

2020-21 Supplementary Estimate: Memorandum for HM Revenue & Customs

Contents

1. Overview	3
1.1 Objectives.....	3
1.2 Spending controls.....	3
1.3 Main areas of spending.....	4
1.4 Comparison of spending totals sought	5
1.5 Key drivers of spending changes since last year	6
1.6 New policies and programmes; ambit changes	6
1.7 Spending Trends.....	7
1.8 Administration costs and efficiency plans	8
1.9 Funding: Spending Review and Budgets	8
1.10 Funding: other spending announcements.....	11
2 Spending detail	14
2.1 Tables	14
2.1.1 Changes to HMRC Administration (Section A)	15
2.1.2 Changes to VOA Administration (Section B)	15
2.1.3 Changes to Utilised Provisions (Section C).....	15
2.1.4 Changes to National Insurance Fund (Section D).....	15
2.1.5 Changes to Child Benefit (Section E).....	17
2.1.6 Changes to Tax Free Childcare (Section F)	17
2.1.7 Changes to Lifetime ISA (Section H).....	17
2.1.8 Changes to HMRC Administration (Section I)	17
2.1.9 Changes to Utilised Provisions (Section L)	17
2.1.10 Changes to COVID-19 (Section M)	17
2.1.11 Changes to Personal Tax Credit (Section N).....	17
2.2 Restructuring.....	18
2.3 Ring fenced budgets.....	18
2.4 Changes to contingent liabilities.....	18
3. Priorities and Performance	19

3.1	How spending relates to objectives	19
3.2	Measures of performance against each priority	19
3.3	Commentary on steps being taken to address performance issues	19
3.4	Major Projects	19
4.	Other Information	21
4.1	Additional specific information required by the select committee other information	21
5.	Accounting Officer Approval	21
Annex:	Table A	22
Annex:	Table B	22

1. Overview

1.1 Objectives

The impact of the COVID-19 crisis, and our role in responding to it, continue to have a significant effect both on the way we work and our immediate priorities.

In light of the continuing uncertainty, we have not set performance targets for 2020-21. Instead, we have set benchmark expectations against our key performance indicators which we are reviewing each quarter. We are monitoring performance against these benchmarks on a rolling quarterly basis.

[HMRC's Performance update: the halfway point](#) explains how we have performed during the first half of the financial year. We have also published [performance data for the second quarter](#).

The performance reports show the huge amount of work we've successfully delivered on COVID-19 and the pressure this has created in other areas as we navigate a very unusual and intense period for HMRC.

1.2 Spending controls.

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

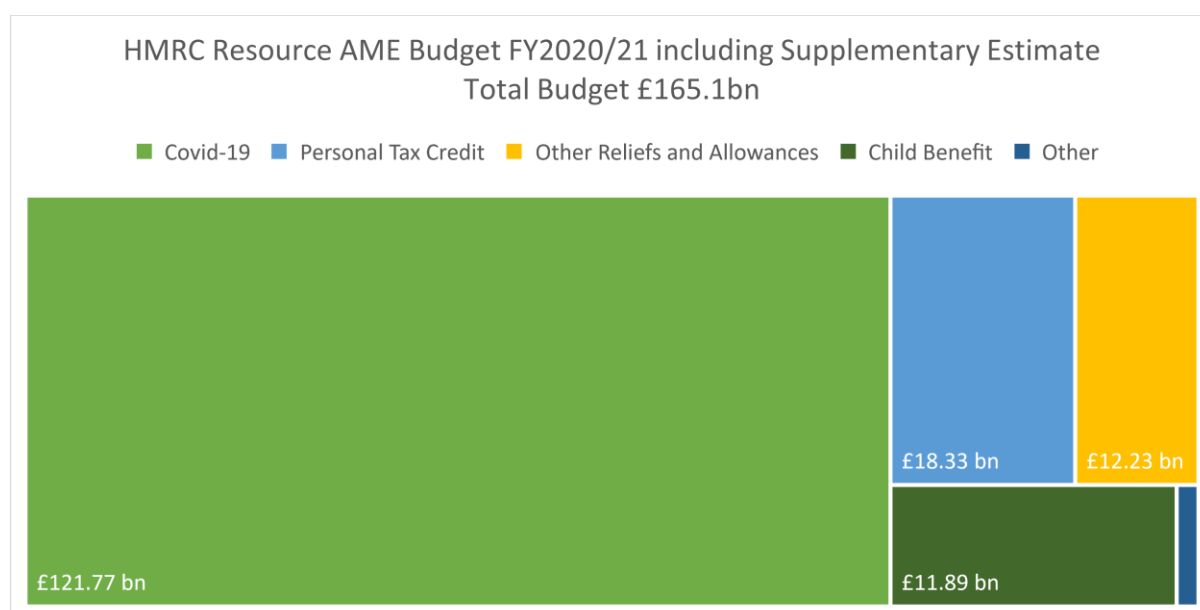
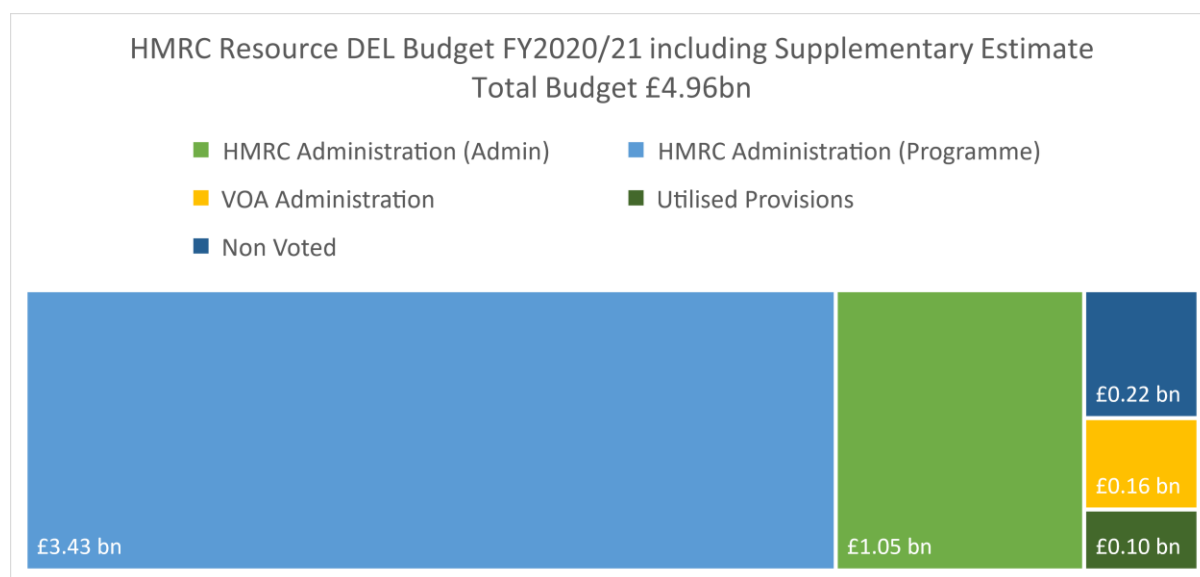
The key spending control totals for HMRC which Parliament votes are:

- Resource Departmental Expenditure Limit ("Resource DEL") – 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 COVID-19 support schemes, 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, designed to cover the elements of the above budgets which require HMRC to pay out cash in-year.

1.3 Main areas of spending



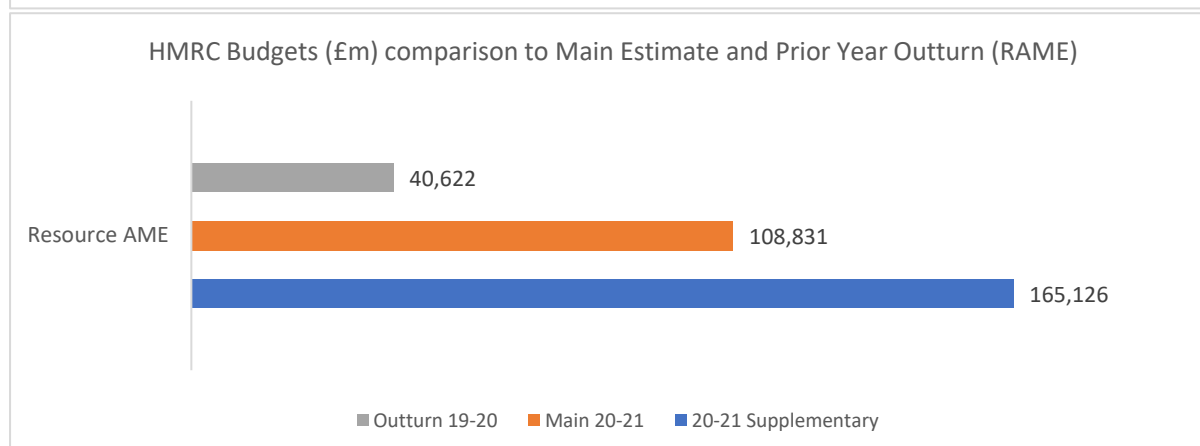
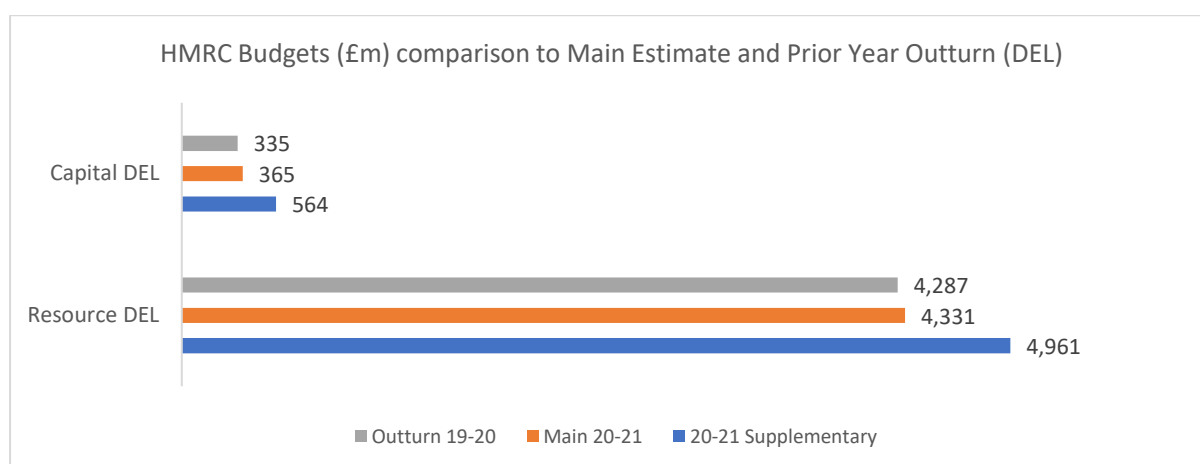
**Other category totals £0.91bn.*

For a detailed explanation of the funding changes (DEL & AME) for HMRC in relation to the COVID-19 pandemic, please refer to Section 1.10.

1.4 Comparison of spending totals sought

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	%	£m	%
Resource DEL	4,961	630	14.55%	674	15.72%
Capital DEL	564	198	54.25%	229	68.26%
Resource AME*	165,126	56,294	51.73%	124,504	306.50%

*Presented on a separate graph below due to scaling.



1.5 Key drivers of spending changes since last year

Resource DEL

The main changes in Resource DEL consist of:

- Funding from the Reserve for COVID-19, UK EU Exit Transition, unfunded fiscal events announcements and additional departmental requirements, as detailed in Section 1.9;
- Outgoing Machinery of Government transfer to Cabinet Office; and
- Budget movements between HMRC and other government departments, as detailed in Section 2.1.1.

Capital DEL

The main changes in Capital DEL consist of:

- Funding from the Reserve for COVID-19, UK EU Exit Transition, unfunded fiscal events announcements and additional departmental requirements, as detailed in Section 1.9; and
- Outgoing Machinery of Government transfer to Cabinet Office.

Resource AME

The main changes in Resource AME consist of:

- COVID-19 support schemes;
- Amendments to Child Benefit, Tax Free Childcare and Personal Tax Credits (non-voted) to reflect latest forecasts.

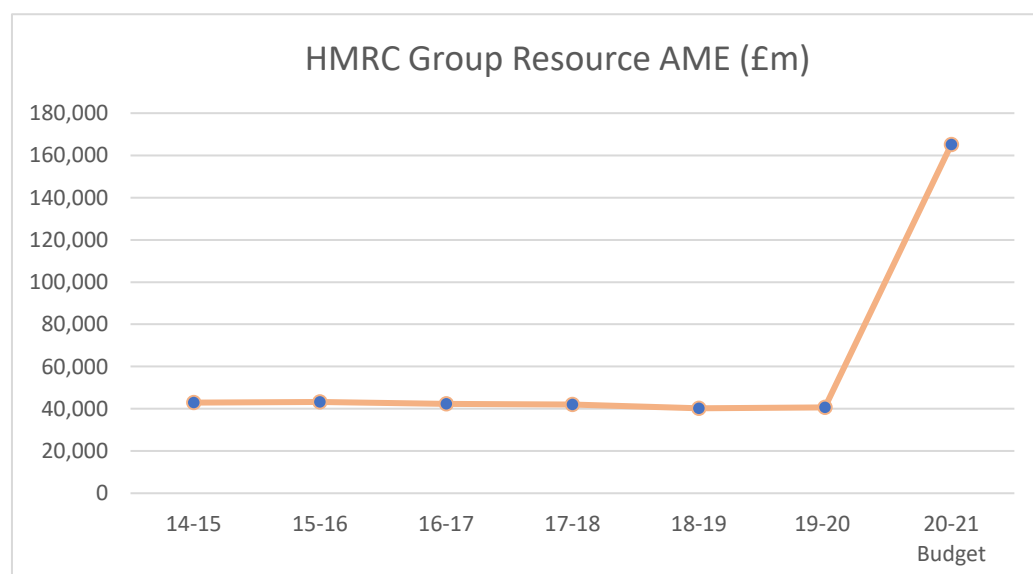
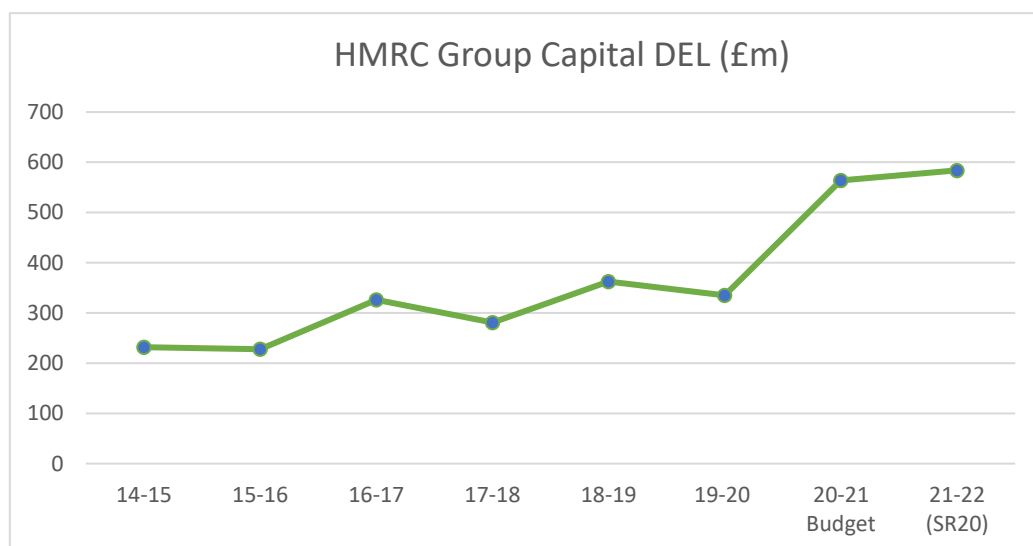
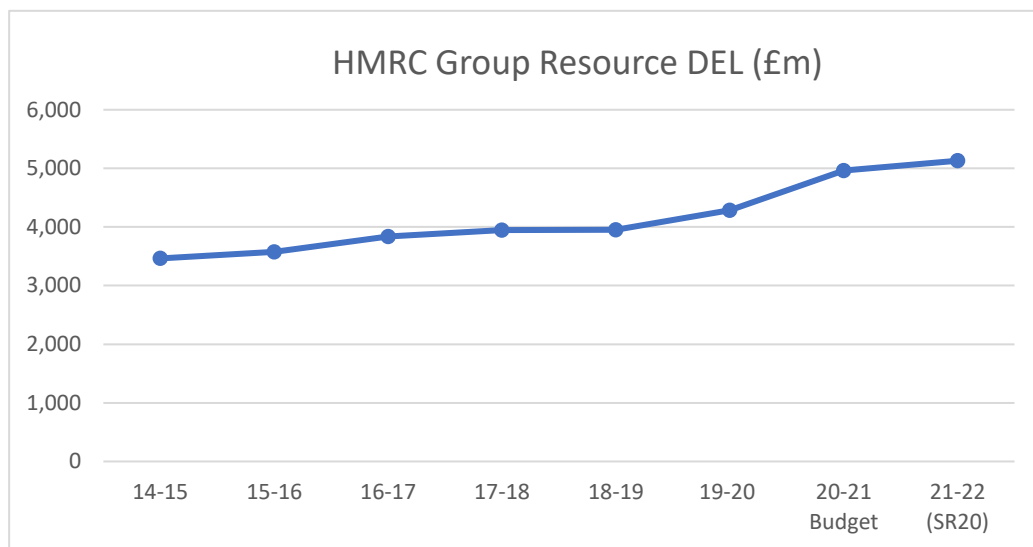
For a detailed explanation of the funding changes (DEL & AME) for HMRC in relation to the COVID-19 pandemic, please refer to Section 1.10.

1.6 New policies and programmes; ambit changes

Ambit Amendments

- Prior Period Adjustment: This adjustment relates to retaining excess income over and above HMRC's RDEL Income Control Total in 2019-20. Further information on this adjustment is presented in Annex B, part III, note F – Accounting Policy Changes.

1.7 Spending Trends

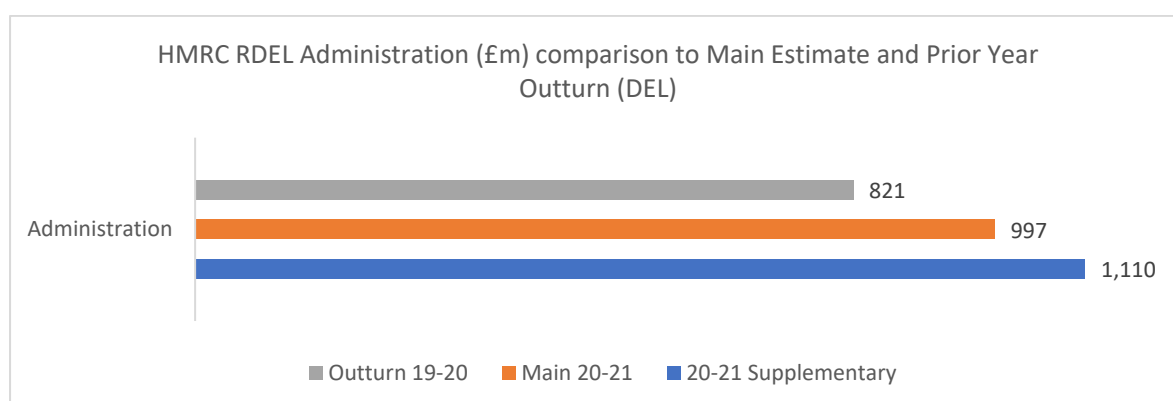


1.8 Administration costs and efficiency plans

Administration Costs

HMRC's Administration budget has increased by £113 million at the Supplementary Estimate due to COVID-19 expenditure (£20m) and a large currency switch from Programme to Admin at the Supplementary Estimate.

RDEL Administration budget 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	%	£m	%
Administration	1,110	113	11.29%	289	35.21%



HMRC Efficiencies

HMRC set an internal sustainable efficiency objective of £100m in 20/21, demonstrating its commitment to delivering ongoing efficiencies for the Exchequer. Sustainable efficiencies must be permanent, cash-releasing, and enable HMRC to maintain operational performance and programme delivery in current and future years. HMRC is broadly on track to meet its sustainable efficiencies objective.

2020-21-year efficiencies have been primarily secured through a reduction in the size of the 'like for like' workforce and through change programme improvements.

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for HMRC for 2020-21 are based on plans published in the 2019 Spending Round. Since then, the government has made a number of changes to 2020-21 spending plans as set out in Budget 2020 and at the Supplementary Estimate. The details of these changes are set out below.

Changes to HMRC's Budgets since SR19

Event (£m)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
2020-21 Budgets (as per Settlement Letter)					
SR 19 (as per Settlement Letter)	984.8	3,221.1	4,205.9	283.4	4,489.3
o/w Depreciation ringfence	107.8	271.6	379.4		379.4
2020-21 Main Estimate Changes					
B20 Measures	13.09	103.5	116.59	81.86	198.45
Net OGD Budget Cover Transfers	-0.412	9.108	8.696	0.169	8.865
2020-21 Main Estimate Total	997.5	3,333.7	4,331.1	365.5	4,696.6
2020-21 Supplementary Estimate Changes					
Gross Reserve Support	118	560	678	342	1,020
Reserve Support: Surrendered amounts to HMT	(5)	(17)	(22)	(141)	(163)
Reduction in Non-Voted Budget - Surrendered amounts to HMT		(31.3)	(31.3)		(31.3)
Net Reserve Support	113	511.7	624.7	201	825.7
Net OGD Budget Cover Transfers & ODA Surrenders:	(0.3)	28.5	28.2		28.2
Outgoing MOG: BPDG to CO		(22.4)	(22.4)	(3)	(25.4)
Sum of 2020-21 Supplementary Estimate Changes	112.6	517.7	630.3	198.3	828.6
2020-21 Supplementary Estimate Total	1,110.1	3,851.3	4,961.5	563.7	5,525.2
o/w Depreciation ringfence	107.8	273.8	381.6		381.6

HMRC's Reserve Claim provides necessary support for financial pressures which have arisen during the year. This includes funding for the UK's Transition from the European Union, delivering the government's COVID-19 schemes, delivering measures announced at fiscal events and additional departmental requirements. A complete breakdown and explanation of HMRC's Reserve Claim, on both a gross and net basis, is provided below.

Breakdown of HMRC's Gross Reserve Support at the Supplementary Estimate

	£ million	Explanation
Net cost of delivering the government's COVID-19 schemes within HMRC	124.2	As part of the government's response to the COVID-19 national emergency HMRC has delivered the Coronavirus Job Retention Scheme (CJRS), the Self-Employed Income Support Scheme (SEISS) and Eat Out to Help Out (EOTHO). This funding supports additional staffing resource and IT systems. No specific DEL funding was received at the Main Estimate for this activity.
UK's Transition from the European Union*	617.5	Includes - IT programmes, to ensure HMRC systems readiness for 31st December and beyond; - Customer service and compliance staff to deal with the new volumes of declarations; - Trader Support Service Northern Ireland to support traders moving goods between GB and NI; - Inland infrastructure sites to provide transit and customs capacity where ports are unable to do so; and - Grants to customs intermediaries to encourage them to increase capacity. This is further to £382m of funding received at the Main Estimate.

Funding fiscal events announcements including those announced at Budget 2020	38.7	Includes: - The remaining 3 months of budget required (£12.4m) for Making Tax Digital, the programme which is making it easier for businesses and people to pay tax and reduce avoidable errors and fraud. - A £10.6m budget for: CTS (Common Transmission System; the OECD's updated information exchange system) to implement 'No or Nominal Tax Jurisdictions' to ensure the amount of tax that a business pays overall is commensurate with its total profit; a Freeports measure to encourage investment and development within designated Freeport areas; and various additional Legislation Day measures; and - A £15.7m budget to cover recently announced Policy Measures.
Additional Core departmental requirements	239.9	Includes: - Additional RDEL funding offset by CDEL surrender to HM Treasury (£114.2m); - Additional CDEL funding (£26.8m) offset by underspend on Fiscal Events ringfence; - Additional voted funding (£31.3m) offset by non-Voted budget surrender - Funding related to the additional cost of the Annual Leave Accrual (£47.3m) which has occurred due to COVID-19 pandemic; - C.£20m of efficiencies have been foregone within HMRC due to the COVID-19 pandemic response, for which funding was provided. This is further to funding received at the Main Estimate.
Total Gross Reserve Support	1,020.4	
Surrender of non-Voted budget underspend to HMT Treasury	(31.3)	HMRC has redeployed staff planned to be funded from non-Voted National Insurance Fund budgets support COVID-19 activity. This is net-nil at Exchequer level.
Surrender of Voted budget underspends to HM Treasury	(163.4)	Includes the surrender of underspends on the Fiscal Events ringfence and the surrender of surplus CDEL budget.
Total Net Reserve Support	825.7	

*Does not account for outgoing Machinery of Government change (see Section 2.2).

Budget Cover Transfers

HMRC has the following Budget Cover Transfers with other government departments. These are contained within Section A of the Supplementary Estimate.

Net Budget Cover Transfers by Department	£'000
Foreign, Commonwealth and Development Office	306
Department for Work and Pensions	25,840
Ministry of Justice	(25)
Cabinet Office	3,127
HM Treasury	80
Ministry of Housing, Communities and Local Government	(100)
Department of Health and Social Care	92
Total OGD Budget Transfers	29,320
ODA Surrenders (HMT)	(1,076)
Net Budget Transfers and ODA Surrenders	28,244

1.10 Funding: other spending announcements

Overall Coronavirus Schemes Funding

HMRC is being funded to deliver its coronavirus-related activity. HMRC has been responsible for delivery of three key schemes, as set out below. For the latest statistics on these schemes, see <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>.

Background to Coronavirus Schemes

Coronavirus Job Retention Scheme (CJRS)

In March 2020, the Government announced the unprecedented Coronavirus Job Retention Scheme (CJRS), designed to help firms to keep millions of people in employment. For the first five months, all UK employers could apply for a grant to cover 80 per cent of furloughed employees' usual monthly wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and pension contributions.

Since 1st July, employers could bring employees that had previously been furloughed back to work for any amount of time and any shift pattern, while still being able to claim CJRS grant for the hours not worked, and there was no minimum furlough period. From 1st August, the level of the grant was slowly tapered to reflect the fact that people were returning to work. Employees continued to receive 80 per cent of wages up to a cap of £2,500 when furloughed.

The CJRS was set to close on 31 October 2020 but, in light of the path of the virus, the CJRS has now been extended until the end of April 2021.

Initially the number of employments furloughed increased quickly following the announcement of the scheme on 20th March, reaching 4.8 million on 23rd March and 6.8 million by the end of March.

Following further strong growth at the start of April, the number of employments furloughed increased gradually and peaked at 8.9 million on 8th May 2020. After the early May peak, the number of employments furloughed decreased slowly, before a fall of around 670,000 employments between the end of May and the start of June.

The number of employments that were furloughed then continued to reduce from until the end of October, falling from 6.8 million at 30th June to 2.4 million at 31st October.

Latest figures show that the number of employments furloughed increased by 1.3 million at the start of November and increased further to a peak of 4.1 million on 11th November before falling back slightly to 3.9 million employments furloughed at 30th November.

Provisional estimates for December show that the number of employments furloughed reduced in early December before increasing back to 3.9 million on 25th December. The number of jobs furloughed under the CJRS then reduced slightly to 3.8 million on 31st December.

Self-Employment Income Support Scheme (SEISS)

The Self-Employment Income Support Scheme (SEISS) supports self-employed individuals or a member of a partnership whose business has been adversely affected due to coronavirus.

Around 5 million individuals reported self-employment income for the tax year 2018 to 2019, and had their data assessed for potential SEISS eligibility. In order to be assessed, a self-employed individual needed to have traded in the tax year 2018 to 2019 and submitted a Self Assessment tax return on or before 23rd April 2020 for that year.

Via this process, 3.4 million self-employed individuals were identified as potentially eligible for the SEISS scheme. This means that they met the criteria for the scheme based on Self Assessment returns from 2018 to 2019 and earlier years. However, some of the potentially eligible businesses will not have been adversely affected by Coronavirus or will have ceased trading since 2018 to 2019 so will not have been eligible.

First Grant

From 13th May eligible self-employed individuals could claim a grant worth 80% of their average monthly trading profits, paid out in a single payment covering three months' worth of profits, and capped at £7,500 in total.

By 31st July 2.60 million (77%) of the potentially eligible population had claimed a SEISS grant with the value of these claims totalling £7.6 billion. This compares to 2.55 million claims made and £7.4 billion claimed by 30th June.

The average value per claim was £2,900.

Second Grant

The second taxable grant was worth 70% of average monthly trading profits, paid out in a single payment covering 3 months' worth of profits, and capped at £6,570 in total.

By 31st October 2.3 million (69%) of the potentially eligible population had claimed a second SEISS grant with the value of these claims totalling £5.9 billion.

Compared with the end of September, an additional 89,000 people had claimed the grant by 31 October.

The average value per claim was £2,500.

Third Grant

The third taxable grant is worth 80% of average monthly trading profits, paid out in a single payment covering 3 months' worth of profits, and capped at £7,500 in total.

By 31st December 2020 1.9 million (57%) of the potentially eligible population had claimed a third SEISS grant with the value of these claims totalling £5.4 billion.

The average value per claim was £2,800.

Fourth Grant

There will be a fourth grant covering February 2021 to April 2021. Details about the fourth grant will be announced on 3rd March 2021.

Eat Out to Help Out scheme (EOtHO)

From 7th August 2020, businesses were able to claim reimbursements for discounts given to diners with the Eat Out to Help Out scheme. The scheme offered discounts to diners on Mondays to Wednesdays between 3rd and 31st August.

As at the scheme end, HMRC has paid £0.85bn to EOtHO claimants, helping subsidise over 160m meals across 70,000 restaurants.

HMRC AME Provision for COVID-19 Schemes Breakdown

At the Main Estimate, HMRC received funding of £52 billion for the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme. In order to continue to provide this support to individuals and businesses, HMRC is seeking an increase in AME COVID-19 provision at the Supplementary Estimate by £69.8bn.

This brings the total amount of AME for COVID-19 support schemes to £121.8bn. This provides funding to HMRC for the accrued 2020-21 costs of the Coronavirus Job Retention Scheme until the end of March, the four grants of the Self-Employment Income Support Scheme (details about the fourth grant will be announced on 3rd March 2021), and the Eat Out to Help Out scheme.

	£ billion
Main Estimate Provision	52.0
Further cover sought at the Supplementary Estimate to cover remainder of year	69.8
Total COVID-19 AME Provision for FY 2020-21	121.8

HMRC DEL Provision for COVID-19 Schemes

As a lead department in delivering some of the largest COVID-19 support interventions on behalf of the government, HMRC has a significant proportion of its workforce engaged on coronavirus-related activity. HMRC has incurred significant IT costs in designing and building the Coronavirus Job Retention Scheme, the Self-Employment Income Support Scheme, the Statutory Sick Pay rebate scheme digital claims services and Eat Out to Help Out system. HMRC are therefore seeking the net additional cost (£124 million) of delivering the government's COVID-19 schemes.

The incremental costs are IT costs (£87m), contracted out services and contingent labour (£22m), Coronavirus Response Unit and other staff costs (£7m), estate costs (£6m) and other costs (£2m).

2 Spending detail

2.1 Tables

Explanation of changes in Departmental Expenditure Limit (DEL)

Estimate Line	Description	Resource					Capital					Note
		Supplementary Estimates Budget Sought	Main Estimate 2020-21	Difference (+/-) compared to Main Estimate 2020-21		Last year Outturn (2019-20)	Supplementary Estimates Budget Sought	Main Estimate 2020-21	Difference (+/-) compared to Main Estimate 2020-21		Last year Outturn (2019-20)	
		£m		%		£m	£m		%		£m	
A	HMRC Administration	4,477.7	3,897.5	580.2	14.9%	3,813.6	554.8	358.0	196.8	55.0%	328.7	2.1.1
B	VOA Administration	158.2	151.6	6.6	4.4%	164.8	9.0	7.5	1.5	20.1%	6.4	2.1.2
C	Utilised Provisions	104.9	30.0	74.9	249.5%	54.6	-	-	-	-	-	2.1.3
	Sub-total (Voted)	4,740.8	4,079.1	661.6	16.2%	4,033.0	563.7	365.5	198.3	54.3%	335.0	
D	National Insurance Fund	220.7	252.0	(31.3)	-12.4%	254.3	-	-	-	-	-	2.1.4
	Sub-total (Non-Voted)	220.7	252.0	(31.3)	-12.4%	254.3	-	-	-	-	-	
	Total (Voted and Non-Voted)	4,961.5	4,331.1	630.3	14.6%	4,287.3	563.7	365.5	198.3	54.3%	335.0	

2.1.1 Changes to HMRC Administration (Section A)

A detailed explanation of the Reserve funding received at the Supplementary Estimate is provided at Section 1.9. In addition, the Border and Protocol Delivery Group (BPDG) has been transferred to Cabinet Office as a Machinery of Government change (details provided at Section 2.2).

A summary of budget cover transfers with other government departments is provided at Section 1.9.

2.1.2 Changes to VOA Administration (Section B)

Minor adjustments have been made to RDEL, CDEL, RDEL Depreciation and RDEL Income budgets to reflect latest forecast spend.

2.1.3 Changes to Utilised Provisions (Section C)

The change to Utilised Provisions in DEL is equivalent to the corresponding change in AME (section L; para 2.1.9).

2.1.4 Changes to National Insurance Fund (Section D)

The reduction in National Insurance Fund (NIF) represents a shift in departmental resource from the NIF (non-voted activity) to COVID-19.

Explanation of changes in Resource Annually Managed Expenditure (RAME)

Estimate Line	Description	Resource					Note
		Supplementary Estimates Budget Sought	Main Estimate 2020-21 Budget	Difference (+/-) compared to Main Estimate 2020-21	Last year Outturn (2019-20)		
					£m	%	
E	Child Benefit	11,887.3	11,786.9	100.4	0.9%	11,487.1	2.1.5
F	Tax Free Childcare	252.3	709.3	(457)	-64.4%	245.5	2.1.6
G	Providing payments in lieu of tax relief to certain bodies	140.1	140.1	0.0	0.0%	116.0	
H	Lifetime ISA	463.3	420.0	43.3	10.3%	225.8	2.1.7
I	HMRC Administration	65.0	30.0	35.0	116.7%	82.0	2.1.8
J	VOA - Payments of rates to LAs on behalf of certain bodies (POLAR)	93.5	93.5	0.0	0.0%	83.9	
K	VOA - Administration	2.0	2.0	0.0	0.0%	1.5	
L	Utilised Provisions	(104.9)	(30.0)	(74.9)	249.3%	(54.6)	2.1.9
M	COVID-19	121,765.0	52,000.0	69,765.0	134.2%	0.0	2.1.10
	Sub-total (Voted)	134,563.5	65,151.8	69,411.8	106.5%	12,187.3	
M	Personal Tax Credit	18,331.3	31,448.7	(13,117.4)	-41.7%	18,331.3	2.1.11
N	Other Reliefs and Allowances	12,231.0	12,231.0	0.0	0.0	10,103.1	2.1.12
	Sub-total (Non-Voted)	30,562.2	43,679.6	(13,117.4)	-30.0%	28,434.4	
	Total (Voted and Non-Voted)	165,125.8	108,831.4	56,294.4	51.7%	40,621.7	

NB: No changes have been made to the Capital Annually Managed Expenditure (CAME) budget on Estimate line E of £10,000.

2.1.5 Changes to Child Benefit (Section E)

The Child Benefit forecast is based on models which use administrative data, projected forward using a range of economic, policy and demographic determinants. The Supplementary Estimate figure reflects the latest forecasts.

2.1.6 Changes to Tax Free Childcare (Section F)

The Tax-Free Childcare forecast has been reduced in line with the latest departmental forecasts.

2.1.7 Changes to Lifetime ISA (Section H)

This forecast includes the Lifetime ISA and the Help to Save scheme. The Supplementary Estimate reflects the latest forecast.

2.1.8 Changes to HMRC Administration (Section I)

The increase to HMRC Administration relates to new provisions created this financial year.

2.1.9 Changes to Utilised Provisions (Section L)

The increase in Utilised Provisions this year is due to crystallised early departure costs exits.

2.1.10 Changes to COVID-19 (Section M)

A breakdown of additional COVID-19 funding sought is set out at Section 1.10.

2.1.11 Changes to Personal Tax Credit (Section N)

The reduction in Personal Tax Credits (PTC) reflects the latest forecast. At the Main Estimate there was considerable uncertainty from the impact of COVID. We have liaised with the relevant departments to arrive at the revised estimated figure, including the transfer of claimants from PTC to Universal Credit.

2.2 Restructuring

Machinery of Government Change

Border and Protocol Delivery Group (BPDG) has been transferred to Cabinet Office. The table below outlines the effect of this outgoing transfer to CO on both the HMRC 2020-21 budget and HMRC's 2019-20 outturn.

£ million	2020-21 Estimate		2019-20 Outturn	
	RDEL	CDEL	RDEL	CDEL
(Section A) HMRC Administration	4,477.7	554.8	3,813.6	328.7
Transferred to Cabinet Office	22.4	3.0	30.0	0.0
Restated Outturn against Section A shown in HMRC 2019-20 Accounts (SOPS)	N/A	N/A	3,783.7	328.7

2.3 Ring fenced budgets

Ringfence	Main Estimate 2020-21		Supplementary Estimates Budget Sought		Difference (+/-) compared to Main Estimate 2020-21			
	RDEL	CDEL	RDEL	CDEL	RDEL		CDEL	
	£m				£m	%	£m	%
Breathing Space	2.5	10.0	2.5	10.0	0.0	0.0	0.0	0.0
Extending Making Tax Digital	29.3	35.8	29.3	48.2	0.0	0.0	12.4	0.3
Collections Management	3.8	11.3	3.8	11.3	0.0	0.0	0.0	0.0
Loan Charge - Disguised Remuneration	38.7	7.7	38.7	7.7	0.0	0.0	0.0	0.0
Expansion of Campaigns and Projects	16.2	7.6	16.2	7.6	0.0	0.0	0.0	0.0
Debt Management Staff Investment	12.6	6.6	12.6	6.6	0.0	0.0	0.0	0.0
Private Sector Funding for Tax & Tax Credits	5.0	0.0	5.0	0.0	0.0	0.0	0.0	-
VOA Business Transformation Systems	8.6	2.9	8.6	2.9	0.0	0.0	0.0	0.0
Sub-total: Budget 20 Measures (Estimate Section 1.9)	116.6	81.9	116.6	94.3	0.0	0.0	12.4	0.2
Depreciation	379.0	0.0	381.6	0.0	2.6	0.0	0.0	-
UK Transition*	375.0	7.0	714.8	262.4	339.8	0.9	255.4	36.5

*Incorporates outgoing Machinery of Government change (see Section 2.2).

2.4 Changes to contingent liabilities

The following contingent liabilities are contained within Note K of the Supplementary 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.	121,200
Guaranteed costs – possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities, 91 cases.	700
Other – the department has a further number of contingent liabilities	86,500
Total Contingent Liabilities	208,400

3. Priorities and Performance

3.1 How spending relates to objectives

This is a unique financial year for HMRC, as the department is at the heart of the government's COVID-19 response, moving rapidly to deliver financial support to millions of businesses and individuals affected by the pandemic and the measures to control the virus.

The pandemic has reinforced the need for a flexible, resilient and responsive tax and customs system – and demonstrated HMRC's competence and capability to deliver it.

Due to the uncertainty brought about by COVID-19, Single Departmental Plans were not required from departments for the 2020-21 financial year. In light of the continuing uncertainty, we have not set performance targets for 2020-21. We have set benchmark expectations against our key performance indicators which we are reviewing each quarter. We are monitoring performance against these benchmarks on a rolling quarterly basis and from quarter 2 we published these expectations in our quarterly updates.

3.2 Measures of performance against each priority

We publish [quarterly updates*](#) on our performance against our key performance indicators and commitments and cover them in the performance section of our Annual Report & Accounts. In addition to this, and to promote transparency around our customer service performance, we publish [monthly updates*](#) on use of our digital services and our telephony, post handling and complaints performance.

We have published data on how we have supported millions of businesses and individuals affected by COVID-19 and the measures taken to control the virus in our November 2020 [performance update](#) and as [HMRC coronavirus \(COVID-19\) statistics](#).

3.3 Commentary on steps being taken to address performance issues

We continue to work closely with HM Treasury to deliver the Government's aims on responding to the COVID-19 pandemic and delivering UK EU Exit Transition, while continuing to maintain our other business. HMRC aims to maintain a consistently high level of customer service but it has been clear since the start of the pandemic that this wouldn't always be possible. HMRC has worked at stretch and speed, serving customers as best as it can and tackling non-compliance. It has moved staff to support the COVID-19 support schemes and recruited c.1,300 new temporary staff into customer service and compliance roles. Delivering at pace the level of support required on COVID-19 has inevitably meant resources that would normally be deployed on delivering tax services have been focused on these support schemes instead.

3.4 Major Projects

HMRC currently have 11 live projects within the Government Major Projects Portfolio (GMPP).

- Building Our Future Locations Programme: HMRC will be a transformed organisation operating from 13 large, modern Regional Centres (RCs), 5 Specialist Sites and a London Headquarters equipped with the digital infrastructure and training facilities needed to support and motivate our people, and from which we can better serve our customers as an effective, efficient and impartial tax and payments authority.
- Making Tax Digital for Business: Delivering modernised IT to digitise tax reporting for businesses and agents and delivering a better customer experience.
- Securing our Technical Future: The SOTF Programme has been established to maintain HMRC's current technology, parts of which are aged and out of support, including remediating high priority vulnerabilities, and exiting our 3 data centres (the contracts for which expire in 2022). The programme will migrate all services within the data centres to the new supported platforms, Cloud and Crown Hosting (for physical assets), enabling HMRC to fully exploit the benefits of Cloud and Crown hosting.

Details of the following projects will be published in the Government Major Projects Portfolio transparency publication later this year:

- Technology Sourcing Programme
- Customer Engagement Programme (CEP)
- Infrastructure Programme
- Borders Systems Transition Programme
- CHIEF Transition Programme
- Customs Declaration Service Northern Ireland (CDS NI) Programme

A further 2 projects joined the GMPP in quarter 3 and have submitted first returns in January 2021:

- Protect Connect Programme
- Northern Ireland Trader Support Service

4. Other Information

4.1 Additional specific information required by the select committee other information

For a detailed explanation of the funding changes (DEL & AME) for HMRC in relation to the COVID-19 pandemic, please refer to Section 1.10.

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.



Jim Harra

Accounting Officer

Permanent Secretary

HM Revenue and Customs

19 February 2021

Annex: Table A

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

Annex: Table B

Funding Group Headings (£m)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
SR 19 (as per Settlement Letter)	984.8	3221.1	4205.9	283.4	4489.3
Additional new money awarded since SR					
2020-21 Main Estimate: B20 Measures	13.1	103.5	116.6	81.9	198.5
2020-21 Supplementary Estimate: Net Reserve Support	112.9	542.9	655.8	201.3	857.1
Estimating, forecasting and reprofiling changes					
2020-21 Main Estimate: Net OGD Budget Cover Transfers	-0.4	9.1	8.7	0.2	8.9
2020-21 Supplementary Estimate: Net OGD Budget Cover Transfers & ODA Surrenders:	-0.3	28.5	28.2		28.2
2020-21 Supplementary Estimate: Reduction in Non-Voted Budget		(31.3)	(31.3)		(31.3)
Neutral funding changes					
2020-21 Supplementary Estimate: Outgoing MOG: BPDG to CO		(22.4)	(22.4)	(3.0)	(25.4)
2020-21 Supplementary Estimate Total	1110.1	3851.3	4961.5	563.7	5525.2