2023-2024 Supplementary Estimate: Memorandum for HM Revenue & Customs

Contents

1. Overview 3

1.1 Objectives 3

1.2 Spending controls 4

1.3 Main areas of spending 4

1.4 Comparison of funding totals sought 6

1.5 Key drivers of spending changes since 2023-2024 Main Estimate 7

1.6 New policies and programmes; ambit changes 8

1.7 Spending Trends 9

1.8 Administration costs and efficiency plans 11

1.9 Funding: Spending Review and Budgets 12

2. Spending detail 14

2.1 Explanation of changes in Departmental Expenditure Limit (DEL) 14

2.1.1. HMRC Administration (Section A) 15

2.1.2. VOA Administration (Section B) 15

2.1.3. Utilised Provisions (Section C) 15

2.1.4. Cost of Living (Section D) 15

2.1.5. National Insurance Fund (Section E) 15

2.2 Spending Detail: AME 16

2.2.1 Child Benefit (Section F) 17

2.2.2 Tax-Free Childcare (TFC) (Section G) 17

2.2.3 Providing payments in lieu of tax relief to certain bodies (Section H) 17

2.2.4 Lifetime ISA (Section I) 17

2.2.5 Help To Save (HTS) (Section J) 17

2.2.6 HMRC Administration (New Provisions) (Section K) 17

2.2.7 VOA - Payments of rates to Local Authorities on behalf of certain bodies (POLAR) (Section L) 17

2.2.8 VOA – Administration (Section M) 18

2.2.9 Utilised Provisions (Section N) 18

2.2.10 COVID-19 (Section O) 18

2.2.11 Personal Tax Credit (Section P) 18

2.2.12 Other Reliefs and Allowances (Section Q) 18

OFFICIAL

2.3 Ring fenced budgets ... 19
2.4 Changes to contingent liabilities ... 20
3. Priorities and Performance ... 21
3.1 How spending relates to objectives ... 21
3.2 Measures of performance against each strategic objective ... 21
3.3 HMRC Performance ... 21
3.4 Major projects ... 23
4. Accounting Officer Approval ... 24
Annex: Table A ... 25
Annex: Table B HMRC 2023-2024 Supplementary Estimate DEL (£m) ... 25

1. Overview

1.1 Objectives

Introduction

This Estimate covers the expenditure and income of HM Revenue and Customs (HMRC) including its Executive Agency, the Valuation Office Agency (VOA).

HMRC's vital purpose touches the lives of almost everyone in the UK. We collect the money that pays for the public services that millions of people rely on every day. We also help families and individuals with targeted financial support, such as tax credits, Child Benefit and Tax-Free Childcare.

The Valuation Office Agency (VOA) gives the government the valuations and property advice needed to support taxation and benefits.

The purpose of this Memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in this Supplementary Estimate will be applied to achieve HMRC's objectives and priority outcomes.

Our vision

Our vision is to be a trusted, modern tax and customs department.

Our Values

- We are professional
- We act with integrity
- We show respect
- We are innovative

Our priority outcomes

Our priority outcomes, underpinning our vital purpose, are made up of the first 3 of our strategic objectives.

1. Collect the right tax and pay out the right financial support.

2. Make it easy to get tax right and hard to bend or break the rules.

3. Maintain taxpayers' consent through fair treatment and protect society from harm.

These priority outcomes are supported by our two other strategic objectives: to make HMRC a great place to work, and to support wider government economic aims through a resilient, agile tax administration system.

We are also supporting the delivery of the following priority outcomes led by other departments:

- Support families and protect young people through high quality local services, early education and childcare (lead department, Department for Education (DfE))
- Reform the UK border to increase economic growth and drive prosperity (lead department, Cabinet Office)

1.2 Spending controls

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

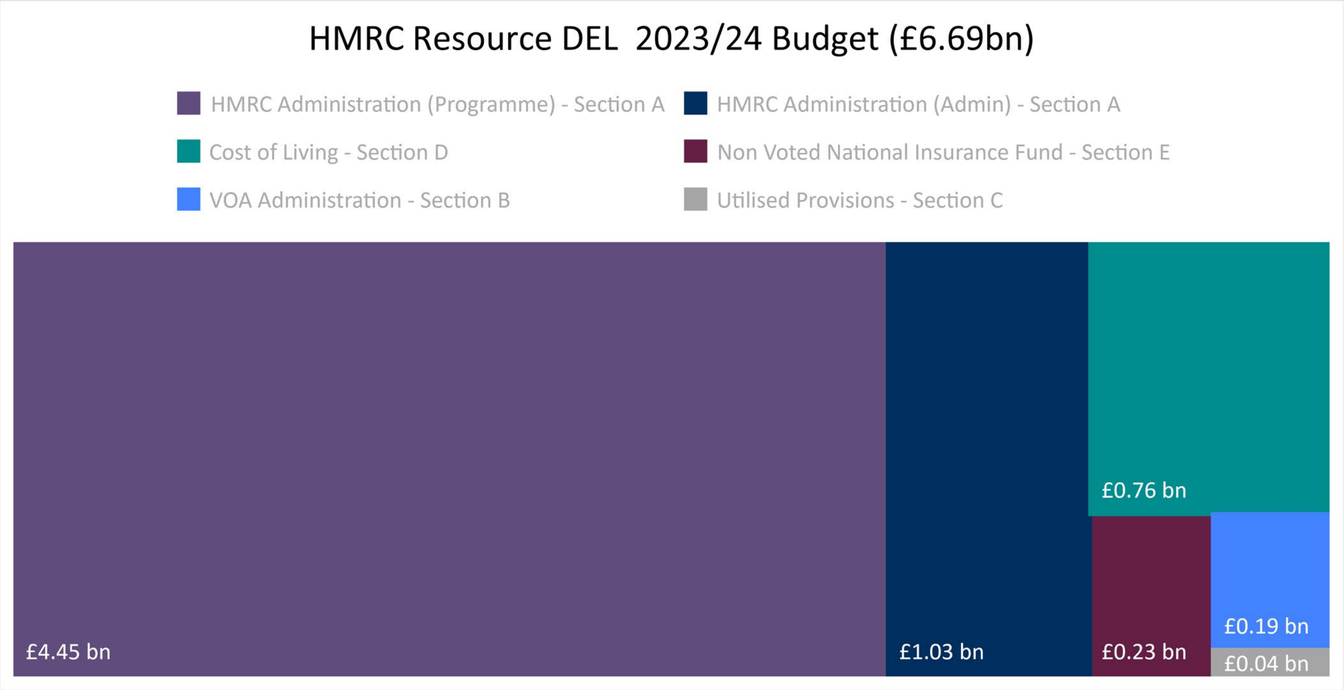
The key spending control totals for HMRC, which Parliament votes, are:

- Resource Departmental Expenditure Limit ("Resource DEL") – typically our day-to-day running costs;
- Capital Departmental Expenditure Limit ("Capital DEL") – investment in infrastructure; and
- Resource Annually Managed Expenditure ("Resource AME") – less predictable (and more difficult to control than expenditure in DEL) day-to-day spending, which includes Tax Credits, Child Benefit, Tax Free Childcare, Lifetime ISA and certain other reliefs and entitlements.

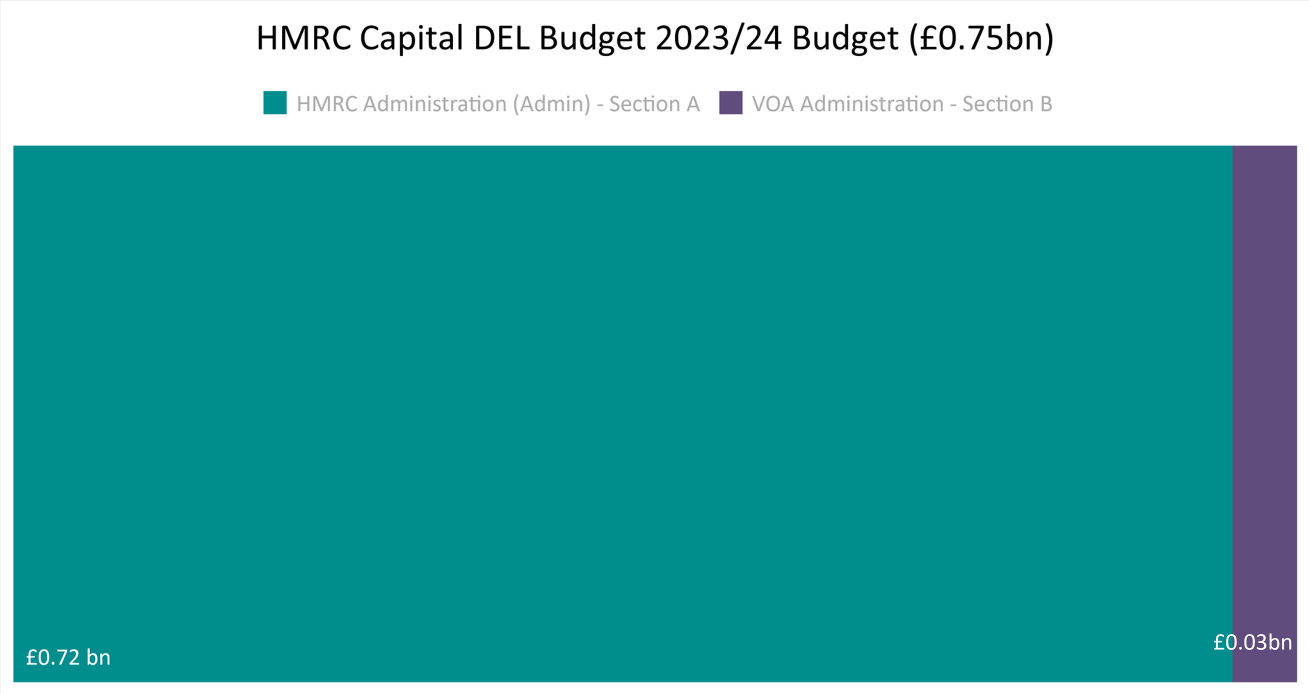
Budgets are split between those voted by Parliament and those where appropriation is covered in other legislation (non-voted).

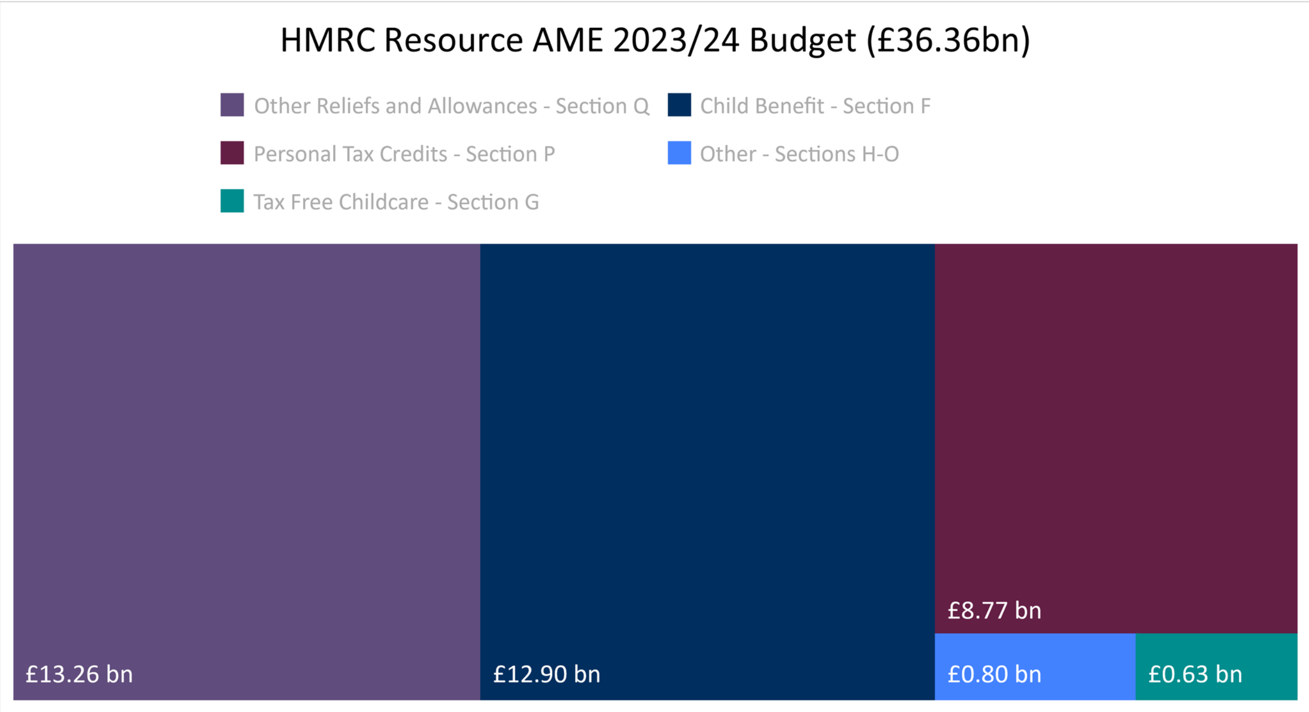
In addition, Parliament votes a net cash requirement, which provides HMRC with the cash required to meet its ongoing payment obligations.

1.3 Main areas of spending



Note: Numbers may not sum due to rounding.





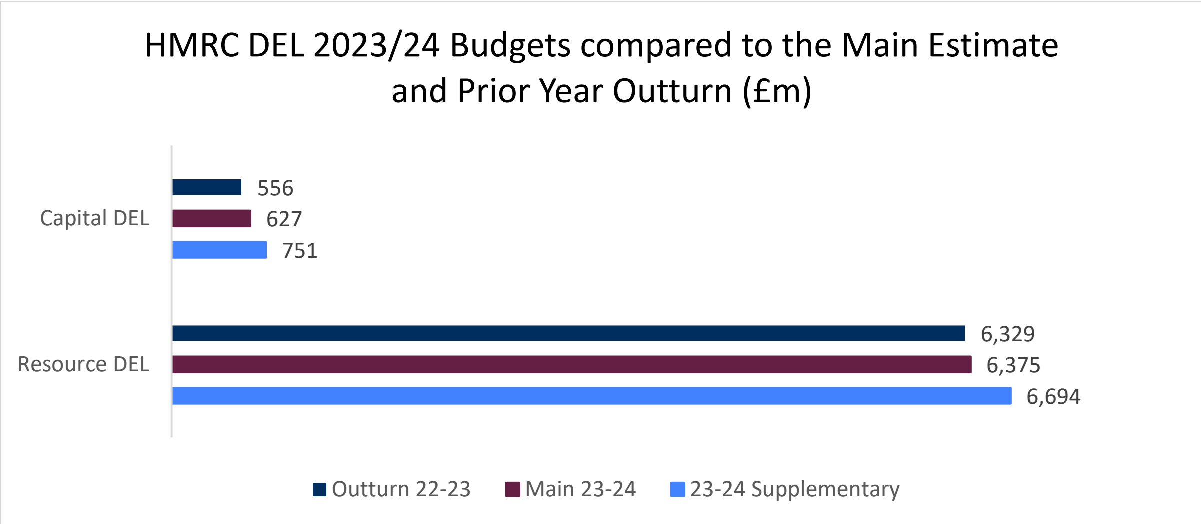
Note: Other includes all other elements of RAME, as set out in the table at Section 2.1.

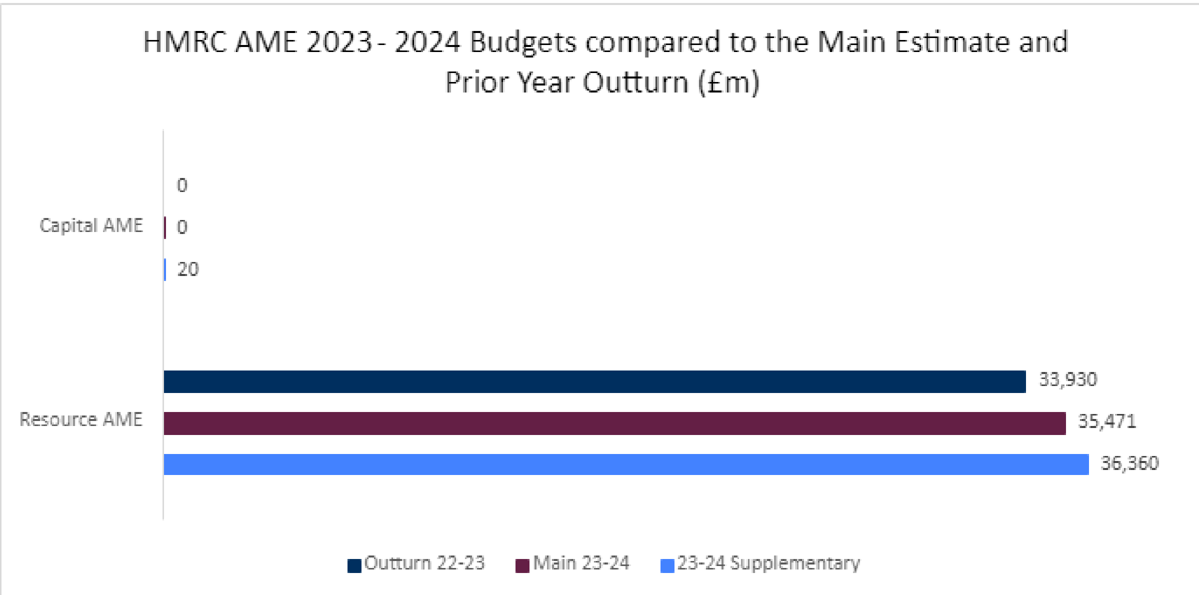
1.4 Comparison of funding totals sought

Below is a summary of the key funding changes between the 2022-2023 outturn, the Main Estimate 2023-2024 and Supplementary Estimate 2023-2024. The key drivers of funding changes are detailed in section 1.5.

	22/23 Outturn	23/24 Main Estimate Budget	23/24 Supplementary Estimate Budget	Difference (+/-) , compared to original budget this year (Main Estimate 23-24)		Difference (+/-), compared to final outturn last year (Outturn 22-23)	
	£m	£m	£m	£m	%	£m	%
Resource DEL	6,329	6,375	6,694	319	5%	365	5.8%
Capital DEL	556	627	751	124	19.8%	195	35%
Resource AME	33,930	35,471	36,360	889	2.5%	2,429	7.2%
Capital AME	0	0	20	20	-	20	-

Note: numbers may not sum due to rounding





1.5 Key drivers of spending changes since 2023-2024 Main Estimate

Resource DEL

The Department's Resource DEL (RDEL) budget at Supplementary Estimates is £319m greater than the Main Estimate set earlier this financial year. The most significant movements are:

- £1.1m net outgoing Budget Cover Transfers between HMRC and other Government departments
- £25m Cost-of-Living Payments increase to reflect revised eligibility (see section 2.1.4 for more details).
- The budget also includes additional funding of £25.1m for the Unity Programme, £6.3m for Windsor Framework implementation and Trader Support Service and £212m funding to cover Customer Service, Customer Compliance, and Technical Remediation pressures. (See section 2.1.1 for more details on the RDEL movements)

Capital DEL

The main changes in Capital DEL (increase of £124m) from 2023-2024 Main Estimates are:

- £4m net outgoing Budget Cover Transfers between HMRC and other Government departments.
- £19m increase for the VAT element of the Croydon virtual freehold acquisition.
- Additional funding of £95.3m for Windsor Framework implementation and Trader Support Service, £5.6m for Fiscal Event measures, £5.6m for VOA Fundamental Review of Business Rates, and £2.6m IFRS 16 adjustment.

Resource AME

The main changes in Resource AME (increase of £889m) from the 2023-2024 Mains Estimate are:

- Increase in Other Reliefs and Allowances to reflect latest forecasts (See section 2.2.12)
- Other amendments across various AME spend lines to reflect latest forecasts, mainly: Tax-Free Childcare, Lifetime ISA and Help to Save. (See section 2.2)

Capital AME

The main change in Capital AME from the 2023-2024 Mains Estimate is:

- £20m provision for IFRS 16 dilapidations for both HMRC and VOA

1.6 New policies and programmes; ambit changes

Policy Announcements

A number of policy measures have been announced over two main fiscal events during the past year, which we will continue to implement in 2023-24 in line with the passage of the relevant Finance Bills through the House. Namely, the Spring Budget on 15th March 2023, and Autumn Statement 2023 on 22nd November 2023. A small number of measures have also been announced separately from these bigger fiscal events, which were accompanied by appropriate Written Ministerial Statements.

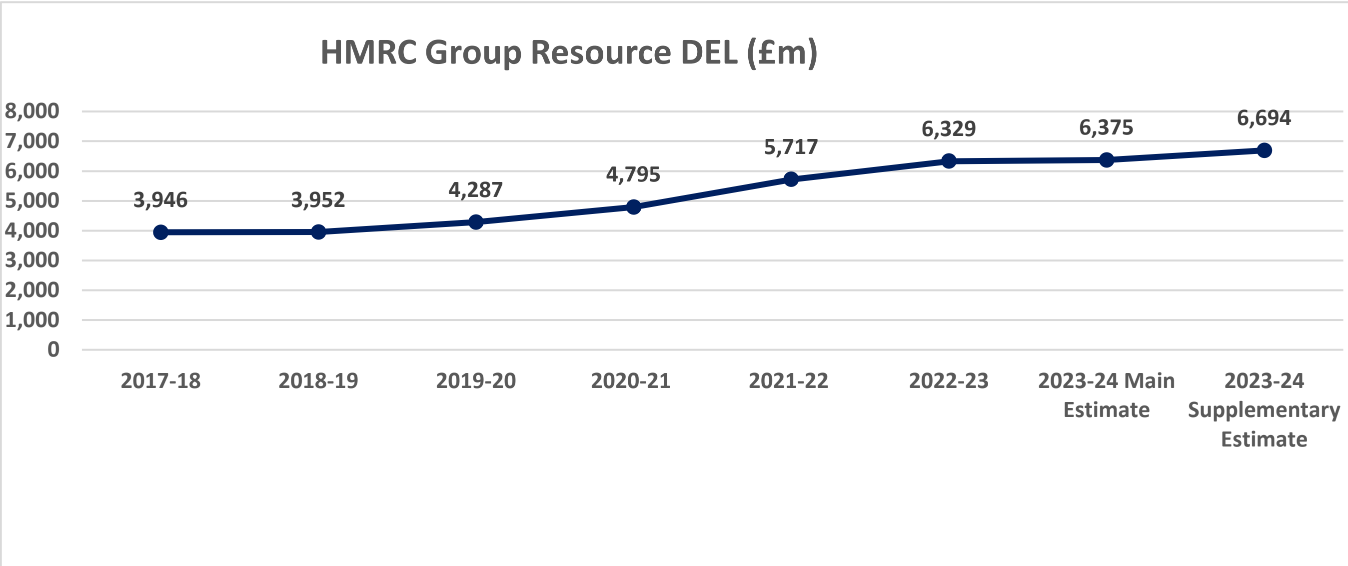
Ambit Changes

There are no changes since Main Estimate 2023-24.

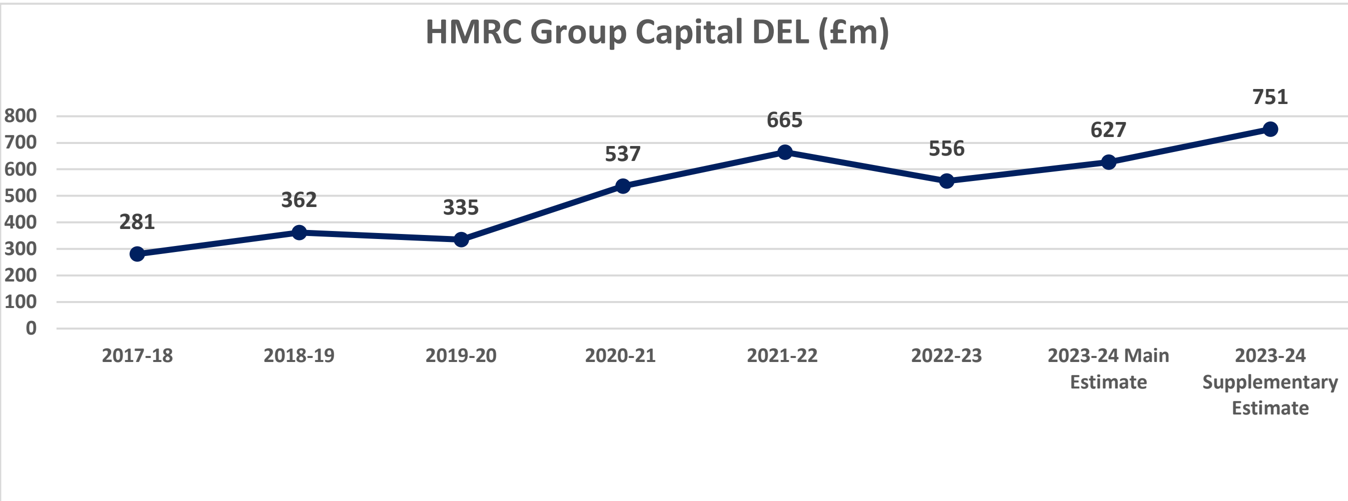
1.7 Spending Trends

The charts below show overall spending trends for the last six years and our budgets this financial year (2023-2024).

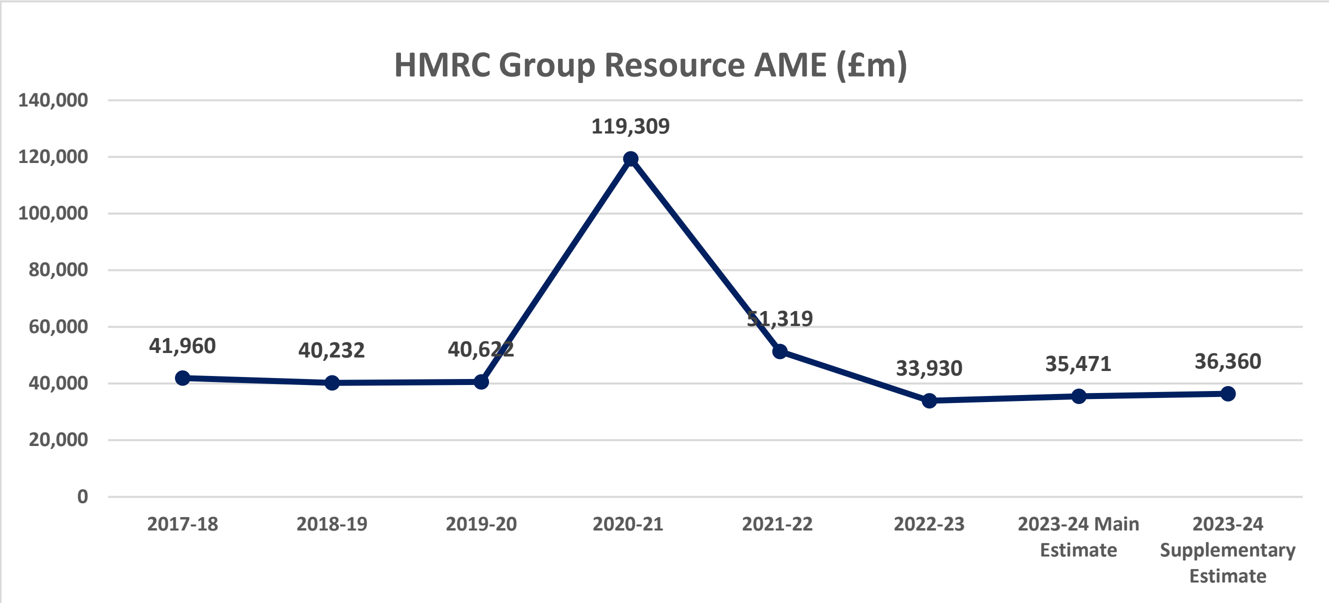
Resource DEL has increased by 5% from the 2023-2024 Mains estimate, following a rise in the previous two years of 6% and 11%, respectively. This is due to Windsor framework implementation and trader support service, funding required to cover customer service, customer compliance, technical remediation pressures, and Cost of Living payments (due to increased eligibility). The year-on-year increase from 2019-2020 to 2022-2023 has been primarily driven by funding received for delivering COVID-19 related activity, Borders and Trade functions and additional funding received in 2022-2023 for the Cost of Living payments.



Capital DEL has increased by 19.8% from the 2023-2024 Mains Estimate in line with HMRC's investment profile.



Resource AME has increased by 2.5% from the 2023-2024 Mains Estimate. This is due to increased funding for Other Reliefs and Allowances which is partly offset with a decrease in Lifetime ISA, providing payments in lieu of tax relief to certain bodies and other AME lines. Full details are set out in 2.2.1 to 2.2.12. Since 2020-2021, there has been a downward trend in Resource AME, with a significant decrease in 2021-2022 and a smaller decrease in 2022-2023 due to the decreased funding for COVID-19 following the closure of the support schemes.



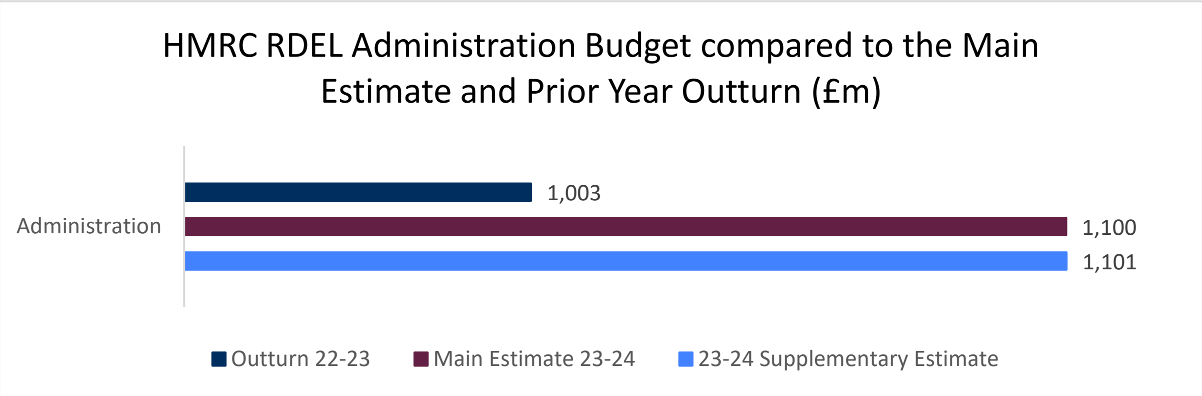
1.8 Administration costs and efficiency plans

Administration costs

HMRC's RDEL Administration budget has minimal movement since the 2023-24 Main Estimate.

	22-23 Outturn	23-24 Main Estimate Budget	23-24 Supplementary Estimate Budget	Difference (+/-) , compared to original budget this year (Main Estimate 23-24)		Difference (+/-), compared to final outturn last year (Outturn 22-23)	
	£m	£m	£m	£m	%	£m	%
Administration	1,003	1,100	1,101	0	0.04%	98	8.88%

Note: numbers may not sum due to rounding



HMRC Efficiencies

As at SR21, HMRC's efficiency target (as agreed with HMT) by the end of 23/24 is £313m. This includes:

- Investment-led efficiencies from programmes including Securing our Technical Future, Technology Sourcing Programme and the Locations Programme
- Continuous improvement efficiencies

Additionally, HMRC are committed to continuing to deliver the efficiencies from our 2021 Pay and Contract Reform package. Overall, HMRC need to deliver an even higher level of efficiency and savings than the target level, to deliver performance standards and expectations within budgets, due to increased inflationary pressures since SR21.

1.9 Funding: Spending Review and Budgets

Spending Review 2021 (SR21) set the overall Departmental budget for resource and capital expenditure in 2023-2024. Since then, HMRC has made changes to the budgets. The details of these changes are set out below.

Item (£m)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
SR21 (as per Settlement Letter)	1,120.5	4,183.3	5,305.8	578.9	5,882.7
2023-2024 Main Estimate	1,100.5	5,274.5	6,375.0	627.1	7,002.1
2023-2024 Supplementary Estimate Changes					
Adjustments					
Windsor Framework implementation and Trader Support Service	0.0	6.3	6.3	95.2	101.5
Customer Service, Customer Compliance, and Technical Remediation Pressures	0.0	212.0	212.0	0.0	212.0
Fiscal Events Measures	0.0	14.8	14.8	5.6	20.4
VOA - Fundamental Review of Business Rates	0.0	12.4	12.4	5.6	18.0
Freeports	0.0	8.0	8.0	0.0	8.0
Unity Programme	0.0	25.1	25.1	0.0	25.1
Customer Services contingent labour	0.0	16.0	16.0	0.0	16.0
Budget Cover Transfers	0.1	-1.2	-1.1	-4.0	-5.1
Cost of Living payments	0.0	25.0	25.0	0.0	25.0
Labour Markets Evaluation and Pilots (LMEP) Fund	0.0	0.1	0.1	0.0	0.1
IFRS16 adjustment	0.0	0.0	0.0	2.6	2.6
Croydon virtual freehold acquisition	0.0	0.0	0.0	19.0	19.0
Budgeting cash award	0.4	0.0	0.4	0.0	0.4
2023-2024 Supplementary Estimate Changes Total	**0.5**	**318.5**	**319.0**	**124.0**	**443.0**
Revised Budget Post 2023-2024 Supplementary Estimate	**1,101**	**5,593**	**6,694**	**751**	**7,445**

Note: numbers may not sum due to rounding

Net Budget Cover Transfers with Other Government Departments

HMRC has the following Budget Cover Transfers with other government departments.

Government Department	£'000
To Department for Work and Pensions for the Supporting Financial Hardship/Payments Programme and Universal Credit savings	-£3,863
To Scottish Government for the Supporting Financial Hardship/Payments Programme	-£200
To Welsh Assembly Government for the Supporting Financial Hardship/Payments Programme	-£125
To Northern Ireland Executive for the Supporting Financial Hardship/Payments Programme	-£75
To Department for Science, Innovation and Technology for the Foundation Models Task Force	-£4,000
From HM Treasury for work moved from HMT to HMRC Government Banking	£80
From Department for Work and Pensions for Universal Credit investment funding and depreciation	£1,099
From Foreign, Commonwealth and Development Office for the sanctions programme, ODA – Egypt and the EECAD Conflict, Stability & Security Fund (CSSF) portfolio.	£1,358
From Security and Intelligence Agencies for the National Cyber Programme (NCP)	£100
From Department for Environment Food and Rural Affairs for the Single Trade Window	£500
Net Transfers	**-£5,126**

2. Spending detail

2.1 Explanation of changes in Departmental Expenditure Limit (DEL)

The table below shows HMRC's spending budget for Resource DEL and Capital DEL compared to 2023-2024 Main Estimate.

Estimate Line	Description	Resource				Capital				Note
		Supplementary Estimate Budget Sought 2023-24	Main Estimate 2023-24	Difference (+/-) compared to Main Estimate 2023-2024		Supplementary Estimate Budget Sought 2023-24	Main Estimate 2023-24	Difference (+/-) compared to Main Estimate 2023-24		
		£m			%	£m			%	
A	HMRC Administration	5,480	5,182	298	5.8%	715	618	97	15.7%	2.1.1
B	VOA Administration	186	190	-4	-2.3%	36	9	27	314.4%	2.1.2
C	Utilised Provisions	35	35	0	0.0%	-	-	-	-	2.1.3
D	Cost of Living	760	735	25	3.4%	-	-	-	-	2.1.4
	Sub-total (Voted)	**6,461**	**6,142**	**319**	**5.0%**	**751**	**627**	**124**	**19.8%**	
E	National Insurance Fund	233	233	0	0.0%	-	-	-	-	2.1.5
	Sub-total (Non-Voted)	**233**	**233**	**0**	**0.0%**	**-**	**-**	**-**	**-**	
	Total (Voted and Non-Voted)	**6,694**	**6,375**	**319**	**5.0%**	**751**	**627**	**124**	**19.8%**	

2.1.1. HMRC Administration (Section A)

The increase in budget at the 2023-2024 Supplementary Estimate reflects an additional £212m funding to cover Customer Service, Customer Compliance, and Technical Remediation pressures. Windsor Framework Implementation and Trader Support Service has received additional funding of £101.6m (£6.3m RDEL and £95.3m CDEL). This figure is lower than the original cost estimates (the budget for implementation of the Windsor Framework was not agreed at the 2023-24 Mains Estimate) as HMRC has managed the incremental pressures through robust financial management, identification of synergies and efficiencies, and optimised delivery plans.

The 2023-2024 Supplementary Estimate budget increase also includes an additional £25m funding for Unity Programme, £16m for Customer Services Contingent Labour, £12.3m increase in funding for fiscal event measures, £8m for freeports, and £19m for the increase of the VAT element of the Croydon virtual freehold acquisition.

2.1.2. VOA Administration (Section B)

The increase in budget at the 2023-2024 Supplementary Estimate reflects an additional £18m funding (£12.4m RDEL and £5.6m CDEL) for the Fundamental Review of Business Rates. This includes a switch of RDEL to CDEL (£15.7m). Also included is £9.8m support for inflationary pressures, and a depreciation adjustment of £3.2m.

2.1.3. Utilised Provisions (Section C)

This section covers the provision requirements for HMRC. When provisions are utilised, the cost is moved from AME to DEL as an equal and opposite transaction. Provisions are inherently unpredictable in terms of the timing and value of settlements. HMRC have an established process in place to regularly review and monitor provisions. There are no changes since Main Estimate 2023-2024.

2.1.4. Cost of Living (Section D)

This section relates to the additional funding given to HMRC to deliver the Government's Cost of Living measures. As announced in the Autumn statement on the 22nd November 2023, HMRC has made a further Cost of Living payment of £900 (paid in three instalments of £301, £300 and £299 which have all been paid) to low-income households in receipt of means-tested welfare support, who may be struggling with the increased cost of living.

HMRC's indicative budget to deliver this scheme was £735m, and an additional £25m has been received at Supplementary Estimates. The main reason for the variance is confirmation of eligibility periods and associated revisions to the number of tax credit claimants who had not yet migrated to Universal Credit.

2.1.5. National Insurance Fund (Section E)

There are no changes since Main Estimate 2023-24.

2.2 Spending Detail: AME

Estimate Line	Description	Resource					Note
		Supplementary Estimate Budget Sought 2023-24	Main Estimate 2023-24	Difference (+/-) compared to Main Estimate 2023-24		Last year outturn (2022-2023)	
		£m			%	£m	
F	Child Benefit	12,897	12,897	0	0.0%	11,596	2.2.1
G	Tax Free Childcare	632	618	13	2.1%	494	2.2.2
H	Providing payments in lieu of tax relief to certain bodies	156	179	-23	-12.8%	8	2.2.3
I	Lifetime ISA	501	540	-40	-7.4%	437	2.2.4
J	Help to Save	46	44	3	5.9%	53	2.2.5
K	HMRC Administration	20	30	-10	-33.3%	34	2.2.6
L	VOA - Payments of rates to LAs on behalf of certain bodies (POLAR)	88	84	3	4.0%	64	2.2.7
M	VOA - Administration	2	2	0	0.0%	1	2.2.8
N	Utilised Provisions	-20	-35	15	-42.9%	-20	2.2.9
O	COVID-19	5	5	0	0.0%	-132	2.2.10
	Sub-total (Voted)	**14,327**	**14,366**	**-39**	**-0.3%**	**12,535**	
P	Personal Tax Credit	8,768	8,768	0	0.0%	8,835	2.2.11
Q	Other Reliefs and Allowances	13,264	12,337	927	7.5%	12,560	2.2.12
	Sub-total (Non-Voted)	**22,033**	**21,105**	**927**	**4.4%**	**21,395**	
	Total (Voted and Non-Voted)	**36,360**	**35,471**	**889**	**2.5%**	**33,930**	

There is also a Capital Annually Managed Expenditure (CAME) budget of £10,000 for the utilisation of the Child Trust Fund provision and £20,099,000 for IFRS 16 impacts (Estimate line K).

2.2.1 Child Benefit (Section F)

There are no changes since Main Estimate 2023-24.

2.2.2 Tax-Free Childcare (TFC) (Section G)

Updated based on the latest Office for Budget Responsibility (OBR) publication. There has been an increase in forecast due to new outturn information and new input data from the Family Resources Survey.

2.2.3 Providing payments in lieu of tax relief to certain bodies (Section H)

A slight decrease based on the OBR publication and new outturn data. The £156.3m figure is broken down as follows:

- £120.4m for Stakeholder Pensions – based on using a weighted average of wage growth and self-employed income growth
- £35.9m for Gift Aid Small Donations Scheme - increased slightly due to an increase in the seasonally adjusted nominal GDP determinants.

2.2.4 Lifetime ISA (Section I)

Downwards adjustment based on OBR publication due to updated methodology for the forecast. Longer term trends in the data have now been incorporated, and the inputs have been updated with the latest data.

2.2.5 Help To Save (HTS) (Section J)

Help to Save account holders can save up to £50 a month into their account; accounts mature at the end of the second and fourth year when bonuses are paid. There has been an upwards adjustment due to updated volumetrics and historic data to generate a revised and more accurate forecast, based on a model consistent with previous years.

2.2.6 HMRC Administration (New Provisions) (Section K)

Provisions are inherently unpredictable in terms of the timing and value of settlements. HMRC have an established process in place to regularly review and monitor provisions. Resource AME provisions have been reduced due to reversing provisions which were placed for dilapidations. These will now be included as part of Capital AME provisions.

2.2.7 VOA - Payments of rates to Local Authorities on behalf of certain bodies (POLAR) (Section L)

Upwards adjustment to reflect forecast following revised assessments.

2.2.8 VOA – Administration (Section M)

No change.

2.2.9 Utilised Provisions (Section N)

Provisions are inherently unpredictable in terms of the timing and value of settlements. HMRC have an established process in place to regularly review and monitor provisions. Resource AME provisions have been reduced due to reversing provisions which were placed for dilapidations. These will now be included as part of Capital AME provisions.

2.2.10 COVID-19 (Section O)

The claims window for the COVID-19 scheme closed on 30 September 2021, however, there are some payments outstanding on AME COVID-19 schemes.

The £5.3m figure is broken down as follows:

- Coronavirus Job Retention Scheme (CJRS): £5.1m. These payments will result from claims that are either as a result of an employer having a reasonable excuse for not making a claim on time, or due to the complaints procedure being followed and a previous decision being overturned, meaning that a payment is now required.
- Self-Employment Income Support Scheme: £0.2m. Similarly, these claims are as a result of exceptional circumstances where a payment is now required.

There are no changes since Mains Estimates 2023-24.

2.2.11 Personal Tax Credit (Section P)

There are no changes since Main Estimate 2023-24.

2.2.12 Other Reliefs and Allowances (Section Q)

This section covers a range of reliefs paid from public spending, including Large Companies Research and Development Relief, Small Companies Research and Development Relief, and Film Tax Relief, as well as the Guardians Allowance. There is an upwards adjustment to reflect latest forecasts as a consequence of the Autumn Statement forecast.

Tax relief policies and latest economic determinants will have a bearing on these values, differing from those that will have been determined for the Main Estimate, based on information available at that time.

2.3 Ring fenced budgets

HMRC have a number of ringfence budgets that are set by HM Treasury. Any funding provided by HM Treasury for the below items can only be spent on a specific area of spend.

The Chief Secretary to the Treasury has approved lifting the following ringfences, to help manage our pressures and mitigate the need for additional funding: Debt and Payments, Pensions Programme, Digitising Business Rates, Pilots, and Tax free Childcare.

HM Treasury Ringfences	Main Estimate 2023-24		2023 -24 Supplementary Estimates Budget		Difference (+/-) compared to Main Estimate 2023-24			
	RDEL	CDEL	RDEL	CDEL	RDEL		CDEL	
	£m				£m	%	£m	%
Post-Scheme COVID-19	13.3	0.0	13.3	0.0	-	0%	-	0%
Counter Fraud Packages for COVID-19	22.5	0.0	22.5	0.0	-	0%	-	0%
UK Transition	543.4	226.2	549.4	321.2	6.0	1%	95.0	42%
Revenue Raising	449.4	0.2	449.4	0.2	-	0%	-	0%
Modern Tax System	100.9	86.0	100.9	86.0	-	0%	-	0%
Debt and Payments	38.1	28.3	38.1	28.3	-	0%	-	0%
Digitising Business Rates	5.0	7.7	5.0	7.7	-	0%	-	0%
Pensions Programme	12.1	20.3	12.1	20.3	-	0%	-	0%
Tax-Free Childcare	37.7	0.0	37.7	0.0	-	0%	-	0%
Help to Save	15.4	0.0	15.4	0.0	-	0%	-	0%
Fiscal Event Policy Pot	109.8	10.0	124.6	15.6	14.8	13%	5.6	56%
Spend-to-Raise	67.7	4.9	67.7	4.9	-	0%	-	0%
Pilots	11.7	4.0	11.7	4.0	-	0%	-	0%
Official Development Assistance	7.5	0.0	7.5	0.0	-	0%	-	0%
Research & Development	0.0	2.0	0.0	2.0	-	0%	-	0%
Cost of Living	735.0	0.0	760.0	0.0	25.0	3%	-	0%
Total HM Treasury Ringfences	**2,169.4**	**389.5**	**2,215.2**	**490.1**	**45.8**		**100.6**	

2.4 Changes to contingent liabilities

The following contingent liabilities are contained within Part III: Note K of the Main Estimate.

Nature of Liability	£000
Legal claims - Costs that may be awarded should various legal cases in which HMRC is involved be determined against the department	145,000
Guaranteed costs – possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities	700
Other – the department has a further number of contingent liabilities	118,400
VOA Legal claims - Costs that may be awarded should various legal cases in which VOA is involved be determined against it	620

These contingent liabilities have been held by the department for several years and reported within the Departmental Resource Accounts annually. They have been incurred in the ordinary course of administering the tax and customs system. HMRC has an established process in place to regularly review and monitor contingent liabilities.

3. Priorities and Performance

3.1 How spending relates to objectives

HMRC's planning and performance is structured around our 5 strategic objectives:

- Collect the right tax and pay out the right financial support.
- Make it easy to get tax right and hard to bend or break the rules.
- Maintain taxpayers' consent through fair treatment and protect society from harm.
- Make HMRC a great place to work.
- Support wider government economic aims through a resilient, agile tax administration system.

The funding we received in the 2021 Spending Review allows us to deliver our core services, enabling us to continue to collect the UK's tax revenue and maintain customer service standards. We'll also use a significant proportion of this investment to fund our transformation projects to modernise the way we administer tax and customs in line with the Government's tax administration strategy '*Building a trusted, modern tax administration*'.

HMRC's departmental finance systems are not structured to report costs and resources by strategic objective. However, we do allocate budgets for these elements per business group.

3.2 Measures of performance against each strategic objective

We continue to improve and develop our performance metrics to ensure we can demonstrate our delivery against our strategic objectives in the coming years.

We publish quarterly updates on our performance against our key performance indicators, and cover these, and commitments, within the performance section of our Annual Report & Accounts. In addition to this we publish monthly data on use of our digital services and our telephony, post handling and complaints handling performance.

3.3 HMRC Performance

In 2022 to 2023 we collected £788.8 billion in tax receipts for the Exchequer – an increase of 10.2% on the previous year – and we've achieved a long-term reduction in the UK's tax gap from 7.5% in 2005 to 2006 to 4.8% in 2021 to 2022 (the latest estimates available).

We're determined to deliver a modern, efficient service that makes it easier to pay tax and harder to get it wrong. That means improving guidance and enhancing and expanding our digital services – online via GOV.UK and through the HMRC app – to give customers the quick and easy ways to manage their tax affairs that they expect.

Millions of our customers pay their tax automatically (for example, through PAYE) and those who do need to contact us are increasingly doing so online via GOV.UK and in the HMRC App. Recent research showed that three quarters of our customers had online interactions with us in the last 12 months – and 38% use only our online channels. Satisfaction with our digital services is consistently over 80% (83.7% to the end of September 2023).

An increasing number of our customers are using the HMRC mobile App – with 43.7 million logins in the first 9 months of 2023 to 2024 (up to end of December) – through which they can view their PAYE tax code and annual tax summary, pay their Self-Assessment liabilities, manage details for tax credits and Child Benefit and use a tax calculator.

In 2022 to 2023 we made a significant improvement in the proportion of customer correspondence that we turn around within 15 working days, increasing to 72.7% from 45.5% in 2021 to 2022. Up to the end of September 2023, this had improved to 74% across 2023 to 2024, closer to the 80% service standard we want to achieve. The proportion of callers wanting to speak to an adviser who were able to do so was 66.1% up to the end of September 2023 – a slight decline in performance from 71.1% across 2022 to 2023 and below our 85% service standard.

The things affecting our ability to meet service standards on telephony and post include the impact of higher inflation on our budget, growth in the number of customers in the tax system and an increase in the proportion of customers with complex tax affairs who need more support. With rising demand and reduced resources, the only way we can meet those service levels for customers who really need to speak to us, is by further improving and expanding our digital and online services and continuing to take bold decisions to encourage even more people to use them.

While most of our customers pay what they owe at the right time, we are seeing more customers getting into debt in the current challenging economic conditions, and the average value of customers' debts is increasing.

The debt balance at the end of September 2023 was £45.5 billion, a slight reduction from £45.9 billion at the end of March 2023. There are many external factors that influence the debt balance, which makes it difficult to predict, but we forecast it remaining close to these levels throughout the remainder of 2023 to 2024.

We promote good compliance by educating and supporting our customers in their tax affairs, while responding robustly to those who are carelessly or deliberately non-compliant, or who attack the tax system. Every year, we collect and protect billions of pounds of tax revenue that would otherwise have been lost to the Exchequer through error, fraud or other forms of non-compliance. In 2022 to 2023, we delivered £34 billion of compliance yield and up to the end September 2023, we had delivered £13.0 billion. This suggests we're on course to continue to deliver an increasing level of compliance yield this year.

We are also reshaping the role of customs with our aim to have a world-class customs system – one that uses technology, data and better coordination to reduce costs and friction for businesses and customers. Modernisation is integral to this and in August 2023 we reached an important milestone in our move to a single customs platform with 99.9% of import declarations submitted on the new Customs Declaration Service. We're now focused on making sure the UK's exporters make the move to the new system by 30 March 2024.

3.4 Major projects

HMRC currently has 16 live projects within the Government Major Projects Portfolio (GMPP). Details of 18 of those programmes were published in the 2023 GMPP Transparency Publication . For more information, please refer to that publication:

- Building our Future Locations Programme
- Critical Platform Transformation Programme
- Northern Ireland Delivery Programme
- Making Tax Digital Programme
- Our Future CDIO Programme (formerly Technology Sourcing Programme)
- Pensions Programme
- Protect Connect Programme
- Payments Programme
- Securing our Technical Future Programme
- Single Customer Account Programme
- Single Customs Platform Programme
- Single Trade Window Programme
- Technical Health Programme (formerly Enterprise Security Programme)
- Trader Support Service Programme
- Unique Customer Record Programme
- Unity Programme

Subsequent to the 2023 GMPP Transparency Publication 6 HMRC programmes have exited GMPP and 1 HMRC Programme has joined GMPP:

Leavers:

- Contact Engagement Programme
- Data Protection Remediation Programme
- Debt Respite Programme
- Debt Transformation Programme
- Infrastructure Programme
- Payments Programme

Joiner:

- Enterprise Tax Management Platform Programme

Details of this programme will be published in the 2024 GMPP Transparency Publication which is expected to be published in July 2024.

4. 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.

Jim Harra

Accounting Officer

First Permanent Secretary

HM Revenue and Customs

26th February 2024

Annex: Table A

See tables at Section 2.1 for a breakdown of DEL and AME funding changes.

Annex: Table B HMRC 2023-2024 Supplementary Estimate DEL (£m)

HMRC 23-24 Supplementary Estimate DEL (£m)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
Spending Review outcome:-	**1120.5**	**4183.3**	**5303.8**	**578.9**	**5882.7**
Additional, new, money awarded since SR21					
Main Estimate					
Cost of Living Payments	0.0	735.0	735.0	0.0	735.0
Spend to Raise	0.0	7.7	7.7	4.9	12.6
Depreciation budget adjustment	0.0	245.2	245.2	0.0	245.2
Supplementary Estimate					
Windsor Framework implementation and Trader Support Service	0.0	6.3	6.3	95.2	101.5
Pay Remit	0.0	212.0	212.0	0.0	212.0
Fiscal Events Measures	0.0	12.3	12.3	5.1	17.4
VOA - Fundamental Review of Business Rates	0.0	12.4	12.4	5.6	18.0
Freeports	0.0	8.0	8.0	0.0	8.0
Unity Programme	0.0	25.1	25.1	0.0	25.1
Contingent labour	0.0	16.0	16.0	0.0	16.0
Cost of Living	0.0	25.0	25.0	0.0	25.0
Autumn Statement 2023	0.0	2.5	2.5	0.5	3.0
Labour Markets Evaluation and Pilots (LMEP) Fund	0.0	0.1	0.1	0.0	0.1
IFRS16 developer contribution	0.0	0.0	0.0	2.6	2.6
Croydon Virtual Freehold Acquisition	0.0	0.0	0.0	19.0	19.0
Budgeting cash award	0.4	0.0	0.4	0.0	0.4
Additional, new, money awarded since SR21 sub-total:	**0.4**	**1307.6**	**1308.0**	**132.9**	**1440.9**
Estimating, forecasting and reprofiling changes:					
Main Estimate					
IFRS 16	-26.7	-50.0	-76.7	2.7	-74.0
Health and Social Care Levy Surrender	-10.0	-12.1	-22.1	0.0	-22.1
UK Transition budget exchange from 22-23	0.0	40.0	40.0	20.0	60.0
IFRS 16 Depreciation	33.6	57.0	90.6	0.0	90.6
Depreciation budget adjustment	-16.6	0.0	-16.6	0.0	-16.6
Supplementary Estimate					
VOA Support for inflationary pressures (Impact VOA estimate line)	0.0	9.6	9.6	0.0	9.6
HMRC Support for inflationary pressures (Impact HMRC estimate line and will be deducted)	0.0	-9.6	-9.6	0.0	-9.6
CDEL Income adjustment from Welsh government (Expenditure line)	0.0	0.0	0.0	1.2	1.2
CDEL Income adjustment from Welsh government (Income line)	0.0	0.0	0.0	-1.2	-1.2
VOA portfolio funding (Impact VOA estimate line)	0.0	0.0	0.0	6.0	6.0
VOA portfolio funding (Impact HMRC estimate line and will be deducted)	0.0	0.0	0.0	-6.0	-6.0
VOA currency switch (Impact VOA estimate line)	0.0	-15.7	-15.7	15.7	0.0
VOA currency switch (Impact HMRC estimate line)	0.0	15.7	15.7	-15.7	0.0
VOA Depreciation (VOA Estimate line impact)	0.0	-3.2	-3.2	0.0	-3.2
VOA Depreciation (Impact on HMRC estimate line)	0.0	3.2	3.2	0.0	3.2
VOA RDEL Income (Income line)	0.0	-2.7	-2.7	0.0	-2.7
VOA RDEL Income (Expenditure line)	0.0	2.7	2.7	0.0	2.7
VOA additional funding for Business Rates (Impact on VOA estimate line)	0.0	5.1	5.1	5.6	10.7

VOA additional funding for Business Rates (Impact on HMRC estimate line)	0.0	-5.1	-5.1	-5.6	-10.7
VOA IFRS 16 Adjustment (Impact on VOA estimate line)	0.0	0.1	0.1	0.0	0.1
VOA IFRS 16 Adjustment (Impact on HMRC estimate line)	0.0	-0.1	-0.1	0.0	-0.1
Capital Grant in Kind (Income) - Transfer of asset from DFT	0.0	0.0	0.0	70.0	70.0
Capital Grant in Kind (Income) - Transfer of asset from DFT	0.0	0.0	0.0	-70.0	-70.0
Estimating, forecasting and reprofiling changes sub-total:	**-19.7**	**34.9**	**15.2**	**22.7**	**37.9**
Neutral funding changes between departments:-					
Main Estimate					
Cabinet Office (Outgoing): Civil Service Live Contribution	-0.1	0.0	-0.1	0.0	-0.1
Ministry of Justice (Outgoing): JIT 724 2022 onwards	0.0	0.0	0.0	0.0	0.0
Welsh Government (Outgoing): Hidden Economy Conditionality	0.0	0.0	0.0	0.0	0.0
Driver and Vehicle Agency, an Executive Agency of the Department for Infrastructure (NI) (Outgoing): Hidden Economy Conditionality	0.0	0.0	0.0	0.0	0.0
Scottish Government (Outgoing): Hidden Economy Conditionality	0.0	-0.1	-0.1	0.0	-0.1
Ministry of Justice (Outgoing): M3502 Construction Industry Scheme (CIS) Abuse	0.0	-0.1	-0.1	0.0	-0.1
Cabinet Office (Outgoing): Civil Service Live Contribution (From 23/24 Heads of Place)	-0.2	0.0	-0.2	0.0	-0.2
Cabinet Office (Incoming): Single Trade Window	0.0	39.0	39.0	20.0	59.0
Department for Work and Pensions (Incoming): JMET funding	0.0	4.3	4.3	0.0	4.3
Foreign, Commonwealth and Development Office (Incoming): Common Platform Baseline Transfer	0.0	3.0	3.0	0.0	3.0
Foreign, Commonwealth and Development Office (Incoming): EECAD Conflict, Stability & Security Fund (CSSF) portfolio	0.0	0.3	0.3	0.0	0.3
Department for Work and Pensions (Incoming): Universal Credit (Programme)	0.0	19.4	19.4	0.0	19.4
Department for Work and Pensions (Incoming): Universal Credit (Capital)	0.0	0.0	0.0	0.6	0.6
Department for Work and Pensions (Incoming): Universal Credit (Programme-Depreciation)	0.0	2.5	2.5	0.0	2.5
Main Estimate budget transfers sub-total:	**-0.3**	**68.3**	**68.0**	**20.6**	**88.6**
Supplementary Estimate					
Department for Work and Pensions (Outgoing): Supporting Financial Hardship/Payments Programme	0.0	-1.5	-1.5	0.0	-1.5
Scottish Government (Outgoing): Supporting Financial Hardship/Payments Programme	0.0	-0.2	-0.2	0.0	-0.2
Welsh Assembly Government (Outgoing): Supporting Financial Hardship/Payments Programme	0.0	-0.1	-0.1	0.0	-0.1
Northern Ireland Executive (Outgoing): Supporting Financial Hardship/Payments Programme	0.0	-0.1	-0.1	0.0	-0.1
Department for Work and Pensions (Outgoing): Universal Credit savings	0.0	-2.4	-2.4	0.0	-2.4
Department for Science, Innovation and Technology (Outgoing): Foundation Models Task Force	0.0	0.0	0.0	-4.0	-4.0
HM Treasury (Incoming): Work moved from HMT to HMRC Government Banking (GB) 1xG6 to be funded	0.1	0.0	0.1	0.0	0.1
DWP (Incoming): Universal Credit investment funding	0.0	1.0	1.0	0.0	1.0
DWP (Incoming): Universal Credit investment funding - Depreciation	0.0	0.1	0.1	0.0	0.1
Foreign, Commonwealth and Development Office (Incoming): Cross HMRC funding for the sanctions programme	0.0	1.0	1.0	0.0	1.0
Foreign, Commonwealth and Development Office (Incoming): ODA - Egypt	0.0	0.3	0.3	0.0	0.3
Foreign, Commonwealth and Development Office (Incoming): EECAD Conflict, Stability & Security Fund (CSSF) portfolio.	0.0	0.1	0.1	0.0	0.1

Security and Intelligence Agencies (Incoming): National Cyber Programme (NCP)	0.0	0.1	0.1	0.0	0.1
Department for Environment Food and Rural Affairs (Incoming): Single Trade Window	0.0	0.5	0.5	0.0	0.5
Supplementary Estimate budget transfers sub-total:	**0.1**	**-1.2**	**-1.1**	**-4.0**	**-5.1**
Neutral funding changes between departments sub-total:	**-0.2**	**67.1**	**66.9**	**16.6**	**83.5**
	RDEL Admin	**RDEL Prog**	**Total RDEL**	**CDEL**	**TDEL**
2023-24 Supplementary Estimate DEL:-	**1100.9**	**5593.0**	**6693.9**	**751.2**	**7445.1**

Note: numbers may not sum due to rounding