



HM Treasury

# HM Treasury 2021-22 Main Estimate Memorandum

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# 1 Overview

## 1.1 Priority Outcomes

HM Treasury's (HMT's) priority outcomes, which were refreshed as part of the 2020 Spending Review and will be published in the Department's Outcome Delivery Plan, are as follows:

1. Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes.
2. Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK.
3. Ensure the stability of the macro-economic environment and financial system

## 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:

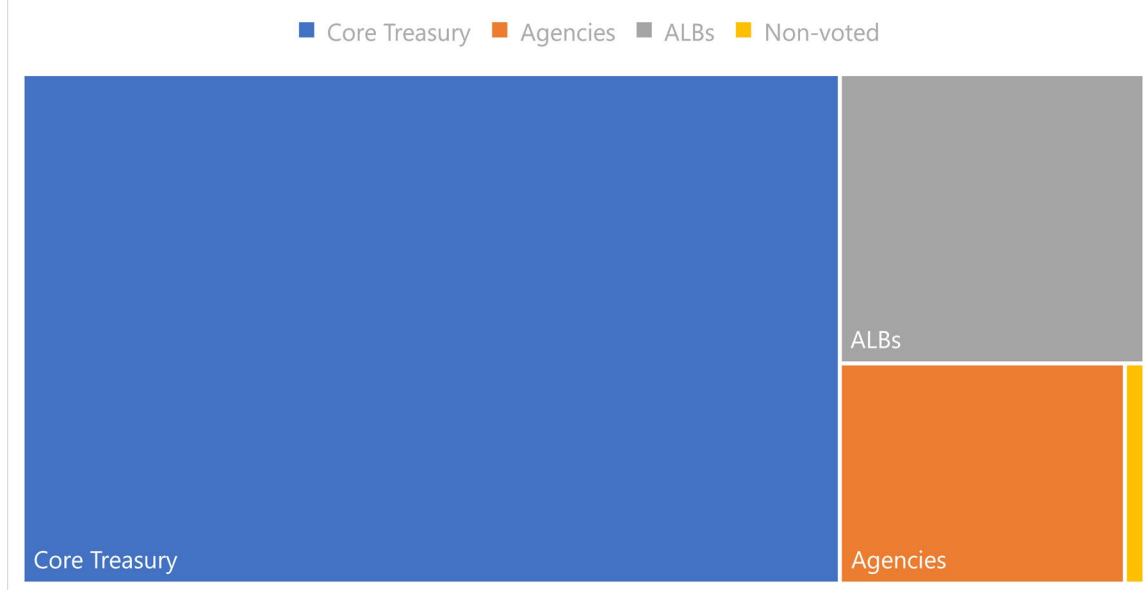
- Resource Departmental Expenditure Limit ("**Resource DEL**") - day to day running costs
- Capital Departmental Expenditure Limit ("**Capital DEL**") - investment in infrastructure
- Resource Annually Managed Expenditure ("**Resource AME**") - less predictable current spending, such as the production 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 including payments under the Help to Buy: ISA scheme and funding for the CIIF and DIIF

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 Main Estimate, the proportions of funds spent by bodies within the Group.

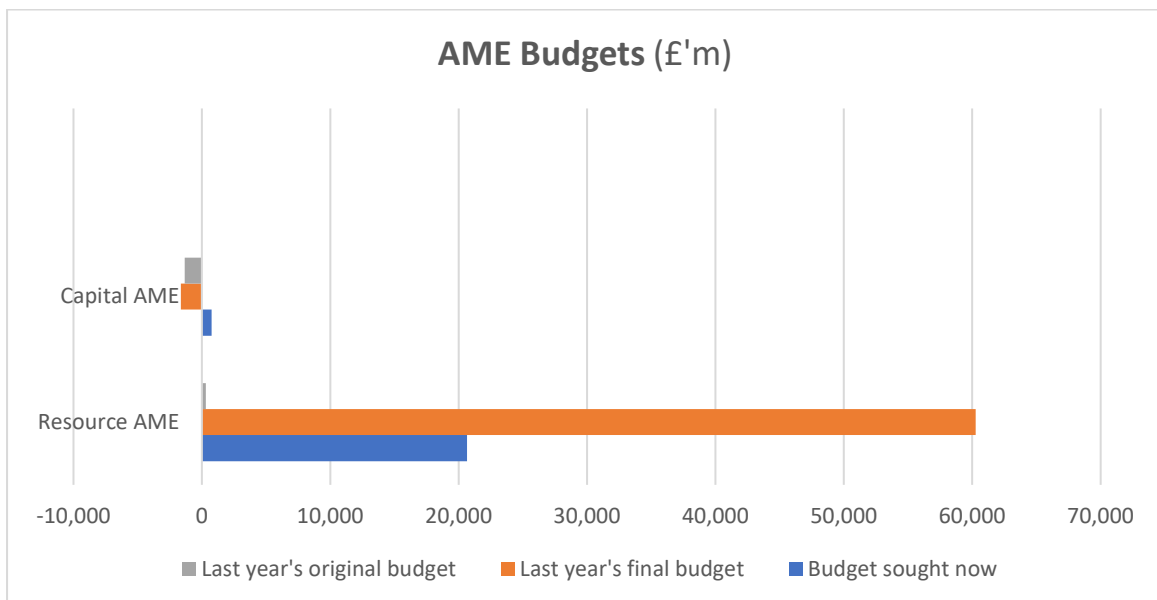
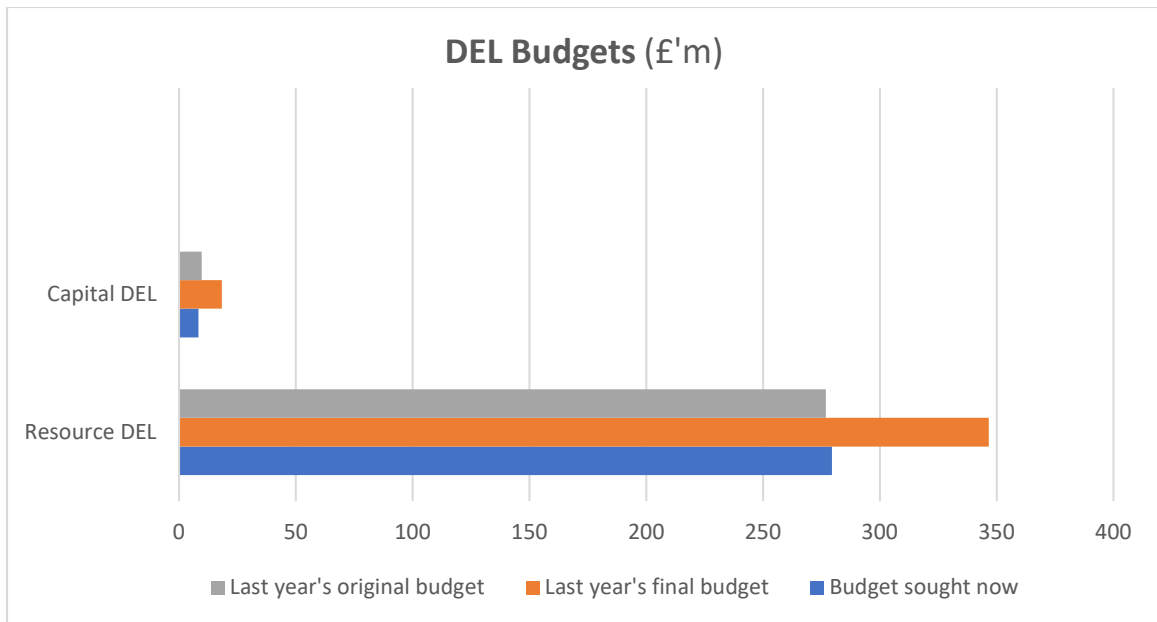
## Resource DEL: total budget £279.5m, 2021-22



### 1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for HMT in its Main Estimate compare with last year:

Spending total Amounts sought this year (Main Estimate 2021-22)		Compared to final budget last year (Supplementary Estimate 2020-21)		Compared to original budget last year (Main Estimate 2020-21)	
		£ m	%	£m	%
		Resource DEL	279.5	-67.1	-19.4%
Capital DEL	8.3	-10.0	-54.6%	-1.4	-14.4%
Resource AME	20,639.2	-39,632.4	-65.8%	+20,336.1	+6709.4%
Capital AME	754.3	+2,389.8	n/a	+2,084.3	n/a



### 1.5 Key drivers of spending changes since last year

HMT's 2021-22 Resource DEL spending plans are in line with the original budget for 2020-21, with funding included in both years for the Department's response to the COVID pandemic. As agreed at SR2020, further funding of £39.4m is held in reserve to be made available to support the economic response to the pandemic and the subsequent period of transition. The 2020-21 final budget increase was primarily due to Oil and Gas Decommissioning payments as well as further funding for consultancy, staffing and other costs to support the HMT COVID response.

Fluctuations in Resource AME spending plans are predominantly driven by the budget for movements in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF).

## 1.6 New policies and programmes; ambit changes

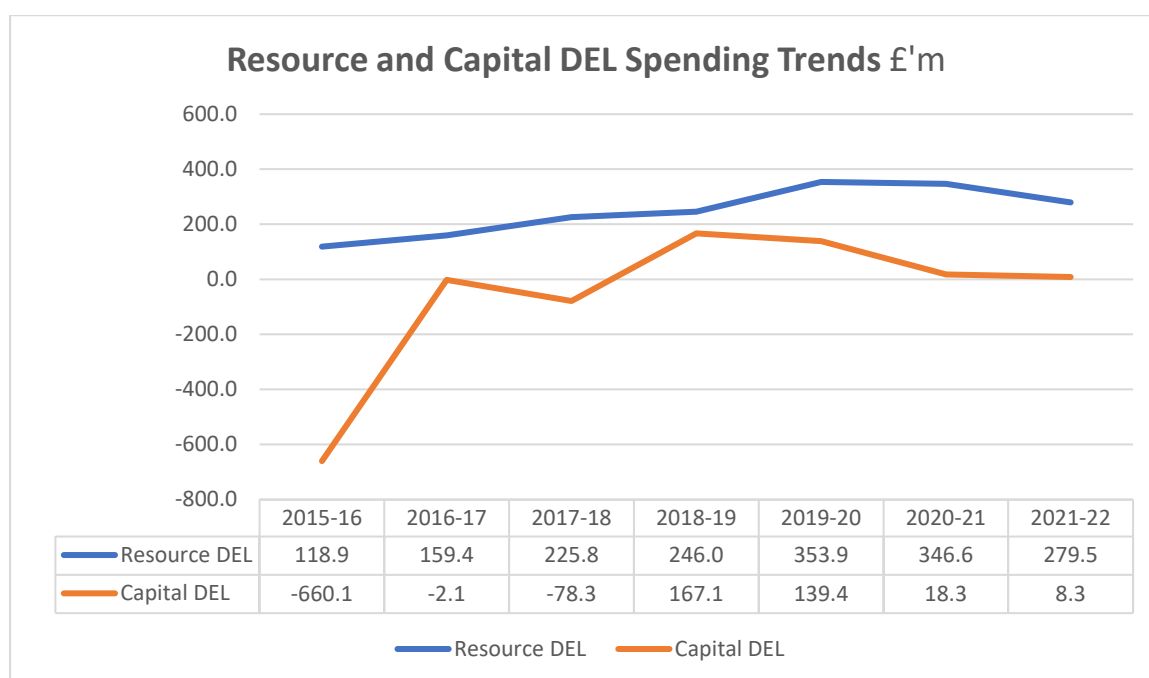
The ambit has been reviewed to ensure it clearly articulates all areas of HM Treasury’s expenditure and income. The ambit has also been expanded in several areas. Both the DEL and AME ambits include reference to expenditure relating to the UK Infrastructure Bank. The AME expenditure ambit also now includes costs associated with the UK exiting the EU as per the Withdrawal Agreement, the payments for which are due to commence in 2021-22. Spending by Pool Reinsurance Company Ltd is also included, following its reclassification to Central Government by the ONS.

In addition, AME income now includes any income arising from the EU Withdrawal Agreement, as well as income from the return of the UK’s paid-in capital from the European Investment Bank (EIB).

Reference to the Financial Services Compensation Scheme has been removed from the ambit, following its reclassification outside of Central Government by the ONS in 2020-21.

## 1.7 Spending trends

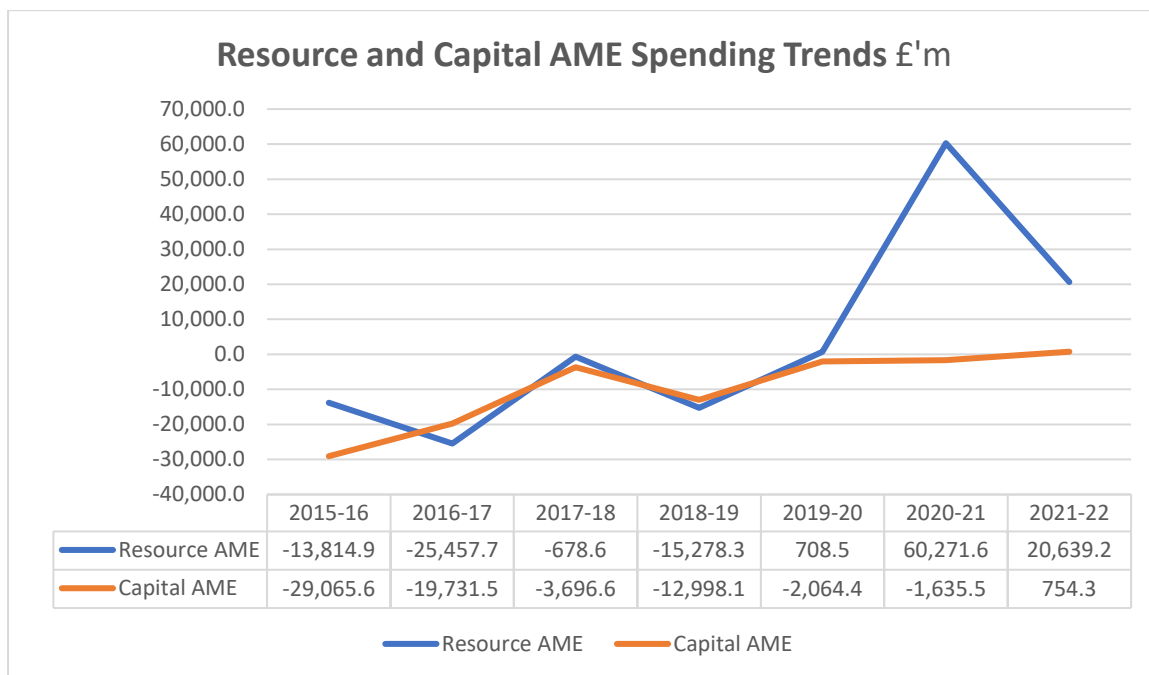
The charts below show overall spending trends for the last five years and plans presented in Estimates for 2020-21 and 2021-22. Negative figures denote income.



- 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, 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). Since a robust forecast of the likely claims to be made under the DRD scheme in 2021-22 is not yet available no budget is included for this. 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. Following the sale of UKAR’s residual asset portfolio in 2020-21 Capital AME will no longer have an overall negative (income) budget.

## 1.8 Administration costs and efficiency plans

The 2021-22 Mains budget for administration costs is 5% lower than the final budget for 2020-21, but 6% higher than the 2020-21 Mains budget. The increase on the 2020-21 original budget is primarily due to funding the set-up and running costs of the UK Infrastructure Bank.

Spending total Amounts sought this year (Main Estimate 2021-22)		Compared to final budget last year (Supplementary Estimate 2020-21)		Compared to original budget last year (Main Estimate 2020-21)	
		£ m	%	£m	%
Administration costs	266.4	-12.8	-5%	+14.1	+6%

## 1.9 Funding: Spending Review and Budgets

The levels of DEL funding for HMT for 2021-22 are based on plans published in the 2020 Spending Review for the department. Since that time, the Government has made changes to 2021-22 spending plans. These changes are as follows:

### RDEL

- A Reserve Claim of £20.4m for the UK Infrastructure Bank, further information on which is provided later in this document.
- £1.0m for the No-Interest Loans scheme, announced as part of the 2021 Budget.
- £6.0m for Breathing Space, subsequently transferred to MHCLG and MOJ via Budget Cover Transfer (BCT).

### CDEL

- Offsetting Income and Expenditure budget of £152.3m for the transfer of 1HGR from HM Treasury to the Government Property Agency (GPA).

## 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 last year.

Subheads	Description	Resource DEL			
		£ million			%
		This year (2021-22 Main Estimates budget sought)	Last year (2020-21 Supplementary Estimates budget approved)	Change from last year	
A	Core Treasury	199.0	270.6	-71.6	-26%
B	Debt Management Office	23.0	27.1	-4.1	-15%
C	Government Internal Audit Agency	2.7	2.9	-0.2	-7%
D	Office of Tax Simplification	1.1	1.0	0.1	10%
E	Office for Budget Responsibility	4.5	3.8	0.7	18%
F	Infrastructure Finance Unit Limited	18.0	0.0	18.0	n/a
G, H, I, J	HMT owned companies with token £1k provision	0.0	0.0	0.0	n/a
K	Departmental Unallocated Provision	3.5	0.0	3.5	n/a
L	National Infrastructure Commission	5.0	5.0	0.0	0%
M	UK Government Investments Limited	20.6	25.2	-4.6	-18%
-	<i>Asian Infrastructure Investment Bank</i>	0.0	9.3	-9.3	-100%
N	Banking and gilts registration services (Non-voted)	2.1	1.7	0.4	24%
	<b>total voted and non-voted</b>	<b>279.5</b>	<b>346.6</b>	<b>-67.1</b>	<b>-19%</b>

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

#### Section A: Core Treasury

Spending plans for core Treasury have decreased by £71.6m (net) when compared to the final budget for 2020-21.

- Core Treasury Resource DEL administration costs in 2020-21 included £47.1m of funding for the Departments response to the COVID pandemic and EU Exit. As part of the Spending Review £31m of funding was agreed for 2021-22 for COVID and EU Exit, a reduction of £16.1m.
- In 2020-21 a Reserve Claim of £49.1m was made for Core Treasury Resource DEL programme costs, in relation to the Oil and Gas Decommissioning Relief Deeds (DRD). 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. Since a robust forecast of the likely claims to be made under the DRD scheme in 2021-22 is not yet available no budget is included. This will be reviewed as part of the Supplementary Estimate.

### Section F: Infrastructure Finance Unit Limited

A budget of £18.0m has been included under the Infrastructure Finance Unit Limited for the set-up and operational costs of the UK Infrastructure Bank (UKIB). This is taken from the UKIB Reserve Claim of £20.4m, with the other £2.4m allocated to Core Treasury for work to support the Bank.

The UKIB was announced as part of the National Infrastructure Strategy, published in November 2020. At Budget 2021, HMT published a Policy Design Document<sup>1</sup> for the bank. This set out its initial capitalisation, which consists of £12bn of capital to enable lending and investment plus the authority to issue up to £10bn of guarantees.

### Capital DEL

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

Subheads	Description	Capital DEL			
		£ million			%
		This year (2021-22 Main Estimates budget sought)	Last year (2020-21 Supplementary Estimates budget approved)	Change from last year	
A	Core Treasury	6.7	5.6	1.1	20%
B	Debt Management Office	0.8	3.4	-2.6	-76%
C	Government Internal Audit Agency	0.1	0.0	0.1	n/a
F	Infrastructure Finance Unit Ltd	0.0	8.6	-8.6	-100%
L	National Infrastructure Commission	0.7	0.7	0.0	0%
	<i>European Bank for Reconstruction and Development</i>	0.0	0.0	0.0	n/a
	<b>total voted</b>	<b>8.3</b>	<b>18.3</b>	<b>-10.0</b>	<b>-55%</b>

<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966131/UKIB\\_Policy\\_Design.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966131/UKIB_Policy_Design.pdf)

There are no differences of more than 10% which are more than £10.0m on a net basis. However, to note:

### Section A: Core Treasury

The Core Treasury C-DEL budget includes £6.0m of ringfenced funding for the new Darlington economic campus.

Income and Expenditure budget of £152.3m are included for the transfer of 1HGR from HM Treasury to the Government Property Agency (GPA). This is 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 last year.

Subheads	Description	Resource AME			
		£ million			%
		This year (2021-22 Main Estimates budget sought)	Last year (2020-21 Supplementary Estimates budget approved)	Change from last year	
O	Core Treasury (AME)	2.0	0.3	1.7	567%
P	Provisions	53.0	325.0	-272.0	-84%
Q, R	UK coinage	16.0	18.0	-2.0	-11%
S	Royal Mint Dividend	-2.2	-2.0	-0.2	10%
T	Assistance to financial institutions	20,573.0	55,564.5	-34,991.5	-63%
U	Sovereign Grant funding of the Royal Household	114.8	95.9	18.9	20%
V	UK Asset Resolution Limited	18.1	-74.5	92.6	124%
W	Help to Buy (HMT) Limited	-141.0	0.0	-141.0	n/a
X	Help to Buy ISA	7.9	10.0	-2.1	-21%
Y	Infrastructure Finance Unit Limited (Net)	-6.5	0.0	-6.5	n/a
Z	EU Withdrawal Agreement Financial Settlement	0.0	4,234.0	-4,234.0	-100%
AB	Pool Reinsurance Company Limited (Net)	0.0	0.0	0.0	n/a
	<i>Loans to Ireland</i>	<i>0.0</i>	<i>-21.9</i>	<i>21.9</i>	<i>-100%</i>
	<i>Financial Services Compensation Scheme</i>	<i>0.0</i>	<i>117.0</i>	<i>-117.0</i>	<i>-100%</i>
	<i>UK Government Investments Ltd</i>	<i>0.0</i>	<i>1.0</i>	<i>-1.0</i>	<i>-100%</i>
AL	Royal Household Pensions	3.7	3.9	-0.2	-5%
AM	Civil List	0.4	0.4	0.0	0%
	<b>total voted and non-voted</b>	<b>20,639.2</b>	<b>60,271.6</b>	<b>39,632.4</b>	<b>-66%</b>

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

#### Section P: 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 £53.0m requested through the Supplementary Estimate process is to cover provision movements including any required increase to the provision, utilisation of the provision, and the impact of any movement in discount rates.

#### Section T: Assistance to financial institutions

The budget included in this section is made up of:

- Budget cover for a potential decrease in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF) of £20,000.0m 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 request of £20,000.0m compares to £55,000.0m in 2020-21.
- A budget provision of £583.0m 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 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 2022.
- £10m of income from the UK Guarantees Scheme.

#### Section U: Sovereign Grant funding of the Royal Household

The increase in budget requested for the Royal Household is the result of planned reservicing work on Buckingham Palace. The Reservicing of the Palace is a ten-year major overhaul of essential building services including electrical wiring, pipework, boilers and generators. The Sovereign Grant includes a dedicated amount for Reservicing from 2017.

The Sovereign Grant remains at the level set in advance of the financial year as part of the Sovereign Grant Act 2011 (£86.3m). 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 V: UK Asset Resolution

The sale of UK Asset Resolutions (UKAR) residual asset portfolios and legal entities took place in 2020-21 and is due for completion in 2021-22. The requested budget covers running costs until completion and residual pension and provision liabilities.

### Section W: Help to Buy (HMT) Limited

As part of the 2021 Budget the Chancellor announced a new UK-wide mortgage guarantee scheme. The scheme will launch in April 2021 and will provide a guarantee to lenders across the UK who offer mortgages to people with a deposit of just 5% on homes with a value of up to £600,000. The income budget of £141.0m is the forecast guarantee fee payable by lenders. HM Treasury will hold a Contingent Liability in relation to the scheme in its accounts.

### Section Z: EU Withdrawal Agreement financial settlement

Under the terms of the European Union (Withdrawal Agreement) Act 2020, EU Financial Settlement payments 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. This provision will be updated at 31 March for each subsequent reporting year, with the £4,234.0m requested in 2020-21 budget cover for provision movements. Due to uncertainty regarding the likely provision movement at 31 March 2022 no budget has yet been requested for 2021-22.

Payment of the EU Financial Settlement will commence in June 2021. Since a provision has been created for the payments, no further budget is required. Information on the EU Financial Settlement provision, any movements, and the total paid during the financial year will be included in the HM Treasury Annual Report and Accounts for the relevant period.

The latest overall net estimate of the Financial Settlement can be found in the Treasury's EU Finances Statement 2019 published in July 2020. This includes payments to the EU but also receipts. This will be updated and published later this year.

### Section AM: Civil List

This Estimate line is an annuity for the Duke of Edinburgh. This will be adjusted as part of the Supplementary Estimate following his sad death on 9 April 2021.

### Loans to Ireland

In 2020-21 HM Treasury received the final repayments of the principal (capital) and interest (resource) relating to the loan made under the Loans to Ireland Act 2010. Therefore, no budget is required for 2021-22.

### Financial Services Compensation Scheme (FSCS)

The Office of National Statistics (ONS) has reclassified the FSCS outside of central government for public accounts purposes. Consequently, the accounts of the FSCS will no longer have to be consolidated within HM Treasury Group Accounts, and no budget is required for 2021-22.

## Capital AME

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

Subheads	Description	Capital AME			%
		£ million			
		This year (2021-22 Main Estimates budget sought)	Last year (2020-21 Supplementary Estimates budget approved)	Change from last year	
T	Assistance to financial institutions	0.0	-2.6	2.6	-100%
U	Sovereign Grant funding of the Royal Household	8.1	3.0	5.1	170%
V	UK Asset Resolution Limited	0.0	-303.0	303.0	-100%
X	Help to Buy: ISA	204.0	175.0	29.0	17%
Y	Infrastructure Finance Unit Limited	807.0	105.0	702.0	669%
Z	EU Withdrawal Agreement Financial Settlement	-265.0	0.0	-265.0	n/a
AA	Reclaim Fund Ltd	0.2	0.1	0.1	100%
	<i>Loans to Ireland</i>	0.0	-1,613.5	1,613.5	-100%
	<i>Financial Services Compensation Scheme</i>	0.0	0.5	-0.5	-100%
	<b>total voted and non-voted</b>	<b>754.3</b>	<b>-1,635.5</b>	<b>2,389.8</b>	<b>146%</b>

### Section V: UK Asset Resolution

The sale of UK Asset Resolutions (UKAR) residual asset portfolios and legal entities took place in 2020-21 and is due for completion in 2021-22. Since UKAR no longer holds any mortgage assets, and no property, plant and equipment additions or disposals are expected, no Capital AME budget is required.

### Section X: Help to Buy: ISA

Expenditure for the Help to Buy ISA was below budget in 2020-21, largely due to the closure of the housing market in response to COVID in the early part of the financial year. The increase in requested budget assumes a continuation of the rate of monthly claims seen in the latter half of 2020-21.

### Section Y: Infrastructure Finance Unit Limited

The Infrastructure Finance Unit Limited Estimate line includes £60m of funding for the Digital Infrastructure Investment Fund (DIIF) and the Charging Infrastructure Investment Fund (CIIF). The budgets for these investment funds have been reported against IFUL since their inception. For 2021-22, it also includes funding for the UK Infrastructure Bank, due to be launched later in the Spring. The requested Capital AME funding covers the Banks investment activities.

## Section Z: EU Withdrawal Agreement Financial Settlement

The capital budget for the EU Withdrawal Agreement pertains to the return of the UK's paid-in capital from the European Investment Bank (EIB), with €300.0m due in 2021-22. The capital is being repaid in annual instalments which commenced in October 2020, with the final instalment due in October 2031.

### Loans to Ireland

In 2020-21 HM Treasury received the final repayments of the principal (capital) and interest (resource) relating to the loan made under the Loans to Ireland Act 2010. Therefore, no budget is required for 2021-22.

## 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 (Main Estimate 2021-22)	Compared to final budget last year (Supplementary Estimate 2020-21)		Compared to original budget last year (Main Estimate 2020-21)		
	£ m	%	£m	%	
<b>Resource DEL</b>					
Depreciation	5.9	0.0	0%	0.0	0%
Economic Data Fund	5.0	+2.0	+67%	0.0	0%
Darlington economic campus	15.7	+14.1	+881%	+5.7	+57%
ODA	3.0	n/a	n/a	n/a	n/a
<b>Capital DEL</b>					
Darlington economic campus	6.0	+1.0	+20%	+1.0	+20%
Research & Development	0.7	n/a	n/a	n/a	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 warranties and indemnities that were provided to the purchasers of UKAR's residual asset portfolio as part of the sale, these are shown under reference number 12. In addition, there are new contingent liabilities in other areas, including relating to the new mortgage guarantee scheme as announced on 3 March 2021 (reference 15), Reclaim Fund Ltd right to reclaim (reference 17), UK

Government Investments (reference 24) and the European Bank for Reconstruction and Development (EBRD), following transfer of the shareholding from the Foreign and Commonwealth Development Office in 2020-21 (reference 38).

There are two Contingent Liabilities relating to the sale of B&B and NRAM that, following the sale of UKAR's residual assets, have now been closed.

## 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), and the set-up and running costs of the UK Infrastructure Bank.

**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.

**Section K 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 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 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 O 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, and the No-Interest Loans scheme.

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

**Section Q UK Coinage manufacturing costs and Section R 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 S 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.

**Section T 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 U 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 V UK Asset Resolution Limited** – UKAR was established on 1 October 2010 as a holding company for 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. The sale of UKAR's residual asset portfolios and legal entities took place in 2020-21 and is due for completion in 2021-22.

**Section W Help to Buy (HMT) Limited** – this body's spending relates to the 2013 and the newly launched 2021 Mortgage Guarantee Schemes, which are funded through guarantee fees charged to lenders. The expectation is that these fees will offset spending.

**Section X 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 Y 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. 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. A condition of the CIIF and the DIIF is that any investment is matched by private sector investors on identical terms.

From 2021-22 this also includes funding for the Investment activities of the UK Infrastructure Bank. The UK Infrastructure Bank was announced as part of the National Infrastructure Strategy, published in November 2020, and is due to launch in the Spring.

**Section Z 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. This section also includes the return of the UK's paid-in capital from the European Investment Bank (EIB) which is due to be repaid in annual instalments until October 2031.

**Section AA 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 AB Pool Reinsurance Company Ltd** - Pool Re's purpose is to enable the UK insurance market to underwrite terrorism risk to ensure terrorism cover is available to any commercial property that requires it. Pool Re was reclassified by the ONS to Central Government and is due to be consolidated into the HM Treasury group accounts for the first time in 2021-22.

**Section AL 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 AM Civil List** - to fund an annuity for the Duke of Edinburgh. This will not be included in future Estimates following the Duke of Edinburgh's sad death on 9 April 2021.

### 3 Priorities and performance

#### 3.1 How spending relates to priority outcomes

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

Priority Outcomes>>>> Estimates subheads	1: Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes	2: Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK	3: Ensure the stability of the macro-economic environment and financial system
A, O	X	X	X
B	X		
C	X		
D	X		
E	X		X
F, Y		X	
G, H, I		X	
J, Q, R, S	X		
L		X	
M	X		
N			X
P	X	X	X
T			X
U, AL, AM	X		
V			X
W, X		X	
AA	X		
AB			X

### 3.2 Measures of performance against each priority

HM Treasury's priority outcomes and measures of performance have been reviewed as part of the 2020 Spending Review, and will be published in the Spring as part of the Department's Outcome Delivery Plans:

1. Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes
  - Public sector Net Debt (PSND) as a percentage of GDP
  - Public Sector Net Borrowing (PSNB) as a percentage of GDP
  - Cyclically adjusted Net Borrowing as a percentage of GDP
  
2. Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK
  - UK output per hour growth (%)
  - Economic performance of all functional economic areas (FEAs) relative to their trend growth rates
  - UK and regional employment rate (%)
  - Business investment as a share of GDP (%)
  
3. Ensure the stability of the macro-economic environment and financial system
  - GDP Growth
  - CPI Inflation
  - Aggregate capital ratio for the UK banking sector (using CET1 capital ratios)

### 3.3 Commentary on steps being taken to address performance issues

HMT doesn't currently have any budget specifically for addressing performance issues. Where recommendations are made, by Internal Audit, the National Audit Office or the PAC, the work performed in response is interlinked with business as usual and is not separately budgeted for.

### 3.4 Major Projects

HMT is currently setting up a new UK Infrastructure Bank. Further details about the Bank, including the rationale for its establishment and initial areas of focus are included in the published UK Infrastructure Bank Policy Design document<sup>2</sup>.

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<sup>2</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966131/UKIB\\_Policy\\_Design.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966131/UKIB_Policy_Design.pdf)

## 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

30 April 2021