allocation, and T Level learner fees are a small proportion of the funding that schools and colleges receive to provide T Levels (less than 10%). Funding information is given to providers in annual [16-19 funding guidance](#). After recent changes to T Level contracts following the most recent awarding organisation re-procurement, the new learner fees are broadly in line with 3 A levels.

6.3 The department has four higher funding bands for T Level participation funding for 16-19-year-olds, compared to other 16-19 study programmes in recognition of the additional hours. The department has supported providers by introducing an additional temporary 5% uplift to the T Level funding rate for academic year 2025-26. This reflects that, although now more established, T Levels continue to be more expensive, on average, to deliver in the early years. The department will continue to work closely with providers to build our assessment of ongoing costs to providers as T Level cohorts grow.

<i>6b. PAC recommendation: ... and The Department should set out a workforce strategy for supporting colleges to recruit and retain teachers</i>
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6.4 The government agrees with the Committee's recommendation.

Target implementation date: December 2025

6.5 As a first step, the 6,500-delivery plan will provide detail on the department's approach to college teacher recruitment and retention in high-priority areas, alongside schools, including how the department will measure, track and record progress against the pledge.

6.6 Additionally, the post-16 education and skills strategy will be published in autumn 2025 and will set out our system-wide approach to ensuring every learner has a clear route to further study or work, guided by the Curriculum and Assessment Review, and strengthening support for the FE workforce to boost teaching quality and sector prestige.

6.7 The department is already taking steps to strengthen construction skills and support the recruitment and retention of industry-experienced teachers, through the development of a new Further Education (FE) Teacher Industry Exchange scheme. This initiative will foster partnerships between colleges and construction companies, enabling more professionals from industry to transition into teaching, while also offering current FE teachers' opportunities to refresh and update their industry knowledge and skills.

6.8 The annual publication of the Further Education Workforce in England publication will serve as the most reliable source for tracking progress on recruitment and retention across the sector, as well as for understanding vacancy rates across the sector to enable the department to identify the areas of greatest challenge. Following the next publication of the Further Education Workforce data, the department will provide its first update on progress being made on teacher recruitment and retention, as well as the pledge to deliver 6,500 additional teachers. In between data collections, the biannual update will set out progress on programme delivery to address key skills shortages.

6.9 The department has already taken substantial steps to support recruitment and retention of staff in FE. Despite challenging fiscal conditions, the department has prioritised funding for colleges as set out above. Additionally, to help meet the growing demand from an increasing number of young learners, the Department is also investing over £1.2 billion annually in Skills – supporting 1.3 million 16–19-year-olds each year – including 65,000 additional learners by 2028/29.

6.10 The Targeted Retention Incentive (TRI) will also continue to offer financial support to retain teachers in the areas of greatest need in all FE colleges.

Thirty-Sixth Report of Session 2024-25

Department for Work and Pensions

Jobcentres

Introduction from the Committee

The Department for Work and Pensions (the Department) relies on its network of 646 jobcentres across Great Britain to help people seeking employment or wanting to progress in work. In 2023–24, the Department spent £1.2 billion on jobcentres (excluding estates, digital and other corporate costs), with staff costs comprising 93% of this total.

Within each jobcentre, work coaches play a critical role working directly with Universal Credit claimants to identify their needs and provide support. The Department uses six labour market categories to determine the support claimants receive, based on their earnings and personal circumstances. In October 2024, there were 7.2 million people claiming Universal Credit. Of these, 2.5 million were below the earnings threshold where the Department can impose conditions on their claim, such as a requirement to meet regularly with a work coach.

In November 2024, the government published a white paper, *Get Britain Working*, with a long-term ambition of an 80% employment rate. The white paper set out plans for reforming employment support including a new jobs and careers service, bringing together jobcentres with the National Careers Service in England. The government followed this, in March 2025, with a green paper, *Pathways to Work*, which set out proposals to reform health and disability benefits and employment support, with the aim of helping more disabled people and people with health conditions to work.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 15 May 2025 from the Department for Work and Pensions. The Committee published its report on 2 July 2025. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Supporting people to work through jobcentres](#) - Session 2024-25 (HC 769)
- PAC report: [Jobcentres](#) - Session 2024-25 (HC 823)

Government response to the Committee

1. PAC conclusion: The Department seems complacent about the impact that the reduction in support caused by the shortage of work coaches may be having on claimants.

1. PAC recommendation: The Department should evaluate the impact on claimants of jobcentres implementing measures from its local flexibility framework, and share the results with the Committee, before making any of the measures permanent changes.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Department for Work and Pensions (the department) takes very seriously its responsibilities with regard to ensuring claimants have the right support from work coaches and the government agrees with the Committee's recommendation.

1.3 The department [wrote to the Committee on 30 June](#), following the session on 15 May, setting out the revised approach to determining resourcing levels and priorities. As that letter set out, this new approach involves making certain elements of the local flexibility framework permanent.

1.4 The letter also set out the evidence on which the decision to implement these changes was made. As requested by the Committee in their subsequent [letter of 10 July](#), the department has provided more detail in its letter of 9 September 2025 on the evidence related to these changes alongside this Treasury minute and therefore considers this recommendation to have been implemented.

2. PAC conclusion: We are concerned that the Department will continue to not have enough work coaches to meet the growing demand for support.

2. PAC recommendation: The Department should develop a workforce plan within twelve months and as part of its work to design and set up the new jobs and careers service. The plan should include details of the steps that the Department will take to make sure it has enough work coaches to provide face-to-face support to people who need it.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2026

2.2 The department's current Workforce Plan is based on existing funding arrangements and policy principles. The Workforce Plan is not a static document and is reassessed throughout the year.

2.3 As part of the Jobs and Careers Service Programme the department will develop a strategic workforce plan, within the next 12 months, to support the transition to the new organisation, reflecting updated policy principles that have been agreed. Whilst the final design is still evolving, the plan the department will develop will be based on the best understanding of the future state, allowing it to anticipate workforce needs and remain flexible as the organisation continues to take shape. Throughout this period, the department will continue to have a focus on ensuring appropriate levels of Work Coach resourcing in line with the Treasury's allocated funding and departmental priorities.

3. PAC conclusion: The Department does not publish data on work coach numbers or into-work rates, which means it is not clear how well local jobcentres are supporting claimants to work.

3. PAC recommendation: The Department should set out how it will increase transparency around jobcentres, for example by regularly publishing jobcentre level data on its Stat-Xplore platform, including data on work coach numbers against need and into-work rates. This regular reporting should start before the end of 2025.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: before the end of 2025

3.2 Building upon the [Get Britain Working White Paper Analytical Annex](#), which published a range of analysis on Universal Credit, Jobcentres and the labour market for the first time, the department is developing a labour market publication strategy to bring additional transparency to the data it holds. The department expects this will include publishing into-work rates and some labour market data at a Jobcentre Plus District level. The publication date will be

formally announced in due course, as the department progresses the steps needed to add this publication to the [DWP Statistical Work Programme](#).

3.3 This publication is not expected to include data on Work Coach numbers. While the department does hold that data, it is not assured to official statistics quality standards.

4. PAC conclusion: The Department has not evaluated the effectiveness of its approach to supporting claimants to work for a decade.

4. PAC recommendation: The Department should, within six months, publish its strategy for evaluating the impact of its reforms to the employment support system and for refreshing its evidence base regularly.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The department is committed to refreshing its evidence base and recently published its [Evidence and Evaluation Strategy 2025](#). Goal 1 outlines how research and evaluation will inform our Labour Market reforms.

4.3 The [Get Britain Working White Paper](#) outlined that the department is running two Universal Credit trials to understand the impact on claimant employment outcomes of:

- work search review meetings using different channels,
- fewer work search review meetings for the first 13 weeks.

4.4 The trials are being evaluated via impact and process evaluations. Findings will be published by the end of 2026, after trials have completed and supporting analysis has taken place. Consideration will then be given to how the department can continuously learn, to deliver future service improvements and efficiencies as part of a wider Jobs and Careers Service Evaluation Strategy, which is under development.

4.5 The department is also using test and learn principles, to test the whole Jobs and Careers Service vision via several Pathfinders. This will allow the department to see how its employment support offer interacts with local support for young people, those with health conditions and other government initiatives such as inactivity trailblazers. Testing in these Pathfinders will be small-scale, with learning iterating over time. The department's evaluation strategy for the Jobs and Careers Service is under development and the department intends to publish research in line with Government Social Research processes at a future date.

5. PAC conclusion: It is not fully clear how the Department is spending the £55 million allocated for 2025–26 to test elements of the new jobs and careers service.

5. PAC recommendation: Alongside its Treasury Minute response, the Department should write to us setting out how much of the £55 million has been committed and what its plans are for using the remainder of the money.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 Funding for 2025-26 is intended to design and test the new Jobs and Careers Service. £15 million has been allocated to undertake a series of tests and trials, of which the Wakefield Pathfinder is one test, £5 million to explore alternative delivery solutions, £20 million has been allocated to progress digital activity which will underpin the Jobs and Careers Service,

including developing and testing prototypes for the new digital service. £13 million has been allocated to cover resources to enable delivery. This includes coaching and training for staff, branding development, activity to engage employers as well as staffing. This also includes a £2 million contingency applied to all programme activity.

5.3 The department is taking an agile approach, and re-allocations could take place during the year within the programme governance.

6. PAC conclusion: Achieving an employment rate of 80% is likely to be very challenging.

6a. PAC recommendation: The Department should, within six months:

- **work with other departments to publish a roadmap for achieving the government's long-term ambition of an 80% employment rate.**

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 Through the Get Britain Working White Paper, the department has already set out a roadmap for how the government's long-term ambition of achieving an 80% employment rate will be realised. Pathways to Work will contribute to this ambition by supporting disabled people and people with long-term health conditions into, or toward, employment, backed by £1 billion a year of funding by 2030 and a total of £2.2 billion over four years.

6.3 Coordinated cross-government action is key to this long-term ambition. The department's reforms sit alongside wider government initiatives, including the launch of Skills England to create a shared national plan to boost the nation's skills, creating more good jobs through the modern Industrial Strategy, strengthening employment rights through the Plan to Make Work Pay and creating a National Health Service fit for the future through the 10 Year Health Plan for England.

6.4 Alongside the headline outcome of an 80% employment rate, the department has published a set of intermediate metrics. The department will publish annual progress updates against these, with the first update in Autumn 2025. The department will know its plan is working when it sees improvements in these metrics, which include:

- regional employment rate gaps narrowing;
- health-related inactivity rates falling;
- the disability employment rate gap reducing;
- the proportion of young people not in education, employment or training falling;
- female employment rate rising;
- employment rate gaps between lone parents and parents in a couple narrowing;
- increasing employment among coupled families where at least one parent is out of work.

6b. PAC recommendation: The Department should, within six months:

- **set out the specific contribution of jobcentres to this ambition, including the arrangements for monitoring their performance.**

6.5 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2025

6.6 The department manages jobcentre performance through a comprehensive framework that includes key performance indicators (KPIs), performance discussions, and various support mechanisms.

6.7 This system is currently being reviewed, including to reflect changes in the way the department manages Jobcentre performance as its plans for the new Jobs and Careers Service develop.

6.8 Although the department is unable to determine precisely the specific contribution that its jobcentres will make towards our 80% employment rate ambition, due to the wide range of factors that affect the employment rate, the department will consider this as part of its refresh of performance.

6.9 Alongside the headline outcome of an 80% employment rate, the department has published a set of intermediate metrics. The department will publish an update on its progress against these annually, with the first update in Autumn 2025.

Thirty-Seventh Report of Session 2024-25

Home Office

Immigration: Skilled Worker Visas

Introduction from the Committee

The Skilled Worker visa route is the main immigration route for people to apply to work in the United Kingdom. The government opened the route in December 2020 following the UK's exit from the European Union, which ended European free movement rights. Its aims were to deliver a fair and flexible visa system which enables the United Kingdom to attract the skills it needs and supports wider plans for economic growth. The government aimed to support employers to recruit skilled workers from overseas, alongside developing wider initiatives to encourage them to train and invest in the domestic workforce.

From the start of 2021 up to the end of 2024, the Home Office received 1.78 million applications across all work visas, of which 1.18 million were for Skilled Worker visas. The number of people applying has increased from 127,300 in 2021 to 256,300 in 2024, with a peak of 509,100 applications in 2023. The increase in the number of applications has been driven by the expansion of the route to include care workers in 2022. At the end of 2024, 648,100 people, including dependants, had applied for Health and Care Worker visas since the route was expanded, making up 65% of applications received for Skilled Worker visas over this period.

The Home Office is responsible for immigration policy, including controlling immigration, and considering applications to enter the United Kingdom. Its UK Visas and Immigration Directorate is responsible for managing the Skilled Worker visa route, making decisions on applications, and ensuring people and employers remain compliant with visa requirements.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 8 May 2025 from the Home Office. The Committee published its report on 4 July 2025. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Immigration: Skilled Worker Visas](#) - Session 2024-25 (HC 745)
- PAC report: [Immigration: Skilled Worker Visas](#) - Session 2024-25 (HC 819)

Government response to the Committee

1. PAC conclusion: The Home Office has not worked collaboratively with other departments to fully assess the impacts of changes to the Skilled Worker visa route on different sectors of the labour market and regions of the United Kingdom.

1a. PAC recommendation: Before the end of 2025, The Home Office should write to the Committee to explain how the Labour Market Evidence Group is working and, in particular, how it will lead to a deeper understanding of the role that immigration plays in sector workforce strategies.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2025

1.2 As recognised by the National Audit Office, changes to immigration rules are subject to collective government agreement. In considering potential changes to the Skilled Worker visa

route, the Home Office has engaged with other departments and, in particular, worked collaboratively with the Department of Health and Social Care (DHSC) on the social care sector. The Labour Market Evidence Group (LMEG) will further strengthen collaboration between the Home Office and departments leading on labour market and skills.

1.3 The [Immigration White Paper](#) published on 12 May set out some of the government's thinking on how the LMEG would operate. It will consider workforce strategies looking at the following issues:

- How far the workforce strategy is underpinned by a skills strategy;
- How far it is underpinned by a commitment to work with the Department for Work and Pensions on a domestic labour strategy;
- How the sector will manage the risk of exploitation of workers, particularly migrant workers in the sector; and
- Whether the strategy is sufficiently ambitious.

1.4 The former Home Secretary also commissioned the Migration Advisory Committee (MAC) to undertake a review of salary thresholds and the Temporary Shortage List (TSL). As part of this review, the MAC is working with the LMEG to collect and analyse relevant data.

1b. PAC recommendation: In future, other departments also need to provide more rigorous analysis of the needs of sectors affected by potential rule changes, including an assessment of the role of immigration in sectoral workforce plans and how potential rule changes may affect this.

1.5 The government agrees with the Committee's recommendation.

Target implementation date: July 2026

1.6 The Immigration White Paper (IWP) highlighted that work-based migration has been driven by particular sectors who have been forced to rely on overseas recruitment due to shortages linked to skills, training, and conditions here in the UK.

1.7 The lack of a comprehensive workforce plan has limited the ability of sectors to address the underlying drivers of shortages. The IWP set out that key sectors, where there are high levels of overseas recruitment will need to produce, or update, workforce strategies which relevant employers will be expected to comply with. The MAC will recommend occupations be added to the TSL, only if they have an effective workforce plan in place. The MAC is working with other members of the LMEG develop and share evidence about the state of the workforce, training levels and participation by the domestic labour market, including at Devolved government and regional levels. It is focused on the eight Industrial Strategy sectors. It is expected the MAC will have almost concluded the second part of their current commission on the TSL by July 2026.

1.8 In the context of the objectives of the industrial strategy, Immigration White Paper and TSL review, the LMEG is developing guidance for sector experts across government to develop workforce strategies where needed. These will likely focus on assessing the size of occupational shortages, diagnosing what is causing shortages, and the actions of government and employers to close shortages.

2. PAC conclusion: The Home Office has not had a full understanding of how immigration has helped to address skill shortages or the unintended consequences of the much higher than anticipated use of the Skilled Worker route.

2. PAC recommendation: Alongside its Treasury minute response to this report, the Home Office should write to the Committee setting out the results of its evaluation of the Skilled Worker visa route, including:

- **the costs and benefits of the route;**
- **the extent to which the route is helping employers across sectors/regions to address skill shortages; and**
- **any unintended consequences of the higher than expected use of the route including the impact of the high number of dependents.**

2.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2025

2.2 The government published its evaluation of the skilled worker visa route alongside the Immigration White Paper on 12 May. [Skilled worker evaluation](#).

2.3 The evaluation of the Skilled Worker route found that visa holders were primarily motivated to come to the UK by career opportunities (87%) and wanting to experience living in the UK (70%), while businesses most cited a shortage of skilled UK candidates (30%) as their motivation to sponsor Skilled Workers. Sponsors reported a range of business benefits from employing Skilled Workers, including creating a more diverse workforce (34%), bringing in new cultural perspectives (26%), and learning new skills from other markets (24%).

2.4 The ability to bring dependants was a key feature in deciding to work in the UK. Of those with dependants (54%), only 10% reported they would still have come to the UK if they had not been able to bring dependants. Most dependant partners were reported to be employed (71%) – the majority were employed full-time (54%). Self-reported English language ability for Skilled Workers and dependants were high. Before coming to the UK, 69% of main applicants could speak English “very well” (53% for dependant partners). This increased to 82% at the time of the survey (66% for dependant partners).

2.5 A potential unintended consequence of higher than expected use of the route is that, while most reported salaries exceeded current thresholds, some survey responses indicate that some individuals may not be compensated at thresholds which sponsors are required to meet. 39% of Skilled Workers reported earning up to £35,000 per annum, while 22% of Health and Care visa holders earned up to £22,500 per annum, though it is not possible from the survey to determine whether this is due to individual migrant circumstances (e.g., new entrant discounts). The survey sample also spans salary policy changes, meaning not all respondents were subject to the same minimum income requirements. Variations in individual salary rules and discounts may also account for reported salaries below standard route minimums, and methodological limitations could also have skewed salary estimates.

3. PAC conclusion: The Home Office opened the Skilled Worker visa route for social care workers quickly and failed to understand the risks.

3a. PAC recommendation: The Home Office and Department of Health and Social Care (DHSC) should write to the Committee to provide more detail on the decision to end overseas recruitment for care workers, including the expected implications for the sector's workforce; and

3.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2025

3.2 The government will write separately to the Committee on this point as requested.

3b. PAC recommendation: The Home Office and Department of Health and Social Care (DHSC) should work with DHSC to monitor how the route is being used during the transition period to 2028 and update the Committee on the impacts on the care sector; including the extent to which domestic workforce plans are helping to address skill shortages.

3.3 The government agrees with the Committee's recommendation.

Target implementation date: July 2028

3.4 DHSC monitors trends in the size of the care workforce using a range of intelligence, including monthly tracking based on data collection from independent providers.

3.5 DHSC also uses annual estimates of demographics within the Adult Social Care workforce to monitor trends in the number of posts within the sector which are filled by British nationals, supplemented by additional intelligence.

4. PAC conclusion: The cross-government response to tackling the exploitation of migrant workers has been insufficient and, within this, the Home Office's response has been slow and ineffective.

4. PAC recommendation: The Home Office should work with relevant government bodies to establish an agreed response to tackling exploitation risks and consequences. This should include clear working arrangements for tackling labour market exploitation and abuses; an evaluation of how the regional partnerships are working and the effectiveness of channels for reporting abuses; and explicit arrangements to safeguard migrants when their sponsor's licence is revoked.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2027

4.2 The Home Office collaborates with bodies such as the Director of Labour Market Enforcement, Gangmasters and Labour Abuse Authority, Employment Agency Standards Inspectorate, HMRC, DHSC, the Care Quality Commission, and Law Enforcement. The Home Office has established a working group to address abuse and exploitation in the construction sector, aiming to ensure individuals work for reputable sponsors. This initiative will continue as the government launches the Fair Work Agency, with an update to the Committee planned for April 2027, one year after its creation. Exploitation will also form part of the evidence the MAC will look at before making recommendations to the government.

4.3 The United Kingdom Visas and Immigration (UKVI) has taken steps to protect care workers affected by sponsor licence revocations. Using discretionary powers, UKVI chose not to cancel their leave, instead directing them to regional partnerships for alternative employment. This approach, though not standard, was adopted due to the high level of non-compliance in adult social care compared to other sectors.

4.4 The Home Office continues to work with DHSC to support international recruitment regional partnerships, helping workers impacted by sponsor non-compliance transition into new roles in Adult Social Care. DHSC commissioned the NIHR Policy Research Unit in Health and Social Care Workforce to evaluate the 2023–24 international recruitment regional fund, with [findings published in January 2025](#). A further evaluation of the 2024–25 fund has been commissioned and is expected in 2026.

5. PAC conclusion: The Home Office does not understand the extent to which people are complying with the terms of their visa and leaving the United Kingdom when they should.

5. PAC recommendation: The Home Office should undertake a full assessment of its approach to tackling compliance risks to identify gaps in its response, how to target its resources and apply lessons from the care sector to other sectors. As part of this, it should

- **Develop sector specific risk assessments, which are updated every six months;**
- **identify what data is needed to strengthen its response, including how to better understand what happens to people at the end of their visa and the effectiveness of checks on sponsoring organisations; and**
- **set out a clear method of assessing what happens when visas come to an end, specifically what measures are in place or will be put in place to record when people leave the country.**

5.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2027

5.2 The department continuously updates sector-specific risk assessments using emerging data to guide caseworkers. A digital tool alerts users to risks linked to occupations which are assessed to be below degree level on the Temporary Shortage List. The Home Office routinely use the Salary and Employment Checker for sponsorship cases and are forming a dedicated unit to scale this work, leveraging HMRC data. Planned improvements will enable bulk processing. Additional tools are being tested to surface organisational data, map sponsor structures, and enhance compliance. A new tool in Autumn 2025 will improve checks on key sponsor personnel using data from Companies House and HMRC.

5.3 The introduction of eVisas and Electronic Travel Authorisations (ETAs) means more is known about everyone coming to the UK, improving data quality and enabling upstream interventions. eVisas will increasingly update in real time when status changes, automatically revoking access to work, benefits, housing, and services unlike physical documents. Immigration status information is available automatically through system to system checks with public authorities and government departments.

5.4 A new digital service is being developed to determine whether individuals inside or outside the UK are/have complied with conditions on their stay in the UK. This will further empower Immigration Enforcement to identify, locate, and take firm action against those who attempt to remain or work in the UK illegally.

6. PAC conclusion: The Home Office has not done enough to understand the experience of customers and improve the service they receive.

6. PAC recommendation: In its Treasury Minute response to this report, the Home Office should set out how it is improving its customer service. As part of this, it should:

- **develop and publish a balanced scorecard showing its performance in processing all applications (including 'complex' cases) and providing a good customer service;**
- **set and publish more stretching targets for customer service;**
- **consider potential options to keep customers more informed on the progress with their applications; and**

- ***provide an update on its progress in improving the IT systems that underpin the sponsorship system and visa applications. Alongside this it should set out its assessment of the impact of continuing to use the current sponsorship system, including on the number of people using the route, and any possible steps to mitigate the impact of this.***

6.1 The government disagrees with the Committee's recommendation.

6.2 The Home Office is committed to continuous improvement in customer service standards. It monitors key indicators and is improving channels for customers to seek progress on their application.

6.3 Complex cases are excluded from published Service Standards, but there are service level agreements for Skilled Worker visas, and these are published in the department's transparency statistics. Reasons for complex cases, such as national security or criminal concerns, safeguarding issues, or the need to verify evidence through third parties, are outlined on GOV.UK ([Visa processing times: applications inside the UK](#)) and referenced in the NAO's report.

6.4 Home Office publish customer satisfaction scores and aim to maximise these. The KPIs benchmark performance to assess impact of continuous improvement activity. The department's approach to service management embeds customer insight and customer experience to drive up overall scores as well as tackle pain points in the customer journey. The KPIs benchmark performance and assess the impact of continuous improvement activity.

6.5 Home Office recently launched the visa processing times tool ([Check your visa processing time - GOV.UK](#)) where customers can self-serve to find out when they may expect a decision based on published service standards.

6.6 Home Office remain committed to delivering an immigration system that is properly managed and controlled and is testing a partial version of a new sponsorship system. Before deciding to expand this pilot more widely, the department will evaluate its performance to ensure value to the taxpayer.

6.7 Home Office continue to invest in maintaining and upgrading its existing sponsorship system. This supports its goal for a financially sustainable system which delivers for the UK public.

Thirty-Eighth Report of Session 2024-25

Department for Education

Increasing teacher numbers: Secondary and further education

Introduction from the Committee

The Department for Education (the Department) is accountable for securing value for money from the funding it provides to schools and further education colleges across England. Educational settings must plan, recruit and manage their own workforces, with the Department responsible for the overall system and national approach. The Department considers that having enough school and college teachers will impact the government's ability to achieve its growth and opportunities missions.

In the academic year 2023–24, there were 217,600 teachers across 3,450 secondary schools, and 54,000 teachers in 230 further education colleges in 2022–23. In secondary schools, pupil-teacher ratios have increased, and the Department has missed all but one of its annual targets for the number of postgraduates starting teacher training since 2015–16. Over the next three years, the Department expects to need more secondary school teachers as student numbers rise. This demand will subsequently impact further education colleges as those children grow older.

In July 2024, the new government pledged to recruit an additional 6,500 teachers for schools and further education colleges by the end of this Parliament. The Department budgeted £700 million to spend on recruitment and retention initiatives, excluding pay and pensions, covering secondary schools and further education colleges in the 2024–25 financial year

Based on a report by the National Audit Office, the Committee took evidence on 19 May 2025 from the Department for Education. The Committee published its report on 9 July 2025. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Teacher workforce: secondary and further education](#) – Session 2024-25 (HC 854)
- PAC report: [Increasing teacher numbers: Secondary and further education](#) – Session 2024-25 (HC 825)

Government response to the Committee

1. PAC conclusion: It is unclear how the Department will deliver the pledge for 6,500 additional teachers, measure its progress, or what achieving the pledge will mean for existing and forecast teacher shortages.

1. PAC recommendation: The Department should set out how it plans to deliver the pledge for 6,500 additional teachers to provide assurance that this will fill the most critical teacher gaps. This should set out:

- **how the pledge will be split across schools and colleges;**
- **the baseline and milestones so Parliament can track progress; and**
- **how it will stay focused on teacher retention alongside recruitment.**

1.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2025

1.2 As part of its Plan for Change, the government is committed to recruiting an additional 6,500 new expert teachers across secondary and special schools, and in our colleges, over the course of this Parliament.

1.3 The Department for Education (the department) has made strong initial progress to deliver the commitment to recruit 6,500 teachers. The department announced a 5.5% Pay Award for school teachers and leaders in maintained schools for 2024-25 and a further 4% Pay Award for 2025-26, announcing a £233 million Initial Teacher Training financial incentives package, confirming Targeted Retention Incentive payments worth up to £6,000 after tax in schools and Further Education (FE), and taking steps to improve teachers' workload and wellbeing.

1.4 Whilst government does not set or recommend pay in the FE sector, the department recently announced significant investment of £160 million for colleges and other 16-19 providers in the 2025 to 2026 financial year to help address immediate priorities including recruitment and retention of expert teachers in high-value, priority subjects. This commitment was made in addition to the £400 million of funding announced for 16-19 education in March 2025. In January 2025 the Department for Education confirmed that FE teacher training bursaries will continue for the academic year 2025-26. The top bursary value has been increased to £31,000 (tax-free) for Science, Technology, Engineering, and Mathematics (STEM) subjects.

1.5 The department is seeing positive signs that its investment is starting to deliver: the workforce has grown by 2,346 full-time employed (FTE) between 2023-24 and 2024-25 in secondary and special schools; the schools where they are needed most. The future school teacher pipeline is also growing, as of July 2025 there are 12% more trainees who have accepted offers to train as secondary teachers, and in STEM acceptances are up 22% compared to last year.

1.6 Progress towards commitment to deliver in colleges will be assessed in preference to the data in the next Further Education Workforce in England publication. Progress will be measured against the academic year 2023-24 baseline of 36,576 FTE teachers in General Further Education and Sixth Form Colleges, as published in the May 2025 collection. In the meantime, there are encouraging early signs of growth in the workforce, with a 2% increase in FTE teachers in statutory further education (FE) providers in 2023-24 compared to 2022-23.

1.7 The department will set out more detail on how the commitment to recruit 6,500 teachers will be met over the course of this parliament in a published delivery plan. This will include: the definition of the pledge, how the department will track progress over the duration of this Parliament, progress to date, and the levers it will use to deliver the pledge (including how it will focus on both recruitment and retention).

2. PAC conclusion: The Department has no clear or coherent approach bringing together its various initiatives on teacher recruitment and retention.

2. PAC recommendation: The Department should develop a whole-system strategy to help frame how it will recruit and retain school and college teachers. This should be based on a fuller evidence base, establish the preferred balance between recruitment and retention initiatives; set appropriate targets for those joining teaching through different routes; and include value for money analysis of different initiatives.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2025.

2.2 The department has several upcoming publications that will lay out its overall strategy for both sectors. The Schools White Paper will set out how it will better enable teachers and support staff to deliver the very best outcomes for the children they teach. The 6,500 delivery plan will provide detail on the department's approach to school and college teacher recruitment and retention in high priority areas. The post-16 education and skills strategy will set out the system-wide approach to ensuring every learner has a clear route to further study or work, supported by a high-quality FE workforce.

2.3 The department is investing in analysing and evaluating policies to understand impact, maximise value for money and ensure focus on our best evidenced levers. The department's strategy is underpinned by a robust and expanding evidence base, including data from the School Workforce Census, Further Education Workforce in England publication, Initial Teacher Training (ITT) performance profiles for Schools, and evaluations of recruitment and retention initiatives.

2.4 The department continues to review the balance between recruitment and retention measures to ensure that resources are targeted where they will have the greatest impact. In schools, this includes its current approach of setting clear, evidence-informed targets for entrants through different postgraduate ITT routes, considering whether to adopt this target setting approach in future years, and refining the approach to workforce planning. In colleges, the department is undertaking an evaluation of the Targeted Retention Incentive to better understand its impact on the workforce. The department's approach ensures that interventions are based on the latest workforce data, reflect government priorities and are informed by wider context, e.g. the latest labour market trends.

2.5 The department is also embedding value for money analysis into the design and evaluation of all major initiatives, such as the Early Career Framework for Schools and National Professional Qualifications.

2.6 Strengthening the evidence base remains a key priority especially in FE where the department's data and therefore its understanding of the workforce is less developed. The FE Workforce in England data publication plays a central role in this. The increase in provider response rates – from 76% to 85% overall between the first and most recent publication, and with approximately 97% of all colleges responding – demonstrates encouraging progress in this area. The department is also taking steps to improve the data and evidence we have available in relation to teacher training for the FE sector.

3. PAC conclusion: Teacher vacancies and the challenges of retaining experienced teachers are greater for schools in deprived areas, and across some core subjects, leading to inequities in provision and career opportunities.

3. PAC recommendation: The Department should work with schools and colleges to understand the reasons behind variations, particularly within deprived areas and core subjects, setting this out in published information to help identify and share good practice and ideas on what works best.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: August 2026

3.2 The government recognises there are variations in school and FE recruitment and retention, including greater shortages in key STEM and technical subjects and in disadvantaged areas.

3.3 The department has published some evidence of these variations in schools and works with schools and colleges to inform understanding of why the variations exist.

3.4 School and college leaders are responsible for employing teachers. However, it is vital that the department supports the sector to recruit and retain teachers where they are needed most, which is why the department is offering the Targeted Retention Incentive (TRI) worth up to £6,000 per year after tax for early career teachers in key STEM and technical subjects in disadvantaged schools and all FE colleges. The TRI in colleges is available to teachers of a wider range of subjects than in schools, such as building and construction where vacancy rates are particularly high.

3.5 In schools, the breadth of offer and location of Initial Teacher Training (ITT) provision influences teacher supply. The planned evaluation of ITT reform should help identify disparities in ITT provision and recommendations for improvement.

3.6 In addition, the High Potential ITT programme, currently delivered by Teach First, places trainees in schools in disadvantaged communities. The department is also investing in teaching apprenticeships to provide paid routes into teaching for those who may not otherwise have become teachers, including in disadvantaged areas.

3.7 The department will continue to publish the FE Workforce data collection, which includes regional and subject specific data, and to implement improvements to the collection. In 2025, the department is running a one-off survey of the FE workforce to provide information on the experiences of teachers and leaders in FE. Alongside this, the department is exploring the feasibility of running a longitudinal study of FE teachers and leaders to better understand factors affecting teacher retention. A decision on whether to proceed with the longitudinal study is expected by late 2026.

3.8 Whilst the department does not routinely publish information on reasons behind variations in areas and subjects in FE, it is currently evaluating TRI which will reveal the impact it is having on teacher retention across different subjects and provider demographics, to help shape its overall approach. The department plans to publish the first report from the evaluation in 2027, followed by a full findings report in 2028.

3.9 The department will continue to invest in evaluation and understanding of the workforce, as well as working with stakeholders such as the Improving Education Together partnership, to better understand variances in the workforce. The department is committed to taking forward work to better understand and address the causes of lower retention in FE. This includes identifying and sharing good practice across the sector, and ensuring this insight informs future policy.

4. PAC conclusion: The Department has recently increased its focus on addressing the significant teacher gaps across further education colleges, but there remains much more to do.

4. PAC recommendation: Given the urgent need for further education teachers, the Department should update the Committee on its full recruitment and retention plans for the further education sector as soon as possible, including expanding dual professional and industry partnerships in areas of key skill shortages, and then every six months until summer 2028, on its progress addressing gaps.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2025

4.2 The department will update the Committee every 6 months on progress in the recruitment and retention of FE teachers.

4.3 As a first step, the 6,500 delivery plan will provide detail on the department's approach to college teacher recruitment and retention in high-priority areas, alongside schools, including how the department will measure, track and record progress against the pledge.

4.4 Additionally, the post-16 education and skills strategy will be published in the Autumn and will set out a system-wide approach to ensuring every learner has a clear route to further study or work, guided by the Curriculum and Assessment Review, and strengthening support for the FE workforce to boost teaching quality and sector prestige.

4.5 The department is already taking steps to strengthen construction skills and support the recruitment and retention of industry-experienced teachers, through the development of a new Further Education (FE) Teacher Industry Exchange scheme. This initiative will foster partnerships between colleges and construction companies, enabling more professionals from industry to transition into teaching, while also offering current FE teachers' opportunities to refresh and update their industry knowledge and skills.

4.6 The annual publication of the Further Education Workforce in England publication will serve as the most reliable source for tracking progress on recruitment and retention across the sector, as well as for understanding vacancy rates across the sector to enable the department to identify the areas of greatest challenge. Following the next publication of the Further Education Workforce data, the department will provide its first update on progress being made on teacher recruitment and retention, as well as the commitment to deliver 6,500 additional teachers. In between data collections, its biannual update will set out progress on programme delivery to address key skills shortages.

4.7 The department has already taken substantial steps to support recruitment and retention of staff in FE. Despite challenging fiscal conditions, the department has prioritised funding for colleges as set out above in paragraph 1.3. Additionally, to help meet the growing demand from an increasing number of young learners, the department is also investing over £1.2 billion annually in Skills – supporting 1.3 million 16–19-year-olds each year – including 65,000 additional learners by 2028-29.

4.8 The Targeted Retention Incentive (TRI) will also continue to offer financial support to retain teachers in the areas of greatest need in all FE colleges.

5. PAC conclusion: Teachers' working environment and conditions remain critically important to teacher retention, with workload cited as the top reason for teachers leaving, and pupil behaviour an escalating challenge.

5. PAC recommendation: The Department should work to better understand why teachers leave and then better support schools and colleges in addressing these factors. This includes looking at changes to contractual and working conditions, such as flexible working, and at how teacher workload can be reduced. It should also collect data on the effectiveness of the newly-announced behaviour hubs, rolling them out further if they prove to be successful.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2026

5.2 The government gathers data through the longitudinal Working Lives of Teachers and Leaders study, which examines the intention to leave among the existing workforce and the experiences of those who have left the profession.

5.3 Through the Improving Education Together partnership, the department is working with the sector to help improve teacher retention across schools and colleges, including developing a workload reduction toolkit with the Association of Colleges. To support workload reduction,

the government is exploring how AI and digital tools can transform teaching and learning, including reducing the burden of lesson planning, marking, feedback, and assessment. The EdTech Impact Testbed pilot will enable schools and colleges to test edtech products, including AI, helping to identify and generate evidence of tools that reduce workload by saving time and improving efficiency. This approach aims to free up teacher time, improve job satisfaction, and support retention across both schools and colleges.

5.4 Consistent with the Children’s Wellbeing and Schools Bill, the department is considering additional flexibilities within the statutory pay and conditions framework in maintained schools. From September 2025, changes to Teaching and Learning Responsibility payments are ensuring part-time teachers are paid proportionately for responsibilities undertaken.

5.5 Working conditions are important to teachers’ experience of the profession and play a key role in recruiting and retaining teachers. There have been representations for the department to review the School Teachers Pay and Conditions Document (the framework for teacher pay and conditions) and the department has dedicated time to engage with partners to understand potential areas for reform.

5.6 The remit letter for this year’s pay round asks the School Teachers’ Review Body to make recommendations on removing the prohibition on non-consolidated payments (including bonuses) in the School Teachers Pay and Conditions Document (STPCD) and whether to reduce the salary safeguarding period. It also asks for views on working hours, to promote flexibility and innovation in schools. The department continues to develop and promote the Improve Workload and Wellbeing for School Staff service and encourages adoption of the Education Staff Wellbeing Charter across both schools and colleges. This Charter was created and is being updated in partnership with sector and mental health experts.

5.7 Evidence indicates that expanding and promoting flexible working opportunities in schools can help to recruit, retain and motivate teachers, improve staff wellbeing, and promote equality of opportunity in the workforce. To support flexible working in schools, the department has published non-statutory guidance, a flexible working toolkit, and is delivering a culture change programme across schools and multi-academy trusts. The STPCD now references flexible working, reinforcing that schools should support flexible working requests where operationally feasible.

5.8 The attendance and behaviour hubs programme support senior leaders in developing good school cultures with high expectations. Regional support begins in the 2025–26 academic year, with wider rollout from January 2026. Interim findings from the department’s previous Behaviour Hubs programme (2021-2025), indicate positive changes in staff-rated behaviour, particularly in high deprivation areas. Following the programme, there was an increase in staff that agreed there was sufficient training and support to manage behaviour and a consistent understanding and application of behaviour policy in their school. Further rollout and funding are subject to spending review outcomes and evaluation findings. Support will be monitored to ensure maximum impact.

6. PAC conclusion: The Department recognises pay as important in recruiting and retaining teachers, but is less clear on how it considers pay alongside other initiatives and how schools and colleges can afford pay rises.

6. PAC recommendation: The Department should assess the effectiveness and relative value-for-money of pay against other recruitment and retention initiatives, to make an explicit decision on whether it needs to do more to ensure teachers are paid the right amount.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2026

6.2 The department has made substantial progress on developing its evidence base to inform which actions best ensure schools and colleges have sufficient high-quality teachers.

6.3 Evidence suggests that pay can be an effective lever at scale; for example, the National Foundation for Educational Research (NFER) estimates that a 1% improvement in competitiveness of school teacher pay increases recruitment by 2% and retention by 1.5%. Meanwhile evidence is growing on the effectiveness and value for money of specific targeted financial measures, like bursaries and retention payments, and for non-financial interventions.

6.4 The department continues to assess the balance of interventions to provide the best value for money in addressing recruitment and retention issues, such as subject shortages, alongside other government priorities and context such as labour market trends. School teacher pay decisions follow the statutory pay review process: setting out its view on the appropriate level of pay award and providing evidence to the School Teachers' Review Body to formulate recommendations. While the department does not set or recommend pay in FE, it uses a range of data to monitor the impact of funding decisions on pay, recruitment and retention in the sector.

6.5 The department will continue strengthening its evidence base and capability for assessing the relative merits of financial and non-financial recruitment and retention interventions, including through: building on existing assessments of the relative value for money of school teacher recruitment financial levers; analysis of the FE Workforce in England statistics and the annual Working Lives of Teachers and Leaders survey exploring factors affecting recruitment and retention; analysing the effectiveness of the Flexible Working Ambassador Schools programme; analysis of Early Career Framework retention building on the evaluation report published in May 2025; and evaluating the National Professional Qualifications and Targeted Retention Incentive.

6.6 Over the next year, the department will continue to look at indicators available in its published data sets, independent programme evaluations, and external assessments (undertaken by bodies like the NFER) and use these to examine the value of these interventions and the wider impact of pay on the sector.

Thirty-Ninth Report of Session 2024-25

HM Treasury

Government's use of private finance for infrastructure

Introduction from the Committee

The Treasury is responsible for allocating and controlling public spending,² while the newly formed NISTA brings together functions of the National Infrastructure Commission and the Infrastructure and Projects Authority (IPA), and will support the implementation of a 10-Year Infrastructure Strategy.³ Private finance has been an important source of finance for public sector investments in economic and social infrastructure and there is a wide range of private financing models including the extensively used Private Finance Initiative (PFI). Sources of private finance for the initial capital investment include institutional investors (such as banks and pension funds) provided in the form of debt and equity, or related financial instruments.⁴

The government has identified investment in new infrastructure as central to its mission to grow the economy, and has indicated that it plans to work in partnership with the private sector to deliver this investment.⁵ The latest National Infrastructure and Construction Pipeline, published in February 2024, identified around £1 trillion of potential capital investment over the coming decades. In the Autumn budget 2024, the Chancellor of the Exchequer announced an increase in public sector net investment, to a target of 2.6% of GDP with over £100 billion of additional capital invested over the next five years⁶

Based on a report by the National Audit Office, the Committee took evidence on 12 May 2025 from HM Treasury and the National Infrastructure and Service Transformation Authority (NISTA). The Committee published its report on 11 July 2025. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Lessons learned: private finance for infrastructure](#) – Session 2024-25 (HC 767)
- PAC report: [Government's use of private finance for infrastructure](#) – Session 2024-25 (HC 821)

Government response to the Committee

1. PAC conclusion: The current infrastructure pipeline is not credible and does not support long-term planning for investors.

1a. PAC recommendation: The Treasury and NISTA should set out their plans for improving the pipeline to achieve its objective of supporting long-term planning by investors and other stakeholders.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Committee's recommendation was based on the Infrastructure and Projects Authority's (IPA) 2024 National Infrastructure and Construction Pipeline; since then the government has launched a new dynamic pipeline. The [Infrastructure Pipeline](#), published by NISTA in July 2025, is a tool developed in collaboration with industry stakeholders, with updates added every 6 months. The purpose of the Infrastructure Pipeline is to enable the

infrastructure industry and investors to plan with greater confidence, therefore strengthening capacity and capability and speeding up infrastructure delivery. The July iteration of the Pipeline is a first step in its development, and as it further evolves, it will also demonstrate opportunities for private investment in UK infrastructure. NISTA, a Joint Unit of the Treasury and the Cabinet Office, will continue its comprehensive engagement with a wide range of stakeholders, ensuring the Infrastructure Pipeline is tailored to meet the needs of core audiences.

1.3 Plans for the Pipeline's development are outlined in more detail in the published Pipeline dashboard. They are further referenced in NISTA's letter to the Committee, sent alongside this Treasury Minute, which also summarises how the Infrastructure Pipeline will support the [10 Year Infrastructure Strategy](#).

1b. PAC recommendation: The Treasury should write to the Committee, alongside its Treasury Minute response, outlining how the pipeline will support the 10-year infrastructure strategy in delivering infrastructure.

1.4 The government agrees with the Committee's recommendation.

Recommendation implemented

1.5 The National Infrastructure and Service Transformation Authority (NISTA) has written to the Committee alongside this Treasury Minute response.

2. PAC conclusion: The Treasury has not identified which financing models represent value for money for different types of infrastructure assets.

2. PAC recommendation: To maximise the chances of delivering value for money, the Treasury should evaluate the costs and benefits of alternate financing models, including the different costs of borrowing in the public and private sectors, to identify a preferred model for different types of infrastructure.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The government's [10 Year Infrastructure Strategy](#) sets out several of the main basic models available to deploy private finance into projects, many of which have been and continue to be highly successful in delivering infrastructure investment.

2.3 In general, while some model archetypes might be suitable for different markets or different asset types, the selection of a financing model will be highly dependent on the specifics of a given project (e.g. the risk profile, maturity of technology, and so on). The Treasury's preferred model for any type of infrastructure project is the one that offers the best value for money, and it appraises proposals on a case-by-case basis using the [Green Book](#).

2.4 Contracting authorities should design their model with suitable provisions and appropriate risk transfer based on the specific project at hand ensuring value for money. This means that the appropriate model will often be a bespoke version of an existing basic model. NISTA provides advice and guidance to contracting authorities, and the Treasury teams and NISTA work together to implement the 10 Year Infrastructure Strategy including through considering how private finance can deliver the government's infrastructure priorities.

2.5 The Treasury evaluates the costs and benefits of alternative options – including financing models – as part of the Business Case process to identify the preferred model for each project and to ensure value for money is achieved for each infrastructure investment.

3. PAC conclusion: There is no central record of private finance for infrastructure investment, which limits the Treasury's ability to spot themes and patterns and deliver value for money.

3. PAC recommendation: The Treasury and NISTA should publish a central database covering private finance for public infrastructure. This should include (subject to commercial sensitivity), but not be limited to:

- **project synopsis;**
- **lead department and counterparties;**
- **capital value;**
- **finance type, including any government support packages;**
- **contract length;**
- **project business cases, including evaluation plans; and**
- **forecast equity returns to investors.**

3.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2027

3.2 The Infrastructure Pipeline, recently published in July 2025, contains some of this information (e.g. project summary, lead department and capital value) in terms of opportunities for further private finance for projects which are planned or in construction.

3.3 As set out in the [10 Year Infrastructure Strategy](#), the government will expand and develop the Infrastructure Pipeline over time so that it includes more detail of relevance to investors. This will take place in close collaboration with investor groups, and will explore whether, for instance, the additional information the Committee have requested sits best in the Infrastructure Pipeline or in a parallel product focussed exclusively on investible projects.

3.4 Information in the Pipeline is dynamic and forward looking and would not include completed public infrastructure projects with private investment, information on legacy PFI investments, commercially sensitive information or other existing privately financed projects. Data on PFI and PF2 projects delivered by government departments and devolved administrations are published annually on gov.uk in interactive dashboard format. For individual projects this data sets out key contractual dates including expiry, original capital value, annual unitary payments, and the identity of contracting authorities, sponsoring departments, special purpose vehicles and investors.

4. PAC conclusion: The government's ambitions for infrastructure investment are at risk of not being achieved because of sector specific skills shortages.

4. PAC recommendation: The Treasury and NISTA should set out plans for building, attracting and retaining the necessary skills to support public sector infrastructure investment. This includes skills within both the public and private sectors.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2026

4.2 The government recognises that a step-change in infrastructure investment will require specialist private finance capacity and capability, as well as other specialist workforce skills. Government has engaged widely with industry during the development of the 10 Year Infrastructure Strategy, and will continue to work in partnership with the private sector and a wide range of stakeholders to unlock capital and build confidence in the UK.

4.3 The government is already building capability across government by providing training for some aspects of private finance. NISTA holds network events for private finance experts across central and local government to facilitate networking, encourage the sharing of expertise, and improve learning. NISTA also provides training for PFI contract managers on several topics including contract expiry and will be publishing PFI contract and performance management guidance later in 2025 to help authorities improve the management and performance of their contracts. Finally, the Treasury, NISTA and UK Government Investments lead on the government's corporate and project finance professions which support learning and development, postmortem analysis and professional skills.

4.4 In the [10 Year Infrastructure Strategy](#), the government committed to understand the UK's infrastructure skills requirements – to better identify where it needs to provide support. Skills England will collate a national picture of skills gaps by working closely with mayoral strategic authorities, while bodies such as the Office for Clean Energy Jobs will build a clear picture in individual sectors. The Infrastructure Pipeline data will also provide insight on the scale and range of construction skills required, which will support Skills England in understanding and addressing critical skills gaps. The government will expand the scope of these existing initiatives to capture how the public sector can build, attract and retain the necessary private finance skillset and workforce to deliver greater infrastructure investment.

5. PAC conclusion: There is no comprehensive framework for considering risk allocation between the public and private sector when working in partnership.

5. PAC recommendation: The Treasury should develop a specific infrastructure financing toolkit to support public bodies in quantifying, allocating, monitoring, and managing risks for infrastructure projects. This should include the consideration of contingencies for supplier failure.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2026

5.2 Identifying where the private sector is better placed to identify, assess, price and manage risks – and structuring contracts to reliably incentivise and capture that expertise – is key to private finance projects being able to demonstrate value for money.

5.3 Where risks are better managed by the private sector, it is important to carefully consider how contractual provisions can best ensure robust risk management throughout the asset's lifecycle. However, supplier failure remains a risk in any contractual situation. Although robust due diligence and contractual provisions can reduce these risks and mitigate their impacts, some degree of counterparty risk is inevitable.

5.4 Some risks are better managed by the public sector, and it is poor value for money to attempt to transfer these. Contracting authorities should consider the overall package of risks and returns to assess whether a financing model offers good value for money compared to alternative financing options.

5.5 In implementing the 10 Year Infrastructure Strategy, the Treasury and NISTA will carefully consider the risk allocation in infrastructure procurement, and the involvement of private capital in taking risk in different elements of financing structures, to ensure value for

money is achieved. The government has learned the lessons from the past and is applying these learnings to current and future projects. For example, the lessons learned from Hinkley Point C helped lead to Sizewell C's pioneering use of a Regulated Asset Base model to more effectively allocate risk between the parties and which enabled the conclusion of a private equity raise.

5.6 NISTA offers expert advice to public bodies contracting private finance deals for infrastructure, and further support and guidance is available from the government's Risk Centre of Excellence, including the [Orange Book](#), and the Cabinet Office.

5.7 The Treasury and NISTA will set out further guidance by May 2026 regarding contract and performance management as well as how to reset infrastructure projects, complementing existing guidance such as [Navigating the risks of PFI project distress](#) (GOV.UK).

6. PAC conclusion: Poor contract management is impacting the quality and condition of PFI assets being handed back to the public sector.

6. PAC recommendation: The Treasury should set out how it will improve central support for public bodies in assessing the state of their privately financed assets and enforcing contractual mechanisms to ensure that well-maintained assets are returned to the public sector.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 NISTA, formerly IPA, set up a PFI Contract Management Programme in 2020 to support contracting authorities managing their PFI projects. NISTA's Contract Management Programme supports authorities in a number of ways, including:

- **Expiry:** NISTA supports contracting authorities with projects approaching expiry through training, guidance, direct advice and support and assurance. Working alongside departments, NISTA will engage with contracting authorities around seven years from expiry to set out all the expiry-related resources available and will provide an early support package to help 'kick-start' expiry planning.
- **Asset Condition:** Following on from the publication of the Asset Condition Playbook, NISTA will undertake surveys across a wide-ranging assets which will provide data to better understand the assets in the PFI legacy portfolio and drive improvement in asset condition. It also gives NISTA the opportunity to improve central support for public bodies in assessing the state of their privately financed assets.
- **Contract Management Support:** NISTA is expanding its engagement across the legacy PFI portfolio through the introduction of contract management support reviews for operational projects. NISTA is also broadening the range of skills in its pool of PFI experts to ensure that it can provide direct support to public bodies across a range of disciplines, including technical, commercial and financial.
- **New Guidance:** NISTA will be publishing contract and performance management guidance later in 2025 to help contracting authorities improve their management of the contract and performance. This will address prior concerns raised by the NAO and the Committee and, in turn, strengthen authority's abilities to enforce contract terms including on asset condition.

Fortieth Report of Session 2024-25

HM Revenue and Customs

Collecting the right tax from wealthy individuals

Introduction from the Committee

HMRC defines wealthy individuals as those earning more than £200,000 a year, or with assets over £2 million, in any of the last three years. In 2023–24, HMRC identified approximately 850,000 wealthy individuals, up from 700,000 in 2019–20. In that year, wealthy individuals paid a total of £119 billion in personal taxes (25% of personal tax receipts). Wealthy individuals often have complicated tax affairs covering multiple taxes. They often have a wide spread of tax liabilities on both their income (in the form of Income Tax and National Insurance) and assets (in the form of Capital Gains Tax, Inheritance Tax and stamp duties). They may adopt complex and sophisticated tax planning to reduce their liabilities. The complexity of their tax affairs may increase the potential for non-compliant behaviour, either deliberately in the form of tax avoidance or evasion, or mistakenly, by applying tax rules incorrectly. HMRC therefore treats wealthy individuals separately from other taxpayers.

HMRC's work to engage with wealthy individuals to ensure they comply with the tax rules, and then to follow up and investigate risks, is led by the 'wealthy team' within HMRC's Customer Compliance Group, consisting of around 1,000 staff.³ The wealthy team examines most personal taxes paid by wealthy individuals. A separate assets team examines what taxpayers pay in Inheritance Tax. Other teams within HMRC are involved in analysing data on wealthy individuals and undertake compliance activity on key issues such as offshore tax compliance. HMRC estimates its compliance activities with wealthy individuals cost £350 million in 2023–24. The government has highlighted tackling tax avoidance and evasion and increasing tax revenues by improving compliance, particularly from wealth held offshore, as priorities for action. In the Autumn 2024 Budget the government confirmed its ambition to close the tax gap (the amount of lost tax revenue), and the scaling up of compliance activity to tackle serious offshore noncompliance, including fraud by wealthy customers and intermediaries. In the Spring 2025 Statement the government committed further funding and new measures to tackle serious non-compliance, particularly wealthy offshore noncompliance.

Based on a report by the National Audit Office, the Committee took evidence on 12 June 2025 from HMRC. The Committee published its report on 16 July 2025. This is the Government's response to the Committee's report.

Relevant reports

- NAO report: [Collecting the right tax from wealthy individuals](#) – Session 2024-25 (HC 876)
- PAC report: [Collecting the right tax from wealthy individuals](#) – Session 2024-25 (HC 827)

Government response to the Committee

1. PAC conclusion: HMRC has done well to increase compliance yield from wealthy individuals, but there are significant opportunities to collect more revenue and close the tax gap.

1. PAC recommendation: HMRC should publish its plan for increasing yield from wealthy taxpayers domestically and offshore and set out timelines for achieving its objectives.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2026

1.2 [HMRC's Transformation Roadmap](#) was published in July 2025. This includes HMRC's plans to close the tax gap. HMRC will publish its plan in spring 2026 on how it will improve compliance by the wealthy population and set out timelines and outcomes for each objective.

2. PAC conclusion: Even among the wealthy population there are vast disparities in wealth and circumstance, making it likely that more tax is at risk for the wealthiest taxpayers.

2a. PAC recommendation: As part of its plan for increasing yield from wealthy taxpayers domestically and offshore, HMRC should review whether segmenting its wealthy customer group according to different levels of wealth and complexity would help it to assess and then target the most significant risks.

2.1 The government agrees with the Committee's recommendation.

Target Implementation date: Autumn 2026

2.2 The government notes the Committee's conclusion. HMRC currently segments the wealthy population using a range of risk factors including estimated wealth and complexity.

2.3 HMRC will undertake further analysis to enhance its understanding of how different levels of wealth and complexity impact risk in this population and so improve its identification and targeting of risk.

2b. PAC recommendation: As part of its consideration, HMRC should estimate the value of tax at risk within the wealthy taxpayer base and write to us with the results

2.4 The government agrees with the Committee's recommendation.

Target Implementation date: Autumn 2026

2.5 HMRC will continue to refine and develop its estimates of the value of tax at risk and set out the progress made in its response. This response is closely linked to the response at recommendation 6b.

3. PAC conclusion: HMRC cannot identify how much tax is paid by UK billionaires, despite the relatively small number of individuals and significant sums of money involved.

3a. PAC recommendation: Alongside its Treasury Minute response, HMRC should write to the Committee with its plans for improving its understanding of the wealth and assets held by the wealthiest individuals, including billionaires. This should include:

- **work it can implement straightaway on comparing available data on known billionaires, such as the Sunday Times Rich List, with its own records;**

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The First Permanent Secretary of HMRC has written to the Committee setting out the department's plans alongside this Treasury Minute response.

3.3 HMRC will continue to enhance its understanding of billionaires with a UK tax footprint. HMRC will provide the Committee with assurance that all billionaires with a UK tax footprint that are identified as part of the department's annual refresh of the wealthy population have an allocated Customer Compliance Manager (CCM). CCMs are senior tax professionals who provide extra scrutiny of individuals who have complex tax affairs and support customers to get their tax right first time. This refresh takes place annually and customers who are newly allocated a CCM in the next update will be informed by summer 2026. HMRC will provide assurance to the Committee that this has been completed by autumn 2026.

3.4 It is not a requirement in UK law for individuals to routinely report on their total level of wealth or assets held. Whilst there are data limitations, HMRC is able to estimate the wealth of individuals and understand who the wealthiest individuals are for UK tax purposes. To do this HMRC uses a range of data sources, including but not limited to self-assessment returns, data received from overseas tax jurisdictions under automatic exchange of information, third party data and open-source data, including the Sunday Times Rich List.

3b. PAC Recommendation:

- ***the steps it will take to request more data on assets and wealth from those taxpayers it suspects have high or very high levels of wealth, taking into account that any additional administrative burdens on the very wealthiest are likely to be perfectly manageable given their resources; and***

3.5 The government agrees with the Committee's recommendation.

Recommendation implemented

3.6 The First Permanent Secretary of HMRC has written to the Committee alongside this Treasury Minute response setting out the steps the department will take to request more data. HMRC will provide a further update in Autumn 2026 on any progress made on acquiring additional data sets.

3.7 HMRC regularly explores where additional data could assist closure of the tax gap. This has led to additional reporting and receipt of data. For example, HMRC has recently implemented new regulations, such as the Crypto-Asset Reporting Framework. Informed by operational work and insight gained from external recruits alongside work with international partners, HMRC will set out its progress on this to the Committee in Autumn 2026. It is a matter of policy and subject to ministerial decision whether additional information is requested directly from wealthy individuals.

3c. PAC Recommendation:

- ***work it will undertake, and associated timeframes, to better understand the links between personal wealth and connected entities, including complex trusts and structures.***

3.8 The government agrees with the Committee's recommendation.

Recommendation implemented

3.9 The First Permanent Secretary of HMRC has written to the Committee alongside this Treasury Minute response setting out the steps HMRC will take to better understand the links between personal wealth and connected entities, including complex trusts and structures. At Spring Statement 2025 the government announced plans to enhance HMRC's approach to

offshore tax non-compliance by the wealthy. HMRC will set out these plans as part of its response to recommendation 1.

4. PAC conclusion: There is much more that HMRC can do to improve its work to risk assess and target wealthy people, in particular through the use of data and technology and recruiting wealth management experts.

4. PAC recommendation: Alongside its Treasury Minute response HMRC should write to the Committee to explain how confirmed funding to date will feed through to better compliance performance, and what it expects to achieve from future investment. This explanation should go beyond just the impact on compliance yield and should cover the expected impact on other performance measures, such as the proportion of cases that result in a positive return. HMRC should include in that letter further details of its plans to invest in new IT, as well as plans to ensure it has the right skills to undertake the data analysis necessary to risk assess and target wealthy people.

4.1 The government agrees with the Committee's recommendation

Target implementation date: Autumn 2026

4.2 At Spring Statement 2025, the government announced plans to tackle offshore tax non-compliance by the wealthy. The government published its [Transformation Roadmap](#) in Summer 2025 which sets out how HMRC will use investment to improve performance. The First Permanent Secretary of HMRC has written to the Committee setting out how HMRC's investment plans are intended to improve compliance outcomes overall.

4.3 HMRC is currently designing how the investment it has received through the Spending Review will be deployed. Following further design work, HMRC will set out what investments will help improve a range of compliance outcomes for the wealthy customer population. The department will set this out in more detail to the Committee by Autumn 2026.

5. PAC conclusion: Too many compliance investigations last too long, with too few leading to penalties and prosecutions.

5a. PAC recommendation: HMRC should assess whether it is using its powers to tackle non-compliance by the wealthy sufficiently, in particular, whether it makes sufficient use of available sanctions.

5.1 The government agrees with the Committee's recommendation

Target implementation date: Autumn 2026

5.2 HMRC will report back on this recommendation once its assessment of its application of powers and sanctions has been completed.

5b. PAC recommendation: HMRC should investigate and report back to the Committee on why it has not been able to issue any penalties to enablers of tax evasion, and how it plans to start using them as an effective sanction and deterrent. As part of this, HMRC should consider setting an annual target for the number of penalties it issues.

5.3 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2026

5.4 HMRC uses a range of civil and criminal powers to tackle offshore non-compliance. These are deployed according to the facts of each case and enable the department to take necessary, and proportionate, steps to recover money that is owed. These range from inviting customers to provide disclosures, through to criminal investigation, the charging of significant penalties, and seizure of assets. HMRC use these powers singly and, where appropriate, in combination to achieve the maximum effect.

5.5 Some powers are used more regularly to correct inaccuracies and, where appropriate, penalise past behaviours. Others are used more sparingly but remain vital in terms of their deterrent effect. As a result, the impact of each power or penalty cannot be measured in isolation or assessed solely in terms of how many times they have been used.

5.6 HMRC is already reviewing instances where it may be appropriate to issue penalties to enablers of tax evasion or non-compliance under schedule 20 Finance Act 2016 but is not minded to set an annual target for this penalty nor the use of any other enablers sanctions. This is because the issuing of these penalties is dependent on the behaviours shown by taxpayers and enablers in each specific case. In addition, HMRC may decide to use other penalties, powers or sanctions (or a combination of these) to address the risks posed.

5c. PAC recommendation: HMRC should also show more ambition for the number of prosecutions of wealthy individuals evading tax, given its current plan is to increase the number charged each year by only five by 2029–30.

5.7 The government agrees with the Committee's recommendation

Recommendation implemented

5.8 At Spring Statement 2025, the government announced its ambition to increase the number of positive charging decisions (PCDs) for the most harmful fraud by 20%, from 500 to 600 per year by 2029-30. HMRC has not set specific targets for PCDs in different customer groups, but as part of these plans it is expected that the number of wealthy individuals under criminal investigation will increase, with a corresponding increase in PCDs. Investigation activity will also include fraud facilitated by those in large corporations, and by individuals and companies who make it possible for others to hide money offshore, in addition to tackling other key threats. The reference in the Committee's report to increasing the number of individuals charged each year by five was based on previous prosecution volumes rather than positive charging decision figures.

5.9 HMRC has already significantly increased the number of wealthy individuals under criminal investigation from around 50 in 2016-17, to 275 at the end of 2024-25. Due to the length of time it takes for criminal investigations to reach trial, an increase in PCDs during this spending review period will likely lead to an increase in prosecutions in later years. HMRC is not a prosecuting authority; decisions about prosecutions sit with the independent prosecuting authorities.

6. PAC conclusion: It is not sufficiently clear how much tax is paid, and how much tax is avoided by the very wealthy, which restricts HMRC's ability to reassure the public that it administers the system fairly.

6a. PAC recommendation: HMRC should consider how best to expand the range of information it publishes on wealthy individuals to give people greater confidence that these taxpayers pay their fair share. As part of this it should:

- ***set out statistics on the amount of tax paid by wealthy individuals in relation to top-down estimates of levels of wealth and chargeable gains. HMRC should report this for the wealthy population as a whole and, as far as possible, for different levels of wealth;***

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2026

6.2 HMRC will review its data and modelling on income, gains and the value of assets owned by individuals. HMRC is committed to continually reviewing the range of statistics it publishes and improving transparency and will explore options for extending the range of data it publishes in this area.

6b. PAC recommendation:

- ***write to the Committee to outline its plans and timescale to improve its estimate of the wealthy tax gap.***

6.3 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2026

6.4 HMRC recognises the importance of understanding the contribution of the wealthiest individuals to the overall tax gap and is committed to improving its tax gap estimates. Understanding the tax risks linked with wealthy individuals presents challenges, given the complexity of their tax affairs, which may present additional opportunities for non-compliance.

6.5 As part of its ongoing analytical work, HMRC is scoping work to better understand the contribution of wealthy individuals and the entities they control to the overall tax gap. This will involve reviewing the scope of current estimates to determine whether and how the contribution of wealthy individuals and their controlled entities can be more accurately captured.

6.6 HMRC will write to the Committee in Autumn 2026 updating on its progress in improving the estimate of the wealthy tax gap.

Forty-First Report of Session 2024-25

Department for Science, Innovation and Technology

UK Research and Innovation

Introduction from the Committee

The government considers research and innovation (R&I) and the diffusion of new technologies to be vital to the UK's future and to achieving long-term and complex policy goals, including its mission to grow the UK economy and achieve net zero. R&I can be defined as the creation and application of new knowledge to improve the world. Often, R&I does not follow a neat stage-by-stage process but instead can be understood as taking place in a system. The UK R&I system is a complex network of organisations involved in the creation, diffusion and use of scientific knowledge as well as the coordination and support of these activities.

The government has a long history of investing in R&I, and in 2024 committed “to promote innovation and harness the full potential of the UK's science base [through] protecting record funding for research and development”. Many government departments and public bodies invest in R&I, with 24 government departments and public bodies publishing the main research questions they are facing. In the 2024 Autumn Budget, the government committed to invest £20.4 billion in R&I in 2025–26. UK Research and Innovation (UKRI) is the UK's largest single public funder of R&I, with a budget of £9.6 billion in 2023–24. Established in 2018, UKRI is a non-departmental public body formed of seven disciplinary research councils, Research England (which supports research and knowledge exchange at higher education institutions in England), and the UK's innovation agency, Innovate UK.

UKRI's purpose, as set out in its strategy, is to invest in R&I on behalf of the government to push the boundaries of discovery, support innovative businesses to grow and scale, and target solutions to national and global priorities, driving economic, social, environmental and cultural benefits. UKRI also supports wider government R&I across the UK and invests internationally. In 2023–24, it made decisions on 28,866 applications for R&I grant funding. The mean value of a UKRI grant awarded in a competitive process in 2022–23 was £0.5 million.

The Department for Science, Innovation and Technology (DSIT) has overall responsibility for the government's spending on science, research and innovation. It is the sponsoring department for UKRI and sets UKRI's budget and objectives. The Secretary of State for Science, Innovation and Technology approves UKRI's strategy.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 5 June 2025 from the Department of Science, Innovation and Technology and UK Research and Innovation (UKRI). The Committee published its report on Wednesday 23 July 2025. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [UK Research and Innovation: Providing Support Through Grants](#) – Session 2024-25 (HC 875)
- PAC report: [UK Research and Innovation](#) – Session 2024-25 (HC 826)

Government response to the Committee

1. PAC conclusion: DSIT has not brought together a cohesive set of cross government priorities for its investment in R&I.

1. PAC recommendation: DSIT should set out a cohesive and comprehensive set of government priorities focused on the desired outcome for UK R&I and UKRI's role in supporting delivery.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2025

1.2 Research and innovation are central to delivering each of the government's five missions. In June 2025, the Spending Review and the Industrial Strategy provided clear direction to UK Research and Innovation (UKRI) around its role in enabling the government's Plan for Change. UKRI will increase the support it provides to the growth-driving sectors outlined in the Industrial Strategy and pivot its programmes and budgets towards research and innovation priorities set out in the Sector Plans.

1.3 As part of this, the £500 million R&D Missions Accelerator Programme, delivered by UKRI, will target research and innovation towards addressing priority problems facing the government's five missions, bringing together partnerships between research and industry. The programme seeks to leverage a further £1.5 billion of private investment and generate innovation solutions that can be pulled through to adoption in the public and private sectors.

1.4 The Department for Science, Innovation and Technology (DSIT) will shortly publish new strategic objectives for UKRI, which set out the organisation's role delivering government priorities. This is discussed further at recommendation 2. These new objectives will be aligned with the government's three priorities for investment in R&D: protecting and growing curiosity driven research; addressing government priorities and tackling societal challenges; and supporting R&D intensive companies to start-up, scale up, and stay in the UK. This approach is intended to increase strategic clarity and transparency around investment and its expected outcomes, as part of the government's plans to reform the R&D system over the longer term around a limited set of priorities.

2. PAC conclusion: UKRI does not have a set of clearly defined objectives against which to judge its performance and hold it accountable.

2. PAC recommendation: UKRI should set measurable outcomes and 6-10 targets in priority areas, such as private investment in R&I, to help appraise its performance effectively.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Autumn 2025

2.2 DSIT is developing strategic objectives for UKRI in order to monitor its delivery against government priorities, including the five missions and the Industrial Strategy. The strategic objectives will be underpinned by a set of measurable key results. DSIT will publish the strategic objectives and key results by Autumn 2025.

2.3 As set out in the Industrial Strategy, the new strategic objectives will set out UKRI's role in enabling innovation, commercialisation, and scale-up across the UK. The strategic objectives will also detail UKRI's critical role in protecting curiosity-driven research.

3. PAC conclusion: There is insufficient clarity about, and visibility of, where UKRI is investing its money.

3. PAC recommendation: To provide clear, comprehensive and useful data for government, external investors and the public about the overall R&I funding landscape, once its new data systems are in place, UKRI should:

- **provide government departments with ongoing access to data on UKRI funding allocations; and**
- **publish these data on a routine basis.**

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2026

3.2 UKRI routinely publishes details of awards made via its funding systems through the UKRI Gateway to Research website. UKRI Gateway to Research provides ongoing open access to data on projects, people, organisations and outcomes from 2006 to the present day and is updated every quarter.

3.3 However, DSIT and UKRI acknowledge that further work is needed to ensure that this data is both comprehensive and easily accessible, and UKRI is developing a new online portal to replace Gateway to Research, currently planned to be launched in Summer 2026. The new online portal will draw data from UKRI's data warehouse, Databank, which provides a repository for information on research and innovation grants. Work is underway to improve the coverage of the UKRI portfolio in this published data and to clearly identify funds managed on behalf of other government departments. This will improve the availability of UKRI funding data to all users, including government officials, investors and members of the public.

3.4 Changes to increase the published detail of UKRI funding data are underway now and will steadily deliver improved coverage of the portfolio. UKRI will report to the Committee on progress made and further plans in February 2026.

3.5 DSIT and UKRI will also publish a detailed breakdown of UKRI allocations for the next Spending Review period, before the start of the next financial year.

4. PAC conclusion: UKRI does not yet have the IT systems of a modern organisation.

4. PAC recommendation: UKRI should provide the Committee with an update in February 2026 on progress with implementing its systems and functionality and a roadmap of further modernisation. This update should include details of the capability the new systems provide and what capability is yet to be delivered.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2026

4.2 UKRI's organisational change programmes are overhauling its systems and processes to enhance grant administration, data quality, information security and to implement other essential improvements.

4.3 UKRI has been investing in improved data capabilities over the last five years and has undergone two internal audit reports noting the progress made. UKRI has developed a data warehouse, Databank, to provide a central repository for UKRI data that can be consolidated from multiple sources. As part of its organisational change approach, UKRI is producing prioritised roadmaps for investment in data and other essential improvements.

4.4 UKRI has re-contracted with its supplier for collecting research outcome data for the research councils, following market engagement and competitive open tender. The revised

contract requires changes that we expect will drive improvements to the completeness, accuracy and detail of metadata captured via this process, while minimising administrative burden. Outputs are analysed annually and UKRI will demonstrate these improvements by September 2026.

4.5 UKRI's in-house systems for processing grant funding applications allow scope to invest to take account of changing user needs over time. UKRI will maintain a careful balance between:

- a) harmonisation and simplification with a focus on the efficiency of operations both within UKRI and the organisations we fund, and
- b) the need for flexibility and innovation to maximise the effectiveness of the platform in supporting the best R&I outcomes.

4.6 UKRI will provide an update to the Committee in February 2026 on implementation progress of the wider organisational change programme and plans for further modernisation.

5. PAC conclusion: It is unclear how UKRI manages risk across its portfolio and what the different parts of its portfolio are meant to achieve.

5. PAC recommendation: DSIT and UKRI should work together to further develop the government's approach to risk when funding research and innovation. This should include defining what is meant by risk in this context for their organisation and what it means for its staff and stakeholders.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2026

5.2 DSIT developed a risk appetite statement in November 2024, which stated the department has both the opportunity and obligation to try approaches that may bring greater rewards, particularly where those approaches can act as trailblazers for other programmes.

5.3 UKRI has a long track record in supporting high-risk research as part of its overall portfolio. UKRI developed a risk appetite statement in 2021, which is reviewed biennially in line with UKRI's Risk Management Policy. The risk appetite statement is a fundamental element of the Risk Management Framework and reviews are undertaken with teams across UKRI to ensure that risk appetite types and levels are effective. UKRI will incorporate the NAO's recommendations into its 2025 review of its risk appetite statement, to be completed by February 2026. This will be closely monitored by DSIT.

5.4 UKRI will develop guidance for each risk appetite type to provide information on the risk appetite level and its implementation. UKRI will provide further support through training and its Risk and Assurance partnering team.

5.5 UKRI has also established a community of practice for staff delivering funding competitions, which will ensure the risk appetite for different stages in the funding process is actively communicated. UKRI will also review instructions for peer reviewers and grants panels to ensure they effectively consider UKRI's risk appetite.

5.6 UKRI will, through the updated risk appetite statement, ensure that a new approach to learning from risk taking is evaluated as part of the management of our portfolio.

6. PAC conclusion: DSIT and UKRI face severe challenges in helping UK research and innovation to scale up commercially against a backdrop of intense international competition and a tight fiscal environment.

6. PAC recommendation: DSIT and UKRI, with other government departments, should do more to bring together a unified picture and response to the challenges of commercially scaling innovation in the UK. This should include:

- **an assessment of where the UK is demonstrating strength in research but failing to scale innovation, with specific reference to the impact of the Proof-of-Concept fund; and;**
- **the setting out of plans to optimise its use of funding while monitoring any changes in research activity at UK universities resulting from ongoing financial challenges.**

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2026

6.2 DSIT will publish allocations to UKRI in Autumn 2025, and UKRI's allocations will be published by Spring 2026.

6.3 DSIT and UKRI will draw on a variety of data sources to understand where to have the greatest impact on scaling innovation domestically. This involves not only assessing where there is strength in research, but also where there are existing or nascent industry strengths, absorption capacity and identifiable market failures.

6.4 UKRI has recently launched the first round of the new discipline agnostic Proof-of-Concept funding opportunity. Understanding the full impact will only be possible after the first rounds of projects conclude and are evaluated (evaluation dates not yet confirmed). Early insights will contribute to allocation decisions.

6.5 Scaling innovation is not a linear pipeline from research to scale-up but instead requires an integrated approach across different actors (both private and public) that provides the right policy environment for innovative firms at every stage of their growth journeys. The government's Industrial Strategy set out how we plan to achieve this. This includes better engagement and alignment between UKRI, the British Business Bank, the National Wealth Fund and other public finance institutions through the new [Strategic Public Investment Forum](#), plus more effective use of public procurement to buy from innovative suppliers, and removing regulatory barriers to scaling.

6.6 In deciding the aforementioned allocations, DSIT will consider the impact on the financial sustainability of university research. DSIT uses analyses of Transparent Approach to Costing data, as well as insights and analyses provided by UKRI, to understand the financial challenges universities face within the R&I system.

Forty-Second Report of Session 2024-25

Department for the Environment, Food and Rural Affairs

Water Sector Regulation

Introduction from the Committee

In England and Wales, the supply of clean drinking water to homes is predominantly managed by 16 companies, of which 11 also supply wastewater services, and who are monopoly suppliers to most consumers.

Defra is the Government department with policy responsibility for the water sector in England. There are three regulators who oversee water companies in England.

- The EA regulates water companies for their impact on rivers and other water bodies, sets and enforces water quality standards and tackles pollution, including from wastewater management, in England.
- The Drinking Water Inspectorate regulates drinking water quality and sufficiency.
- Ofwat is the economic regulator, responsible for setting the funding envelope for every company every five years.

In 2023 Defra published the Environmental Improvement Plan, which set out targets for the sector to reduce: the impact of sewer discharges; phosphorus in treated wastewater; public consumption per head and leakage. Defra also estimates that England will face a shortfall of 5 billion litres of water every day by 2050, based on current usage.

The water sector estimates it needs to spend almost £290 billion on improvements to infrastructure over the next 25 years, as well as £52 billion on 30 major capital projects to enhance water supply, to meet these challenges. Customer bills will rise an average of £31 per household, before inflation, each year for the next five years. The last time bills rose at this rate in real terms was 20 years ago.

Meanwhile, consumer trust stands at its lowest since monitoring began in 2011, according to research conducted by the Consumer Council for Water (CCW). Issues like water pollution and financial mismanagement have been in the public eye. As at January 2025, both Ofwat and the EA had open enforcement cases against every major wastewater company in England and Wales. Some investors have set up complex financial structures and extracted large dividends from the sector. On two occasions since 2004, individual companies have paid dividends of over 100% of the equity in the company.

This could not be prevented by the regulators. The financial resilience of the sector has weakened and Ofwat has signalled concerns about the financial resilience of 10 of the 16 major companies. Thames Water had to agree a short-term rescue plan in October 2024 to continue operating, but its long-term future is still not secure.

Based on a report by the National Audit Office, the Committee took evidence on Monday 9 June 2025 from Water UK; Consumer Council for Water; First Economics; Department for Environment, Food and Rural Affairs; Environment Agency and Ofwat. The Committee published its report on 18 July 2025. This is the Government's response to the Committee's report.

Relevant reports

- NAO report: [Regulating for investment and outcomes in the water sector](#) – Session 2024-25 (HC 853)
- PAC report: [Water sector regulation](#) - Session 2024-25 (HC 824)

Government response to the Committee

1. PAC conclusion: Water companies are implementing huge increases to the bills charged to customers without explaining why, or how the money will be spent.

1. PAC recommendation: Within the next six months Ofwat must set clear expectations for companies to set out where customer money is spent, why bills are rising and what improvements in infrastructure the funding will deliver.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2026

1.2 At the 2024 price review (PR24), Ofwat allowed funding for delivery of substantial improvements for customers and the environment through a quadrupling of investment for the water sector over the next five years. To protect customers from companies failing to deliver these improvements or deliver them late, Ofwat set out "Price Control Deliverables" (PCDs). PCDs set out outputs that companies are expected to deliver in terms of infrastructure delivery. Where water companies fail to deliver these outputs, they will return funding to customers.

1.3 Ofwat will track the progress companies make towards PCD output targets through delivery plans and companies will report against these plans on a six-monthly basis. Companies are also required to include a short summary describing their plan and the progress against it in a language and format that is accessible to customers and clearly available on the company's website. This summary should describe what is being delivered and the progress the company is making towards delivering the programme and be regularly updated.

1.4 Working with its partner regulators Ofwat is also working to improve the transparency of the progress companies are making towards delivery of their PR24 enhancement programmes. It will publish its review of delivery plan progress next year.

1.5 Ofwat agrees that companies should take further proactive action to communicate to customers what bill increases are delivering. It will engage with companies over the next six months on their plans to explain to customers within their 2026 bills, why bills are rising and what improvements in infrastructure the funding will deliver.

2. PAC conclusion: Over many years, the Environment Agency and Ofwat have failed to ensure water companies maintain vital infrastructure.

2. PAC recommendation: Ofwat and the Environment Agency, working with the sector, should develop survey standards and collate information to assess the health of infrastructure in good time for companies to use the results to inform business plans which are likely to be submitted in autumn 2028 and implemented shortly thereafter, and a programme of inspection to ensure infrastructure projects funded in PR25 are completed to satisfaction and deliver value for money.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: until December 2030

2.2 The Independent Water Commission provided several recommendations to improve the long-term assessment, monitoring and maintenance of asset health in the water sector, in addition to recommendations to improve assurance of infrastructure delivery. The government

is considering the Commission's recommendations and will respond to them in its White Paper, due to be published for consultation this autumn.

2.3 Ofwat is consulting on the implementation of a new asset management licence condition which will require companies to gain external certification to the internationally recognised Asset Management Standard as well as provide updates on their progressing maturity.

2.4 To address some water companies' relative weakness in asset management maturity, Ofwat is progressing a number of themes of work including developing an asset condition assessment methodology. Companies will be expected to apply this methodology using a combination of existing and new inspection or survey data. The resulting insights will inform investment proposals submitted through the PR24 cost change process and future price reviews. Ofwat estimates that, building on data collected at PR24, it will have data that accounts for around 80% by value of the sector's asset base by 2027. This is an ambitious project which will consider different ways of providing regulatory assurance, and Ofwat will give careful consideration to what is deliverable and proportionate.

2.5 The Environment Agency has increased the number of staff dedicated to regulating the water industry by 440, including regulatory officers, data analysts, and enforcement specialists. Understanding whether infrastructure projects funded in PR24 are completed as required will be part of the regulator's inspections. The evidence being gathered will inform future annual performance assessments, investment plans, and proactive enforcement action.

2.6 The Environment Agency and Ofwat are also developing a Delivery and Monitoring Framework (DMF) to ensure the timely completion of the water industry investment programme. This will be ready in the first half of 2026. This will track the completion of enhancement actions and report on progress and enable the sharing of intelligence across water regulators.

3. PAC conclusion: Defra and the Environment Agency have been far too slow in planning for the future and this now hinders economic growth.

3a. PAC recommendation: The Environment Agency should write to the Committee, alongside the Treasury Minute response to this report, setting out how it will work with water companies to ensure planning solutions are prioritised prior to planning applications, to limit delays to development brought about by objections.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The Chief Executive of the Environment Agency has written to the Committee setting out in more detail how it will work with water companies to ensure planning solutions are prioritised before planning applications, thereby limiting delays to development brought about by objections.

3.3 The Environment Agency is already working with water companies through the Regulators Alliance for Progressing Infrastructure Development (RAPID) to ensure that large strategic resource options are planned well in advance of planning applications and will build on this by expanding joint early-planning frameworks and improving long-term forecasting, including through the government's Water Delivery Taskforce.

3.4 The Environment Agency will continue to encourage pre-application discussions with water companies on schemes through its cost-recovery discretionary pre-application service for projects under the Town and Country Planning Act and Development Consent Order

regime. This will increasingly be supported by digital tools, data-sharing platforms, and agreed protocols to identify and resolve potential issues before formal submission.

3.5 The National Framework for Water Resources already provides a strong foundation for communication and public engagement, and the Environment Agency will strengthen its role in the years ahead by embedding regular review cycles, expanding public dialogue, and using targeted outreach to increase understanding of the need for large-scale strategic resource options, helping to reduce local objections and accelerate delivery.

3.6 Water company Water Resource Management Plans (WRMPs) already set out the options likely to be progressed over the next 25 years based on local growth and water demand forecasts. Going forward, the Environment Agency will work with companies to make these plans more dynamic and responsive to inform strategic planning, pre-empt infrastructure constraints, and give communities earlier visibility of the solutions required.

3.7 Through these steps, the Environment Agency aims to embed early collaboration, transparent decision-making, and strategic foresight into the planning system, ensuring that infrastructure is ready when and where it is needed, while protecting the environment and supporting sustainable growth.

3b. PAC recommendation: By the end of 2025, the Environment Agency must be in a position to publish a list of all housing and commercial developments, including a list of the number of homes, that it is delaying or blocking. It should update this list every month.

3.8 The government disagrees with the Committee's recommendation.

3.9 Defra has established a cross-Government Water Delivery Taskforce, including the Environment Agency and other regulators, to provide oversight and leadership where environmental planning concerns from a lack of water or wastewater capacity may inhibit development. The Taskforce tracks the progress of delivery on key projects via a dashboard enabling Defra to keep a firm grip on delivery of projects and intervene early to remove blockers. This approach is already showing results, with more than 10,000 homes unblocked in Oxford by overcoming wastewater capacity constraints.

3.10 The Environment Agency advises local planning authorities and is not the decision maker for planning applications. It is only one of several statutory consultees, and it is not possible to correlate their advice with whether a planning authority issues permissions.

3.11 The Environment Agency does, however, [publish data](#) on the number of planning applications responded to within 21 days or otherwise agreed.

3.12 The Environment Agency currently responds to around 10,000 applications per year. As part of the organisation's commitment to support growth, the Environment Agency committed to responding to 95% of planning applications within 21 days from September 2025 onwards, which they achieved in quarter one of this year, 2025.

3.13 The Environment Agency is a statutory consultee for several types of planning applications. It provides advice in relation to planning policy on flood risk, protection of land and water quality, water resources, waste regulation, and biodiversity. Where it does currently raise objections to determining bodies, objections are often resolved through additional submissions from applicants.

3.14 The Environment Agency has committed to a range of reforms to contribute to the Government's growth agenda. This includes improving their land use planning services; making their permitting services more effective and efficient for key growth sectors; creating a more transparent data system for regulation; supporting the government's approach to

strategic spatial planning; and working with the Government to reform the regulatory framework.

3c. PAC recommendation: The Environment Agency should ensure it is actively monitoring and enforcing compliance with discharge permits, particularly where new development is likely to put additional strain on existing infrastructure, to ensure existing pollution problems do not get worse. If serious risks to the environment arise due to inadequate sewage systems, they should consider blocking developments until the necessary infrastructure is built.

3.15 The government agrees with the Committee's recommendation.

Recommendation implemented

3.16 Growth within a sewerage catchment must not lead to a breach of environmental permits. The Environment Agency monitors and enforces compliance with environmental permits using its regulatory powers to protect the environment. Water companies, through their investment and planning functions, create the capacity for their wastewater assets to accommodate the additional capacity needed for growth. If this leads to a deterioration of performance, this may result in enforcement action, in line with the Environment Agency's Enforcement and Sanctions Policy. A water company is also legally required to comply with its environmental permits as part of its licence of appointment. Again, noncompliance that contravenes this licence may result in enforcement action by Ofwat.

3.17 The Environment Agency supports sustainable growth, ensuring that it does not cause permit breaches or environmental pollution.

3.18 The water industry now has a statutory duty to produce Drainage and Wastewater Management Plans (DWMPs). These plans will outline how companies intend to extend, improve, and maintain a resilient drainage and wastewater system over the next 25 years, considering pressures from climate change, urban creep, and population growth.

3d. PAC recommendation: By the end of 2025, Ofwat must set out a clear path by which it could reopen the price review if needed to permit new investment that pertains to new housing developments, commercial developments and economic growth.

3.19 The government agrees with the Committee's recommendation.

Target implementation date: end of 2025

3.20 Ofwat supports the UK Government's economic growth mission through its Growth Duty. On 15 March 2025, the Chief Executive of Ofwat wrote to water companies asking what more could be done to accelerate the delivery of major projects to support economic growth and remove the barriers to doing so. Ofwat has been assessing and developing ideas raised by companies in response.

3.21 In order to allow increased flexibility of funding mechanisms for water companies, Ofwat consulted in July 2025 on a proposed in-period adjustment mechanism for critical cost areas where costs remain uncertain. This process will give companies earlier certainty over costs that will be recovered at the next price control period, and if necessary, provide access to additional revenue in this period. It covers several critical areas of investment including projects that may benefit new housing development, commercial developments and economic growth.

3.22 Ofwat is also proposing to introduce greater flexibility into the regulatory framework through a mid-Asset Management Period (AMP) growth reopener. This mechanism would

enable water companies to apply for additional funding during Asset Management Period 8 (2025–30) in response to higher-than-expected growth in population, households, or business demand, with adjustments made to allowed revenue at the end of AMP8. Companies would be able to submit proposals between March and May 2027, allowing Ofwat to assess whether they are on track with their existing AMP8 commitments before considering any additional allowances. To be eligible, companies must provide sufficient evidence in their proposal, such as evidence of growth in demand and what progress they have made in delivering their existing commitments.

4. PAC conclusion: The Environment Agency is failing to ensure that wastewater companies meet their environmental targets, resulting in excessive use of combined sewer overflows and environmental pollution.

4a. PAC recommendation: Defra should disburse the amounts promised through the Water Restoration Fund in 2024 and set out plans for the additional funding announced in June, by the end of 2025. Defra and the Environment Agency should work urgently to ensure money raised from fines permanently goes to improving the system and not simply returned to the Treasury.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2026

4.2 The Water Restoration Fund (WRF) was established in April 2024 to reinvest water company environmental fines and penalties back into projects to improve the water environment. £11 million of fines were collected from April 2022 and October 2023 and made available on a competitive basis through the WRF for the regions in which the fines were collected. WRF projects are now underway, with the first payments issued in July 2025. The successful WRF projects will be announced in the coming months and before the end of 2025.

4.3 In June 2025, the government announced that fines and penalties levied against water companies since October 2023, as well as future fines and penalties, will be reinvested into projects across the country to clean up our rivers, lakes and seas. Proceeds from water company fines and penalties will not be spent on water company infrastructure or to meet their wastewater target, which will be funded through the Water Industry National Environment Programme (WINEP). Further details of the projects and programmes funded by these fines will be set out by the end of the financial year.

4b. PAC recommendation: The Environment Agency and Ofwat should write to the Committee, alongside the Treasury Minute response to this report, setting out how they will hold water companies to account for fixing problems and improving their environmental performance.

4.4 The government agrees with the Committee's recommendation.

Recommendation implemented

4.5 Ofwat will use its suite of regulatory tools to hold companies to account, as recently seen with its enforcement decisions against several companies for their management of sewage treatment works. It has also tripled its enforcement capacity in recent years following extra funding, as approved from the Treasury.

4.6 Ofwat monitors the performance of companies against the PR24 eight performance measures focused on reducing pollution and improving river health.

4.7 The Environment Agency has transformed its regulatory approach to target key areas and adopt a more proactive, preventative stance. The Environment Agency has exceeded the target of 4,000 inspections by the end of March 2025 and are on track to complete 10,000 within the year. The serious cases of non-compliance are being considered for enforcement, while most minor breaches will be addressed through local operational action. Crucially, inspections generate intelligence that enables preventative measures. This will help avert future incidents and contribute to a water system that is more resilient.

4.8 Both regulators are also focusing on long-term planning, investment, legislation implementation, and addressing root causes. The Chief Executives of both regulators have written to the Committee to set this out in more detail.

5. PAC conclusion: Financial fragility of a few large companies in the sector is leading investors to lose confidence in regulation as well as the sector.

5. PAC recommendation: Over the course of the next six months Ofwat should review its powers and capability to ensure it can take action needed to improve the financial resilience of the whole of the sector, and be clear in public about what is likely to happen and who will bear the costs in the event of a company insolvency.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2026

5.2 Ofwat categorises companies according to their financial resilience status in its annual Monitoring Financial Resilience (MFR) report but its monitoring and engagement with companies is conducted year-round. Where Ofwat identifies an elevated concern or a need for the company to take action regarding the risks to its financial resilience, the regulator engages on a more frequent or targeted basis, requiring more information from the company and, as required, reporting on improvements, including action plans to address the issues identified. In 2025, six water companies have had injected or made an unconditional commitment to invest new equity totalling £1.9 billion, of which £1 billion relates to four companies which were in Ofwat's "Action Required" or "elevated Concern" categories in last year's MFR report (Southern Water, South East Water, Affinity Water and SES Water).

5.3 Should a regulated company become insolvent, the Special Administration Regime (SAR) exists to ensure that services to customers continue while the business is rescued or transferred to a new owner. In the majority of cases the costs of the SAR process would be borne by the company's investors/creditors, but if this is not possible then any costs incurred by the Government can be recovered from the company's customers through future bills.

5.4 The government has announced that a new single regulator will be established, bringing together the functions of Ofwat, Environment Agency, Natural England and the Drinking Water Inspectorate into one regulator. Ofwat will remain in place during the transition to the new regulator and government will ensure they provide the right leadership to oversee the current price review and investment plan during that time.

5.5 The Independent Water Commission provided several recommendations on strengthening financial resilience. The government is considering the Commission's recommendations and will respond to them in its White Paper due to be published for consultation this autumn. Ofwat will work with Government over the next six months and beyond to ensure that this approach continues to improve the financial resilience of the water sector.

6. PAC conclusion: No-one is taking responsibility for ensuring that the regulatory system works, as is evident by its failings.

6. PAC recommendation: Defra should use this Committee's and the NAO's findings, alongside any recommendations from the Water Commission once it is published, to clarify and fill gaps in regulator responsibilities and be explicit on when and how trade-offs will be considered.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2026

6.2 The government has set out its initial response to the Independent Water Commission's recommendations, as set out in the [statement](#) made by the Secretary of State on 21 July.

6.3 The government's initial response was that, subject to consultation this autumn, the government will abolish Ofwat and merge its functions with water functions across the Environment Agency, Natural England and the Drinking Water Inspectorate to form a single new regulator.

6.4 Until the single water regulator is fully established, the existing regulators will continue to carry out their functions and enforcement responsibilities in full. The government will clarify its expectations through a Strategic Policy Statement and ministerial direction, expected to be published later this Autumn.

6.5 The government will respond to the Independent Water Commission's recommendations in full via a White Paper, published for consultation this Autumn, and a new Water Reform Bill that will be introduced early this Parliament. In its response it will consider the Committee's and the NAO's findings.

7. PAC conclusion: Defra seems to be passively waiting for the Water Commission to report before making changes to the system.

7a. PAC recommendation: By Autumn 2025, Ofwat and the Environment Agency should publish a roadmap to implementation of their new powers, including those under the Water (Special Measures) Act 2025. Defra should not wait for the Water Commission to take actions where it can see an immediate need as those powers are embedded, such as the Environment Agency's new powers to impose civil penalties and Ofwat's powers over executive bonuses.

7.1 The government disagrees with the Committee's recommendations.

7.2 The government is taking action to implement the Water (Special Measures) Act 2025 powers as quickly as possible. The government has already brought into force provisions to make Pollution Incident Reduction Plans (PIRPs) statutory in England. Similarly, new provisions have already been into force, strengthening the penalty for obstructing investigations. Obstruction offences can now be heard in the Crown Court, with a maximum penalty of 2 years imprisonment for directors and executives, where obstruction occurs with their consent, connivance or neglect.

7.3 Ofwat has been working on the design of its new powers under the Water (Special Measures) Act 2025 since the legislation was first introduced and it has made substantial progress, including putting in place a new rule which has already required six water companies to prohibit the payment of bonuses to executives for poor performance in 2024-25.

7.4 During Autumn 2025 Ofwat is consulting on several rules relating to the Water (Special Measures) Act including a rule to ensure companies involve consumers in decision making, a rule for companies to test fitness and propriety of senior staff, and on updates to regulatory accounting guidelines (RAGs) to deliver requirements on transparent financial reporting. Ofwat will also launch consultations on revised Governance Code. Ofwat has set a target date of April 2026 for water companies to comply with rules on consumer involvement and fitness and propriety (subject to consultation). In July 2026 companies will also publish Annual Performance Reports (APRs) containing new requirements on financial reporting transparency.

7.5 The Water (Special Measures) Act (WSMA) 2025 has also introduced new powers for the Environment Agency. They will recover approximately £21 million each year through the new water industry enforcement levy to fund costs associated with regulating the industry. This includes the cost of investigations and both existing and any new enforcement activities against pollution discharges caused by water companies. On 19 August, the Environment Agency published its conclusions to their consultation and confirmed the levy will go ahead.

7.6 The WSMA also includes powers to enable faster enforcement action against water company offences. These powers need to be implemented through secondary legislation. Defra will consult on its proposals this autumn, before introducing the secondary legislation.

7.7 The Environment Agency will then also revise and consult on its Enforcement and Sanctions Policy that sets out how they will use the new penalty powers and update its implementation plans accordingly and publish a roadmap.

7b. PAC recommendation: Defra must set out a clear roadmap and timeline for future changes, as part of its response to the final report of the Cunliffe review. The final report is due in summer 2025 and we expect Defra's roadmap to follow in autumn 2025.

7.8 The government agrees with the Committee's recommendation

Target implementation date: end of Autumn 2025

7.9 The government will respond to the Independent Water Commission's recommendations in full via a White Paper, published for consultation this autumn 2025, and a new Water Reform Bill to be introduced early this Parliament. The government will publish a transition plan alongside the White Paper.

7.10 Until the single water regulator is fully established, the existing regulators will continue to carry out their functions and enforcement responsibilities in full. The government will clarify its expectations through a Strategic Policy Statement and ministerial direction, expected to be published later in 2025.

Treasury Minutes Archive¹

Treasury Minutes are the Government's response to reports from the Committee of Public Accounts. Treasury Minutes are Command Papers laid in Parliament.

Session 2024-25

Committee Recommendations: 350
Recommendations agreed: 332 (95%)
Recommendations disagreed: 18

Publication Date	PAC Reports	Ref Number
April 2025	Government response to PAC reports 1-4, 6-9	CP 1306
May 2025	Government response to PAC reports 5,10-17	CP 1328
June 2025	Government response to PAC reports 18-22	CP 1341
July 2025	Government response to PAC reports 23-26	CP 1367
August 2025	Government response to PAC reports 27-34	CP 1382
September 2025	Government response to PAC reports 35-42	CP 1404

Session 2023-24

Committee Recommendations: 271
Recommendations agreed: 252 (93%)
Recommendations disagreed: 19

Publication Date	PAC Reports	Ref Number
February 2024	Government response to PAC reports 1-6 [80 Session 22-23]	CP 1029
March 2024	Government response to PAC reports 7-11	CP 1057
April 2024	Government response to PAC reports 12-18	CP 1070
May 2024	Government response to PAC reports 19-24	CP 1085
September 2024	Government response to PAC reports 26-29, 31, 33-38	CP 1151
October 2024	Government response to PAC reports 25, 26, 30 and 32	CP 1174

Session 2022-23

Committee Recommendations: 551
Recommendations agreed: 489 (89%)
Recommendations disagreed: 62

Publication Date	PAC Reports	Ref Number
July 2022	Government response to PAC reports 1, 3 & 10	CP 722
August 2022	Government response to PAC reports 2, 4-8	CP 708
September 2022	Government response to PAC reports 9, 13-16	CP 745
November 2022	Government response to PAC reports 11, 12, 17	CP 755
December 2022	Government response to PAC reports 18-22	CP 774
January 2023	Government response to PAC reports 23-26	CP 781
February 2023	Government response to PAC reports 27-31	CP 802
March 2023	Government response to PAC reports 32-36	CP 828
May 2023	Government response to PAC reports 37-41	CP 845

¹ List of Treasury Minutes responses for Sessions 2010-15 are annexed in the government's response to PAC Report 52

Publication Date	PAC Reports	Ref Number
June 2023	Government response to PAC reports 42-47	CP 847
July 2023	Government response to PAC reports 48-54	CP 902
August 2023	Government response to PAC reports 55-60	CP 921
September 2023	Government response to PAC reports 62-67	CP 941
November 2023	Government response to PAC reports 68-71	CP 968
January 2024	Government response to PAC reports 72-79	CP 1000
February 2024	Government response to PAC reports 80 [1-6 Session 23-24]	CP 1029

Session 2021-22

Committee Recommendations: 362
Recommendations agreed: 333 (92%)
Recommendations disagreed: 29

Publication Date	PAC Reports	Ref Number
August 2021	Government response to PAC reports 1-6	CP 510
September 2021	Government response to PAC reports 8-11	CP 520
November 2021	Government response to PAC reports 7,13-16 (and TM2 BBC)	CP 550
December 2021	Government response to PAC reports 12, 17-21	CP 583
January 2022	Government response to PAC reports 22-26	CP 603
February 2022	Government response to PAC reports 27-31	CP 631
April 2022	Government response to PAC reports 32-35	CP 649
April 2022	Government response to PAC reports 36-42	CP 667
July 2022	Government response to PAC reports 49-52	CP 722

Session 2019-21

Committee Recommendations: 233
Recommendations agreed: 208 (89%)
Recommendations disagreed: 25

Publication Date	PAC Reports	Ref Number
July 2020	Government responses to PAC reports 1-6	CP 270
September 2020	Government responses to PAC reports 7-13	CP 291
November 2020	Government responses to PAC reports 14-17 and 19	CP 316
January 2021	Government responses to PAC reports 18, 20-24	CP 363
February 2021	Government responses to PAC reports 25-29	CP 376
February 2021	Government responses to PAC reports 30-34	CP 389
March 2021	Government responses to PAC reports 35-39	CP 409
April 2021	Government responses to PAC reports 40- 44	CP 420
May 2021	Government responses to PAC reports 45-51	CP 434
June 2021	Government responses to PAC reports 52-56	CP 456

Session 2019

Committee Recommendations: 11
Recommendations agreed: 11 (100%)
Recommendations disagreed: 0

Publication Date	PAC Reports	Ref Number
January 2020	Government response to PAC report [112-119] 1 and 2	CP 210

Session 2017-19

Committee Recommendations: 747
Recommendations agreed: 675 (90%)
Recommendations disagreed: 72 (10%)

Publication Date	PAC Reports	Ref Number
December 2017	Government response to PAC report 1	Cm 9549
January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC reports 112-119 [1 and 2]	CP 210

Session 2016-17

Committee Recommendations: 393
Recommendations agreed: 356 (91%)
Recommendations disagreed: 37 (9%)

Publication Date	PAC Reports	Ref Number
November 2016	Government responses to PAC reports 1-13	Cm 9351
December 2016	Government responses to PAC reports 14-21	Cm 9389
February 2017	Government responses to PAC reports 22-25 and 28	Cm 9413
March 2017	Government responses to PAC reports 26-27 and 29-34	Cm 9429
March 2017	Government responses to PAC reports 35-41	Cm 9433
October 2017	Government responses to PAC reports 42-44 and 46-64	Cm 9505

Session 2015-16

Committee Recommendations: 262
Recommendations agreed: 225 (86%)
Recommendations disagreed: 37 (14%)

Publication Date	PAC Reports	Ref Number
December 2015	Government responses to PAC reports 1 to 3	Cm 9170
January 2016	Government responses to PAC reports 4 to 8	Cm 9190
March 2016	Government responses to PAC reports 9 to 14	Cm 9220
March 2016	Government responses to PAC reports 15-20	Cm 9237
April 2016	Government responses to PAC reports 21-26	Cm 9260
May 2016	Government responses to PAC reports 27-33	Cm 9270
July 2016	Government responses to PAC reports 34-36; 38; and 40-42	Cm 9323
November 2016	Government responses to PAC reports 37 and 39 (part 1)	Cm 9351
December 2016	Government response to PAC report 39 (part 2)	Cm 9389

Treasury Minutes Progress Reports Archive

Treasury Minutes Progress Reports provide government updates towards the implementation of recommendations from the Committee of Public Accounts. These reports are Command Papers laid in Parliament.

Publication Date	PAC Reports	Ref Number
March 2025	Session 2017-19: updates on 3 PAC reports Session 2019-21: updates on 1 PAC report Session 2021-22: updates on 9 PAC reports Session 2022-23: updates on 41 PAC reports Session 2023-24: updates on 36 PAC reports	CP 1284
May 2024	Session 2017-19: updates on 5 PAC reports Session 2019-21: updates on 1 PAC report Session 2021-22: updates on 10 PAC reports Session 2022-23: updates on 53 PAC reports Session 2023-24: updates on 6 PAC reports	CP 1102
December 2023	Session 2017-19: updates on 9 PAC reports Session 2019-21: updates on 2 PAC reports Session 2021-22: updates on 18 PAC reports Session 2022-23: updates on 48 PAC reports	CP 987
June 2023	Session 2013-14: updates on 1 PAC report Session 2017-19: updates on 11 PAC reports Session 2019-21: updates on 5 PAC reports Session 2021-22: updates on 29 PAC reports Session 2022-23: updates on 27 PAC reports	CP 847
December 2022	Session 2013-14: updates on 1 PAC report Session 2017-19: updates on 16 PAC reports Session 2019-21: updates on 14 PAC reports Session 2021-22: updates on 38 PAC reports Session 2022-23: updates on 8 PAC reports	CP 765
June 2022	Session 2013-14: updates on 1 PAC report Session 2017-19: updates on 27 PAC reports Session 2019-21: updates on 34 PAC reports Session 2021-22: updates on 30 PAC reports	CP 691
November 2021	Session 2013-14: updates on 1 PAC report Session 2016-17: updates on 3 PAC reports Session 2017-19: updates on 33 PAC reports Session 2019: updates on 2 PAC reports Session 2019-21: updates on 47 PAC reports Session 2021-22: updates on 5 PAC reports	CP 549
May 2021	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 1 PAC report Session 2016-17: updates on 4 PAC reports Session 2017-19: updates on 47 PAC reports Session 2019: updates on 2 PAC reports Session 2019-21: updates on 28 PAC reports	CP 424
November 2020	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 1 PAC report Session 2016-17: updates on 7 PAC reports Session 2017-19: updates on 73 PAC reports Session 2019: updates on 2 reports	CP 313

Publication Date	PAC Reports	Ref Number
February 2020	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 3 PAC reports Session 2016-17: updates on 14 PAC reports Session 2017-19: updates on 71 PAC reports	CP 221
March 2019	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 7 PAC reports Session 2016-17: updates on 22 PAC reports Session 2017-19: updates on 46 PAC reports	CP 70
July 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 9 PAC reports Session 2016-17: updates on 38 PAC reports Session 2017-19: updates on 17 PAC reports	Cm 9668
January 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 4 PAC reports Session 2015-16: updates on 14 PAC reports Session 2016-17: updates on 52 PAC reports	Cm 9566
October 2017	Session 2010-12: updates on 3 PAC reports Session 2013-14: updates on 7 PAC reports Session 2014-15: updates on 12 PAC reports Session 2015-16: updates on 26 PAC reports Session 2016-17: updates on 39 PAC reports	Cm 9506
January 2017	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 7 PAC reports Session 2015-16: updates on 18 PAC reports	Cm 9407
July 2016	Session 2010-12: updates on 6 PAC reports Session 2012-13: updates on 2 PAC reports Session 2013-14: updates on 15 PAC reports Session 2014-15: updates on 22 PAC reports Session 2015-16: updates on 6 PAC reports	Cm 9320
February 2016	Session 2010-12: updates on 8 PAC reports Session 2012-13: updates on 7 PAC reports Session 2013-14: updates on 22 PAC reports Session 2014-15: updates on 27 PAC reports	Cm 9202
March 2015	Session 2010-12: updates on 26 PAC reports Session 2012-13: updates on 17 PAC reports Session 2013-14: updates on 43 PAC reports	Cm 9034
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539

