



Submission to

**HM Treasury's Spending Review 2025**

7<sup>th</sup> February 2025

## Executive Summary

The emergence and rapid growth of the well-functioning Umbrella market has been a positive contributor to UK growth, productivity, wealth and the Exchequer. Compliant bona fide Umbrellas, also known as Specialist Payment Intermediaries (SPIs), provide certainty and security to their workers, ensuring: they receive full protections required by employment law, their tax affairs are simplified, and all due taxes are remitted to HMRC.

The Freelancer & Contractor Services Association (FCSA) is the UK's leading professional membership body dedicated to promoting supply chain compliance for the temporary labour market. Our members account for around 25% of the market and provide Umbrella employment, self-employed services, accountancy, and business support solutions to the contingent workforce.

FCSA has more than 70 Accredited Members who collectively represent over 200,000 workers engaged as employees: making them, collectively, one of the largest employers in the UK. Around a third of the workforce represented by the FCSA are women. FCSA members alone collect circa £12.5 billion in taxes and NICs, timeously remitted to HMRC.

FCSA's primary interests in this spending review relate to: ensuring enforcement bodies and the legal system are properly resourced, protecting tax revenues, and encouraging Government to identify and make efficiency savings.

We strongly support the creation of the Fair Work Agency (FWA) and welcome the Government's clear statement that the merging of the separate bodies is not merely a money-saving exercise, and that further funding will be made available. Enforcing the existing rules is the most effective way of disrupting non-compliant operators. The effective targeting of those extra resources will be crucial.

By combining the existing three enforcement bodies the FWA should seek to be more holistic in its approach, using the data already held within Government to better target its enforcement resources. FCSA believe that there are likely to be other examples where enforcement powers are split across multiple public bodies and that Government should task HM Treasury's Office of Value for Money (OVfM) and DBT's Regulation Directorate with identifying other examples where public bodies should be merged.

Some areas are currently significantly under-funded, most notably the Employment Tribunal Service which currently has serious backlogs. These backlogs potentially stand to increase substantially as a direct result of the provisions of the Employment Rights Bill.

It is important that where a government policy increases demand on resources, that adequate additional resources are also provided. This inevitably means that efficiency savings in other areas of Government will need to be found because it is not sustainable to continue to increase taxation.

## Resourcing Enforcement

FCSA believes that there is currently a lack of effective enforcement and that the enforcement that there is, is not effective or properly targeted at serial offenders.

Changes to legislation are unlikely to have much of an impact on habitually non-compliant firms, as in many cases, their business models rely on rule breaches not being enforced – something they will continue to do. Enforcing existing rules is the most effective way of disrupting non-compliant firms and this requires more resources.

### The Fair Work Agency (FWA)

The Employment Rights Bill creates a single enforcement body, the FWA. The FWA will combine the current enforcement roles of three existing bodies: HMRC's National Minimum Wage (NMW) enforcement team, the Gangmasters and Labour Abuse Authority (GLAA), and the Employment Agency Standards Inspectorate (EASI).

The new body is something FCSA has campaigned for and entirely support. We think it is important that HM Treasury do not see this merger as a cost cutting exercise, as they do not currently have the resource needed – there needs to be a significant increase in the number of labour market inspectors.

The FWA should seek to be more holistic in its approach; using the data it already has and building new data sets to better understand areas of non-compliance, as well as how and where to best target their enforcement efforts. This should also involve making use of data from other parts of Government, such as HMRC as well as other external organisations such as FCSA. A smarter approach informed by data will increase the efficiency of additional resources investment in enforcement.

### ACAS and the Employment Tribunal Service

In response to the expansion of employer responsibilities and the demands of the Employment Rights Bill (ERB), there needs to be a significant increase in resources for the Employment Tribunal Service, the Employment Appeal tribunal, and the 'Advisory Conciliation and Arbitration Service' (Acas).

These services are already stretched, and the lengthy delays harm the interests of both the employer and employee. There needs to be an acknowledgement that provisions in the ERB will significantly increase the demands on both Acas and the Employment Tribunal Service, and that these services are not currently coping with their current workload. Government needs to take immediate action to address the significant backlog of Employment Tribunal cases.

## HMRC Anti-Tax Evasion Resourcing

FCSA supports the Government's recent move to increase the resourcing of HMRC to tackle tax evasion. These extra resources should be maintained until systemic abuses of the tax system has been properly addressed.

However, it is important that the resources that are in place are properly targeted. This will require greater training to help staff better understand the labour supply chain and therefore the drivers of fraud and non-compliance. HMRC should make greater efforts to partner with FCSA to improve how they target resources to tackle tax evasion.

## Efficiency Savings

The increase in Employer National Insurance Contributions is going to have a profoundly significant impact on both businesses and workers. As a result, we will all have to cut our cloth accordingly, we believe that Government should do the same and lead by example.

We are encouraged that the Government has created a new priority of "rooting out waste and inefficiency" for its new 'Office for Value for Money' (OVfM). FCSA believes that there are many savings to be made and that these savings should go towards resourcing underfunded areas – particularly enforcement – and towards reducing employment taxes wherever possible.

## Cabinet level Whitehall Departments

Including Cabinet Office and HM Treasury, there are currently 19 ministerial departments headed by a Secretary of State, each with responsibility for putting government policy into practice. Finding efficiencies within, and between these top-level Government Departments should fall within OVfM's remit.

For instance, there are currently four Departments responsible for the representation of Devolved Government, and the facilitation of the smooth operation of devolution in the UK. The role of these four separate Departments and Secretaries of State has significantly changed since they were formed, with most of the responsibilities now sitting with the devolved institutions themselves.

We therefore think there is a case to look at merging the; 'Scotland Office', 'Northern Ireland Office', and 'Wales Office' with the 'Ministry of Housing, Communities and Local Government'. A single Department and 'Secretary of State for the Nations and Regions' will save on Whitehall resources and improve coordination of devolved affairs.

The OVfM should look for other ideas such as this across Whitehall. Particularly since Brexit and Covid, Government has become too top heavy, and the ambition should be to bring Whitehall's size back down to 2016 levels. Resources are better placed in the delivery of public services and in enforcement bodies.

## Regulators and other Public Bodies

FCSA are pleased to see the creation of the Fair Work Agency and believe that it can serve as a model for rationalising the total number of regulators and public bodies there are. Far from being a mere cost reduction exercise where three entities are merged into one, mergers such as this can deliver more holistic approaches and greater operational effectiveness.

There are currently well over 500 public bodies in the UK and there are likely to be many other instances where responsibilities and enforcement powers are fragmented across multiple organisations. We therefore recommend that the OVfM works with DBT's Regulation Directorate to take stock of the public bodies that currently exist with a view to merging those with overlapping responsibilities.

In order to stunt the growth of the total stock of regulation, there have previously been initiatives such as the "One In One Out" rule for developing new regulations. I.e. in order to introduce a new regulation, Government had to identify another regulation to scrap. There is scope to bring this up to the organisation level and fine tune it.

A new "One In One Out" rule could be applied to public bodies: In order to establish a new public body, an existing public body must be identified for merger with another, or scrapped entirely in favour of a market led approach, such as Standards, accreditation, industry codes of conduct, and Government Guidance Documents.