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Visit to Washington DC

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The Committee of Public Accounts

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Introduction

The Public Accounts Committee (PAC) visited the Washington DC in February 2018 to inform the Committee's future work and engage with our US counterparts. On the visit we pursued five main themes that reflect the international aspects of the PAC's work and domestic issues where the US experience gave us a new perspective to our work. Our principal objectives for the visit were:

- to understand the impact of recent US tax legislation on the UK and international tax arrangements;
- to improve our understanding of the United States' position on improving global tax transparency. This would build on the Committee's previous work on global tax transparency and public country by country reporting;
- to discuss the UK's defence procurement relationship with the USA, with particular reference to the value for money and delivery of the F-35 lightning aircraft programme;
- to understand the US's views on future trade relationships with the UK; and
- to explore the USA's approach to government financial accountability, at federal and state level.

We met with politicians who sit on equivalent Committees in the Congress and Senate, as well as officials from the Congressional Budget Office (CBO) and Government Accountability Office (GAO), which provide similar services to the UK's Office of Budget Responsibility (OBR) and National Audit Office (NAO) respectively. The CBO provides legislative costings and economic and budget projections to committees and individual members of the House and Senate. At the time of our visit the CBO had postponed publication of its budget and economic outlook report as it worked through the implications of the initial raft of legislation passed by the new Administration. Those uncertainties around the US's near-term and long-term economic performance provided the context for many of our meetings. The CBO's The Budget and Economic Outlook: 2018 to 2028 report was published on 9 April 2018. The report highlights projected increases in US deficits and GDP over the 2018–2027 period. The latest OECD figures show, total US GDP per capita was $57,591 compared to $42,622 in the UK in 2016, and US public spending was 37.6% of GDP, compared to 42.4% in the UK in the same year.[1] Historically, as percentage of total spending, the US federal spending is higher than the UK on health and defence while areas such as education and public order are predominately funded at sub–federal levels.[2]

1 OECD.Stat, National Accounts datasets 1 and 11, retrieved 23 January 2018.
2 OECD.Stat, National Accounts datasets 1 and 11, retrieved 23 January 2018.

Public spending by theme 2015, % of total spending		
	UK	US
General public services	10.6%	13.3%
Defence	5.0%	14.6%
Public order and safety	4.7%	1.4%
Economic affairs	7.1%	4.7%
Environment protection	1.8%	0.0%
Housing and community amenities	1.1%	1.6%
Health	17.8%	29.0%
Recreation, culture and religion	1.5%	0.1%
Education	12.0%	2.6%
Social protection	38.4%	32.7%

The Congressional Budget Office (CBO) provides economic analysis and forecasting services to committees and individual members of the House and Senate. The Office publishes legislative costings and economic and budget projections. The CBO produces baseline budgetary information for all legislation, which Congress' Joint Committee on Taxation uses to consider taxation boundaries.

The PAC has a long-standing interest in tax matters. In the last Parliament the Committee published seven reports on tax, which included 39 recommendations, 30 of which were accepted by Government. The Committee has consistently recommended that HMRC improve its capability to identify, investigate and pursue tax avoidance and tax evasion, much of which has an international dimension. In our previous work we have focused on aggressive tax avoidance by multinational companies and encouraged the UK Government to take a leading role in pressing for changes to international tax rules.

The PAC regularly reports on defence procurement, which is particularly important both because of the scale of the financial commitments and the importance of ensuring the UK's armed forces are properly equipped. The Committee has taken a particular interest in the carrier strike project, including the design and purchase of the F–35 II lightning aircraft.

We wished to discuss the future trading relationship with the United States because it is our largest single trading partner and that relationship will be even more critical once the UK leaves the European Union. We had also correctly anticipated that there would be interest in our views on the Brexit negotiations.

In this report we set out issues that emerged during our meetings that will inform the PAC's future work. The programme of meetings and agreed contemporaneous notes are appended to this report. We are grateful to all those interlocuters who met with the Committee and to the staff of the UK's embassy in Washington DC who assisted us.

1 Tax Cut and Jobs Act

1. The Tax Cuts and Jobs Act was signed into law on 22 December 2017 and took effect on 1 January 2018. The Administration's stated aims for the legislation are to:

- lower taxes on wages, investment, and business income;
- broaden the tax base; and
- simplify the tax code (via adjustments to Internal Revenue Code 1986)

2. For the UK, the legislation is important for two main reasons: its impact on the US economy and the consequential impact on the UK's economy and trade; and its effect on international tax arrangements.

3. The main domestic impacts of the legislation for individual households is the simplification of tax brackets and increases tax-free allowances. For US businesses, the headline figure is the Act's reduction of federal corporation tax from 35% to 20%. The legislation also limits tax on pass-throughs;[3] allows for certain capital investment to be deductible for five years and creates a territorial tax system. Chip Harter, Deputy Assistant Secretary, International Tax Policy at the US Treasury, told us that the legislation was a "complete rewrite" of US tax rules.

4. We were told that the legislation had passed and been enacted quickly and that the regulations underpinning the legislative changes were not yet available. The lack of time and detail meant that there was limited analysis of the potential impact of the legislation. The CBO's Budget and Economic Outlook 2018–2028 was published after our return from the United States. It concludes that "The act therefore increases the total projected deficit over the 2018–2028 period by about $1.9 trillion.[4] However, at the time of our visit, there was a lack of official objective analysis of the economic impact of the Act, and we heard a range of views from those we met, which broadly reflected their political affiliations. The Heritage Foundation, a Republican-leaning think tank, were supportive of the tax reforms and expected to see real growth of around $0.5 trillion after ten years. The Foundation was concerned that the legislation could have done more to encourage growth. The National Federation of Independent Business (NFIB), which represents the concerns of small business, told us that while tax issues were key concerns for its members, there was not, as yet, a consensus among small business on the impact of the new legislation. Despite the lack of clarity, the NFIB did report an increase in optimism among small businesses that the Administration's approach would have a positive impact on growth and job creation.

5. On the other hand, Tax Policy Center (TPC) told us that, in the short term, individuals would benefit from a tax cut, but, any increase in take home pay would be offset by increased health insurance premiums. For business, the TPC considered that the reduction in corporate tax would incentivise investment, but the likely increase in Federal interest rates would cause a counterbalancing increase in the cost of borrowing. The non-partisan but liberal leaning Center for American Progress argued that corporate tax cuts would not encourage investment but rather drive market consolidation. William Frick,

3 About 95% of American businesses are 'Pass-through'. This means their income passes through the company to named individuals, who then pay individual income tax on them. This model is adopted by sole proprietorships and by partnerships.

4 Congressional Budget Office: The Budget and Economic Outlook: 2018 to 2028, April 2018

Maryland House Majority Leader, said that the Act presented a number of challenges at State level, although the lack of detail around the legislation left uncertainty around its precise impact on state and local tax revenues.

6. It appeared to us that there was general agreement that the Act would reduce domestic tax revenues for a time, but there was uncertainty about the longer-term implications for the US economy.

International impact of US tax changes

7. Prior to the Tax Cuts and Jobs Act, the US has a worldwide tax system under which individual and corporate income, regardless of source, is subject to US tax law. To avoid double taxation on income earned overseas, the US offers tax credits equal to the amount of income tax that would have been levied on foreign-earned money had it been earned in the United States. Most countries have a territorial system under which income earned in another jurisdiction is subject to taxes there, and not in the home country.

8. A US corporation operating overseas will pay in the country in which it is based, then an additional tax to the US Government up to the total tax rate of 35%. However, the myriad of tax exemptions bring the effective rate down so that, prior to the Act, the average level of corporation tax was around 22%. Under the new tax arrangements that theoretical 35% rate has been reduced to 21%, with an expectation that the effective tax rate would be lower.

9. At the US Department of Treasury, Mr Harter explained that the Act intended to capture income derived or associated with US corporations' activities overseas. The base erosion and anti-abuse tax (BEAT) applies to US corporations and foreign corporations where US gross receipts are in excess of US$500 million aggregated on a global group basis. The BEAT effectively applies a minimum tax rate of 10%. The intention is to avoid US companies with foreign interests deducting income from the US tax base.

10. The mandatory repatriation is a one-off charge on earnings and profits accumulated overseas since 1986. The tax may be paid in instalments over an 8 year period. The US Treasury's expectation is that US corporations will repatriate cash, with a consequent boost for the economy. Other countries may also be prevented from pursuing those companies as a source of tax revenues.

11. The new global intangible low-taxed income (GILTI) provisions and corresponding deductions relate to income from overseas companies. This is another anti-base erosion measure that targets US corporations that own Controlled Foreign Companies for US tax purposes. The provisions apply an effective US tax rate on a US shareholder of any foreign-controlled corporation, subject to certain criteria and deductions—effectively assuring a minimum tax of 13.125%.

12. The foreign-derived intangible income (FDII) deduction, a new preferential tax rate for US corporations on income generated in foreign markets, balances the GILTI measure. The effective corporate tax rate on such earnings would reduce from 21% to 13.125% on above-routine income. The FDII deduction would be available to US corporate

subsidiaries of foreign-based multinationals. Mr Harter explained that the intent of FDII was to reduce the incentives to hold intangibles, such as intellectual property, overseas to serve those overseas markets.

13. There has been international concern about the new tax provisions. The EU has tasked the OECD with reviewing the new US tax provisions as there is concern that the BEAT provisions may breach international tax rules. Assessing the impact of the provisions will take some time as the rules are refined. For the UK, the provisions are likely to alter the behaviour of US subsidiaries in the UK and UK companies with interests in the US. The international concern about the provisions may also have a wider impact on the US Administration's approach to international trade.

14. Over the coming months the PAC will be monitoring the Government's response to these changes and is likely to press HMRC, DIT and HMT on the implications for the UK and UK business. Taken together the tax reforms aim to discourage US individuals and corporations with foreign interests shifting profits overseas to jurisdictions with lower tax regimes. The Committee will wish to monitor the impact of the US taking unilateral action to combat base erosion and consider whether there are lessons for the UK's approach to tax transparency.

2 Tax Transparency

15. The Organisation for Economic Co-operation and Development (OECD) has produced 15 Base Erosion Profit Shifting (BEPS) recommendations intended to improve global tax transparency and international tax settlements. The recommendations relate to minimum reporting standards by all countries; revised international standards to be incorporated into tax treaties; and best practice and common approaches. In 2016, the Committee hosted a global tax transparency forum at which Parliamentarians from 26 nations considered the benefits of the Base Erosion and Profit Shifting project and country-by-country reporting. Delegates at the forum signed a concordat that urged multinational companies to increase disclosure.

16. Country-by-Country reporting, the 13th of OECD's recommendations, requires multinational corporations to prepare files containing defined sets of facts for their home tax jurisdiction and local fines for other jurisdictions in which they operate. The European Commission has endorsed the approach and proposed the information being placed in the public domain.

17. The UK Government passed delegated legislation in 2016 and 2017 to introduce country by country reporting.[5] The Government accepted a cross-party backbench amendment to Finance Bill 2016 that enabled, but did not compel, HM Treasury to require public country-by-country reporting. However, that power has not been implemented. The current regulations require strict confidentiality in the exchange of information contained in CbC reports. The OECD's review of country by country reporting found the UK compliant with the legal and administrative framework with one exception.[6]

18. In the United States we found some appreciation and support for the principles of greater transparency, but little appetite for multilateral initiatives. The Financial Accountability and Corporate Transparency Coalition (FACT), which works closely with the Institute on Taxation and Economic Policy on tracking corporation tax payments and trends, told us that companies were not wholly opposed to greater transparency but they did have concerns that disclosed information would be a 'slippery slope' to unacceptably higher levels of transparency. The Heritage Foundation were yet to be convinced about the impact and benefits of tax transparency, but told us that they would welcome any further analysis. At the Center for American Progress we were told that the current Administration showed little enthusiasm for greater corporate or tax transparency. However, we were told that there had been no divergence from its predecessor in abiding by existing OECD transparency commitments.

19. Jack Blum, Chair of the US Tax Justice Network, supported a number of initiatives for greater transparency. He explained that some companies were able both to downplay their taxable activities to State and Federal authorities, while at the same time painting a much rosier picture in their Annual Report and Accounts. He advocated tax authorities monitoring and acting on divergence between a company's tax declarations and Annual

5 Taxes (Base Erosion and Profit Shifting) (Country-by Country Reporting) Regulations 2016 (2016/237); Taxes (Base Erosion and Profit Shifting) (Country-by-Country Reporting) (Amendment) Regulations 2017 (2017/497)

6 Organisation for Economic Co-operation and Development, OECD BEPS Action 13 on Country-by Country Reporting: Peer review documents, February 2017

Report and Accounts and suggested that companies would improve their reporting of discrepancies between tax returns and public statements on profitability if they were to be examined by tax authorities.

20. Mr Blum also advocated formulary apportionment, which ties taxation to real economic activity so that a company's profits or losses were allocated to the tax jurisdiction where the company had a taxable presence. Mr Blum offered the example of large multinationals based in California, which reported losses to the Californian State Auditor, despite high levels of productive real economy activity. However, the State Auditor was not empowered to intervene due to a Supreme Court ruling. The Supreme Court had found that formulary apportionment was constitutional but retaliatory action by some countries (including the UK) and discouragement by Federal Government had limited its appeal.

21. The FACT told us that there was increasing bipartisan support for transparency around beneficial ownership: the requirement to identify and verify the identity any individuals that own at least 25% of all legal entity customers. The Coalition told us that there had been five recent Congressional hearings on the issue, and the banking sector was beginning to sound supportive. Some CEOs were calling for more beneficial ownership disclosure as it allowed them more easily to identify, and therefore cater to, shareholders. However, concerns had been expressed that the greater transparency had national security implications. The FACT Coalition refuted this argument as there was no example of increased security threat in places with greater transparency around beneficial ownership. The US Treasury's Office of Terrorist Financing and Financial Crimes told the Committee there had been progress on transparency of beneficial ownership in line with international standards. New companies formed would also need to name a beneficiary; however, those names would remain confidential.

22. The US has also enacted provisions to increase transparency around property ownership. In August 2017, the US Treasury's Financial Crimes Enforcement Network (FinCEN) began to implement Geographical Targeting Orders, that require disclosure of the individuals behind shell companies that purchase real estate. The Orders currently apply in seven metropolitan areas. The Orders also require identification of persons involved in transactions made without a bank loan or other external financing, or transactions made using direct currency transactions. The Targeting Orders are temporary and must be renewed every six months. Originally expected to lapse in March 2018, the Orders were extended to 16 September 2018. Currently, the Orders do not extend to commercial real estate, or third parties to transactions such as lenders and lawyers.

23. The PAC has pressed the UK's tax authorities to make the arguments for greater transparency with international partners. The HMRC and the Internal Revenue Service work together closely and meet regularly to exchange information negotiate cases. A consistent international reporting standard would assist in those bilateral discussions and the Committee will be seeking the Government's views on progress towards greater international transparency.

3 Future trade relationships with the USA

24. The United States has led efforts to improve global trade systems for more than half a century. It is, by some margin, the UK's most important individual export market and the second largest source of UK imports. The US, however, is less reliant on trade as an economic activity than most of the rest of the world. In 2015 trade contributed 28 % to US GDP, compared to a global average of 58 %. Nevertheless, trade is critical to the United States—US goods and services exports were $2.2 trillion and supported 10.7 million jobs in 2016. The importance of international trade to the US economy was noted in the CBO's Budget and Economic Outlook: 2018 to 2028, which stated that:

> Changes to trade agreements or tariff policies on the part of the United States and its trading partners that impede trade could have significant adverse effects on aggregate economic activity, whereas the removal of trade barriers between the United States and its trading partners could improve aggregate economic conditions.[7]

25. The new Administration's public statements make clear the importance it attaches to rebalancing the United States' trade relationships. We were told that there was little enthusiasm, across political parties, for multilateral trade deals and both candidates in the recent election expressed concern about the Transatlantic Trade and Investment Partnership (TTIP) trade deal between the US and European Union. One of President Trump's first acts was to halt negotiations on TTIP.

26. Shortly after returning from the United States, on 7 March, the PAC took evidence from the DIT and put some of the concerns expressed to us in the US to the Permanent Secretary and Second Permanent Secretary.

Prospects for a deal

27. The future trading relationship between the UK and USA will be key to the UK's prosperity after leaving the EU. We found a cautious optimism for a mutually beneficial trade deal among those we met. Nile Gardiner, Director at the Heritage Foundation, told us that there was momentum for a trade agreement with the UK. The State Department told us that there was an appetite for trade negotiations with the UK, but made it clear that the United States' priority was unflinchingly fixed on the best outcome for their nation. In our discussions with members of Congress there was generally an optimistic view of the UK's future relationship with the US and an acknowledgement of the depth and warmth of transatlantic ties. We were left in no doubt, however, that that warmth would not influence the administration's approach to future trading negotiations.

28. Any new trade relationship would be forged in the context of the UK's exit from the European Union. The State Department expressed concern about the current lack of clarity around the eventual outcome of negotiations between the UK and the EU. Currently, the UK is unable to negotiate new trade deals until it has left the EU. However, the position

7 Congressional Budget Office, The Budget and Economic Outlook: 2018 to 2028, April 2018

during any transition period is less clear. The Heritage Foundation expressed concern that the transition may not be seamless and that the UK should be given the opportunity to negotiate its own trade deals in the transition period.

29. The State Department told us that the UK may be better placed to negotiate trade deals with other nations before embarking on a comprehensive trade deal with the US. They added that the US was committed to making comprehensive trade deals rather than deals that only included certain non-contentious areas. We were told that, most crucially, the UK needed to understand what it was trying to achieve from any negotiation upon which it embarked. This would require skilled staff understanding fully the context in which the opposite negotiating government was operating. When we put these views to the Department for International Trade, Chief Trade Negotiator Crawford Falconer's view was that the likelihood of a deal was "not a function of the resources and skills that we have", but rather a product of the dynamics of the negotiation.[8]

30. Mr Falconer told us that while neither the UK or US were in a position to have formal discussions prior to the UK's exit from the EU, the department was undertaking work to get "a closer understanding of each other's trade regimes and the areas and issues that are more complicated, so that, if and when we actually decide to start negotiation, we have a pretty good idea about what the limitations and the technical problems of that negotiation will be".[9] Mr Falconer was optimistic that a deal could be struck, telling us that "if two major economies such as ours decide formally that they want to do a trade negotiation, they will deliver one eventually…On whether it is feasible to achieve an outcome that is satisfactory to both, that is absolutely possible".[10]

31. The State Department also raised possible challenges and obstacles to trade once the UK was outside the EU. The UK needed to ensure that, in aligning or otherwise with European Union regulations, it could also align, where needed, with regulations of other trade partners. Those regulations would be key to the speed goods could get through customs. US interlocutors advised that the UK would not receive as good a deal from a US Free Trade Deal as it had had with the EU as a member state. The State Department said that the tariffs set by the UK would determine which sectors benefitted most from a Free Trade Deal.

32. The status of the Irish border was a particular concern in relation to rules of origin. The EU applies rules of origin checks to goods imported from outside the Custom Union. Once the UK leaves the EU there would need to be a method of applying the correct UK and EU tariffs on goods traded across the border. In evidence to the PAC in November 2017, Karen Wheeler, Director General, Border Co-ordination, HM Revenue & Customs, told us that the Irish border was not in the scope of Whitehall's Border Planning Group as it was still subject to negotiations and ministerial discussion.[11]

33. In the United States, we were told that the UK should ensure to communicate effectively and regularly with its population about the meaning of a Trade Deal and the impact it would have. Interlocutors spoke of their experience addressing populations across the EU about the Transatlantic Trade and Investment Partnerships (TTIP) and challenges in explaining its content when faced with resistance. When we put this to

8 Oral evidence taken on 7 March 2018, HC (2017–19) 692, Q 73
9 Oral evidence taken on 7 March 2018, HC (2017–19) 692, Q 61
10 HC (2017-19) 647, Q 67
11 Oral evidence taken on 20 November 2017, HC (2017–19) 558, Q 118

Antonia Romeo, the Permanent Secretary at DIT, she agreed that "we need to have a really effective communications narrative on this issue and on what free trade is", but added "I think it would be premature to start to prepare the country for something that we do not yet know our negotiating strategy on, let alone what the negotiating outcome will be".[12]

34. The scope and nature of any trade deal with US is one of the most important international relationships that will follow the UK's exit from the EU. The PAC has held a series of inquiries on Whitehall's preparedness for Brexit, including DIT and BEIS. In our report on DIT we found the department to be seriously hampered in preparing for these vital negotiations.

12 Oral evidence taken on 7 March 2018, HC (2017–19) 692, Q 93

4 Defence partnerships and accountability

35. The UK and US have a long history of defence collaboration, including operations, intelligence, nuclear co-operation, research and key capability programmes. In January 2018, the PAC reported on the Ministry of Defence's (MoD) carrier strike programme. Carrier strike combines the Elizabeth class aircraft carriers, F-35 II lightning aircraft and associated equipment and infrastructure.

36. The aircraft have been and designed and built by a US-led international partnership in which the UK is the only Tier 1 partner. Tier 1 status provides the UK with a greater stake in the design specification. The UK has signalled its commitment to buying 138 jets over the life of the programme. The Department has approved the purchase of 48 to date and approved spending of £9.1 billion on the Lightning programme. This includes the UK's contribution to early development costs, infrastructure, purchase and initial support of 48 aircraft, and administration costs.

37. In the United States, both the Government Accountability Office (GAO) and Pentagon officials raised concerns about the affordability of the F-35 programme. The GAO produces objective audit reports on federal spending, many of which are commissioned by Committees of Congress. The GAO's "high risk list" identifies agencies and programmes that the office considers vulnerable to fraud, waste, abuse, mismanagement, or at most need of transformation. Seven of the 35 programmes included in the most recent list relate to the Department of Defense, including contract management, supply chain management and financial management. Our discussions with the GAO focussed on concerns around the F–35 lightning project. The GAO told us that their main concerns were the high cost per plane and the aircraft's reliability and sustainment costs. At the Department of Defense we were assured that managing the projects costs was high on the Defense Secretary's agenda. The programme is managed by the Joint Program Office (JPO), which includes UK personnel and representation on the JPO's Executive Board. The Department had made structural changes to better incentivise progress on project costs, including linking performance management measures of key JPO staff directly to cost reductions.

Cost per plane

38. The UK is the only "Tier 1" partner and in this capacity in 2001 committed to invest $2 billion towards the $35 billion System Development and Demonstration (SDD) phase of the programme. The UK and other international partner nations also indicated numbers of aircraft that they intended to purchase over the life of the programme.

39. We were told by the Department of Defense at the Pentagon, that the Department was working on improving the overall affordability of the aircraft, either by reducing the per-unit costs, or improving the costs per flying hour. We were told that the total overspend for the 250 F-35s delivered to date was approximately $1 billion. They were anticipating the cost per aircraft, for the F-35A to be around $80 million. The UK is purchasing the slightly more expensive F-35B variant and when we took evidence from the Ministry of Defence after our return from the United States, Lieutenant-General Mark Poffley, Deputy Chair of Defence Staff, Military Capability, Ministry of Defence, explained that:

> We have already seen costs reduce from the lot 3 buy, which was about $160 million a copy. It was down to about $123 million for the latest purchase that we have made. When it comes to subsequent lots, we are expecting that cost to fall still further per tail, but we are in the middle of a negotiation beyond the 18 aircraft we have already contracted for, so that is a subject for us and the programme office to debate. I would anticipate it coming down to about $100 million a copy.[13]

40. The cost per aircraft is dependent on a number of factors including the sterling-dollar exchange rate and decisions by partner nations on the number of aircraft that they intend to purchase.[14] The programme costs are also affected by additional project development costs.

41. The Department of Defense had so far absorbed $19 billion in additional costs associated with the programme. The UK's initial commit to invest $2 billion in the project, which secured our Tier 1 status, also provided an assurance of being insulated from cost increases in the System Development and Demonstration (SDD) phase of the programme. The Department of Defense confirmed that US would not propose that partner nations absorb future liability for cost increases in the programme.

42. The GAO told us that there was a growing concern about contractual treatment of data rights. They would consider it ideal if intellectual property and data rights associated with the project tested with the Department of Defense. However, Lockheed Martin owned a notable quantity of data concerning the F-35 and some data rights would be recouped from Lockheed Martin through an ongoing programme to improve data rights management in the DoD.

Sustainment

43. In evidence to the Committee on 4 June, Air Vice-Marshal Richard Knighton confirmed that the UK's first F-35B lightnings were to delivered to RAF Marham that month. Once the aircraft are delivered they need to be maintained and operated in the field. The NAO's Defence Equipment Plan report noted that: "the first F-35 Lightning II aircraft is due to be in service in 2018, but there is not yet reliable data on which to forecast the costs of supporting the jets once they are operational."[15] These sustainment costs associated with the F-35 were raised at several of our meetings in the United States. The Department of Defense told us that it was focused on driving down costs in the supply chain, but acknowledged that it would need to learn from experience of operating the aircraft how to manage operational sustainment. This response echoed the MoD's response to our January 2018 report on carrier strike, in which they stated that estimates of the costs of operating and maintaining carrier strike, including the F-35s, would "mature" based on practical experience. In evidence to us after our return from the US, Stephen Lovegrove confirmed that the main cost issues "come in the sustainment and upgrading process, and ultimately in the operational process as well".[16]

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13 Oral evidence taken on 29 March 2018, HC (2017–2019) 880, Q 16

14 Report by the Comptroller and Auditor General, The Equipment Plan 2017 to 2027, HC (2017–19) 717, 31 January 2018, pages 43–44

15 Report by the Comptroller and Auditor General, The Equipment Plan 2017 to 2027, HC (2017–19) 717, 31 January 2018, para 2.16

16 Oral evidence taken on 29 March 2018, HC (2017–2019) 880, Q 12

44. Concerns about the cost and efficiency of the F-35 programme were echoed in some of our discussions with Members of Congress, with some concerned that the cost of ongoing maintenance of the jets would escalate to an unsustainable level. The GAO's report on F-35 sustainment highlighted concerns about the ability of the US Department of Defense to drive down the costs of parts and supply issues for its F-35 fleet. In our meeting with the GAO, they could not guarantee that the UK would be insulated from sustainment problems.

45. The Department of Defense told us that it was aiming for sustainment costs at about 30% of the total programme cost. In subsequent evidence to the PAC, Mr Lovegrove said he was aware of the 30% ambition and added "If it could be 40% then we would go for that as well."[17]

46. The MoD stated that the programme is within approved performance, cost and time boundaries and the cost estimates for supporting and operating the F-35B aircraft are routinely updated, based on the JPO annual cost estimate. The NAO, however, has concluded that the project team in the UK has little visibility of risks factored into the costs by the JPO in the US.

17 Oral evidence taken on 29 March 2018, HC (2017–2019) 880, Q 12

Appendix 1: Notes from meetings

Government Accountability Office

Attendees:

Jim Michels, International Director, GAO

Cary Russell, GAO Defence Team

Alissa Czyz, GAO Defence Team

Role of GAO

Role of the Government Accountability Office

Like the National Audit Office, the GAO works to support the legislature in holding Government to account by issuing timely, objective and fact-based reports. Unlike the NAO which examines financial performance and value for money, 90% of GAO's work is in performance audit. Whereas NAO is structured to shadow government departments, GAO is modelled more closely on the landscape of congressional committees.

97% of GAO's work is commissioned by Members and Committees of Congress with only 3% initiated by the Comptroller General. The Comptroller General is appointed by the President for a non-renewable 15-year term.

The GAO estimate their work to produce benefit of $63.4 billion in savings.

State-level accountability

The Federal-State-Local fiscal landscape is complex. Where federal funds are administered at State or Local level, the GAO is able to conduct performance or financial audit. However, it cannot audit wholly State- or Locally-funded initiatives.

Crucially, where there is any federal funding of a project, the whole project is GAO-auditable. Thus, 100% of a local project that is 20% federally-funded can be audited by GAO.

A Member asked whether the GAO could audit individual States were they concerned that State-level assurances were insufficient. Mr Michels responded that GAO cannot instigate such audits but is responsible for coordinating and enforcing accountability standards at all levels of government across the USA and works with State audit offices to maintain this. These good relations were best exemplified by State-GAO joint auditing of the 2009 post-crash fiscal stimulus package.

F-35 Lightning 2 Sustainment

The GAO first reported on F-35 sustainment in 2014 (GAO-14-778), finding that the Department for Defense (DoD) had not yet confirmed affordability targets. In 2016, it reported on DoD's lack of plans to fix ALIS; as a result, DoD developed a roadmap for improving ALIS.

Recent sustainment findings (October 2017) focused on:

Availability of parts

Depots falling behind in production

Transparency of sustainment costs

The risks associated with annual Lockheed Martin contract renewal

The GAO was concerned that, without the full information needed to effectively enter long-term contracts for sustainment, it was hard for DoD to drive down the cost of parts for their own fleet. The GAO estimated total lifetime sustainment costs for the US' fleet of aircraft as $1 trillion.

The programme worked on a concurrent model with development, production and sustainment all simultaneous. Consequently, development was a stronger focus than longer-term sustainment. DoD expected supply issues to endure but funding was being assigned to find solutions. The GAO estimated the "cost of concurrency" (mistakes found during continuous testing, retrofits etc) at $1bn.

DoD was not yet able to quantify additional sustainment costs as many of the involved parts were new. The GAO was concerned that the expansion of the fleet would cause supply issues.

When asked about potential international impacts of sustainment problems, the GAO could not guarantee the UK would be unaffected owing to DoD's global pool of suppliers. The GAO was just beginning work looking at F-35 global supply chains. The Joint Program Office within the DoD, which runs the F-35 programme, was due to publish a 'deep dive' within the next year. Improving the health of the programme's supplied pool was a top priority.

The UK as an international partner

When asked what the UK's biggest concerns should be, as an international partner, the GAO advised that the unit cost per plane remained high, alongside reliability. The Committee was advised to ask the DoD about plans to improve supply of parts and unit costs. The Committee was further advised to seek clarification as to whether increases in sustainment cost would be shared with international partners, or feature solely on the US' risk portfolio.

Intellectual property

In response to a question about what constituted good contract management, the GAO flagged a growing concern about the contractual treatment of data rights. Good contracting would ensure IP and data rights rested with DoD. However, some data rights needed to be recouped from Lockheed Martin through an ongoing DoD modernisation programme that aimed to improve data rights management in the DoD.

GAO confirmed that Lockheed Martin owned a notable quantity of data concerning the F-35, but exactly what this comprised was classified.

Urban-Brookings Tax Policy Center

Attendees:

Mark Mazur, Director, Tax Policy Center

Howard Gleckman, Senior Fellow, TPC

Eric Toder, Institute Fellow and Codirector, TPC

Steve Rosenthal, Senior Fellow, TPC

Donald Marron, Director of Economic Policy Initiatives, Urban Institute

Tax Cuts and Jobs Act

Mr Mazur told the Committee that the Act implemented the largest tax reform in several decades and was in practice a cut, whilst setting up a new regime for pass-through businesses which allowed owners to be treated more favourably.

In the short term, individuals would benefit from a tax cut. Middle-income earners would benefit to the sum of $900 for 2018; higher earners could see a $200,000 benefit. The Administration was therefore relying on the cuts proving popular despite their disproportionate application. Mr Mazur observed that any increase in take-home pay would likely be offset by increased health insurance premiums.

Mr Mazur told the Committee that the reduced business rates could incentivise investment. However, if this, paired with potential commensurate increases in individual spending as a result of individual tax cuts, led to an increase in Federal interest rates then the increased cost of borrowing could nullify the perceived gain relative to a higher-tax regime with low borrowing costs.

Crucially, the provisions relating to individuals expired in 2025 whilst those relating to corporations did not. Therefore, Congress would have to revisit to Act by 2025 at the latest to assure its permanency.

Corporates and individuals were now able to make deductions to their federal tax liability. For corporates this was equal to all tax already paid to State and Local governments; however, individuals' deductions were capped at $10,000.

Eric Toder did not believe there to be coherent economic strategy to the Act, which was passed over a period of two months. The last major tax reform of 1986 took two years to pass. As a result, neither the policy community, legislators, or lobbyists had yet finalised their analysis of the Act. Some private sector companies were working quickly to redo their tax strategies.

Another impact of the speed of the Act's passage was that the US Treasury would not be able to publish regulations relating to the new regime until months after its enactment.

Worldwide/territorial tax

Although the Act technically shifted the US to a territorial tax system, there were many exceptions resulting in "territorial-lite".

To incentivise repatriation of capital and IP to the US, the Act eliminated repatriation taxes on corporate money. It would also tax money earned before the Act passed, if repatriated, at a reduced rate over eight years, with different rates for cash and non-cash.

Federal debt ratio

The Tax Policy Center warned that the US federal debt ratio would increase substantially because of the Act, whilst its macroeconomic benefits will be short term and modest. It was difficult to tell at which level US Federal debt would be seen as unsustainable or whether overall higher levels of government debt worldwide would contribute to a "new normal".

If the Federal Reserve raised interest rates (either as a result of the Act increasing investment/spending, or as a result of general US economic growth regardless of the Act) then the cost of debt-servicing will continue to increase.

The Tax Policy Center was not too worried about debt increases hampering US growth, which was not a growth economy in global terms.

Specific international taxation provisions

Steve Rosenthal pointed out that overseas investors owned more US equity than domestic investors. As such, overseas shareholders were likely to benefit from the corporate tax cut, potentially up to $70 billion per year.

He described two changes:

Foreign-Derived Intangible Income

Eric Toder described FDII as "like a patent box", in that it encouraged domestication of Intellectual Property by offering reduced tax rates on a domestic corporation's portion of intangible income derived by serving foreign markets. This disincentivises the holding of intangibles overseas to serve those overseas markets. As such, it can be seen a reduced tax rate on export income derived from intangibles.

When asked whether FDII could impact the UK's trade surplus with the US, Mr Rosenthal said that the landscape for intangibles would change but it was hard to predict how as yet. He knew that Ireland was worried about the new rules.

Base Erosion Anti-Abuse Tax

'BEAT' is in effect a minimum tax on money shifted overseas, because it adds to taxable income certain previously deductible monies that had been offshored. It taxes this at a minimum of 10%. Meaning as it does that foreign affiliates' income cannot be deducted from the US tax base, it in the eyes of some will increase capital flow to the US. TPC commented that inverted companies (US companies that merge with overseas companies and thereafter register outside the US) will be particularly affected by BEAT.

International tax transparency

In response to a question about current US Administration's attitude to OECD BEPS, Mark Mazur told the Committee that the US policy community was still trying to work out how BEPS provisions could change in the future There were concerns about taxation of the digital economy, and avoiding a race to the bottom amongst countries who, in not signing up, could gain advantage through their non-transparency.

The Tax Policy Center did not envisage a growing commitment to public reporting. However, the Administration had not reneged on current commitments towards OECD projects.

State/Federal fiscal relations

When asked how the Act would impact States, TPC experts again emphasised that it was too early to tell. In the 1980s, some States had reversed the effect of Federal tax changes on citizens and companies by adjusting their own tax policies.

The Act cut the amount of State tax that individuals could deduct from their State liability. This could make it harder to States to increase their tax rates if they needed to at any point. To make up for any shortfall, States could increase property taxes for businesses.

Asked how the Administration's other reforms were being carried out at State level, Howard Gleckman observed that President Trump's infrastructure plan was only to receive $200 billion of Federal funding, with States responsible for a further $1.3 trillion.

National Federation of Independent Businesses

Attendees:

Dr. William Dunkelberg, Chief Economist, NFIB

Holly Wade, Director, Research and Policy Analysis, NFIB

Paul Bettencourt, Policy Analyst, NFIB

Kevin Kuhlman, Director, Legislative Affairs, NFIB

Areas of discussion

The Committee invited the views of the National Federation of Independent Business (NFIB) on tax policies and how they work in practice, as well as how small businesses are handled in the tax system compared to multinationals. The Committee also asked for the views of the NFIB in relation to the recent tax changes and asked to hear further on the relationship of the NFIB with large corporate companies.

The NFIB was founded in 1943 as an alternative to the US Chamber of Commerce as it was felt that there was no body which offered a voice for smaller businesses. The NFIB now has 700,000 member firms. The four main membership industries of the NFIB were manufacturing, construction, retail and customer services.

NFIB and Tax Reforms

The NFIB's policy was to structure advocacy efforts by sampling and surveying its members. It has identified five key problems for its members. These are as follows:

a) Property taxes;

b) Changes in tax law;

c) Complexity of tax regulations;

d) Federal taxes;

e) State taxes

The NFIB had attempted to alleviate the "severity" of these tax issues although it had found that, with recent federal tax changes, the cost and complexity faced by small businesses had accelerated.

The NFIB reported that there is not a consensus among its members in relation to how the new tax law is viewed–there is a great deal of uncertainty and a number of small business owners do not yet know what to make of the law. Many businesses have hired small business tax accountants to better understand the complex tax changes.

The NFIB will be surveying its members during March in relation to the reaction to the new tax law. They have found that assessing its impact has proved difficult as the reform is disproportionately focussed on large businesses; it is expected that impact on businesses will become clearer after the second quarter. The NFIB has conveyed its concerns to legislators.

Kevin Kuhlman told the delegation that there had been an appetite for tax reform as there had not been a major rewrite since 1986. There had also been momentum behind the tax reform proposals as it was felt that there was a possibility that it could unite the Republican party.

Impact on the Economy

The NFIB told the delegation that they felt optimistic about the tax changes and job creation. They reported that the Economic Optimism Index "soared" to its highest level in 45 years after President Trump committed to tax reform. Hiring plans were at a record level and there had been growth in job opportunities. However, the NFIB further stated that the current job market is tight.

Holly Wade added that she believed that there will likely be a growth in GDP and improvements in business conditions. She believed that there is an enthusiasm for the reforms in labour markets and this will be reflected in increased job openings and increased sales.

Concerns of SMEs:

SMEs and Contracts

Holly Wade highlighted the difficulty that small businesses face when negotiating and bidding for contracts. Infrastructure projects are dominated by five or six companies, which makes bidding for contracts difficult. As a result, not many small businesses are involved in infrastructure. Furthermore, bidding for large contracts is seen by SMEs as being too complex and too time intensive.

The delegation asked whether there were rules in place to ensure that sub-contractors to government contractors were paid on time. The NFIB confirmed that there were no rules in place to support this.

Employment Regulations

Some NFIB members had raised concerns around over-regulation. They often found it difficult to understand what they viewed as overly-complicated regulations, and were often unaware of non-compliance.

The cost of health insurance was cited as one of the main concerns of its membership. Holly Wade told the Committee that the cost of health insurance has increased dramatically over the last 20 years and companies often find it difficult to offer this to employees. Holly Wade added that, since 1986, the cost of health insurance has been cited as the number one problem encountered when operating a business.

Overseas Sellers

The NFIB were asked whether overseas sellers had had any impact on US businesses–for example, by undercutting US businesses. The NFIB confirmed that it was an issue that had been raised, and that it is currently being looked at by the Supreme Court.

Banks

NFIB members were concerned about the decline of small community banks. Because of these banks closing, some small businesses have found it more difficult to obtain credit.

Concerns for the Future

Kevin Kuhlman told the Committee that, looking forward, a concern for SMEs was how to fill the skills gap with qualified workers.

There was also a discussion about what the US's restricted immigration policy might mean for the economy. The NFIB agreed that it could pose difficulties for the agricultural sector, as undocumented workers now find it more difficult to cross the border. As a result, some undocumented workers are transitioning away from agricultural jobs to more skilled jobs. This has accelerated the transition to technical replacements in agriculture.

US Tax Justice Network

Attendee

Jack Blum, Chair, US Tax Justice Network

Areas of discussion

Mr Blum began by suggesting that there was not enough audit capacity to test corporate returns thoroughly, and that the Internal Revenue Service was under-resourced. There was tacit acceptance that the oversight framework was therefore porous.

He suggested that domestic and global tax calculations needed a "total rethink" and advocated formulary apportionment (whereby profit/loss earned by a corporate group is allocated to a particular tax jurisdiction where the group has a taxable presence).

State/Federal tax transparency

California provided a good example of why formulary apportionment was needed. The California State Auditor had reported large multinationals making a loss in California, despite high levels of productive real economy activity. However, the State Auditor was disempowered from intervening owing to a Supreme Court case involving Barclays Bank. Although the Supreme Court found that formulary apportionment was constitutional, retaliatory action by some countries (including the UK) and discouragement by Federal Government limited the appeal.

Moving profits offshore

Mr Blum pointed out that, although the US had an information exchange agreement with the Cayman Islands, it has used it only a handful of times in 10 years. The time between requesting and receiving information meant the system could be gamed, thus weakening an argument that private Country-by-Country information exchanges are enough to end bad practices.

Information exchanges did not mitigate against stateless transactions. For example, a Norwegian company needing to sell an oil rig could classify it as a vessel, drag it into international waters, sell it to another Norwegian company to be dragged back to Norway, and neither would pay tax.

The idea of Tax Justice

Mr Blum pointed out that manipulating the rules was not possible for most taxpayers whose inbound and outbound monies had to be reported. The ability to exploit holes in rules was limited to a select few. He advocated stronger coherence in companies' reporting. Whilst downplaying their taxable profits to State and Federal authorities, Annual Reports and Accounts often painted a much rosier picture. Examining where the two did not align or taxing the profits shown in an ARA document could encourage companies to ensure their reporting was consistent.

Mr Blum praised the OECD's efforts to arbitrate between nations and push the agenda forward. However, he was concerned by its own lack of transparency and accountability, and that it engaged a limited pool of government and corporate stakeholders. There was limited engagement with the majority of taxpayers, whether businesses or individuals.

Questions from the Committee

When asked what needed to change at the OECD, Mr Blum again emphasised the importance of a plurality of voices. He also argued for a unitary, multilateral system to make formulary apportionment work.

When asked whether he believed there was not transparency between companies and tax authorities, Mr Blum said that there was not enough resource within tax authorities to sustain true transparency despite improvements in the mechanics of how corporates and authorities interacted.

Mr Blum believed that corporate information should be more public. Corporations were not citizens or votes, and so did not merit the exact same protections. Mr Blum's own experience working on the Lockheed bribery scandals led to his support for public disclosure.

When asked whether some countries breaking ranks and instigating public Country-by-Country Reporting would help, Mr Blum said he doubted there would be a domino effect, but it could show other countries that doing so was not inherently damaging to national or business interests.

Department of Defense

Attendees:

Matt Warren, Director, International Armaments Cooperation

Brig Gen Eric Fick, Deputy Program Executive Officer, F-35 Lightning II Joint Program Office

Ed Wolski, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics

Summary of discussions

Prioritisation of the F-35 Joint Programme

The Committee was told that the F-35 programme was being treated as a top priority. Structural changes had been made within the Department to better incentivise progress on project costs, and risks associated with the project were high on the Defense Secretary's agenda. Changes had been made to performance management of key staff within the Joint Program Office to tie staff reward directly to cost reductions.

Wider changes were being made in the Department of Defense. The Committee was reassured that these would not affect the cost or timeline for further F-35 delivery.

Sustainment costs

Committee Members raised concerns expressed by the Government Accountability Office concerning increasing costs of sustainment over an approximately 40-year lifespan.

The Department was working to improve overall affordability of the aircraft. This would either drive down per-unit costs, or costs per flying hour by improving the flying hours per plane. The Department provided as an example, that, should costs come to 30% less than expected, this would not necessarily equate to a 30% cut in the overall cost of the programme. The cost reduction would likely be made up by 30% extra flying time, meaning that overall costs remain the same.

The Department could not predict overall operational sustainment owing to the development model adopted by the programme. The Department acknowledged that it will be operating over 1,000 aircraft and will need to learn how to sustain these aircraft while ensuring that costs do not escalate. When asked, the Department acknowledged that the program's biggest risk is its overall affordability and underlined that it is committed to managing this.

To this end, the Department was working with the contractor, Lockheed Martin, to accelerate provision and drive cost reduction is spares provided via a supply chain of depots nationwide.

Operation of the Joint Partnership

Members noted that the Department of Defense had so far absorbed $19 billion in additional costs, and asked whether the UK would be jointly liable for any future additions following the expiry of its Tier-1 Partnership status. The Department confirmed that they would not propose that partner nations absorb future liability for cost increases and that the Department's main efforts were now focused on reducing cost per aircraft.

Wider Departmental change

The Department informed the Committee of internal changes that could drive efficiency in the project. Chief of these was the adoption of an 'agile' software transformation programme, which, if successfully implemented, could reduce software costs by 10%. A Departmental review was ongoing which aimed to examine previous contracts, including their problems, and pre-empt any difficulties the programme could experience moving into the sustainment phase.

Center for American Progress

Attendees:

Seth Hanlon, Senior Fellow, Tax Policy

Miguel Rodriguez, Senior Vice President for Government Affairs

Alex Rowell, Policy Analyst

Trevor Sutton, Fellow for International Policy

Areas of discussion

Transparency and Country-by-Country Reporting

Mr Sutton told the Committee that new tax laws did not mention County-by-Country Reporting or commit to wider transparency initiatives. He did not observe a sharp difference in attitude on this issue from this Administration compared to the Obama Administration. He pointed out that this Administration had so far made moves elsewhere to curtail transparency, such as pulling out of the Extractive Industries Transparency Settlement. He also referenced the President's attitude to personal transparency when a candidate for the presidency.

'America First' was not likely to translate into more corporate transparency to the Internal Revenue Service.

The Tax Cuts and Jobs Act

The Center was opposed to the provisions of the Tax Cuts and Jobs Act. Tax cuts for corporates would not encourage investment; the low interest rate should be incentive enough.

The Center was concerned that the corporate tax cut would lead to market consolidation in the US, with extra corporate money going to share buybacks and mergers and acquisitions. There were not convinced that capital flow to the US would be as strong as predicted as State and Local regulations still applied as before.

Responding to the positivity expressed by the National Federation of Independent Businesses, Mr Hanlon explained that NFIB had long been advocating cuts for pass-through businesses. Mr Hanlon was more optimistic about an increasing appetite for Anti-Trust, which could protect small businesses without making large deregulatory moves.

Foreign-Derived Intangible Income

Mr Rowall suggested that taxing foreign-derived intangible income at 10.5% would not necessarily encourage the return of intangibles to the US. After all, corporate tax rates in the US were still double the FDII rate, so could encourage more offshoring of intangibles rather than less.

Current US political landscape

The Center argued that a 'we cut taxes' messages may not be enough for the Republicans to hold both Houses of Congress at the 2018 midterms. However, they recognised that messaging was difficult for the Democrats.

First, the Democratic party needed to show itself as pro- new initiatives, rather than simply against Republican ones. Then, it had to appeal both to affluent coastal voters and those in former industrial towns with whom the tax cuts play well. The Democrats may have to argue a more nuanced point that the decrease in taxes will not increase overall affluence owing to rising healthcare premiums, etc.

The Democrats also needed to consider how they would foster new leadership. There remained a deal of introspection to do about the 2016 Presidential campaign.

Annapolis, MD: Office of Legislative Audits

Attendees:

Karie Lorek, Training and Recruitment Specialist, Office of Legislative Audits

Office of Legislative Audits

The Office of Legislative Audits (OLA) is Maryland's taxpayer watchdog with the authority to audit all Maryland State government agencies and local school systems. Each unit is audited at three to four-year intervals, although, should the audit report return negative findings, the agency may be re-examined after six months. The main focus of the OLA is to audit the executive and judicial branches of government.

Fiscal Compliance Audits

The OLA has been conducting specialist audits of state agencies since the mid-20th century. These reports are generally a check on the internal controls and processes and to ensure that sufficient controls are in place to safeguard the State's assets. Fiscal compliance audits also serve to determine compliance with laws and regulations. In these audits, financial transactions and records are examined extensively.

Performance Audits

Performance audit reports are undertaken on selected State government programmes and evaluate the efficiency, effectiveness and economy with which state resources are used.

OLA's work

Karie Lorek provided the Committee with an example of a recent performance audit report: considering the bid of state rescue helicopters who wanted to procure a new fleet from a private contractor. An audit report was undertaken to determine whether this offered good value for money.

The OLA has also undertaken audit reports on Maryland Social Services, where is found that 57 children were in foster care which was monitored by ten different Local Departments of Social Services across Maryland which were found to be non-compliant with 31% of areas required. This case was then further referred to the Joint Audit Committee in the Maryland General Assembly who then followed up on concerns.

Karie Lorek informed the delegation that, in Maryland, lottery income raises more money than corporate income tax. As such, the state lottery is also under the OLA's remit for audit.

Fraud Hotline

The OLA runs a fraud hotline which enables whistle blowers to come forward with information as audit reports are being undertaken; these whistle blowers are protected by law. Whistle blowers are not informed of when the issue they have raised has been taken forward.

Questions from the Committee

In response to a question about how much of the OLA's workload is commissioned by Committees, it was estimated that this equates to around 5% of audit work.

The OLA was also asked whether referrals for special audit reviews were often politically motivated; the OLA confirmed that they often were.

Annapolis, MD: Delegate Bill Frick

Attendees:

C. William Frick, Maryland House Majority Leader, D-16

Areas of discussion

C. William Frick (Delegate Bill Frick) provided an overview of the Maryland State legislature. Delegate Frick explained that it is a part-time legislature which meets for 90 days each year. The legislature consists of 141 delegates, as well as 47 senators. In the 90 days that the legislature meets, it will pass the state budget and consider 3,000 separate bills. The assembly will occasionally be recalled for a special session, although these are infrequent. In the 90 days that the General Assembly sits, Committees will scrutinise the process of state government.

Financial Scrutiny on a State-wide level

Delegate Frick explained that a part-time legislature often faces challenges conducting financial oversight. The assembly has a separate body to consider budget and procurement decisions–the Board of Public Works. This body has only three members–the Governor, Comptroller and Treasurer of the state of Maryland.

Delegate Frick stated that, currently, a great deal of the General Assembly's oversight is concerned with cyber-security.

Delegate Frick also explained that Committees are often recalled to further consider findings. Matters to be considered may consist of reports and further findings from the Office of Legislative Audits. Committees will often invite state agencies to appear before them; Delegate Frick was not aware of any agencies refusing to attend Committee sessions.

2019 Budget

Delegate Frick told the Committee that the 2017 federal tax legislation, the Tax Cuts and Jobs Act, presented the state legislature with a number of challenges. This was due to the fact that he perceived there to be a lack of clarity around the effects it would have on a state level. For example, both the state and counties collect income tax in Maryland. The state tax is levied for the benefit of the counties. Also, each county levies its own income tax rates; these income tax rates are set by the legislature and can vary. It is unclear how the federal tax legislation would therefore impact on the revenues of Maryland.

In response to a question from the Committee, Delegate Frick stated that it was unlikely that the state would raise local corporation tax in order to off-set the federal corporation tax cut.

Delegate Frick further offered explanation as to how federal tax changes have impact locally. Delegate Frick offered the example of Baltimore–a city of significant need which does not have the sufficient tax base to fund its schools. Federal tax changes could have a direct impact on Baltimore's funding.

Annapolis, MD: Office of the Comptroller General

Attendees:

Brad Roth, Section Manager for Process and Control, Office of the Comptroller

Christian Miller, Manager of Special Projects and Administration Section, Office of the Comptroller

Areas of discussion

Brad Roth and Christian Miller told the delegation that, after the Governor, the Comptroller was the most publicly recognisable figure in Maryland. The role of the Comptroller is an elected position although this is not the case in many other states in the US.

Maryland Taxes

The state of Maryland receives revenue from a variety of sources. These were defined as follows:

a) Personal Income Tax (made up 55% of revenue for FY 2017)

b) Corporate Income Tax (5% of revenue for FY 2017)

c) Sales and Use Tax (26% of revenue for FY 2017)

d) Partnership/Trust/Fiduciary Pass-Through Income

e) Alcohol and Tobacco Tax

f) Admissions and Amusement Tax

g) Boxing and Wrestling Tax

h) Estate Tax

i) Motor Fuel Tax

j) Motor Fuel Carrier Tax

k) Franchise Tax

Challenges currently facing the Comptroller include that they are required to respond to recent legislative changes, as well as the fact that federal income tax brackets have changed.

The Committee also heard that the Comptroller has a tight budget. There has recently been a high volume of regulatory changes from federal agencies, which has posed pragmatic challenges.

The Comptroller told the Committee that localities have found it difficult to understand the recent federal tax changes changes and the impact that they might have. To this end, localities often receive advice from the Internal Revenue Service (IRS).

The Comptroller informed the delegation that the corporate tax rate in Maryland stands at 8.25%.

Local Tax

The counties in Maryland determine their own budget., usually generating revenues from three sources:

a) Personal Income Tax;

b) Admissions and Amusement Tax;

c) Property Tax

Electronic Filing

In a similar way to the UK, there has been a recent push towards electronic filing and 'making tax digital' in Maryland.

The Comptroller told the delegation that 84.5% of individual income tax returns in Maryland were filed electronically, this was an increase from 83.6% in the previous year. This equated to 2,682,459 individual returns.

2,146,974 taxpayers were issued refunds; 75% of these refunds were deposited directly to the taxpayers' bank accounts.

94% of Maryland's 281,000 2017 Corporate Tax Returns were filed electronically.

Congressional Budget Office

Attendees:

Mark Hadley, Deputy Director

Theresa Gullo, Assistant Director for Budget Analysis

Budget Economic Outlook

The Congressional Budget Office regularly publishes projections of economic and budget outcomes which incorporate the assumption that current US law regarding federal spending and revenues generally remains in place. Those baseline projections cover the 10-year period used in the Congressional budget process. Most of the reports on those projections also describe the differences between the current projections and previous ones; compare the economic forecast with those of other forecasters; and show the budgetary impact of some alternative policy assumptions. The budget projections and economic forecast are generally issued each January and updated in August; the budget projections are also generally updated each March.[18]

CBO has announced that the release of the 2018 annual report had been delayed until April owing to the need to incorporate the effects of recently-enacted major legislation including the Tax Cuts and Jobs Act.[19] The annual report was published on 17 April.

CBO's baseline budget and economic projections are based on the assumption that current laws governing federal revenues and spending will generally remain unchanged. Some specific rules governing baseline projections have been included in legislation (in particular, the Balanced Budget and Emergency Deficit Control Act of 1985) or have been developed by CBO in consultation with the House and Senate Budget Committees.

The baseline projections are not intended to be a prediction of budgetary outcomes. Rather, the projections reflect CBO's best judgment about how the economy and the budget will evolve under existing laws. That approach allows the baseline to serve as a neutral benchmark against which Members of Congress can measure the effects of proposed legislation.[20]

CBO's analysts assess the extent to which proposed policies would affect people's behaviour in ways that would generate budgetary savings or costs, and those effects are routinely incorporated in cost estimates and reports. For example, CBO estimates include changes in the production of various crops that would result from adopting new farm policies, changes in the likelihood that people would take up certain government benefits if policies pertaining to those benefits were altered, and changes in the quantity of health care services that would be provided if Medicare's payment rates to certain providers were adjusted.

18 https://www.cbo.gov/about/products/major-recurring-reports#1
19 https://www.cbo.gov/publication/53622; https://www.cbo.gov/publication/53503
20 https://www.cbo.gov/about/processes#baseline

Similarly, in its estimates of the budgetary effects of tax legislation, the staff of the Joint Committee on Taxation accounts for behavioural responses to changes in the tax system: for example, changes that would take place in the timing and size of capital gains realisations if the tax rate applicable to capital gains was modified.

For major legislation, and when practicable, CBO's cost estimates reflect changes in behaviour that would affect total output in the economy, such as any changes in the labor supply or private investment resulting from changes in fiscal policy, and that would thereby affect the federal budget. That is, for such legislation CBO's cost estimates include what is sometimes known as dynamic analysis. As macroeconomic analyses require complex modelling and a significant amount of time, they are produced only for a small number of major proposals, when time allows.[21]

The CBO and the OBR

During the creation of the OBR, the CBO was explored as a potential model.

Unlike the OBR, the CBO can provide legislative costings for individual Members, but its chief responsibility under the Congressional Budget Act is to help the House and Senate Budget Committees with matters under their jurisdiction. According to the Congressional Budget Act, CBO's order of priorities are (see Duties and Functions of the Act):

Budget Committees

Committees on Appropriations, Ways and Means, and Finance

Other Committees and Members

Meetings with Members of the House of Representatives

Congressman Steve Russell (Republican, Oklahoma, 5th District)

The Committee discussed issues with relation to defence and tax with Congressman Russell, who offered comparison between the UK and the US.

The Committee raised the F-35 programme and wider defence issues. The Committee delegation noted that they had heard the GAO's and Pentagon's concerns, and Congressman Russell shared his own views and concerns in relation to the programme. Congressman Russell surmised that the F-35s were likely to have a huge impact on the future of warfare; however, he held concerns over the cost and efficiency of the programme. He stated that the technical problems identified in trials were of little concern as these would likely be rectified, but he believed that industry could be more efficient in the building of the jets. He further added that he believed that the costs of the ongoing maintenance of the jets may escalate and prove unsustainable.

The meeting also featured a wider discussion around the implications of the UK's decision to leave the European Union, foreign policy and defence.

21 https://www.cbo.gov/about/processes#behavior

Congressman Ron Kind (Democrat, Wisconsin, 3rd District)

The Committee discussed issues in relation to UK/US trade relations with Congressman Kind. The Committee also considered the UK's decision to leave the European Union and the implications it might have on relations between the US and UK.

The Committee first discussed the UK's ongoing Brexit negotiations with the European Union and any difficulties that might be encountered. The Committee delegation noted that a renegotiated trade agreement with the US might be of particular significance as the UK prepares to leave the EU. It was discussed whether a trade deal with the US could be of more importance than the current trading deals in place with the EU. The Committee further discussed the 'America First' rhetoric from the current administration and considered whether this might have potential negative implications for any potential UK/US trade deal.

Congressman Kind offered his views on the Tax Cuts and Jobs Act. He warned of an increase in national debt, and that increased spending would only be in defence rather than in human capital.

These discussions were followed by a general discussion on US domestic politics, particularly in relation to the Democratic party. There was also conversation around the respective defence policies of the UK and US.

Congressman Glenn Grothman (Republican, Wisconsin, 6th District)

Congressman Grothman discussed the recent Tax Cuts and Jobs Act. Congressman Grothman was optimistic about the implications of the Act and noted that he believed that lowering the corporate rate of tax was the right decision to take. There was a general discussion around the Act and its implications for the US economy, including on unemployment and welfare.

The delegation further discussed the UK's exit from the European Union, and the potential for a trade deal between the US and UK post-Brexit. There was a wider discussion which centred on defence and the decline in defence spending over the past few years. The delegation also spoke about unemployment and welfare within the US, as well as a brief conversation on global warming.

Congressman Drew Ferguson (Republican, Georgia, 3rd District)

Congressman Ferguson supported the liveliness of public debate in the UK before and after the Brexit referendum. He looked forward to maintaining strong US/UK relations, and hoped for due importance to be paid to financial services. He welcomed Georgia's ties to the UK, which is the state's third-biggest trading partner.

Concerning changing US attitudes to free trade, Mr Ferguson told the Committee that his district had seen 35,000 job losses in the textile industry. He felt that the Administration needed to pay attention to economic fundamentals, ahead of trade deals. This should include tax code reform and regulatory reform. To this end he supported the Tax Cuts and Jobs Act. Changes in trade arrangements had to sit atop said newly-reinvigorated fundamentals.

Mr Ferguson was passionate about education reform, arguing that the current system was too focused on university entrance and that there was not enough recognition for apprenticeships or technical college. A vocational education in advanced manufacturing should be viewed with the same prestige as a university degree. High school non-graduation rates in Georgia were 18%. When asked whether the President's promised infrastructure plan could tie to vocational education, Mr Ferguson said that there were already programmes to ensure that infrastructure projects delivered good training but they could be better funded.

Congressman Paul Gosar (Republican, Arizona, 4th District)

Congressman Gosar, a former dentist, had a keen interest and focus on US health policy, as well as health insurance. Congressman Gosar underlined his view that health insurance companies have a "monopoly" over patients in the US.

Congressman Gosar told the delegation that he believed that the sourcing and extraction of natural resources was often overly complicated and advocated a less bureaucratic system.

The delegation discussed government oversight and the comparative values of the National Audit Office and the Government Accountability Office. Congressman Gosar raised concerns around defence spending. The delegation also had a brief conversation concerning the Congressional Budget Office; the Congressman raised some concerns about the value of the CBO's work.

Heritage Foundation

Attendees:

Nile Gardiner, Director, Margaret Thatcher Center for Freedom

David R Burton, Senior Fellow, Thomas A Roe Institute for Economic Policy Studies

Adam Michel, Policy Analyst, Thomas A. Roe Institute for Economic Policy Studies

James Roberts, Research Fellow for Economic Freedom and Growth

Areas of discussion

Brexit and Trade

The Heritage Foundation was founded on the legacy and principles of President Ronald Reagan and remained committed to upholding his values to economic freedom.

The Heritage Foundation said that it was supportive of the UK's decision to leave the European Union and believe that the decision offered great opportunity for the UK. Nile Gardiner reported that there was, in the US, momentum for a trade agreement with the UK and that the UK no longer remaining in the customs union would prove very important in terms of negotiations with the US. Mr Gardiner noted that there were currently five pieces of legislation being considered on Capitol Hill which would support a UK-US free trade agreement; this would provide an opportunity to advance the nations' existing alliance.

When asked what, in their view, would define a successful Brexit, the Heritage Foundation responded as follows:

a) That it would result in a "truly sovereign Britain" which could strike its own free trade agreements;

b) That there would be clarity regarding leaving the customs union;

c) That it would result in a "sovereign, outward-looking Britain" which is a "successful global anchor and stands for free trade";

d) That the UK would demonstrate leadership and share the world stage with the US;

e) That it would work with its European allies but also look to the world for leadership

The Foundation were asked by the delegation about President Trump's 'America First' policy, as well as protectionism and what this might mean for future trade with the UK. Nile Gardiner agreed that there had been a move towards protectionism and that there had been a rejection of big multilateral trade deals, including TTIP. However, it was argued that the potential for a US-UK deal remained very positive, particularly as it would be a "job creator" rather than a threat to American jobs.

Tax Reform

There followed a discussion on Tax Reform and the fiscal position of the US. It was noted that for 2018–19, US spending would be lower than in 2012. Discretionary spending had been squeezed and cuts were being made in areas of non-discretionary spending such as welfare. The Heritage Foundation underlined that the current administration was considering ways to reform social security, disability payments, Medicare and Medicaid. The Foundation believed that spending on entitlements is "out of kilter" by $26 trillion and expect Paul Ryan, the Speaker of the House, to put entitlement spending on the agenda.

In terms of tax reform, the Heritage Foundation expect to see real growth effects of $0.5 trillion after ten years. They described the long-term US fiscal situation as grave and it was felt that Congress is too frivolous with its spending. The Heritage Foundation were, for the most part, supportive of tax reform but was concerned by what they view as continued over-spending. The Foundation welcomed the corporate tax cut. They stated that the US had the highest corporate tax rate in the developed world, which they believed had the effect of pushing industry abroad.

It was also felt that there were "missed opportunities" with the tax bill. It could have better incentivised growth by improving capital cost recovery allowances. Concerns included the removal of the deductibility of state income tax, which could increase some people's income tax liability by 2–3%.

Questions from the Committee

The Committee asked about the possibility of a US-UK trade deal. The Heritage Foundation told the Committee that the TTIP had been seen as providing little by way of a net economical gain. However, in their view, a US-UK trade agreement would be mutually beneficial and would therefore be viewed positively.

The concern was raised that, in the event of a trade deal, it would not sufficiently cover all industries and sectors and that not all agreements could be covered by a bilateral trade deal. The Heritage Foundation argued that a bilateral trade deal would encourage the European Union to "drive down its protectionist trade barriers". The Foundation further argued that the UK should be given the opportunity to negotiate its own trade deals during its Brexit transition period.

Concerning the US deficit, the Foundation said that, in their view, a tax cut would have been welcomed had it had an impact on growth to therefore minimise the deficit. They reiterated their view that entitlement payments such as welfare were causing the government to run a deficit and could not continue as present. It was noted that this was particularly pertinent due to the ageing population of the country, and 'age bands' in health insurance were exacerbating the issue. For example, an elderly cancer patient cannot pay more than three times that of a younger cancer patient.

The Committee also raised the issue of tax transparency, as well as base erosion and profit shifting (BEPS). The Heritage Foundation responded that they had yet to be convinced on the impact and benefits of tax transparency. They reiterated that there was little appetite for tax transparency legislation in the US but that they would welcome any further analysis. There remained concerns that wider public reporting of tax information posed a national security risk. In Heritage's view, these risks were not mitigated by limiting data sharing to government-to-government.

FACT Coalition

Attendees:

Gary Kalman, Executive Director

Clark Gascoigne, Deputy Director

Richard Phillips, Senior Policy Analyst, Institute on Taxation and Economic Policy

Ben Grossman-Cohen, Global Campaign Manager, Oxfam America

The Financial Accountability and Corporate Transparency Coalition (FACT) represents over 100 organisations. The Institute on Taxation and Economic Policy, a think tank which tracks corporation tax payments and trends, as well as Oxfam America are both key members of the FACT Coalition and work closely with FACT's staff.

US Commitment to OECD BEPS

Caroline Flint explained the enabling powers for public Country by Country Reporting that the UK Government had.

Richard Phillips told the delegation that the US was signed up to the BEPS CbCR commitment, but through its own private means. The government was not sold on making the information public. However, Mr Phillips has been collaborating with the Financial Accounting Standards Board (FASB)—a non-governmental body that sets US accounting rules—and he knew first-hand that significant, public CbCR, if not full, was in progress. The Tax Cuts and Jobs Act had temporarily stymied momentum on this owing to the work pressures it had created for FASB. A crucial difference between the BEPS standard and the FASB standards is that there would be no threshold above which US companies would be obliged to report; US proposals would affect all sizes of company.

Gary Kalman told the delegation that some investment firms with whom he had had private discussions were not wholly opposed to greater transparency. Their concerns were over clarity about exactly what data would be disclosed, and fears of a "slippery slope" if they gave any ground. Clarity would help them model risks. There was general convergence on the principles if not the mechanisms.

Mr Kalman advised watching changes in FASB standards. Over the next few years, regulations could be published that would have the effect of increasing public reporting.

Beneficial Ownership

There was increasing bipartisan support for transparency around beneficial ownership. There had been five recent Congressional hearings on the issue, and the banking sector was beginning to sound supportive. Some CEOs were calling for more beneficial ownership disclosure as it allowed them more easily to identify, and therefore cater to, shareholders.

However, the debate around beneficial ownership was moving more from tax transparency to national security, foreign corruption, and money laundering. The FACT Coalition refuted arguments expressed to the delegation by scholars at the Heritage Foundation stating that there was no example of increased security threat in places with greater transparency around beneficial ownership.

Suspicious financial transactions

Ben Grossman-Cohen drew the delegation's attention to a trial in Fort Lauderdale, Honolulu, Miami, New York City, San Antonio, San Diego, San Francisco, and San Jose of revised Geographical Targeting Orders. These required US companies to identify the persons behind shell companies that paid for high-end real estate. The trial had so far, according to the FACT Coalition, found that as much as 30% of all real estate financial transactions were "suspicious".

Potential for change

When asked what would influence the US' attitude towards transparency, Mr Kalman said the greatest driver would be public mood. Like in the UK, public feeling about the problem was tangible but technical knowledge was shallow, and it rarely featured as a priority for people outside the immediate industries and political groups affected. Translating public passion into Congressional action was a major challenge.

The biggest opportunity for meaningful change was 2025, when some provisions of the Tax Cuts and Jobs Act would expire. These provisions did not inherently preclude transparency, but it would be a convenient time for a wider consideration of tax systems. When asked what would increase the likelihood of this, the delegation was told that a Democratic legislature was more likely to be supportive.

UK pressure on the USA

When asked how the UK could most effectively influence the US on transparency, the delegation was told that pressure on the US to sign up to the Common Reporting Standard would be a great help. Nobody would blacklist the USA for non-compliance, but were the US to comply then a number of other countries would feel compelled to fall into line.

US compliance would also help developing countries who often have no means to uncover when money is untaxed in their economies.

Department of State

Attendees:

[Redacted]

Summary of discussions

USA relationship with UK when outside the EU

The Department made clear that they expected the UK to retain influence in the EU which would remain of strategic importance to US interests. Other EU member states were making clear to the US they were willing to fill any perceived strategic void left by the UK's departure.

US discussions with the UK and with other EU member states focused on preserving prosperity and the US agreed it was in everyone's interests for all parties to remain prosperous whatever their future relationships.

The State Department made clear the value they saw in a close UK relationship and that this was visible within the building, with UK diplomats having access to desks and intelligence across the State Department.

US perspective on UK/EU negotiations

Interlocutors were clear that the US did not want to see the UK be "punished" by other member states. The US was concerned that the UK and EU retain the ability to share passenger data for the purposes of safeguarding security.

Greater clarity on the eventual outcome of UK/EU negotiations would be helpful to the US strategic and trade planning.

Prospects for a UK-US trade deal

US participants were concerned about the border between the UK and Ireland, arguing it would be difficult to agree a deal when there was non-surety about rules of origin (i.e. from which country on the island of Ireland goods came from). The US retained a strong interest in the Northern Ireland peace process.

The two countries were still discussing prospects for trade, rather than having to make deals or difficult decisions. US interlocutors expressed concern that without a definitive post-Brexit position it was hard to negotiate with the UK. Whereas many trading partners such as Mexico knew everything about their economy and regulations that the US could reasonably expect when negotiating trade, the UK did not yet. An example of this was government procurement frameworks.

Members asked about the scope and timescale for any potential trade agreement. US interlocutors told Members that the US was committed to making comprehensive trade deals rather than deals that only included certain non-contentious areas.

Interlocutors pointed out that the US wanted a good trade deal with the UK that would benefit both parties. Contention may be difficult to handle because it was rare between the two countries.

State Department officials advised that the UK may be better placed to negotiate trade deals with other nations before embarking on a comprehensive trade deal with the US. The US stood ready to negotiate at any time but the timeline for negotiation was in the UK's control.

US interlocutors advised that the UK would not receive as good a deal from a US Free Trade Deal as they had had with the EU as an EU member state.

When asked which sectors of the UK would most benefit from a Free Trade Deal, and what analyses the State Department had done to that effect, Members were told that the US did not know which sectors would benefit and that it depended on tariffs set by the UK. Digital industries could see benefits.

Challenges for future UK trade negotiations

State Department officials advised that the UK may be better placed to negotiate trade deals with other nations before embarking on a comprehensive trade deal with the US. The US stood ready to negotiate at any time but the timeline for negotiation was in the UK's control.

When considering these trade negotiations, the UK should ensure to communicate effectively and regularly with its population about the meaning of a Trade Deal and the impact it would have. Interlocutors spoke of their experience addressing populations across the EU about the Transatlantic Trade and Investment Partnerships (TTIP) and challenges in explaining its content when faced with resistance.

The UK also needed to ensure that, in aligning or otherwise with European Union regulations, it could also align where needed with regulations of other trade partners. The paramount important aspect of this, according to interlocutors, was the speed by which goods could get through customs.

Most crucially, the UK needed to understand what it was trying to achieve from any negotiation upon which it embarked. This would require skilled staff understanding fully the context in which the opposite negotiating government was operating.

US Department of Treasury

Attendees:

Chip Harter, Deputy Assistant Secretary, International Tax Policy

[Redacted]

International impact of US tax changes

Treasury tax policy representatives noted that the Tax Cuts and Jobs Act was a fundamental reform of US tax rules that would impact US corporations overseas. However, it was not a race to the bottom as some had characterised; the real tax rate was 24–25%, mid-range for an OECD economy.

The Act answered criticisms about deferral of taxation, which had been described by some as stateless income.

Treasury tax policy representatives told the Committee that the new global intangible low-taxed income (GILTI) provisions effectively assured a minimum tax of 13.125%, ending the days of single-digit overseas corporate income taxation. They indicated that the new law was the most significant implementation of BEPS-aligned actions by any country to date.

Beneficial ownership

Interlocutors told the Committee there had been progress on transparency of beneficial ownership in line with international standards. For example, from May it would be obligatory for a company to provide the names and proof of identity of its beneficial owners to banks and other financial institutions when opening a new account, with these financial institutions being responsible for maintaining these beneficial ownership records.

There were discussions taking place about legislative proposals to require the submission of beneficial ownership information at the time of company formation to US Treasury; there is presently no general requirement to provide this information.

Interlocutors acknowledged that the UK had been a leader regarding public beneficial ownership registers although questions exist about the accuracy of the information.

The US Treasury recognised that laundering of illicit funds via cash or wire through real estate is a vulnerability.

To better understand the extent of the vulnerability, Treasury's Financial Crimes Enforcement Network has issued Geographic Targeting Orders, which require the disclosure of beneficial owners for real estate purchases by legal entities over a certain threshold in a number of major metropolitan areas, and have provided substantial insight.

Appendix 2: Expenditure in Washington DC

Expenditure	Total Cost
Flights (London Heathrow to/from Dulles International Airport)	£26,517.72
Accommodation	£10,725.76
Minibus travel in Washington DC	£4,888.72
Miscellaneous travel in Washington DC	£68.62
Airport transfers to/from London Heathrow	£229.56
Subsistence	£3,076.42
Miscellaneous Costs	£103.25
Total	
	£45,610.05[1]

1 Total expenditure covers all costs for nine Members of the Committee of Public Accounts and three staff members from 10–17 February 2018.

Formal Minutes

Monday 9 July 2018

Members present:

Meg Hillier, in the Chair

Chris Evans
Luke Graham
Shabana Mahmood
Anne Marie Morris
Gareth Snell

Draft Report (*Visit to Washington DC*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 46 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Fifty-fourth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 11 July 2018 at 2.00pm

List of Reports from the Committee during the current session

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696
Forty-First Report	Government risk assessments relating to Carillion	HC 1045
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929
Forty-Fourth Report	Reducing emergency admissions	HC 795
Forty-Fifth Report	The higher education market	HC 693
Forty-Sixth Report	Private Finance Initiatives	HC 894
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304
Fiftieth Report	Financial sustainability of local authorities	HC 970
Fifty-First Report	BBC commercial activities	HC 670
Fifty-Second Report	Converting schools to academies	HC 697
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399