



HM Treasury 2022-23 Out of Turn Estimate Memorandum

Contents

1	Overview.....	3
1.1	Priority Outcomes	3
1.2	Spending controls.....	3
1.3	Main areas of spending.....	3
1.4	Comparison of spending totals sought	4
1.5	Key drivers of spending changes since original budget	5
1.6	New policies and programmes; ambit changes.....	5
1.7	Spending trends.....	6
1.8	Administration costs and efficiency plans	7
1.9	Funding: Spending Review and Budgets	7
1.10	Other Funding Announcements	7
2	Spending detail	8
2.1	Explanations of changes in spending.....	8
	Capital AME.....	8
2.2	Ring fenced budgets.....	9
2.3	Changes to contingent liabilities	9
2.4	Details of the coverage of each Estimate section.....	9
3	Priorities and performance.....	13
3.1	How spending relates to priority outcomes	13
3.2	Measures of performance against each priority.....	14
3.3	Commentary on steps being taken to address performance issues	14
3.4	Major Projects	14
4	Other Information	14
4.1	Additional specific information required by the select committee.....	14
5	Accounting Officer Approval.....	15

1 Overview

1.1 Priority Outcomes

HM Treasury's (HMT's) objectives, as set out in its published Outcome Delivery Plan, are as follows:

1. Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes
2. Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK
3. Ensure the stability of the macro-economic environment and financial system

1.2 Spending controls

HMT's spending is broken down into a several different spending totals, for which Parliament's approval is sought.

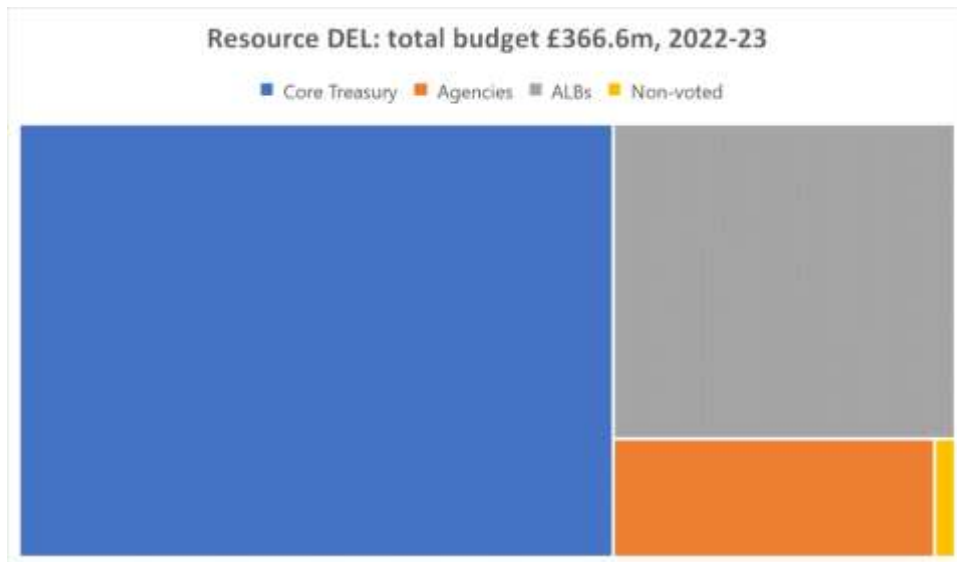
The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**")- day to day running costs
- Capital Departmental Expenditure Limit ("**Capital DEL**")- investment in infrastructure
- Resource Annually Managed Expenditure ("**Resource AME**")- less predictable current spending, such as the production of coinage and fair value movements in the Bank of England Asset Purchasing Facility Fund, also includes provision movements
- Capital Annually Managed Expenditure ("**Capital AME**")- less predictable investment spending: payments under the Help to Buy: ISA scheme and receipts from loan repayments

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require HMT to pay out cash in year.

1.3 Main areas of spending

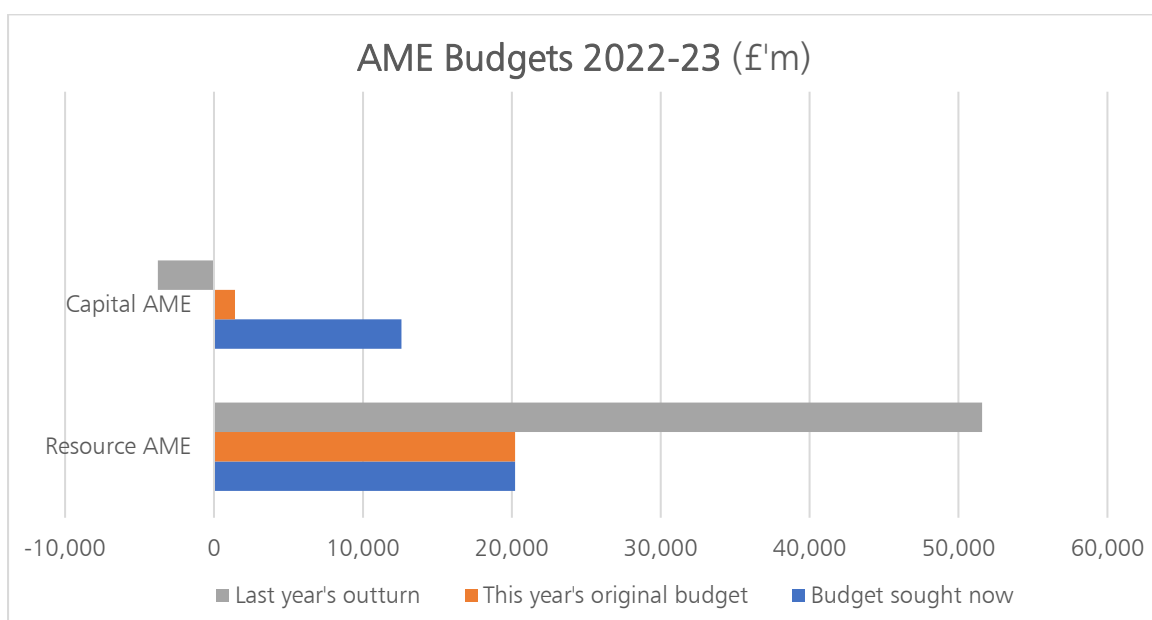
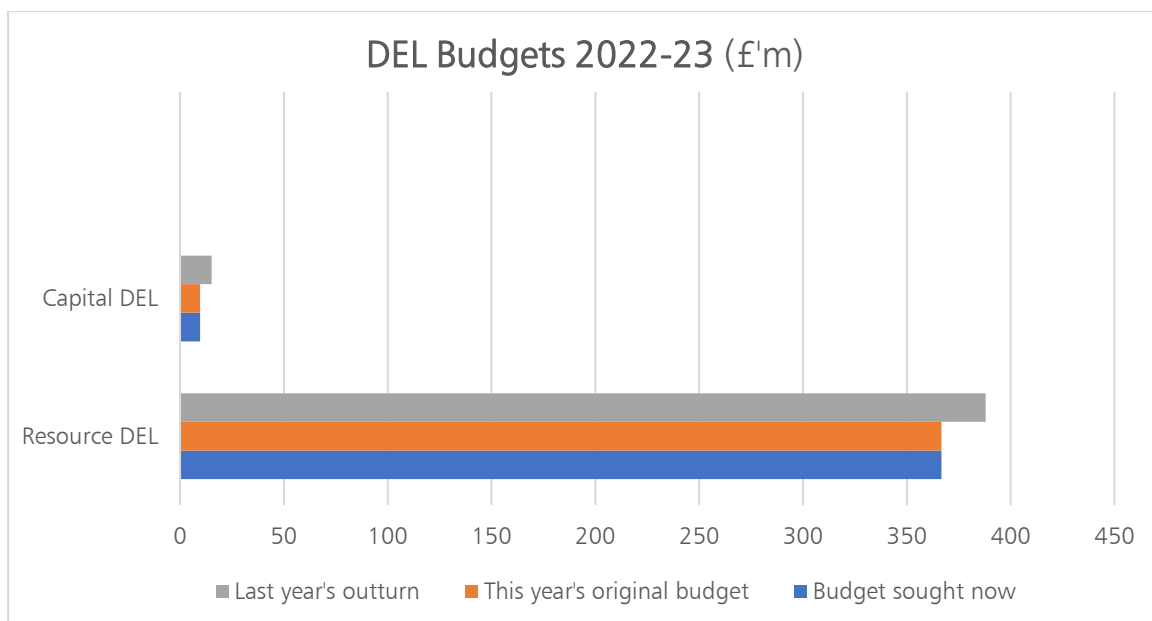
The graphic below shows, for HMT's proposed budget for the year, as included in the Out of Turn Estimate, the proportions of funds spent by bodies within the Group.



1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for HMT in the Out of Turn Estimate this year compare with both the budget sought at the Main Estimate, and last year's outturn:

Spending total Amounts sought this year (Out of Turn Estimate 2022-23)		Compared to original budget this year (Main Estimate 2022-23)		Compared to final outturn last year (Outturn 2021-22)	
		£ m	%	£m	%
Resource DEL	366.6	0	0%	-21.4	-5.5%
Capital DEL	9.7	0	0%	-5.5	-36.0%
Resource AME	20,210.4	0	0%	-31,365.4	-60.8%
Capital AME	12,583.1	11,175.0	793.6%	+16,362.3	+433.0%



1.5 Key drivers of spending changes since original budget

HMT's Resource and Capital DEL and Resource AME spending plans have not changed in this Out of Turn Estimate from the original budgets set in the Main Estimate.

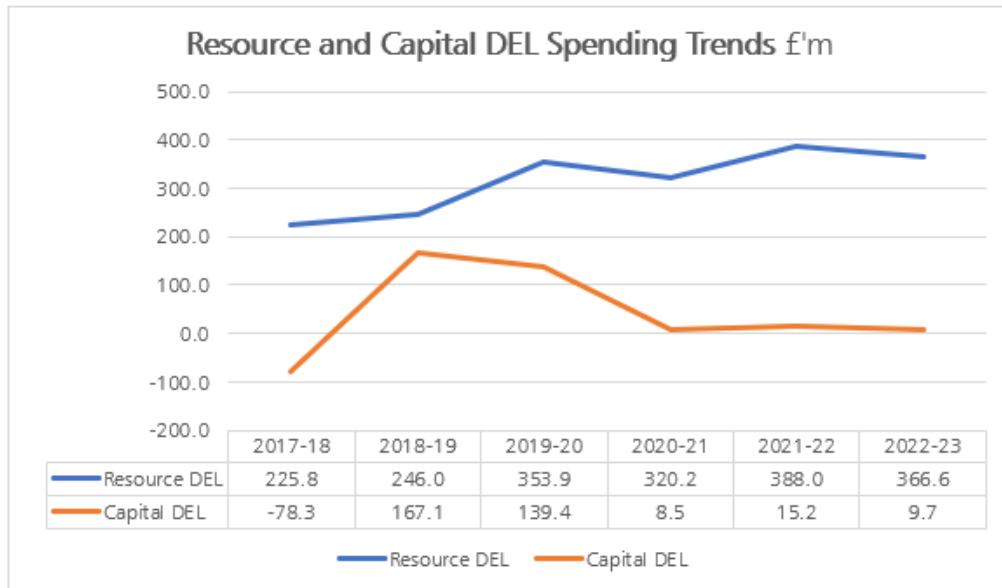
Capital AME spending plans have increased significantly due to the inclusion of payments to the Bank of England (Bank) for the Bank of England Asset Purchase Facility Fund (BEAPFF or APF). An explanation of the change is included in paragraph 2.1 below.

1.6 New policies and programmes; ambit changes

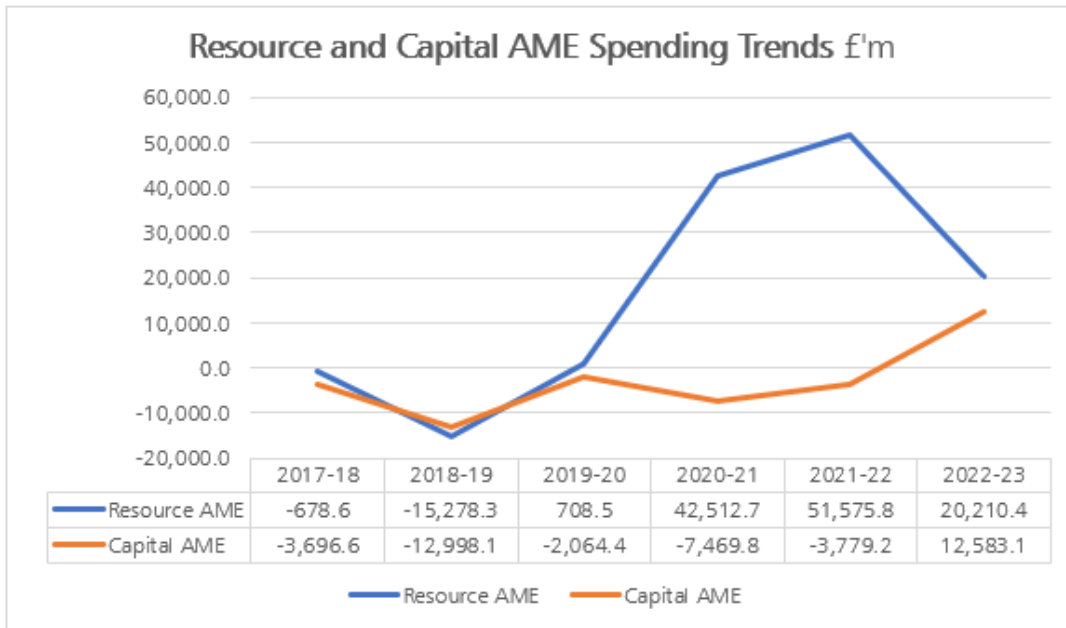
There are no new policies, programmes or ambit changes.

1.7 Spending trends

The charts below show overall spending trends for the last five years and plans presented in the Estimate for 2022-23. Negative figures denote income.



- Resource DEL – Total Resource DEL expenditure has increased over the reported period. This, in part, reflects an increase in the number of staff within the Department, particularly in recent years in order to respond to the exceptional pressures of EU Exit and the COVID pandemic. It is also partially attributable to Reserve Claims under the Oil and Gas Decommissioning scheme, which account for a significant amount of expenditure in 2020-21 (£49m) and the preceding three years (2017-18: £43m, 2018-19: £43m, 2019-20: £54m). These were reclassified to Resource AME in 2021-22. A further £117.4m of costs were incurred in 2021-22 to fund the payments of the London Capital & Finance (“LCF”) compensation scheme. For 2022-23, £71.1m of new expenditure is included for the UKIB.
- Capital DEL – the trough in 2017-18 resulted from the sale of Eurostar shares and the repayment of the Greater Manchester Waste loan respectively. The peak in 2018-19 arises from the inclusion of the Digital Infrastructure Investment Fund (DIIF) and the Charging Infrastructure Investment Fund (CIIF). The subsequent decrease in 2020-21 was as a result of the CIIF and DIIF being reclassified to Capital AME. In 2021-22, £41.8m was included for a potential intervention to restructure a financial liability held on HMT’s balance sheet, to preserve value for the Exchequer which was unused. In 2022-23, the £9.7m budget partially covers planned investment in the Darlington Economic Campus.



- Resource AME – the general volatility arises from changes in the fair value of the BEAPFF derivative and from 2019-20 the inclusion of a provision for the EU Withdrawal Agreement financial settlement.
- Capital AME – the differences between years arise from changes in the level of UK Asset Resolution asset sales and Lloyds/ NatWest Group share sales. The proposed increase in 2022-23 mainly reflects payments to the Bank for the BEAPFF.

1.8 Administration costs and efficiency plans

There is no change to the administration budget in this Estimate. If changes are required in this financial year, they will be sought through the Supplementary Estimate process.

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for HMT for 2022-23 are unchanged from those set out in the Main Estimate.

1.10 Other Funding Announcements

There are no funding announcements associated with this Estimate.

2 Spending detail

2.1 Explanations of changes in spending

Capital AME

The table below shows how spending plans for capital AME compare with those shown in the Main Estimate.

Subheads	Description	Capital AME			
		£ million		%	
		This year (2022-23 Out of Turn Estimate budget sought)	This year (2022-23 Main Estimate budget approved)	Change from Main Estimate	
S	Assistance to financial institutions	11,175.0	0.0		
T	Royal Household (Net)	8.1	8.1	0.0	0%
W	Help to Buy: ISA	180.0	180.0	0.0	0%
X	EU Withdrawal Agreement Financial Settlement	-265.0	-265.0	0.0	0%
Y	Reclaim Fund Limited	129.2	129.2	0.0	0%
Z	UK Infrastructure Bank	1,355.8	1,355.8	0.0	0%
	total voted and non-voted	12,583.1	1,408.1	11,175.0	+793.6%

Differences of more than 10% which are more than £10.0m are explained below.

Section S: Assistance to financial institutions

Capital AME spending plans have increased significantly due to the inclusion of payments to the Bank of England (Bank) for the Bank of England Asset Purchase Facility Fund (BEAPFF or APF). The BEAPFF is a subsidiary entity of the Bank through which schemes such as quantitative easing (QE) are delivered by the Monetary Policy Committee (MPC). The broad aim of the facility has been to ease policy and stimulate the economy to keep inflation at target. HMT indemnifies the APF and Bank against any direct losses from authorised operations. If the APF generates net liabilities, HMT must fund the shortfall from within its own budget. If the APF generates net assets, HMT can claim payment of the net asset value from the APF. Transfers from the APF to HMT have allowed the government to manage its cash more efficiently, by using the excess cash to decrease public sector debt.

In line with the MPC's mandate to control inflation, the MPC has begun to reduce the stock of purchased assets, by ceasing to reinvest maturing UK government bonds and corporate bonds and has set out its intention to begin a programme of active gilts sales

from end of October alongside corporate bonds sales. This process of QE unwind, coupled with the recent rise in Bank Rate, has resulted in a move to a net liabilities position.

As a result, HMT will need to begin making payments to the APF under the terms of its indemnity. No budget or cash provision for these payments was made in HMT's Main Estimate as, at the time of its submission, neither HMT nor the Bank foresaw such a rapid swing in cashflows between the APF and HMT.

2.2 Ring fenced budgets

There are no changes to ring fenced budgets as a result of this Estimate.

2.3 Changes to contingent liabilities

Part III Note K: Contingent Liabilities has not been updated at this time. As part of the Supplementary Estimates a full review of the accuracy and completeness of Note K will be completed, and where necessary, disclosures will be updated.

2.4 Details of the coverage of each Estimate section

Section A Core Treasury - covers the administrative costs of the Treasury's core business, formulating and implementing the Government's financial and economic policies. It also covers core Treasury programme costs including the printing of Budgets and Estimates, conferences and accommodation costs.

Section B Debt Management Office (DMO) - covers running costs of the United Kingdom Debt Management Office (DMO). The DMO is an executive agency of the Treasury specialising in the delivery of treasury management services and related policy advice to central government. It incorporates the Public Works Loan Board (PWLB) and the Commissioners for the Reduction of the National Debt (CRND). The main objective of the PWLB is to lend capital sums to and collect repayments from local authorities and thereby minimise local authorities' cost of borrowing. The main objective of the CRND is to provide a fund management service to public sector clients.

Section C Government Internal Audit Agency (GIAA) - GIAA reviews the functions and activities of government and public sector organisations, assessing their efficiencies and risks and making recommendations for improvement to add value to public services and improving how effectively organisations provide them. The majority of GIAA's costs are funded by income from those organisations using their services.

Section D Office of Tax Simplification (OTS) – the OTS is jointly funded by the Treasury and HMRC. Spending represents the running costs of the Office which was created in July 2010 to provide the Government with independent advice on simplifying the tax system.

Section E UK Asset Resolution Limited - UKAR was established on 1 October 2010 as a holding company for the businesses of B&B and NRAM. The core objective of UKAR was to maximise value for taxpayers through the prudent management of NRAM's and B&B's closed mortgage books, while treating all stakeholders fairly. The sale of UKAR's residual asset portfolios and legal entities completed in 2021-22. UKAR remains in government ownership, with some residual responsibilities which are detailed below in the AME section. The decision was taken to reclassify these administrative costs to DEL.

Section F Office for Budget Responsibility (OBR) – covers the costs of salaries and accommodation and is paid as a grant-in-aid. The OBR was created to provide independent and authoritative analysis of the public finances. This includes producing forecasts for the economy and public finances, judging progress towards the Government's fiscal targets, assessing the long-term sustainability of the public finances and scrutinising the Treasury's costing of Budget measures.

Section G IUK Investments Limited and Section H IUK Investments Holdings Limited - set up to look after the government's Private Finance investments.

Section I HM Treasury UK Sovereign SUKUK plc – the special purpose vehicle created to enable the issue of sovereign Sukuk, the Islamic equivalent of a bond.

Section J Royal Mint Advisory Committee on the design of coins (RMAC) – the RMAC became a Treasury body in January 2010 under arrangements for vesting the Royal Mint. The committee has around a dozen members and usually meets two or three times a year to make recommendations to the Chancellor on the design of new coins. The expenses of the Committee are met by the Royal Mint and no grant-in-aid payment is made by the Treasury.

Section K Departmental Unallocated Provision (DUP) – the DUP is departmental reserve set aside to cover spending pressures that might arise in the course of the financial year. As part of the Supplementary Estimate process any budget assigned to the DUP at Mains is transferred as required to another section of the estimate.

Section L National Infrastructure Commission - the Commission was set up to provide an impartial assessment of infrastructure needs and improve the long-term planning and delivery of infrastructure, both inside and outside of government. The Commission became an Executive Agency of the Treasury in January 2016.

Section M UK Government Investments Limited - in May 2015 the Chancellor announced that the Shareholder Executive (ShEx) and UK Financial Investments (UKFI) would to be brought together under a single holding company, UK Government Investments (UKGI). UKFI ceased to operate on 31 March 2018 and UKGI assumed responsibility for its legacy operations with effect from 1 April 2018.

Section N UK Infrastructure Bank – the DEL budget is for the running costs of the UK Infrastructure Bank.

Section O Banking and Gilts Registration Services – relates to payments from the National Loans Fund (NLF) to Computershare Investor Services plc for the management

of the gilts register and payments from the Exchange Equalisation Account (EEA) to the Bank of England for managing the EEA.

AME

Section P Core Treasury (AME) – this section covers AME spending not covered by other sections. At present the section covers the administration of the Equitable Life Payments Scheme, and the No-Interest Loans scheme.

Section Q UK Coinage manufacturing costs and Section R UK Coinage metal costs – payments to the Royal Mint for the cost of the manufacture, storage and distribution to cash centres (banks etc) of UK coinage.

Section R Royal Mint dividend – HMT wholly owns the Public Dividend Capital of the Royal Mint Trading Fund. The dividend payable is calculated as a percentage of the Royal Mints profit for the reporting year.

Section S Assistance to financial institutions, business and individuals – this section includes policies and interventions to support financial institutions, business and individuals. The most significant element is payments to and movements in the fair value of the Bank of England Asset Purchasing Facility Fund (BEAPFF).

Section T Royal Household - the Sovereign Grant finances the net spending of the Royal Household, which is consolidated within HMT's Supply Estimate. From 1 April 2013 onwards the amount of grant was equal to a prescribed percentage - initially 15% - of the Crown Estate's surplus revenue in the financial year two years prior. In accordance with the Sovereign Grant Act 2011, the Royal Trustees (Prime Minister, Chancellor and the Keeper of the Privy Purse) reviewed the Sovereign Grant and concluded it should be temporarily increased to fund an urgent 10-year overhaul of Buckingham Palace, as announced on 18 November 2016. A statutory instrument was approved on 15 March 2017 in the House of Commons for the temporary increase of the Sovereign Grant from 15% to 25% of Crown Estate profits commencing on 1 April 2017.

Section U UK Asset Resolution Limited – UKAR remains in government ownership, responsible for meeting contractual obligations to the buyer, sponsoring legacy defined benefit schemes for B&B and NRAM and administering other non-loan assets and liabilities.

Section V Help to Buy (HMT) Limited – this body's spending relates to the 2013 and the newly launched 2021 Mortgage Guarantee Schemes, which are funded through guarantee fees charged to lenders. The expectation is that these fees will offset spending.

Section W Help to Buy ISA - the Help to Buy: ISA was announced in the March 2015 Budget. Under the scheme first time buyers purchasing a property in the UK will be able to save up to £200 per month in a Help to Buy: ISA and receive a bonus of up to £3,000. The bonus amount is calculated as 25 per cent of the balance in the buyer's Help to Buy: ISA, (with a minimum of £400 and capped at £3,000) with the bonuses being paid upon the completion of the purchase of an eligible property. The scheme

has been available since December 2015 and the first homes to be acquired using it were purchased in February 2016. The scheme closed to new applicants in November 2019.

Section X EU Withdrawal Agreement Financial Settlement - EU financial settlement payments will be paid from the Consolidated Fund Standing Service until 31st March 2021, after which they will be funded through the HMT supply process. This section provides budget cover for movements in the EU Withdrawal agreement financial settlement provision as recognised in the HMT Annual Report and Accounts 2019-20. This section also includes the return of the UK's paid-in capital from the European Investment Bank (EIB) which is due to be repaid in annual instalments until October 2031.

Section Y Reclaim Fund Ltd (Net) - established in 2011 following the enactment of the Dormant Bank and Building Society Accounts Act 2008 and the completion of the regulatory regime, Reclaim Fund Ltd makes it possible for money in dormant bank and building society accounts to be used to help good causes. Following ONS classification to the public sector the Reclaim Fund will form part of the HMT group from 2020-21. The Reclaim Fund is self-funding and no grant-in-aid payment will be made by the Treasury.

Section Z UK Infrastructure Bank – funding for the Investment activities of the UK Infrastructure Bank. Further details about the Bank, including the rationale for its establishment and initial areas of focus are included in the published UK Infrastructure Bank Policy Design document.

Section AA Pool Reinsurance Company Ltd - Pool Re's purpose is to enable the UK insurance market to underwrite terrorism risk to ensure terrorism cover is available to any commercial property that requires it. Pool Re was reclassified by the ONS to Central Government and is due to be consolidated into the HM Treasury group accounts for the first time in 2021-22.

Section AB Provisions – represents the creation and use of DEL and AME provisions.

Section AC Royal Household Pensions – the scheme is analogous to the Principal Civil Service Pension Scheme and covers pension payments to employees paid from the Civil List prior to 1 April 2001. The gross cost of the payments is partly offset by employers and employees' contributions

3 Priorities and performance

3.1 How spending relates to priority outcomes

The table below shows how expenditure against each subhead contributes to Departmental priorities.

Priority Outcomes>>>> Estimates subheads	1: Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes	2: Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK	3: Ensure the stability of the macro-economic environment and financial system
A, P	X	X	X
B	X		
C	X		
D	X		
E, U	X		X
F	X	X	X
G, H, L, N, Z	X	X	
I			
J, Q, R, S	X	X	X
M		X	X
T, AM	X		
V, W			X
X			X
Y	X		
AA			X
AB			X
AC			X

3.2 Measures of performance against each priority

HM Treasury's priority outcomes and measures of performance have been reviewed as part of the 2020 Spending Review, and will be published in the Spring as part of the Department's Outcome Delivery Plans:

1. Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes.
 - Public sector net debt (excluding the Bank of England) as a percentage of GDP
 - Public sector current budget deficit as a percentage of GDP
 - Cyclically adjusted Net Borrowing as a percentage of GDP

2. Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK.
 - Employment rate – UK and regional (16–64-year-olds)
 - Business investment as percentage of GDP
 - UK output per hour growth (per cent)
 - Economic performance of all functional economic areas relative to their trend growth rates

3. Ensure the stability of the macro-economic environment and financial system.
 - GDP Growth (per cent)
 - CPI Inflation (per cent)
 - Aggregate capital ratio for the UK banking sector (using CET1 capital ratios)

3.3 Commentary on steps being taken to address performance issues

HMT is not currently incurring any expenditure specifically related to addressing performance issues.

3.4 Major Projects

HMT is not currently implementing any major projects.

4 Other Information

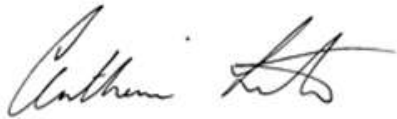
4.1 Additional specific information required by the select committee

There is no specific additional information which has been requested for inclusion by the select committee.

5 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

A handwritten signature in black ink, appearing to read 'Anthony Little', written in a cursive style.

Acting Permanent Secretary

HM Treasury

14 October 2022