HM Treasury

HM Treasury 2020-21 Supplementary Estimate Memorandum

Contents

1 Overview

1.1 Objectives

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

1. Place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services
2. Ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth as we leave the EU
3. Increase employment and productivity, ensuring strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU
4. Build a great Treasury, by creating a more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence

1.2 Spending controls

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

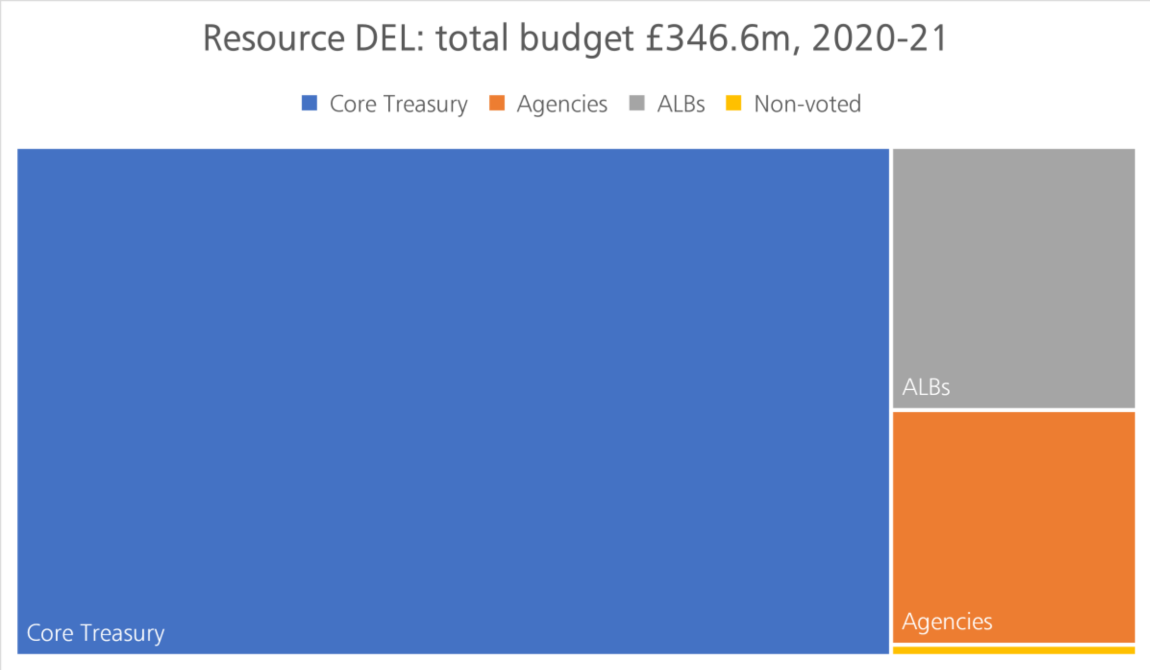
The spending totals which Parliament votes are:

- 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

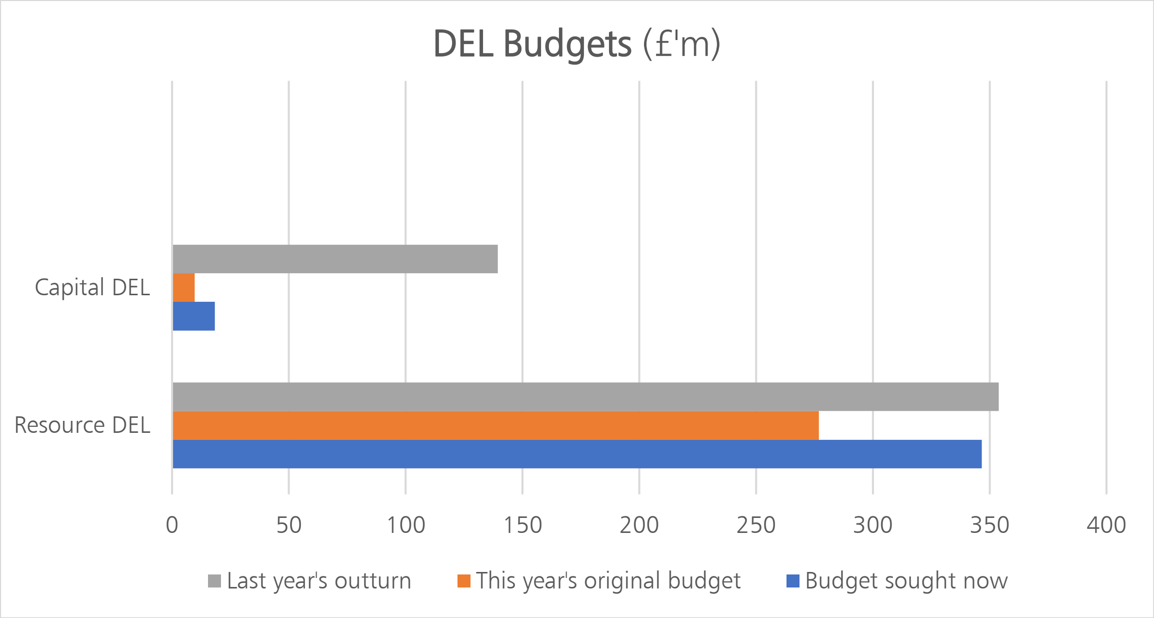
The graphic below shows, for HMT's proposed budget for the year, as included in the Supplementary Estimate, the proportions of funds spent by bodies within the Group.

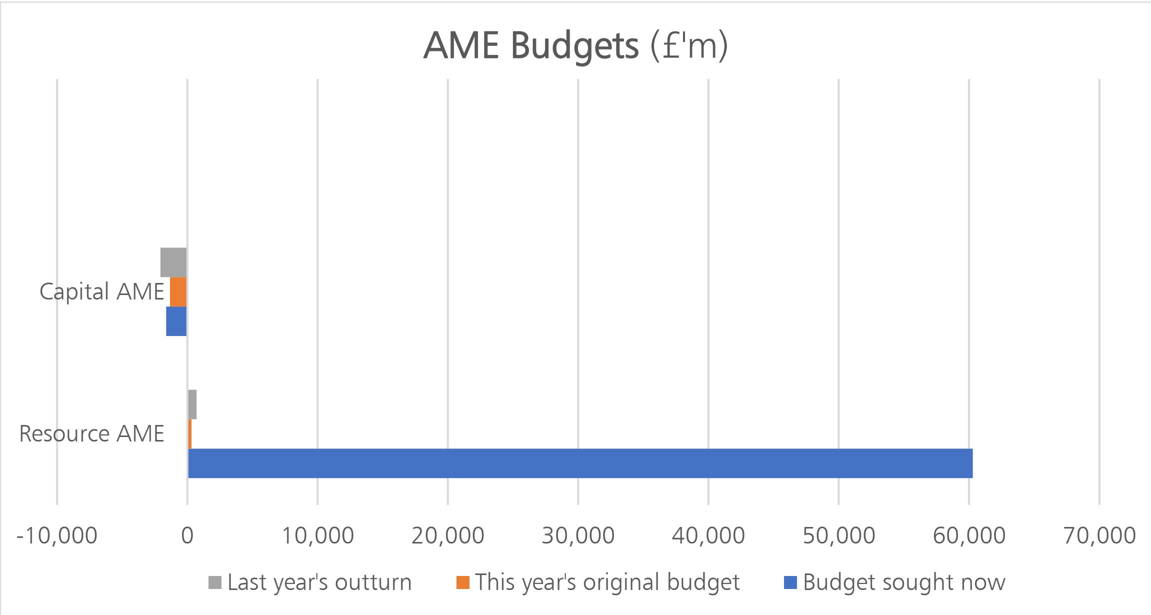


1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for HMT this year compare with both the budget sought at Mains, and last year's outturn:

Spending total Amounts sought this year (Supplementary Estimate 2020-21)		Compared to original budget this year (Main Estimate 2020-21)		Compared to final outturn last year (Outturn 2019-20)	
		£ m	%	£m	%
Resource DEL	346.6	+69.7	+25.2%	-7.3	-2.1%
Capital DEL	18.3	+8.6	+88.7%	-121.1	-86.9%
Resource AME	60,271.6	+59,968.5	+19785.1%	+59,563.1	+8406.7%
Capital AME	-1,635.5	-305.5	-23.0%	+428.9	+20.8%





1.5 Key drivers of spending changes since original budget

HMT's Resource DEL spending plans have increased from the original budget set in the Main Estimate primarily due to Oil and Gas Decommissioning payments as well as funding for additional consultancy, staffing and other costs to support the HMT response to the COVID pandemic.

Resource AME spending plans have increased significantly mainly due to the inclusion of a budget to cover possible movements in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF), as well as budget cover for movements in the EU Withdrawal Agreement financial settlement provision.

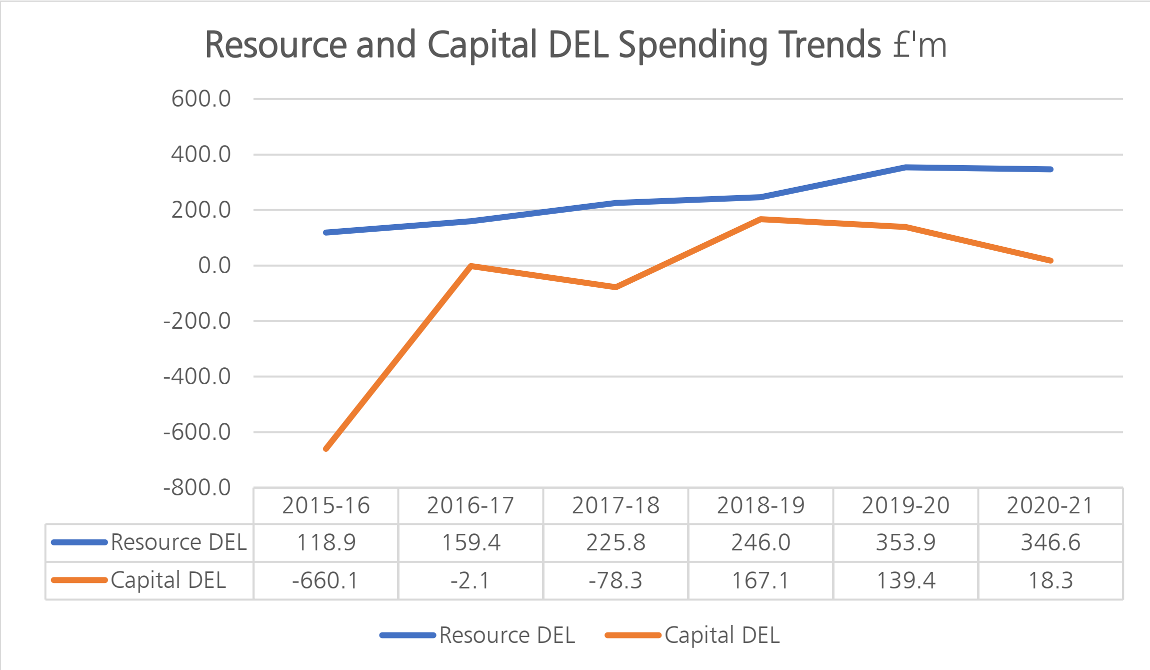
1.6 New policies and programmes; ambit changes

The ambit for AME expenditure has been expanded to include spending by the Reclaim Fund Ltd (RFL). RFL administers the UK Dormant Assets Scheme, which was established by the Dormant Bank and Building Society Accounts Act 2008. RFL has been reclassified to the public sector effective from 2020-21.

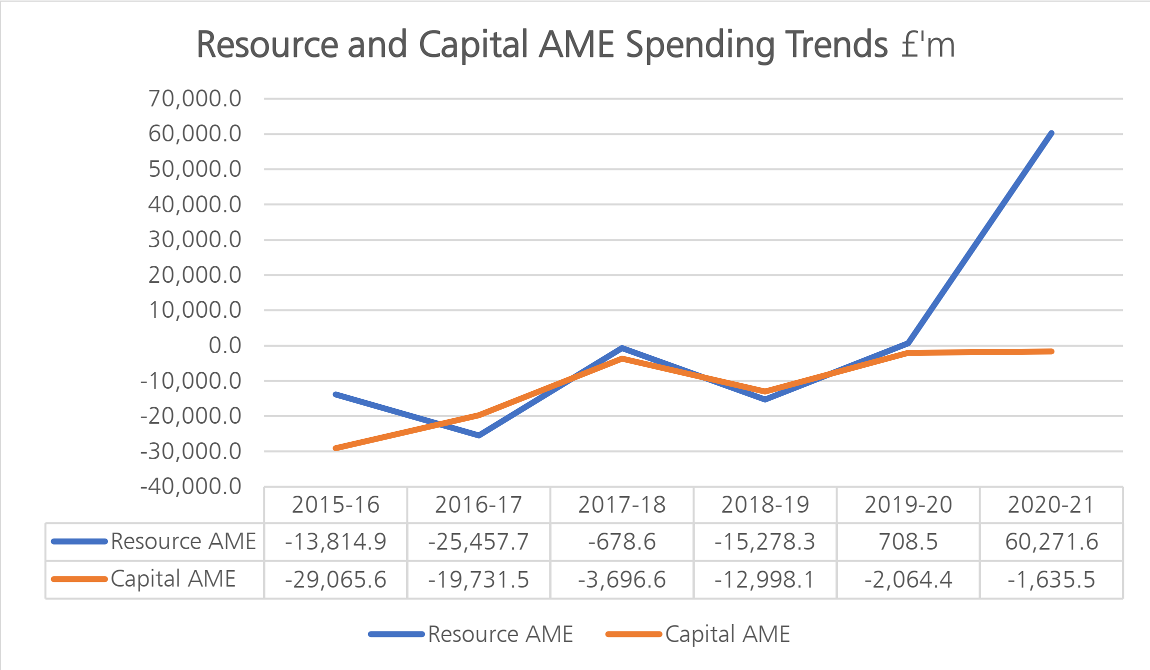
The ambit for DEL expenditure has also been expanded, and now includes expenditure relating to business support measures.

1.7 Spending trends

The charts below shows overall spending trends for the last five years and plans presented in Estimates for 2020-21.



- 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 over the period, 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). A further £80.6m of costs were incurred in 2019-20 to enable the Contingencies Fund to be repaid in respect of an advance made to settle a legal claim.
- Capital DEL – the troughs in 2015-16 and 2017-18 resulted from the sale of Eurostar shares and the repayment of the Greater Manchester Waste loan respectively. The increase 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.



- 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.

1.8 Administration costs and efficiency plans

The 2020-21 final budget for administration costs is 10.7% higher than the original budget set in the Main Estimate, and 37.3% higher than the 2019-20 cost. This is primarily due to funding for additional consultancy, staffing and other costs to support the HMT response to the COVID pandemic.

Spending total Amounts sought this year (Supplementary Estimate 2020-21)		Difference (+/-), compared to original budget this year (Main Estimate 2020-21)			Difference (+/-), compared to final outturn last year (Outturn 2019-20)	
		£ m	%		£m	%
Administration costs	279.2	+26.9	+10.7%		+75.8	+37.3%

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for HMT for 2020-21 are based on plans published in the 2019 Spending Review for the department. Since that time, the Government has made several changes to 2020-21 spending plans. Notable amongst these changes are:

RDEL

- Oil and Gas Decommissioning Reserve Claim of £49.1m.
- Reserve claims for spending on additional staffing and related costs of £44.0m to deliver COVID business support measures, of which £24.0m was allocated at Mains, and £20.0m at Supplementary.
- Other Reserve Claims of £21.2m, including;
    - £7.5m for the COVID Intervention Resolution Group (CIRG) established to provide advisory support and management of COVID interventions.
    - £5.6m for the project to replace OSCAR I (Online System for Central Accounting and Reporting), with OSCAR II which will provide an enhanced solution. OSCAR provides key management information and data for public reporting.
    - £3.5m for the Debt Management Office accommodation move, agreed in principle at Main Estimate with the Reserve Claim made via the Supplementary.
    - £3.1m for work to ensure we have sufficiently robust assurance arrangements in place over the financial settlement (EU Exit audit) and to participate in the EU's assessment of whether the UK legislative regime is equivalent to the EU's regime in certain key areas of financial services (equivalence).
    - £1.5m for resourcing to address the McCloud legal judgment in relation to public service pension schemes and to identify potential remedies.
- Additional RDEL funding of £9.3 million from the Foreign, Commonwealth and Development Office (FCDO, formerly DFID) for the Asian Infrastructure Investment Bank.
- Machinery of Government change transferring part of the Department for Exiting the European Union (DExEU) from the Cabinet Office (£2.4m).

CDEL

- Reclassification of the CIIF and DIIF from Capital DEL to Capital AME, reducing the 2020-21 Capital DEL figure by £105.0m. This was agreed and implemented as part of the 2020-21 Main Estimate, on the basis that HMT has no control over either the size of the investments, or when they might be made. The spending has therefore been reclassified to capital AME where the unpredictability might be more easily managed.
- Additional funding announced in the Budget 2020 for a new campus in the north of England focused on economic decision making (£5.0m)
- Reserve Claim of £3.2m agreed at the 2020-21 Main Estimate for the Debt Management Office accommodation move.

- Reserve Claim of £8.6m for a loan facility for the Speyside project, which has a guarantee granted under the UK Guarantees Scheme.

1.10 Other Funding Announcements

Where other funding announcements are made during the year, not listed at Annex B, they relate to reallocated money within existing planned limits, rather than "new" or additional money. HMT have made no such funding announcements.

2 Spending detail

2.1 Explanations of changes in spending

Resource DEL

The table below shows how HMT's spending plans for resource DEL compare with earlier this year.

Subheads	Description	**Resource DEL**			
		£ million			%
		This year (2020-21 Supplementary Estimates budget sought)	This year (2020-21 Main Estimates budget approved)	Change from Main Estimate	
A	Core Treasury	270.6	203.7	**66.9**	**32.8%**
B	Debt Management Office	27.1	23.6	**3.5**	**14.8%**
C	Government Internal Audit Agency	2.9	2.9	**0.0**	**0%**
D	Office of Tax Simplification	1.0	1.0	**0.0**	**0%**
E	Office for Budget Responsibility	3.8	3.8	**0.0**	**0%**
G, H, I, J	HMT owned companies with token £1k provision	0.0	0.0	**0.0**	**0%**
K	Asian Infrastructure Investment Bank	9.3	9.5	**-0.2**	**-2.1%**
L	National Infrastructure Commission	5.0	5.0	**0.0**	**0%**
M	UK Government Investments Limited	25.2	15.9	**9.3**	**58.5%**
-	Departmental Unallocated Provision	0.0	3.5	**-3.5**	**-100%**
N	Banking and gilts registration services (Non-voted)	1.7	8.0	**-6.3**	**-78.8%**
	total voted and non-voted	**346.6**	**276.9**	**69.7**	**25.2%**

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

Section A: Core Treasury

Spending plans for core Treasury have increased by £66.9m (net) since the Main Estimate set the original budget.

- There are £30.2m of Reserve Claims for Core Treasury Resource DEL administration costs. The most significant element of which is £20.0m for additional consultancy, staffing and other related costs in response to the COVID pandemic.
- There is a £49.1m Reserve Claim for Core Treasury Resource DEL programme costs, in relation to the Oil and Gas Decommissioning Relief Deeds (DRD). At 31 March 2020, HMT carried a provision of £285m in its accounts for DRD claims. The deeds were signed between members of the oil and gas industry and HMT. The Deeds indemnify the industry for changes in tax codes or the default of their partners in decommissioning North Sea oil fields, allowing them to claim relief from HMT potentially otherwise available to the field from HMRC through the tax system.
- HMT is returning £14.8m of ringfenced funding relating to the new Ministerial Campus, Knowledge Assets and UK Infrastructure Bank as a result of project slippage. Both the new Ministerial Campus and UK Infrastructure Bank are new policy areas that the Department has been developing over the course of the current financial year. Whilst these areas will remain a priority for the Department into 2021-22 the proposed return of ringfenced funding reflects that we do not anticipate spending the full budget allocation in 2020-21.
- There are net £2.4m of transfers from Other Government Departments and from other sections within the Estimate.

Capital DEL

The table below shows how spending plans for capital DEL compare with earlier this year.

Subheads	Description	Capital DEL			
		£ million			%
		This year (2020-21 Supplementary Estimate budget sought)	This year (2020-21 Main Estimate budget approved)	Change from Main Estimate	
A	Core Treasury	5.6	8.2	**-2.6**	**-31.7%**
B	Debt Management Office	3.4	0.8	**2.6**	**325%**
F	Infrastructure Finance Unit Ltd	8.6	0.0	**8.6**	**n/a**
L	National Infrastructure Commission	0.7	0.7	**0.0**	**0%**
N	European Bank for Reconstruction and Development	0.0	0.0	**0.0**	**0%**
	total voted	**18.3**	**9.7**	**8.6**	**88.7%**

There are no differences of more than 10% which are more than £10.0m on a net basis. However, there are two areas to be noted:

Section A: Core Treasury

The European Investment Bank (EIB) is the lending arm of the European Union (EU), with shares held by each of the Member States. Under Article 150 of the Withdrawal Agreement the UK left the EIB on 31 January 2020. The UK's paid-in-capital will be returned over 12 years, and a contingent liability will also be held in respect of the stock of outstanding EIB operations at the point of the UK's withdrawal within the HMT accounts. In order to align the income and expenditure associated with leaving the EIB, the paid-in-capital receivable will be transferred from the Consolidated Fund to HMT. This is treated as a Capital grant in kind, with offsetting income and expenditure.

Section N: European Bank for Reconstruction and Development (EBRD)

The EBRD is an international financial institution founded in 1991. HMT has policy responsibility for the ERBD, and the Chancellor is the UK's governor on the Bank's board, but the shareholding (and contingent liability) has sat with FCDO and its various predecessors since inception. The planned transfer of the shareholding from FCDO to HMT is therefore intended to align the ownership of the asset and liability with the policy responsibility. As with the EIB transfer this will be treated as a Capital grant in kind, with offsetting income and expenditure.

Resource AME

The table below shows how spending plans for resource AME compare with earlier this year.

Subheads	Description	Resource AME			
		£ million			%
		This year (2020-21 Supplementary Estimate budget sought)	This year (2020-21 Main Estimate budget approved)	Change from Main Estimate	
P	Core Treasury (AME)	0.3	0.3	**0.0**	**0%**
Q	Provisions	325.0	-0.5	**325.5**	**n/a**
R, S	UK coinage	18.0	18.0	**0.0**	**0%**
T	Royal Mint Dividend	-2.0	-4.0	**2.0**	**-50%**
U	Loans to Ireland	-21.9	-21.9	**0.0**	**0%**
V	Assistance to financial institutions	55,564.5	0.0	**55,564.5**	**n/a**
W	Sovereign Grant funding of the Royal Household	95.9	85.9	**10.0**	**11.6%**
X	Financial Services Compensation Scheme	117.0	85.0	**32.0**	**37.6%**

Y	UK Asset Resolution Limited	-74.5	175.0	-249.5	-143%
Z	Help to Buy (HMT) Limited	0.0	0.0	0.0	0%
AA	Help to Buy ISA	10.0	10.0	0.0	0%
AB	UK Government Investments Limited	1.0	1.0	0.0	0%
AD	EU Withdrawal Agreement Financial Settlement	4,234.0	0.0	4,234.0	n/a
	Investment in the Bank of England	0.0	-50.0	50.0	n/a
AF	Royal Household Pensions	3.9	3.9	0.0	0%
AG	Civil List	0.4	0.4	0.0	0%
	total voted and non-voted	60,271.6	303.1	59,968.5	n/a

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

Section Q: Provisions

HMT had £1,600.0m of provisions on 31 March 2020 excluding the EU Financial Settlement. These relate to Equitable Life, Oil & Gas, and Help to Buy. The budget of £325.0m requested through the Supplementary Estimate process is to cover forecast provision movements which impact Resource AME. This includes any required increase to the provision, utilisation of the provision, and the impact of any movement in discount rates.

Section V: Assistance to financial institutions

The increase in this section arises from two transactions.

- The bulk of the resource increase arises from HMT seeking budget cover for a potential decrease in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF) of £55,000.0m non-cash. The fair value of the BEAPFF derivative represents the best estimate of the amount due to HMT from the Bank of England on settlement of the scheme. It is arrived at by calculating the difference between the fair value of the assets as at the reporting date, less the associated liabilities. The budget increase of £55,000.0m is based on conservative assumptions of downside risk.
- A budget provision of £573.6m has been requested for the COVID Corporate Financing Facility (CCFF). HMT and the Bank of England launched the CCFF in March 2020 to support liquidity among larger firms, helping them to bridge coronavirus disruption to their cash flows through the purchase of short-term debt in the form of commercial paper. The scheme was announced in March 2020, so no budget was included as part of the Mains Estimate process for 2020-21. The requested budget is to support the operation of the scheme and provide enough headroom to meet demands that may materialise for the year to 31 March 2021.

Section W: Sovereign Grant funding of the Royal Household

The increase of £10.0 million is predominantly the result of the rescheduling of reservicing work on Buckingham Palace. The changes in use at the Palace in response to COVID means works that would have been done in future years have therefore been brought forward.

Whilst the Estimate for 2020-21 has been increased, the Sovereign Grant remains at the level set in advance of the financial year as part of the Sovereign Grant Act 2011 (£85.9m). Parliament is not being asked for extra funding for the Royal Household as the additional funds come from the Sovereign Grant Reserve, unspent funding from prior years.

Section X: Financial Services Compensation Scheme

An increase of £32.0 million covering increases in compensation costs of £62.0m and management expenses by £5.0m. This is driven by a higher failure rate for firms than anticipated, including the complex failure of London Capital & Finance (LCF). There has also been an increase in pension advice claims and more costs in relation to the transfer of cash and assets from failed investment firms. These increases are offset by increases in the levy on the financial services firms and an increase in other recoveries.

Section Y: UK Asset Resolution

The Main Estimate was based on UK Asset Resolution (UKAR) having moved to grant-in-aid funding following the sale of its residual asset portfolios and legal entities in 2019-20. However, given the ongoing volatility of global markets due to COVID, and following discussions with interested parties, the sale process was put on hold. The UKAR resource budget has therefore been revised, showing income of £74.5m due to interest income from mortgages.

Section AD: EU Withdrawal Agreement financial settlement

The European Union (Withdrawal Agreement) Act 2020 received Royal Assent on the 23 January. Under the Act, EU financial settlement payments will be paid as a Consolidated Fund Standing Service until 31 March 2021, after which they will be funded through the Supply process. The Treasury made a non-cash provision of £38,705m in the 2019-20 Annual Report and Accounts for liabilities that could crystallise as cash payments after 31 March 2021. The figure of £4,234.0m provides budget cover for movements in that provision.

This figure represents the upper limit for the potential liabilities that may need to be recognised in the Treasury's accounts under the requirements of the HMT Financial Reporting Manual. The actual figure recognised is likely to be lower. This figure in the Supplementary Estimates is not an estimate of the financial settlement with the EU and does not include receipts and other monies due back to the UK under the agreement.

The latest overall net estimate of the Financial Settlement can be found in the Treasury's EU Finances Statement 2019. This includes payment to the EU but also receipts. This will be updated and published later this year.

Investment in the Bank of England

As part of the HMT's Main Estimate, we forecast for a dividend from the Bank of England (BOE) of £50.0m, in line with prior years. The BOE have subsequently informed us that they do not expect to pay a dividend for 2020-21. This is due to loss absorbing capital falling below the level at which dividends are payable as agreed in the MoU between the BOE and HMT. The Supplementary Estimate therefore removes the BoE Dividend budget.

Capital AME

The table below shows how spending plans for capital AME compare with earlier this year.

Subheads	Description	Capital AME			
		£ million			%
		This year (2020-21 Supplementary Estimate budget sought)	This year (2020-21 Main Estimate budget approved)	Change from Main Estimate	
U	Loans to Ireland	-1,613.5	-1,613.5	**0.0**	**0%**
V	Assistance to financial institutions	-2.6	0.0	**-2.6**	**n/a**
W	Sovereign Grant funding of the Royal Household	3.0	3.0	**0.0**	**0%**
X	Financial Services Compensation Scheme	0.5	0.5	**0.0**	**0%**
Y	UK Asset Resolution Limited	-303.0	0.0	**-303.0**	**n/a**
AA	Help to Buy: ISA	175.0	175.0	**0.0**	**0%**
AC	Infrastructure Finance Unit Limited	105.0	105.0	**0.0**	**0%**
AE	Reclaim Fund Limited	0.1	0.0	**0.1**	**n/a**
	total voted and non-voted	**-1,635.5**	**-1,330.0**	**-305.5**	**-23.0%**

Section Y: UK Asset Resolution

The Main Estimate was based on UKAR having moved to grant-in-aid funding following the sale of its residual asset portfolios and legal entities in 2019-20. However, given the ongoing volatility of global markets due to COVID, and following discussions with interested parties, the sale process was put on hold. The UKAR capital budget has therefore been revised, showing income of £303.0m due to mortgage redemptions.

2.2 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e., savings in these budgets may not be used to fund pressures on other budgets.

Ring fenced budgets Amounts sought this year (Supplementary Estimate 2020-21)		Difference (+/-), compared to original budget this year (Main Estimate 2020-21)		Difference (+/-), compared to final outturn last year (Outturn 2019-20)	
		£ m	%	£m	%
Resource DEL					
Depreciation	5.9	0.0	0%	-1.9	-46.9%
Knowledge Assets	0.6	-4.4	-88.0%	0.6	n/a
Economic Data Fund	3.0	0.0	0%	3.0	n/a
Campus in the North	1.6	-8.4	-84.0%	1.6	n/a
National Infrastructure Strategy	8.0	-2.0	-20.0%	8.0	n/a
COVID Intervention Resolution Group	7.5	7.5	n/a	7.5	n/a
Capital DEL					
Campus in the North	5.0	5.0	0%	5.0	n/a

2.3 Changes to contingent liabilities

As part of the Supplementary Estimates, the accuracy and completeness of Part III Note K: Contingent Liabilities has been reviewed. Where necessary, disclosures have been updated to provide the latest available information, including to the value of the liability. There are several new contingent liabilities arising from the UK's leaving the European Union (EU), numbered 38-41(previously shown as number 32 in the Main Estimate). These contingent liabilities cover the callable and paid in capital of the European Investment Bank (EIB), adjustments to contributions required over the 2014-20 multiannual financial framework, contingent liabilities related to legal cases under Article 147 of the Withdrawal Agreement and any other liabilities that may ultimately fall to HMT as result of the implementation of the Withdrawal Agreement. In addition, there are new contingent liabilities in other areas, including reference numbers 14 (The formal agreement that HMT recapitalise the Bank of England in the event of a major capital loss results), 17 (Litigation for which HMT is the defendant) and 22 (Support on the design of the Bounce Back Loan Scheme).

Changes to Contingent Liabilities include an increase to the Government indemnity for the Bank of England Asset Purchase Facility Fund to £895,000.0m (from £645,000.0m), and in increase to the UK Guarantees scheme liability from £747.0m to £1,110.0m.

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 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 F Infrastructure Finance Unit Limited – the IFUL DEL budget is for business support activities under the UK Guarantee Scheme (UKGS).

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.

(Formerly Section J) **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 K Asian Infrastructure Investment Bank - the spending is funded from the Prosperity Fund to finance the last of four annual payments to the AIIB Special Fund which provides project preparation assistance to low-income countries in Asia. The UK's $50m contribution to the Fund was announced by the Chancellor at the 2016 UK-China Economic and Financial Dialogue.

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 European Bank for Reconstruction and Development (EBRD) - the EBRD is a financial institution founded in 1991, with financial investment projects in 38 economies across three continents spanning a range of industries. HMT has policy responsibility for the ERBD, and the Chancellor is the UK's governor on the Bank's board.

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.

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

Section R UK Coinage manufacturing costs and Section S 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 T 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.

(Formerly Section T) Investment in the Bank of England (BoE) – HMT wholly owns the capital stock in the BoE and is, subject to certain conditions, entitled to receive an annual dividend.

Section U Loans to Ireland – repayment of the principal (capital) and interest (resource) on the loan made under the Loans to Ireland Act 2010.

Section V 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 movements in the fair value of the Bank of England Asset Purchasing Facility Fund (BEAPFF).

Section W Sovereign Grant funding of the 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 X Financial Services Compensation Scheme (FSCS) – the FSCS was set up under the Financial Services and Markets Act 2000, becoming operational on 1 December 2001. The FSCS is the UK's compensation fund of last resort for customers of authorised financial services firms that are likely to be unable to pay claims against it. The FSCS is funded by the financial services industry. Every firm authorised by the FCA is obliged to pay an annual levy to cover the running costs and compensation payments made by the FSCS and no grant in aid payment is made by the Treasury.

Section Y UK Asset Resolution Limited – UKAR is the holding company established on 1 October 2010 to bring together the businesses of B&B and NRAM. The core objective of UKAR is to maximise value for taxpayers through the prudent management of NRAM's and B&B's closed mortgage books, while treating all stakeholders fairly.

Section Z Help to Buy (HMT) Limited – this body's spending is funded through guarantee fees charged to lenders and the expectation is that fees will offset spending.

Section AA 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 AB UK Government Investments Limited – this section covers work undertaken on behalf of UKAR.

Section AC Infrastructure Finance Unit Limited - the company administers the Digital Infrastructure Investment Fund (DIIF) and the Charging Infrastructure Investment Fund (CIIF) on behalf of HMT. The DIIF began in 2017 and invests in UK projects and companies that are engaged in designing, building and operating full fibre digital communications networks, with the aim of increasing access to commercial finance for the sector. A condition of any DIIF investment is that it is matched by private sector investors on identical terms. The CIIF was announced by the Chancellor of the Exchequer at Budget 2017. The aim of the fund is to catalyse the rollout of electric vehicle charging infrastructure that is required to support the electrification of vehicles, by providing greater access to finance on a commercial basis. As with the DIIF, a condition of any CIIF investment is that it is matched by private sector investors on identical terms.

Section AD 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.

Section AE 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 AF 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.

Section AG Civil List - to fund an annuity for the Duke of Edinburgh.

3 Priorities and performance

3.1 How spending relates to objectives

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

Objective>> >> Estimates subheads	1: Place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services	2: Ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth as we leave the EU	3: Increase employment and productivity, ensuring strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU	4: Build a great Treasury, by creating a more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence
A, P	X	X	X	X
B	X			
C	X			
D	X		X	
E	X	X	X	
F, G, H, L, AC	X		X	
I	X			
J, R, S, T	X			
K		X		
M, AB		X	X	
N		X		
O		X		
Q, AD	X	X	X	
U, V		X		
W, AF, AG	X			
X		X		
Y		X		
Z, AA		X		
AE		X		

3.2 Measures of performance against each priority

HMT's Single Departmental plan, first published in 2017 (see here), sets out the following high-level objectives, and measures of performance, for the department which remain relevant today:

1. Place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services

- Public sector Net Debt (PSND) as a percentage of GDP
- Cyclically adjusted Net Borrowing as a percentage of GDP
- Public Sector Net Borrowing (PSNB) as a percentage of GDP

2. Ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth as we leave the EU

- GDP Growth
- CPI Inflation

3. Increase employment and productivity, ensuring strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU

- UK Employment Rate (%)
- Business investment as a share of GDP
- Output per hour

4. Build a great Treasury, by creating more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence

- Civil Service People Survey

3.2 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.

Tom Scholar

Permanent Secretary

HM Treasury

17 February 2021