Thirty-Fourth Report of Session 2019-21

HM Revenue & Customs & HM Treasury

Covid-19: Support for jobs

Introduction from the Committee

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.

Based on a report by the National Audit Office, the Committee took evidence, on 12 November 2020 from HM Treasury, and HM Revenue and Customs. The Committee published its report on 20 December 2020. This is the Government response to the Committee's report.

Relevant reports

- NAO report: *Implementing employment support schemes in response to the COVID-19 pandemic* Session 2019-21 (HC 862)
- PAC report: *Covid:19: Support for jobs* – Session 2019-21 (HC 920)

Government responses to the Committee

1: PAC conclusion: *The Departments have shown great agility in implementing the employment support schemes quickly in response to covid-19.*

1: PAC 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.*

1.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2021

1.2 Both HM Treasury (HMT) and HM Customs and Revenue (HMRC) are pleased that there continues to be recognition for the ways in which policy and operational staff worked together. The departments have already started to draw out lessons learned on how teams were able to collaborate remotely, at pace, during unprecedented times.

1.3 HM Treasury agrees that these lessons are valuable for other government departments across multiple professions - policy, project delivery, operational and more.

1.4 HM Treasury will write to the Committee within three months on how the department plans to continue to draw out lessons learned from this experience.

2: PAC conclusion: *The age of the Self-Assessment system made it more difficult for HMRC to provide financial support for the self-employed.*

2: PAC 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.***

2.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2021

2.2 HMRC recognises the value in learning from other countries' experiences, and in ensuring that these insights are deployed in the design and implementation of Making Tax Digital (MTD) and the wider tax system. The department considered these insights in designing and implementing MTD. This includes the pre-population of tax returns, prompts and nudges in software, and benchmarking.

2.3 HMRC continues to work closely with the Organisation for Economic Co-operation and Development (OECD) to enhance its understanding of the international landscape. COVID-19 reinforced the need for more flexible, resilient and responsive tax administration system. The HMRC and HMT 10-year Tax Administration Strategy sets out the departments' commitments to build a trusted, modern tax administration system that works closer to real time and is better able to respond to national crises. As part of this, the departments have set out a future roadmap for MTD which provides those within scope with time to make the necessary preparations.

2.4 The 10-year strategy includes extending MTD and increasing use of real-time information to give customers and HMRC a more up-to-date understanding of and certainty over a customer's position.

2.5 As set out in the Tax Administration Strategy, the government intends to publish a call for evidence on real time reporting and payments of tax that will provide a signpost for future changes in this area.

3: PAC conclusion: ***The Departments have not done enough to reduce the number of people excluded from the schemes.***

3: PAC 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.***

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 People may be ineligible for the *Coronavirus Job Retention Scheme (CJRS)* or the *Self-Employment Income Support Scheme (SEISS)* due to either policy choices or administrative constraints. On the latter, throughout the pandemic, the departments have had to balance the desire to provide support to as many people as possible, as quickly as possible, with the need to protect public funds from error and fraud. To strike this balance, both schemes were based around using information that HMRC already held and could therefore verify.

3.3 As the schemes have evolved, the two departments have been able to extend support to more people; for example, moving the payroll cut-off date for CJRS, and supporting new parents and reservists. Those unable to access support via CJRS or SEISS may be able to benefit from other measures, including funding given to local authorities.

3.4 The HMRC and HM Treasury 10-year Tax Administration Strategy sets out the departments' commitments to develop a fully digital tax system that works closer to real time. This includes extending

MTD and increasing use of real-time information to give customers and HMRC a more up-to-date understanding of and certainty over a customer's position.

3.5 The government continues to explore, and discuss with stakeholders, options for best supporting those affected by COVID 19.

4: PAC conclusion: ***The Departments did not evaluate the schemes or identify which the groups they support before extending them.***

4: PAC 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.***

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 Both departments are already monitoring the use of CJRS and SEISS, and HMRC is regularly *publishing Official Statistics on the schemes* including analysis of take up by area, age and gender. The CJRS statistics include analysis of the use of flexible furlough.

4.3 In October 2020, HMRC published secondary analysis of ended furloughs, which found that 90% of employees who left the CJRS between April and July 2020 were still on their original payroll in August 2020, suggesting they remained working for their original employer. HMRC also published qualitative and quantitative research, on awareness, understanding and customer experience of the CJRS[2].

4.4 HMRC is collecting new primary research to examine jobs outcomes, working closely with HM Treasury to respond to emerging plans and priorities as the pandemic evolves. As announced on gov.uk, the departments will evaluate the CJRS and SEISS schemes and have published a detailed evaluation plan for CJRS. The CJRS evaluation aims to include the impact on employment. The evaluation will capture the extension and we will publish in line with relevant guidance. Some of the longer-term outcomes will be measured and reported in our routine publications.

5: PAC conclusion: ***The Departments will not know the actual levels of fraud and error within these schemes until 2021.***

5a: PAC 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.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2021

5.2 HMRC has already produced provisional assessments of Error and Fraud for CJRS and SEISS, using the best available evidence. The department will continue to improve and develop the evidence base for these assessments incorporating data from the schemes, operational compliance activities, and information from social research surveys.

[2] https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-awareness-understanding-and-customer-experience-surveys and https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-understanding-customer-experience

5.3 The department will measure compliance levels using random enquiry programmes where appropriate. In the meantime, risk-based compliance activity to identify and recover incorrectly claimed grants continues to be a priority.

5.4 HMRC's plans to recover funds from those who have deliberately abused CJRS and SEISS are set out in our post payment compliance approach – identifying cases via profiling, contacting many via one to many approaches and following up on those who do not respond, or whose responses need further investigation.

5b: PAC recommendation*: HMRC should list companies which have signed up to the furlough scheme by the end of January 2021.*

5.5 The government agrees with the Committee's recommendation.

Target implementation date: February 2021

5.6 HMRC published the names of employers who claimed CJRS in December 2020, on 26 January 2021, as part of a commitment to transparency and to deter fraudulent claims. This will be followed by publication in February 2021 of further employer details including employer name, company registration numbers (where applicable) and an indication of the value of amounts they claimed for December 2020.

6: PAC conclusion: *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.*

6: PAC 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.*

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 Both departments are committed to providing as much clarity and forewarning as possible on support arrangements. For example, on 17 December 2020, details were announced of the extension of CJRS to the end of April 2021, on its current terms.

6.3 Providing certainty has to be balanced with the need to be responsive to the evolving direction and impact of COVID 19 and tailoring the economic support to match the circumstances. The government's principle has always been that financial support will follow the path of the virus. This will sometimes mean needing to review policy at short notice where the nature of the pandemic has changed significantly, such as when the CJRS was extended in October 2020 until March 2021. In December 2020, when lockdown tightened across more of the country, CJRS was extended on its existing terms to the end of April 2021.

7: PAC conclusion: *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.*

7: PAC 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.*

7.1 The government agrees with the Committee's recommendation.

Recommendation implemented

7.2 As requested by the Committee, the Permanent Secretary to the Treasury *wrote to the committee* on 20 January 2021 outlining how HM Treasury will assess value for money (VFM) for the extended schemes. HM Treasury considered the VFM of the schemes and subsequent changes at key stages of the policy making process. Ensuring VFM, protecting employment and supporting businesses were central to the decision-making for the CJRS and SEISS extensions. Extending the CJRS was a critical response to the economic conditions, and the Office of Budget Responsibility have estimated that this extension will support up to 6 million jobs in November 2020 declining thereafter. The OBR have also estimated that unemployment would have been higher in the second quarter of 2021 in the absence of the CJRS and other measures.

7.3 The revised cost of the CJRS and SEISS will be set out at the next Budget in March 2021. Given the economic and fiscal significance of the CJRS, HM Treasury and HMRC are *undertaking an evaluation of the schemes*.

7.4 In December 2020, the departments *published the Evaluation Plan for the CJRS*, which sets out their approach to evaluating the CJRS.

7.5 The CJRS evaluation will draw on the Magenta Book and Green Book. The departments also plan to evaluate the SEISS, although self-assessment data will not be available until at least 2022.