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Summary

HM Treasury and HM Revenue & Customs worked together from March 2020 to roll out job support rapidly for employees and the self-employed. They put in place financial support for businesses and employees within weeks of the national lockdown, and ahead of schedule, by creating the Coronavirus Job Support Scheme (CJRS) for businesses and their employees, and the Self-Employment Income Support Scheme (SEISS) for the self-employed. We commend the hard work of both Departments and their staff in implementing the schemes at such pace and ensuring that help got to people quickly. By 18 October 2020 those two schemes had cost over £55 billion. However, the Departments could have done more to widen access. A combination of policy decisions, limitations in the data held in the tax system and the Departments' prioritisation of implementing the schemes rapidly means that as many as 2.9 million workers may have been excluded from CJRS and SEISS.

Despite putting the schemes in place again for the second national lockdown in the autumn, the Departments have not developed their methods for determining eligibility since the first schemes to make sure that assistance gets to all those who need it. They have undertaken limited evaluation of the impact of the schemes on different groups of workers, including those with protected characteristics, and little work to widen access to the schemes. And we are concerned that HMRC still does not know the actual level of fraud and error in the schemes and will not have a complete estimate until the end of 2021 at the earliest. Although there will be uncertainty as to how many people will take up these schemes over the next few months, we are similarly concerned that HM Treasury is unable to provide even a ballpark figure for the expected cost despite already extending these schemes, or explain how it will determine whether the money has been well spent.

Introduction

In response to the covid-19 pandemic the government decided in March 2020 to lock down large parts of the economy in order to better protect people from the virus. To avoid mass unemployment and provide financial support to jobs adversely affected by the pandemic, HM Treasury and HM Revenue & Customs (HMRC) (the Departments) put in place two employment support schemes: the Coronavirus Job Retention Scheme (CJRS) for businesses and their employees, and the Self-Employment Income Support Scheme (SEISS) scheme for the self-employed. The two Departments worked together to design the schemes, with HMRC then responsible for administering them. HMRC made use of its existing systems for tax return data: The Real Time Information system for employers submitting monthly, and the Self Assessment system for the self-employed who submit annual tax returns. The schemes initially ran from March to October 2020, costing over £55 billion by mid-October. On 5 November, as England went back into a full lockdown, the government decided to extend the schemes, with SEISS now running until the end of January 2021 and CJRS extended through till the end of March 2021, at an estimated additional cost of £21 billion.

Conclusions and recommendations

1. **The Departments have shown great agility in implementing the employment support schemes quickly in response to covid-19.** Despite lacking contingency plans for economic support in a pandemic, the Departments managed to design and implement both schemes ahead of the tight schedules they set themselves. HMRC started making CJRS payments from 20 April 2020, ten days ahead of its initial plans. The self-employed could start claiming SEISS from 13 May, two weeks ahead of the initial timetable. To date, CJRS has enabled 9.6 million jobs to be furloughed and at least 2.6 million self-employed people have claimed SEISS payments, providing crucial financial support through the early months of the pandemic. During this period, the Departments showed the immense value of close co-operation, not just between government departments but also between policy and operational colleagues. This helped ensure that the schemes were designed in a way that allowed them to be successfully implemented at speed. Both Departments also deserve credit for the time and effort invested by staff in the initial period to ensure that the schemes were designed and implemented quickly.

   Recommendation: ***HM Treasury should, within three months, write to the Committee about how it will ensure the lessons from close working between policy and operational staff are drawn-out for other government departments.***

2. **The age of the Self Assessment system made it more difficult for HMRC to provide financial support for the self-employed.** Its tax system for the self-employed lags behind that available in other countries. The Self Assessment system was built in the 1990s, and its design and age limits the amount, timeliness and quality of the data that HMRC holds on the self-employed. HMRC had to cleanse the data in the system before it could use it, adding several weeks delay to introducing the SEISS. HMRC has an ongoing programme, Making Tax Digital, designed to upgrade its systems and permit users to provide information more frequently using digital devices—as opposed to the current annual tax return. Making Tax Digital should have been in place by 2019 but, apart from a pilot project, is now not due until 2023. By contrast, HMRC's investment in the Real Time Information system in 2013 gave HMRC access to much more timely data about employees on the Pay-As-You-Earn system. Therefore, it was able to use this for the design of CJRS and base eligibility on more up-to-date information.

   Recommendation: ***HMRC should write to the Committee within three months to explain what it has learnt from its review of other countries' self-employed systems and how it will apply these to its plans for delivering the Making Tax Digital programme.***

3. **The Departments have not done enough to reduce the number of people excluded from the schemes.** The Departments still do not have a complete assessment of the number of people excluded from the first phase of CJRS and SEISS up to the end of October 2020, but the best estimate suggests that it may have been as many as 2.9 million workers. The extension to the schemes announced by the Chancellor in November was not accompanied by any substantial changes to the design of the schemes that would likely reduce the number of people who are excluded this time round. The more time moves on, the greater the potential number of newly self-

employed people that might be excluded from SEISS. The scheme continues to be based on 2018–19 tax return data submitted to HMRC by 31 January 2020—despite the fact that the 2019–20 tax year ended in April 2020 and many self-employed workers and employees who slipped through the net because of the short term nature of their employment contracts will already have submitted their 2019–20 tax returns. HMRC has also not considered whether it could use other data sources across government.

Recommendation: ***HM Treasury and HMRC should investigate whether more data within and outside of the tax system could be used to determine eligibility for currently excluded groups and write to the committee within six weeks to explain their findings. HM Treasury and HM Revenue and Customs should liaise with departments which have a detailed knowledge of the affected sectors in order to improve access to Covid-19 related support schemes for currently excluded groups.***

4. **The Departments did not evaluate the schemes or identify which the groups they support before extending them.** Both the schemes have been extended due to the prolonged impact of the pandemic, but the Departments have not yet produced evaluations of the initial CJRS and SEISS schemes. HMRC provides monthly updates on the cost of the schemes and the take-up by demographics such as age and gender. It does not, however, have data analysing take-up by protected characteristics such as race and disability. It does have some preliminary analysis that suggests 90% of furloughed workers return to their employer after furlough, but more needs to be done to track the medium- and long-term effects after furlough ends. Recent data shows the unemployment rate has now risen from 4.0% at the start of the pandemic to 4.8%, and the Office for Budget Responsibility (OBR) is projecting unemployment will rise to 7.6% in 2021.

Recommendation: ***HMRC should, as soon as possible, develop and report monthly performance information on the schemes, such as take-up by protected groups and employment outcomes.***

5. **The Departments will not know the actual levels of fraud and error within these schemes until 2021.** HMRC does not expect to have a statistical estimate of the total fraud and error levels across both schemes until the end of 2021. Whilst waiting for this estimate, there are other metrics already available that can begin to build a picture of the levels of fraud and error, such as the amounts of overpayments detected and recovered and the number of arrests and prosecutions due to criminal activity on the schemes. Levels of opportunistic fraud, where furloughed workers continued to work whilst companies claimed grants, could have occurred in between 7% to 34% of cases. HMRC also plans to publish which companies are accessing the extended CJRS and to directly notify employees when they have been furloughed, something it decided not to implement during the first phase of the scheme between March and October 2020. We welcome this suggestion that it is making some changes to try and reduce the opportunity for fraud to occur.

Recommendation: ***HMRC should write to the Committee within three months outlining how it can utilise the information it already collects to better estimate the levels of fraud and error; and also outline what steps it intends to take to recover CJRS and SEISS grants made during the first phase of the scheme if recipients***

made substantial profits or were not adversely affected by the pandemic.

HMRC should list companies which have signed up to the furlough scheme by the end of January 2021.

6. **Too much chopping and changing of the new schemes has created uncertainty for the UK nations, regions and businesses, regarding financial support and job security.** Nations, regions and businesses, as well as their employees, need as much certainty as possible to allow them to plan ahead. Instead what they got in the autumn was a sequence of announcements, right to the very end of the end of first phase of the schemes, constantly adjusting the levels and availability of funding support for workers. The government announced on 5 November that both the CJRS and SEISS would be extended with levels of support broadly equivalent to the levels provided under the first phase of the schemes. We are concerned that businesses' response to this initial uncertainly may have resulted in more workers being laid-off, even though eligibility for the government's extended schemes was moved back to 23 September to cover such redundancies.

   Recommendation: ***The Departments should provide as much clarity and forewarning as possible about the employment support arrangements that will be available for UK nations, regions and businesses under conditions of national lockdown, regional lockdown and easing of restrictions for the remainder of the covid-19 pandemic. It should commit to this ahead of the Treasury minute response so employers can be clear that they can plan ahead with greater certainty.***

7. **We are concerned that HM Treasury is unable to explain how much the extended schemes are forecast to cost or what would constitute value for money.** HM Treasury argues that it falls to the Office for Budget Responsibility (OBR) to produce forecast costs for the scheme extensions. However, HM Treasury is nonetheless responsible for providing assurance to Parliament of the value for money of schemes, of which costing is an important part. The OBR now forecasts that extensions to the schemes will cost the taxpayer a further £21 billion. It is also unacceptable that the Departments are unable to explain what constitutes value for money in these schemes. We accept that when the schemes were initially developed back in the spring the exceptional circumstances at that point made such analysis difficult. In the intervening period, however, we would have expected HM Treasury to have developed a more rigorous assessment of the costs and benefits of the schemes to ensure taxpayer money is spent wisely.

   Recommendation: ***HM Treasury should write to the Committee within a month to set out how it will assess value for money for the extended schemes.***

1 Implementing and evaluating the initial covid-19 employment support schemes

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from HM Treasury and HM Revenue & Customs (HMRC) about the employment support schemes that they have established since the start of the covid-19 pandemic.[1]

2. In late March 2020, the government announced that it would create two employment support schemes to provide financial support to business and employees. HMRC and HM Treasury—collectively referred to as 'the Departments'—were responsible for advising ministers on the design of two schemes, the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS). HM Treasury led on policy design and HMRC led on administrative design and then the implementation and administration of the schemes. The CJRS provided grants directly to businesses where the employer had chosen to furlough employees, putting them on temporary leave. To qualify, an employee had to be on the employer's Pay-As-You-Earn (PAYE) system and had a tax return submitted through HMRC's Real-Time-Information (RTI) system by 19 March 2020. In the first part of the scheme, the grant covered 80% of the employees' salary, up to a maximum of £2,500 per month. From July to October, a modified version of the scheme allowed employers to bring employees back to work part-time, and gradually increased the costs that the employer was expected to cover.[2] By mid-October, 9.6 million jobs had been furloughed as part of the scheme, at a cost of £41.4 billion.[3]

3. SEISS offered a grant payment to self-employed individuals whose business was adversely affected by the pandemic. The first grant payment, for the period March to May, covered up to 80% of a self-employed person's trading profits, based on past tax return data drawn from HMRC's Self Assessment system, up to a maximum of £2,500 per month. A second grant, for the three months from June to August, covered 70% of trading profits up to a maximum of £2,190 per month.[4] By mid-October, the combined cost of the two SEISS grants was £13.7 billion, with at least 2.6 million claimants.[5]

4. In September, with the hope that the economy would be largely open and recovering, the government announced the creation of a Job Support Scheme (JSS) that would replace CJRS from 1 November, offering top-ups to wages where the employee was working at least one-third of their normal hours.[6] Additionally, HM Treasury announced an extension to SEISS but at a much-reduced rate of 20% of trading profits. In October, HM Treasury announced further changes to both the JSS and SEISS.[7] However, with the introduction of a new lockdown across the whole of England from 5 November, HM Treasury announced

1 C&AG's Report, Implementing employment support schemes in response to the COVID-19 pandemic, Session 2019–21, HC 862, 23 October 2020

2 C&AG's Report, para 1.1 and figure 1

3 Q 33, HMRC, HMRC coronavirus (COVID-19) statistics. Available at: www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics]

4 C&AG's Report, para 1.1, figure 1

5 HMRC, HMRC coronavirus (COVID-19) statistics. Available at: www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics

6 C&AG's Report, para 1.23

7 HM Treasury, Plan for Jobs: Chancellor increases financial support for businesses and workers. Available at: www.gov.uk/government/news/plan-for-jobs-chancellor-increases-financial-support-for-businesses-and-workers

that the JSS would be replaced with the extended CJRS through to March 2021. The value of the SEISS grant was also increased back up to 80% of trading profits until the end of January 2021.[8]

Quick response to the pandemic

5. In response to the pandemic, in March 2020 the Departments were tasked with designing and administering employment support schemes to support all UK workers, including the self-employed. HM Treasury told us that the UK did not have a job support scheme of the sort that some other countries already had, so it needed to develop the new schemes from a "*standing start*". HMRC similarly told us that introducing the new schemes required a "herculean effort" by its policy, digital and operational staff. The NAO found that Departments were hindered in this task by a lack of contingency planning for a pandemic. Contingency planning for pandemics had focused on the public health response rather than the economic response. HM Treasury had, however, drawn on some contingency planning for financial rescues as well as some draft policy work on wage subsidy schemes and short-time working schemes.[9] The Departments also considered comparable schemes available in other countries, but noted that their direct application to the UK might be limited due to the different labour markets and welfare contexts.[10]

6. Despite lacking contingency plans, the Departments managed to design and implement both CJRS and SEISS ahead of the tight schedules that they set themselves. HMRC made CJRS available to employers from 20 April against an initial target of the end of April. SEISS meanwhile, was made available to the self-employed from 13 May, two weeks ahead of the initial timetable. HM Treasury stated that it was hard to see how the schemes could have been implemented quicker unless the UK already had an existing scheme in place, as countries such as Germany did. HMRC also noted that it may not be practical to retain such schemes ready to go at a moment's notice, as the cost of maintaining them in normal times might be quite prohibitive.[11] The tight timetabling, however, meant that HMRC and HM Treasury did not follow all standard processes, with documents such as business cases, options appraisals and detailed cost-benefit analysis missing. HMRC argued that not producing such documents did not have a "material effect on the outcome" because there was such close working between the teams and as a result there wasn't such a need for documentation for handovers.[12]

7. HM Treasury and HMRC worked collaboratively to develop the response under lockdown conditions. Both Departments agreed that this owed much to the close policy partnership that the two Departments have established over a number of years. HM Treasury told us that in designing the schemes they had introduced a joint policy and operational team from the start of the project, which meant it was able to draw on HMRC's expertise in implementing schemes and confidently advise ministers on what would work. HMRC agreed that having a tightly integrated team was key to being able to think about the art of the possible and introduce the schemes quickly.[13] Staff from both Departments also worked long hours to ensure that the schemes were delivered on time. For example,

8 HM Treasury, Government extends Furlough to March and increases self-employed support. Available at: www.gov.uk/government/news/government-extends-furlough-to-march-and-increases-self-employed-support
9 Q 10; C&AG's Report, para 1.7
10 C&AG's Report, para 1.20
11 Qq 10, 12, 14, C&AG's Report para 1.4
12 Q 39, C&AG's Report, para 1.8
13 Q 10; C&AG's Report, para 1.5

HMRC's IT project team told the National Audit Office that a major IT project would normally take 18 to 21 months to deliver, whereas these schemes were delivered in four weeks.[14]

Limitations of the self-assessment system

8. HMRC used the data in its Self Assessment system to calculate how much self-employed people would receive as part of the SEISS grant award. However, this was developed in the 1990s and lags behind other countries' systems. HMRC told us that with better quality data it may have been able to help more people and tailor the level of the grant award more to meet people's individual circumstances. It accepted that it needed to get better quality data and that it was "definitely moving slower than the best countries around the world in resolving that".[15] HMRC conceded that poor data quality meant it had to do a fair bit of data cleansing before launching the scheme to ensure that the data was accurate. It suggested that if this hadn't been required, it may have been able to open the scheme a couple of weeks earlier.[16] The NAO found that technical issues with the Self-Assessment system also meant that HMRC had to manually enter the trading profits of around 800 self-employed people to prevent them from being excluded.[17] HMRC has a programme in place, Making Tax Digital, designed to upgrade its systems and permit users to provide information more frequently using digital services. This should provide HMRC with better quality data going forward. This should have been in place by 2019, but apart from a small pilot project, is not now expected until 2023.[18]

9. HMRC's investment in its RTI system meant that, unlike SEISS, eligibility for CJRS was based on more up-to-date data. The RTI system is used on a monthly basis by employers to submit tax information on their workforce to HMRC. HMRC said that this information was vital in enabling it to run the CJRS safely. It meant that any employee on an employer's Pay-As-You-Earn system at 19 March 2020, the day before the first national lockdown, could potentially be furloughed.[19] Similarly, with the latest national lockdown, eligibility for the CJRS extension is based on employees on employer payrolls on 30 October.[20] The downside to using RTI data in CJRS is that employers could submit claims based on data they submitted after the scheme was announced, whereas the use of old self-employed taxpayer data in SEISS prevented that problem. This increased the risk that employers would deliberately misstate their positions to increase their CJRS grant awards.[21]

Evaluation of the initial schemes

10. The extension of both schemes was announced in November 2020. At that stage the initial schemes had not been formally evaluated. The Departments told us that they were undertaking informal evaluations to help them tailor their communications to those the schemes were aimed at. They explained that they would be undertaking full evaluations of all of the schemes, and that these would be made public, but that full evaluations were

14 C&AG's Report, para 1.11
15 Q 27
16 Q 27
17 C&AG's Report, para 2.11
18 Q 75
19 Q 10, C&AG's Report, figure 5
20 HMRC, Extension of the Coronavirus Job Retention Scheme, available at: www.gov.uk/government/publications/extension-to-the-coronavirus-job-retention-scheme/extension-of-the-coronavirus-job-retention-scheme
21 C&AG's Report, para 3.7

not due until "later next year". HMRC expected that such evaluations would consider the value for money of the schemes; how individuals with protected characteristics were covered, and the ability of the schemes to meet the needs of different communities.[22] The NAO found that, to date, HMRC's evaluation of the schemes had largely focused on lessons learned around project management as its sought to refine its ongoing delivery. On the wider issue of whether the schemes will have prevented mass unemployment, HM Treasury told us it was too soon to tell, but that the government felt it was the right thing to do to extend the schemes.[23]

11. We asked whether the Departments had undertaken any evaluation on the regional differences in take-up or the schemes and take-up by groups with protected characteristics.[24] HMRC currently reports monthly on the cost of the schemes and provides analysis on take-up by different demographics. The data for October 2020 showed that CJRS had cost £41.4 billion and the two SEISS grants had cost £13.7 billion.[25] Take up for CJRS was largest amongst the wholesale and retail, and repair of motor vehicles, sectors, whilst in SEISS it was largest in the construction sector. It is also possible to analyse take-up by age and gender, as well as by parliamentary constituency for both schemes.[26] HMRC does not, however, monitor take-up of the schemes by different ethnic groups as it is not required to collect that data as part of its regular tax administration. HM Treasury commented that it looked at Office for National Statistics (ONS) data to consider the potential effects of the schemes on unemployment, including regional unemployment.[27] ONS' unemployment data for July to September 2020 showed that the unemployment rate was 4.8%, up from 4.0% in March 2020.[28] HMRC told us it had done some preliminary research about what happened to furloughed workers once they come off furlough, which suggested that around 90% of them return to their previous job.[29] The medium to long-term projections on unemployment, however, are less encouraging; the Office for Budget Responsibility (OBR) forecast, released on 25 November 2020, suggests that unemployment might peak at 7.6%, or 2.6 million people, in 2021.[30]

12. HMRC's initial planning assumptions suggested that the level of fraud and error would be 5% to 10% within CJRS and 1% to 2% within SEISS. We asked whether it expected the level of fraud and error to change under the new scheme. HMRC told us that it had originally estimated that around half of the fraud and error in the CJRS (2.5% to 5%) would potentially be due to fraud committed by organised criminal gangs, but it had subsequently revised that down to 0.6% due to the controls it had put in place. There were fewer controls in place, however, to tackle the risk of furlough fraud where, for example, employers furloughed workers but then continued to get them to work, against the rules

22 Qq 58–59
23 Q 61, C&AG's Report para 1.17
24 Qq 58–59
25 HMRC, HMRC coronavirus COVID-19 statistics, available at: www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics
26 C&AG's Report, figures 11, 12 and 13; HMRC, Coronavirus Job Retention Scheme statistics: October 2020, available at: www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-october-2020/coronavirus-job-retention-scheme-statistics-october-2020
27 Q 58, C&AG's Report, para 2.20
28 Office for National Statistics, Unemployment rate (aged 16 and over, seasonally adjusted), released 10 November 2020. Available at: www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms
29 Q 37
30 Office for Budget Responsibility, Economic and fiscal outlook November 2020, page 58. Available at: http://cdn.obr.uk/CCS1020397650–001_OBR-November2020-EFO-v2-Web-accessible.pdf

of the scheme. The NAO found that this could have occurred in between 7% to 34% of claims, though HMRC itself had not yet conducted analysis on this issue. HMRC told us that it had, however, sought to close the opportunities for this type of fraud with the extension of the CJRS, and that it planned to publish the names of companies accessing the scheme and directly notify employees when they have been furloughed. Neither of these controls were in place in the initial CJRS scheme. HMRC told us that it was also able to monitor its efforts to tackle fraud and error through other metrics, such as the number of arrests and prosecutions it has made. It told us that, to date, it had made three arrests for CJRS fraud.[31]

31 Qq 86, 91–92, 94, C&AG's Report para 18–19

2 The extension of the employment support schemes

13. As many as 2.9 million people may have been excluded from the first versions of CJRS and SEISS. The NAO found that people were excluded either because of policy design choices or due to constraints in the tax system. An estimated 1.1 million people were excluded from CJRS because HMRC did not have sufficient data to verify claims, whilst on SEISS, 0.2 million missed out because HMRC did not hold enough data about their self-employment. A further 1.6 million were estimated to have been ruled out of SEISS due to not meeting the scheme's criteria; for example, because they received less than half their income from self-employment.[32] We asked the Departments what issues existed that meant people were unable to receive support and how they were working to resolve them. HMRC confirmed that the eligibility criteria for the extended schemes remained broadly the same as the original scheme. It acknowledged that the structure of these schemes meant that those with more casual working patterns were likely to have found it more difficult to qualify for the schemes than those with more regular working hours.[33] It said that the schemes had been designed to help as many people as possible but that it simply wasn't possible to help everyone.[34]

14. We were concerned that the extension to SEISS could leave more self-employed people without support than the initial scheme. HMRC based eligibility for the initial SEISS on tax return data up to 2018–19 and estimated, as part of initial planning at the start of lockdown, that this meant around 0.2 million newly self-employed people were unable to claim the grant. HM Treasury told us that it considered alternative arrangements, but that basing the grant awards on previously submitted data helped prevent the risk of people manipulating their returns to receive higher payments. HMRC confirmed that the extension to SEISS would continue to operate on the basis of 2018–19 returns despite HMRC accepting that the 2019–20 tax year ended in April 2020 and returns were starting to come in ahead of the 31 January 2021 deadline. The NAO noted in its report that the number of self -employed people excluded from the initial SEISS could have been greater than 0.2 million if lockdown occurred further from the annual tax return deadline. The SEISS extension occurred nine months after the 2018–19 deadline rather than the two months for the initial scheme. HMRC told us that if it had more up-to-date data on those who were the self-employed it may have been able to operate the scheme differently. Self-employed tax reporting on a quarterly basis to HMRC is due to come in as part of its Making Tax Digital project, but other than the pilot scheme, is not due until 2023.[35]

15. Two further groups that were largely excluded from support were freelancers and owner-managers of companies. Freelancers generally have short-term contracts with employers and as a result many might not have been on a company's PAYE system at the cut-off point for furlough. HM Treasury said that was aware of the issues, but that the lack of data held by HMRC and the fact that the tax system wasn't designed to regularly capture information on such people made it particularly difficult to bring freelancers into the scheme. Some 0.4 million freelancers may have missed out on support from the

32 C&AG's Report, para 14
33 Qq 73, 79
34 Public Accounts Committee, Oral Evidence: HM Revenue & Customs 2019–20 Standard Report, HC 690, Q 13
35 Qq 73–75, C&AG's Report paras 2.9–2.10

first schemes.[36] We also asked about owner-managers of companies who may have been excluded. HMRC explained that owner-managers qualify for the furlough scheme to the extent that they pay themselves through their PAYE system. It acknowledged that many owner-managers opted to pay themselves a small amount in this way, and rely predominantly on dividend income. HMRC maintained, however, that the schemes were not aimed at supporting investors for the loss of dividend income and that it did not hold sufficient information from tax return data to be able to distinguish between what is investment income and what is income in lieu of salary. We asked HMRC whether other sources of government data could be used to verify the eligibility for the schemes from those groups currently excluded; for example, information held by Companies House might distinguish between different types of dividend income. It said that this was something it had looked at closely over the years from a tax perspective but had not found a way of distinguishing between the different types of dividend income.[37]

Changes to the schemes created uncertainty

16. The initial CJRS scheme was due to end on 31 October 2020. In September, the government announced that it would be replaced by a Job Support Scheme (JSS) that would top up the wages of workers working at least one-third of their normal hours, with the employer also contributing.[38] HM Treasury told us that this scheme was developed at a time when the "hope was that the economy would be largely open and recovering, but with particular temporary restrictions in particular areas".[39] The JSS was amended by government on two subsequent occasions, with an announcement on 9 October stating that where businesses were legally forced to close due to lockdown restrictions the government would pay two-thirds of wage costs, with the employer not obliged to top that up.[40] A second modification on 22 October decreased the percentage of hours that an employee would be expected to work for businesses still open and increased the government contribution to topping up wages.[41] However, by 5 November the government had moved all of England back into a full lockdown and subsequently announced that CJRS would be extended on broadly equivalent terms to the way the scheme had been operating back in August.[42] Government also announced that SEISS would be extended to the end of January 2021 at the rate of 80% of a self-employed person's trading profits. This was a more generous offering than previous versions of the SEISS extension that had been announced during September and October.[43] We were concerned that constant changes to the levels of financial support available across the different schemes created job instability with businesses and employees,[44] and also impacted on the future funding settlement for the devolved administrations.[45]

36 Q 49, C&AG's Report, figure 6
37 Qq 82–83
38 C&AG's Report, para 1.23
39 Q 55
40 C&AG's Report, para 1.24
41 HM Treasury, Plan for Jobs: Chancellor increases financial support for businesses and workers. Available at: www.gov.uk/government/news/plan-for-jobs-chancellor-increases-financial-support-for-businesses-and-workers
42 HMRC, Check if you can claim for your employee's wages through the Coronavirus Job Retention Scheme. Available at: www.gov.uk/government/publications/extension-to-the-coronavirus-job-retention-scheme/extension-of-the-coronavirus-job-retention-scheme
43 HMRC, Check if you can claim a grant through the Self-Employment Income Support Scheme. Available at: www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme
44 Qq 47 and 55
45 Q 69

17. We noted that a large number of business, particularly within more restricted areas, had not been able to operate normally for many months. While support for businesses is expected, it is essential that government provides this money as quickly as possible.[46] The Job Retention Bonus was supposed to pay businesses £1,000 for each furloughed worker brought back to work and continuously employed until the end of January 2021.[47] We asked HM Treasury how much money it had set aside for the scheme and whether it had been cancelled or deferred as reports appeared to be mixed. HM Treasury told us that this scheme had been deferred as it would not make sense to pay the grants at the same time as extending the furlough scheme and that instead it was something that the Chancellor will come back to next year.[48] HM Treasury noted that the Chancellor felt that the broader and more generous safety net provided by extending the existing CJRS was required—rather than implementing the JSS—in order to help keep people in work.[49]

18. Employees who were let go after 23 September 2020 can be rehired and furloughed again with CJRS extended, but if they were let go before that date then it would not be possible to furlough them. HM Treasury told us this was similar to the approach it took when the CJRS scheme was first announced in March 2020, as eligibility for that initial phase of the scheme was backdated to 28 February to include those made redundant just before the scheme was announced.[50] We asked the Departments whether they were concerned there might be some perverse incentives for regional areas to stay in higher lockdown restrictions if it meant that greater funding from the employment support schemes was available as a result. HM Treasury told us that this was not something it was directly involved in, but that the sense it had was that most areas were keen to avoid the restrictions on normal life and economic activity that went with higher tiers owing to the potential damage to jobs, livelihoods and wellbeing.[51]

Costing the schemes and assessing value for money

19. We asked the Departments how much they expected the extended furlough scheme and the SEISS would cost the taxpayer on top of the £55 billion spent so far. HM Treasury told us that it was not responsible for forecasting the expected cost of the scheme, which would be published by the Office for Budget responsibility in a few weeks. We were concerned that neither Department was able to provide any details on how much the extension to the schemes would cost. HM Treasury said the final costs would depend on take-up levels which in turn depended on labour market forecasts. It told us that it had a broad range of estimates, so it had a sense of what the maximum cost of the extended schemes might be and what range the costs were expected to be within, but we unable to provide the figures during our evidence session.[52] We were concerned that, even if the OBR does the detailed number crunching, HM Treasury should at the very least be providing the Chancellor with some ballpark costings before implementing any government policies.[53]

46 Qq 97–98
47 HM Treasury, Further details of the Job Retention Bonus announced, available at: www.gov.uk/government/news/further-details-of-the-job-retention-bonus-announced
48 Q 101
49 Q 38
50 Q 51
51 Q 99
52 Qq 15–17
53 Q 34

20. HM Treasury asserted that this was a similar approach to that it had taken when introducing the original schemes in March.[54] It told us that, at the height of the initial schemes in the spring, they cost around £10 billion per month, but that this had reduced "quite significantly" over the period to October. It confirmed that it expected the cost of the extended schemes to be lower as a result of differences in the restrictions in place, but did not have the data available to be able to say by how much.[55]

21. The total cost of the schemes is now estimated to be £76 billion, with OBR estimating that the extensions to the schemes will add an additional £21 billion to the total. We asked the Departments what calculations they had made of the value for money provided by the schemes. HM Treasury told us that the introduction of the schemes in March did not lend itself to traditional cost-benefit analysis because "it was not a marginal change in policy" but "a major structural change" almost without parallel in recent history. It told us that at the point at which ministers had to decide whether to intervene in the economy the cost of doing so could not be known with any certainty. It explained that it had no way of predicting in March what the impact of the schemes would be, in part because it did not know how long the lockdown would last or what the future costs of the pandemic would be.[56]

22. The condensed timetable for introducing the schemes meant that a lot of the standard documentation that would accompany such a major policy initiative—business cases, options appraisal and detailed cost-benefit analysis—wasn't undertaken back in the spring.[57] HM Treasury asserted that the potential economic costs and human cost of large-scale unemployment if the schemes had not been introduced meant that they were necessary even if it was not possible to quantify this.[58] We were nonetheless concerned that while there was a speedy intervention with the schemes initially it was important not to lose sight of the need to undertake value for money calculations on behalf of the taxpayer.[59]

54 Q 16
55 Qq 18–21
56 Q 36
57 C&AG's Report, para 1.8
58 Q 36
59 Q 39

Formal minutes

Monday 14 December 2020

Virtual meeting

Members present:

Meg Hillier, in the Chair

Mr Gareth Bacon	Peter Grant
Shaun Bailey	Mr Richard Holden
Olivia Blake	Shabana Mahmood
Sir Geoffrey Clifton-Brown	Sarah Olney
Dame Cheryl Gillan	James Wild

Draft Report (*Covid-19: Support for jobs*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 22 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Thirty-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 Thursday 17 December at 9:15am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Thursday 12 November 2020

Sir Tom Scholar, Permanent Secretary, HM Treasury; **Beth Russell**, Director General Tax and Welfare, HM Treasury; **Jim Harra**, First Permanent Secretary and Chief Executive, HM Revenue and Customs; **Jo Rowland**, Temporary Director General of the HMRC Covid-19 Response Unit, HM Revenue and Customs Q1–104

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

COV numbers are generated by the evidence processing system and so may not be complete.

1 Chen, Dr Zhifeng (Lecturer in Accounting - Southampton Business School, University of Southampton); and Dr Haiming Hang (Reader - Management Institute for Policy Research, University of Bath) (COV0002)

2 Hayat, Mr Imran Asim (COV0003)

3 Pact (COV0004)

4 Roff, Sue (Consultant Social Scientist, Independent) (COV0001)

5 The Federation of Small Businesses (COV0007)

6 Usdaw (COV0005)

7 Working Families (COV0006)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685

Number	Title	Reference
28th	The Nuclear Decommissioning Authority’s management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920