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Rt Hon Mel Stride MP
Chair of the Treasury Committee
House of Commons
London
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[By email]

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Dear Mr Stride

Follow-up information on the Department's Main Supply Estimates for 2021-22

Thank you for your letter of 23rd June 2021.

1. *The Department has allocated £31 million for Covid-19 costs in the 2021-22 Main Estimate. What will this £31 million be spent on? Does the Department anticipate approving further budget for Covid-19 costs in the Supplementary Estimates?*

The £31 million was allocated in the 2020 Spending Review settlement (SR20) and will be spent on the Treasury's work on Covid and EU Exit. Most of this (£24m) will be spent on staff costs; about £6.5m has been set aside for possible professional services fees; with the balance spent on additional legal advice (through the Government Legal Department), and some Covid-related operational costs.

As agreed in SR20, further funding of £34.5 million has been held in reserve to be made available to support policy work on Covid and the response, if needed. We currently expect to request the full £34.5 million through the Supplementary Estimates.

2. *The Department has allocated £583 million in the 2021-22 Main Estimate for the Covid Corporate Financing Facility. This compares to £574 million allocated in 2020-21. How many firms did HMT support in 2020-21 with the £574 million allocation? Does the Department expect to recoup the full amount in the near future?*

In March 2020 HM Treasury authorised the Bank of England to establish the Covid Corporate Financing Facility Limited (CCFF), a fund to purchase high quality commercial paper from non-financial institutions that make a material contribution to the UK economy. The government indemnified the Bank of England and CCFF from any losses arising out of or in connection with the facility. The indemnity represents a contingent liability for HM Treasury which would crystallise if losses arose in the CCFF, following the default of an institution which issued Commercial Paper through the facility. The £574 million in 2020-21 was therefore included as a budget provision to support the operation of the scheme and cover any potential demands that might materialise, less expected income. No demands arose in the year, and CCFF generated a non-cash, valuation gain of £21 million from the in-year movement of the derivative asset, shown under 'Revaluation of financial assets and liabilities' in the Statement of Comprehensive Net Expenditure within the 2020-21 Annual Report and Accounts.

The scheme issued a total of £37.95 billion over the twelve months it was open, supporting 107 firms between March 2020 and March 2021. In total, the facility approved access for over 230 firms, many of which used the facility for financial assurance but chose not to draw down funds. The CCFF has closed for new purchases but will continue to hold firms' commercial paper (CP) until it has all matured, in March 2022. We continue to monitor the CP, including remaining in communication with issuers, and will do so until the portfolio closes in order to achieve the best outcome for taxpayers. Further information can be found in the 2020-21 Annual Report and Accounts.

3. *The Department has allocated £6 million of Capital DEL for the new economic campus in Darlington in the 2021-22 Main Estimate. How will this be spent? Is the Department intending to rent, purchase or construct an office building?*

The Government Property Agency is responsible for procuring office space for the new economic campus. They are in the early stages of identifying a suitable permanent site, which is likely to take some years to prepare. They are also securing temporary accommodation until the permanent site is ready: this will be an existing office building in Darlington town centre and is expected to open next year. In the short term some space in an existing government office in Darlington will be available for a limited number of staff.

The £6 million CDEL will be spent partly on capital works to prepare the temporary accommodation for use, and partly on investment across the department to ensure that staff in all HMT offices (and those working remotely) can work together successfully. The ability for staff to connect and work seamlessly across our sites without the need to travel is critical to the success of the economic campus in Darlington.

4. *Have any staff started working in the new campus? If so, how many, and how many of these were relocations as opposed to local hires?*

We are in the early stages of staffing the new office. Our first member of staff working in Darlington started in May and the numbers will gradually increase in the weeks and months ahead. Nearly all Treasury jobs are now routinely advertised with either Darlington or London as the location, including external recruitment open to those outside the civil service. We will publish further details of relocations and recruitment in Darlington in our 2021-22 annual report and accounts.

5. *How many civil servants in total does the Department anticipate will work in the Treasury's campus in Darlington? Will staff in these roles be working entirely remotely until the office in Darlington has been established?*

There will be at least 750 roles based at the government's new Darlington economic campus, including staff from HM Treasury, the Department for International Trade, the Department for Business, Energy and Industrial Strategy, the Ministry of Housing, Communities and Local Government and the Office for National Statistics. The Treasury expects to provide 200-300 of these roles. We have secured space in an existing government office in Darlington for use until the temporary office is opened next year.

6. *The Department has allocated £807 million in Capital AME for the UK Infrastructure Bank in the 2021-22 Main Estimate. Is the Department able to share some of projects which the Bank is planning to invest in with this £807 million allocation?*

The UK Infrastructure Bank will be an operationally independent institution.
The Bank's core objectives are to:

- help tackle climate change, particularly meeting our net zero emissions target by 2050.
- support regional and local economic growth through better connectedness, opportunities for new jobs and higher levels of productivity.

The Bank will be guided as to what projects fall within scope by its investment principles, which are published in the Framework document. The Bank will make investment decisions based on the merits of each case, in line with its objectives and investment principles. The Bank launched in an interim form, and will rapidly scale up, learning as it engages with the market. It will publish its investments on its website (ukib.org.uk).

The £807 million forecast is based on the Treasury's modelling in the March 2021 Budget of the size of the financing gap in the infrastructure sectors where the Bank will operate and our assessment of how quickly the Bank will be able to ramp up its activities.

7. *There is unallocated funding of £3.5 million in the 2021-22 Main Estimate. Has this now been allocated?*

The Departmental Unallocated Provision (DUP) represents funding set aside to meet unforeseen spending pressures which may arise in the financial year. The Departmental position will be reviewed in advance of the Supplementary Estimate round, and the DUP will be allocated to meet emerging pressures if necessary. Should no such pressures have arisen in-year, the DUP will be returned in accordance with Supply Estimate guidance.

8. *In 2020-21, £4.2 billion of Resource AME was recognised as a provision for payments stipulated by the EU Withdrawal Agreement, but no budget has yet been approved for 2021-22. The agreement stipulated payments from the UK to the EU would begin on 30 June 2021. Could the Department confirm how provision is being made for payments and what payment schedule has been prepared for them?*

The Treasury made a non-cash provision of £38.7 billion in the 2019-20 Annual Report and Accounts for liabilities that could crystallise as cash payments after 31 March 2021. The £4.2 billion budget in 2020-21 was sought to cover a potential net increase in the liability in 2020-21 due to unpredictable exchange rate movements and uncertainty over movements in the underlying assets and liabilities. As reported in the 2020-21 Annual Report and Accounts the provision instead reduced by £2.4 billion. HM Treasury will continue to require budgetary cover for movements in the EU Withdrawal Agreement provision. Due to the inherent uncertainty no budgetary cover was sought at Main Estimate 2021-22 but could be requested in the Supplementary Estimates.

Cash provision for the payments is included in the 2021-22 Main Estimate in *Use of provisions* within *Part II: Resource to cash reconciliation* table. The payment schedule is established by Article 148 of the Withdrawal Agreement (WA), which provides that the EU will issue two invoices per year, in April and September. The April invoice includes a schedule for equal payments in the following 4 months and the September invoice is followed by 8 further monthly instalments. The first instalment of the €3.76 billion net liability invoiced in April 2021 was paid on 30 June. Further details of the payment and assurance process that HM Treasury has implemented in relation to the WA are included in Annex E of the *European Union Finances Statement* (CP 472), published on 15 July.

9. *A multi-year spending review was scheduled for July 2020, which has been postponed due to the impacts of Covid-19. A single-year spending review implemented in 2020, confirming Departmental budgets in 2021-22. Can you provide us with an update on Treasury's latest plans for the multi-year Spending Review?*

In the March 2021 Budget, the government announced plans to conduct a Spending Review later this year to set departmental RDEL and CDEL budgets as well as devolved administrations' block grants beyond this year. The Chancellor will set out further details on the Spending Review in due course.

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