

# 2021-22 Supplementary Estimate: Memorandum for HM Revenue & Customs

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# 1. Overview

## 1.1 Objectives

### Introduction

This Estimate covers the expenditure and income of HM Revenue and Customs (HMRC) including its Executive Agency, the Valuation Office Agency (VOA).

HMRC's vital purpose touches the lives of almost everyone in the UK. We collect the money that pays for roads, schools, hospitals and other public services that millions of people rely on every day. We also help families and individuals with targeted financial support, such as tax credits, Child Benefit and Tax-Free Childcare.

We're helping the UK build back better from the Coronavirus (Covid-19) pandemic with a trusted, modern tax administration system – one that is fully digital, works closer to real-time and provides more resilience in times of emergency.

The Valuation Office Agency (VOA) gives the government the valuations and property advice needed to support taxation and benefits.

The purpose of this Memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in this Supplementary Estimate will be applied to achieve HMRC's objectives and priority outcomes.

### Our vision

To help us deliver our core purpose in a changing world, we've defined a new vision for HMRC: to be a trusted, modern tax and customs department.

### Our Values

- We are professional
- We act with integrity
- We show respect
- We are innovative

### Our priority outcomes

Our priority outcomes, underpinning our vital purpose, are made up of the first 3 of our strategic objectives. [The delivery plan](#) sets out in detail how we will deliver these outcomes, how we will measure our success, and how we will continuously improve.

1. Collect the right tax and pay out the right financial support.
2. Make it easy to get tax right and hard to bend or break the rules.
3. Maintain taxpayers' consent through fair treatment and protect society from harm.

We are also supporting the delivery of the following priority outcomes led by other departments:

4. Seize the opportunities of the UK's exit from the European Union, through creating the world's most effective border to increase UK prosperity and enhance security. (Lead Department: Cabinet Office).
5. Provide the best start in life through high-quality early education and childcare to raise standards and help parents to work. (Lead Department: Department for Education).

We are also providing ongoing support to help the Government's response to the Covid-19 health emergency by continuing to implement measures announced by the Chancellor in relation to Covid-19.

## 1.2 Spending controls

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

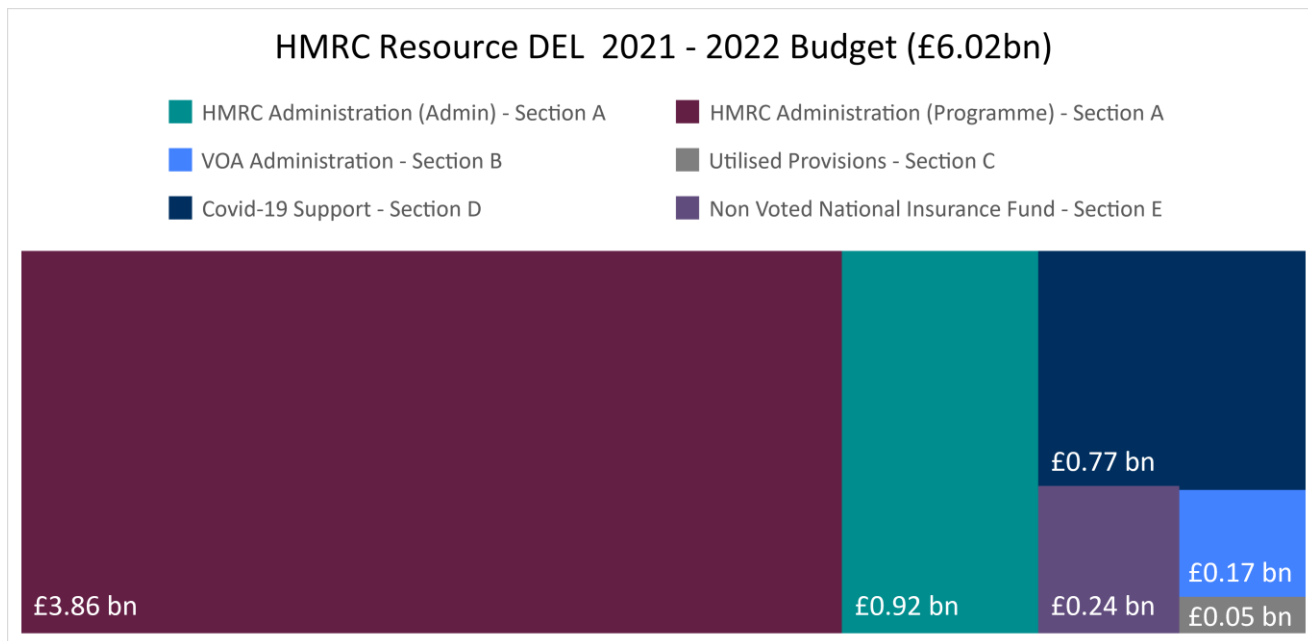
The key spending control totals for HMRC which Parliament votes are:

- Resource Departmental Expenditure Limit ("Resource DEL") – typically our 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.

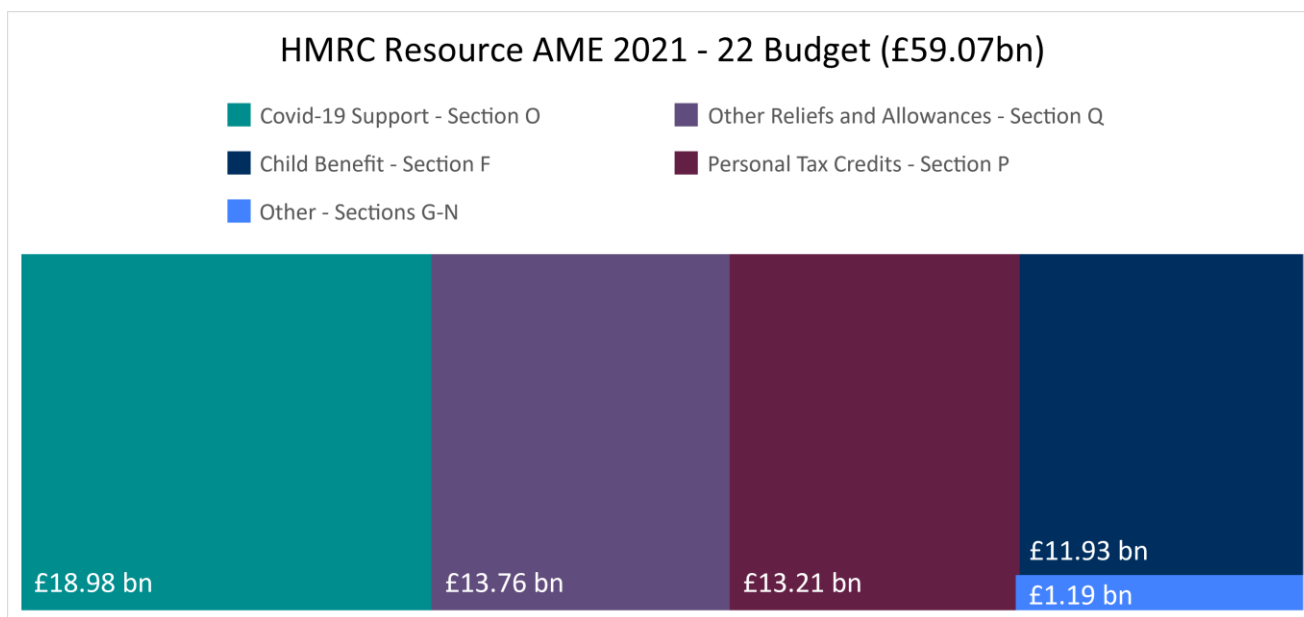
Budgets are split between those voted by Parliament and those where appropriation is covered in other legislation (non-voted).

In addition, Parliament votes a net cash requirement, which provides HMRC with the cash required to meet its ongoing payment obligations.

### 1.3 Main areas of Spending:



\*Covid-19 Support category includes the £500 Working Household Payments Scheme.



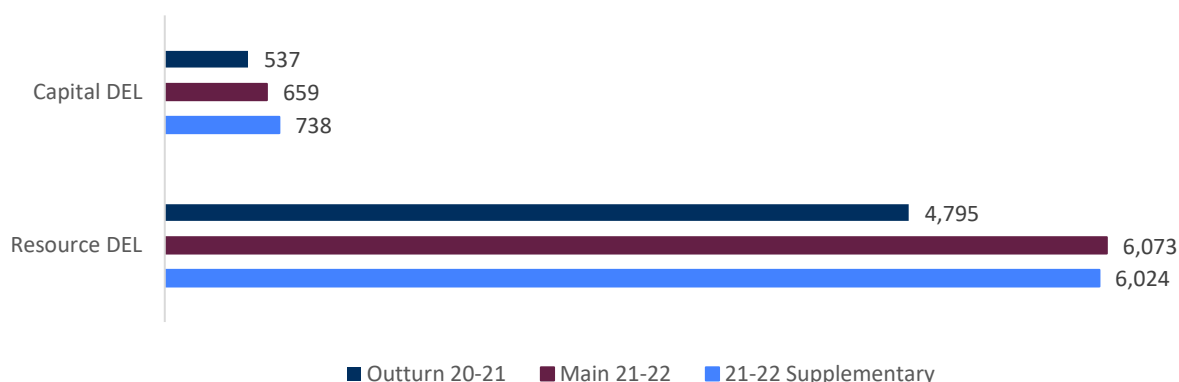
For a detailed explanation of the funding changes (DEL & AME) for HMRC in relation to the Covid-19 pandemic, please refer to Section 1.9.

## 1.4 Comparison of funding totals sought

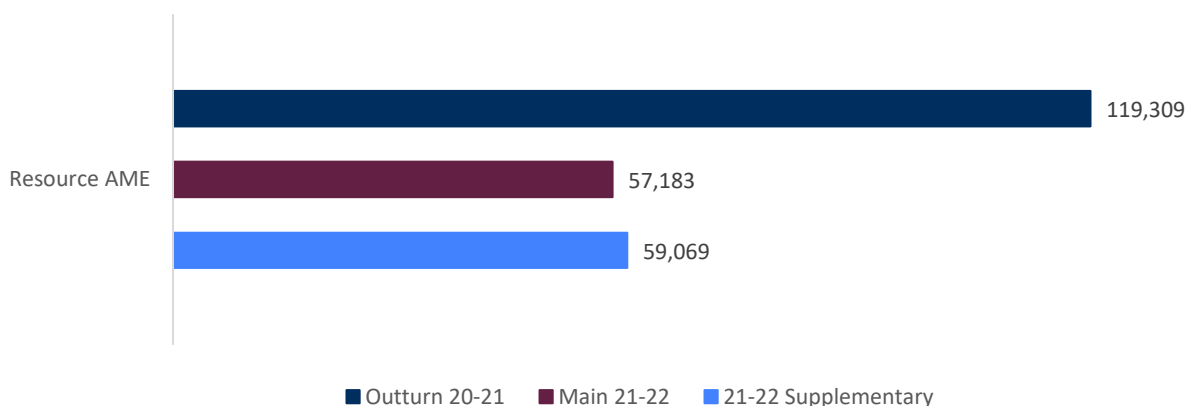
Below is a summary of the key funding changes between the 2021-21 Outturn, the Main Estimate and the Supplementary Estimate for 2021-22. The key drivers of funding changes are detailed in section 1.5.

	20-21 Outturn	21-22 Main Estimate Budget	21-22 Supplementary Estimate Budget	Difference (+/-), compared to original budget this year (Main Estimate 21-22)		Difference (+/-), compared to final outturn last year (Outturn 20-21)	
	£m	£m	£m	£m	%	£m	%
<b>Resource DEL</b>	4,795	6,073	6,024	(49)	(0.81%)	1,229	25.62%
<b>Capital DEL</b>	537	659	738	79	11.98%	201	37.55%
<b>AME</b>	119,309	57,183	59,069	1,886	3.30%	(60,240)	(50.49%)

HMRC DEL 2021 - 22 Budgets compared to the Main Estimate and Prior Year Outturn (£m)



HMRC AME 2021 - 2022 Budgets compared to the Main Estimate and Prior Year Outturn (£m)



## 1.5 Key drivers of spending changes since last year

### **Resource DEL**

The main changes in Resource DEL between the Supplementary Estimate and the 2020-21 Outturn consists of:

- Reductions in funding from the Reserve for Covid-19 to cover the cost of delivering the schemes;
- Increases in the payments for the Working Household Payments;
- Additional Funding from the Reserve for UK Transition;
- Budget movements between HMRC and other government departments as well as Treasury Ringfenced and non ringfenced surrenders.

### **Capital DEL**

The main changes in Capital DEL between the Supplementary Estimate and the 2020-21 Outturn consist of:

- Additional funding from the Reserve for UK Transition;
- Additional funding from the Reserve for new and unfunded fiscal events announcements;
- Budget movements between HMRC and other government departments as well as Treasury Ringfenced and non-ringfenced surrenders.

### **Resource AME**

The main changes in Resource AME between the Supplementary Estimate and the 2020-21 Outturn consist of:

- Reductions in the Covid-19 support schemes funding;
- Amendments to Tax Free Childcare, Lifetime ISA, Providing Payments in Lieu of Tax Relief to Certain Bodies, Personal Tax Credits (non-voted) and other reliefs and allowances (non-voted) to reflect latest forecasts.

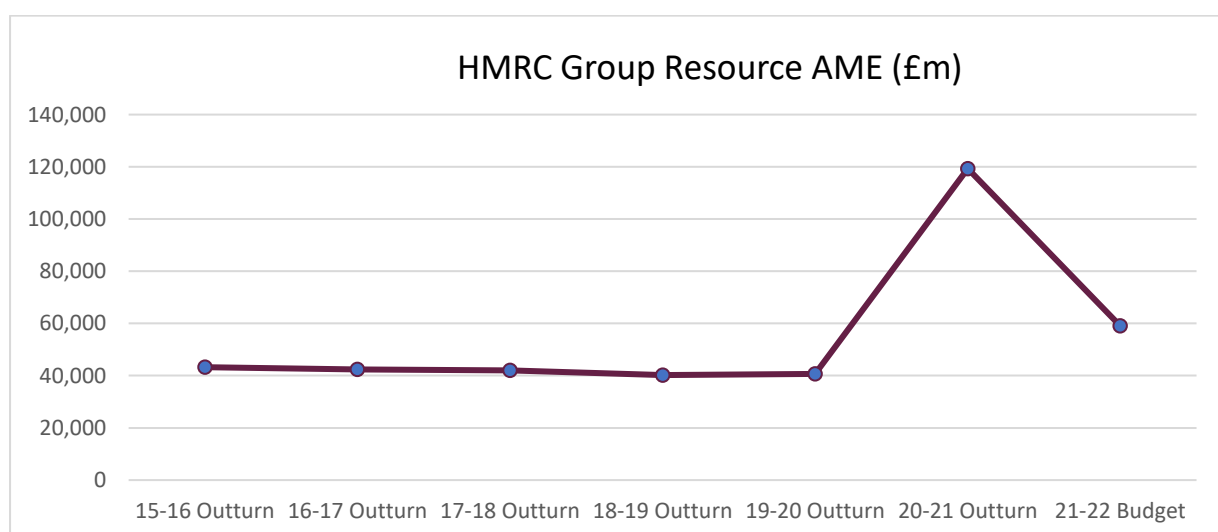
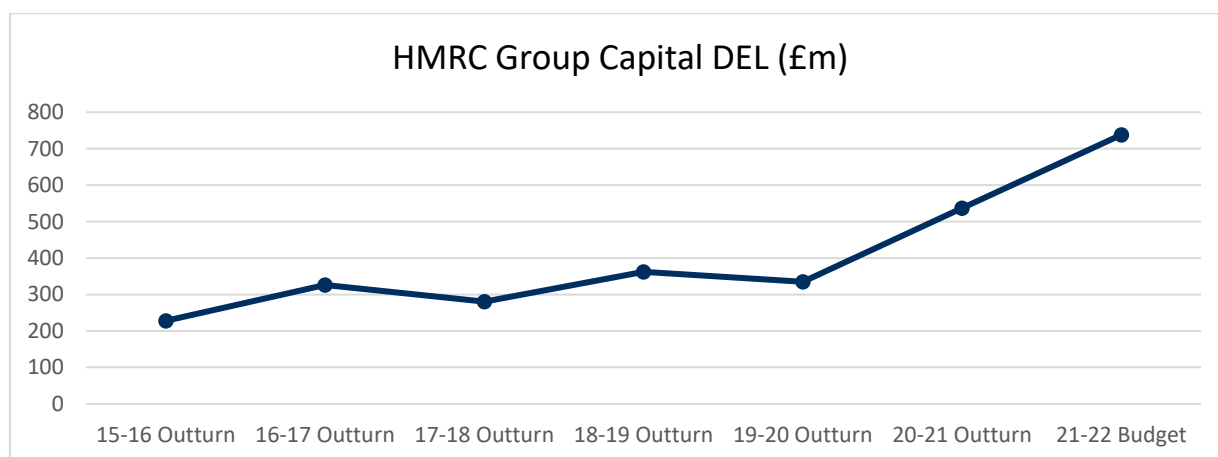
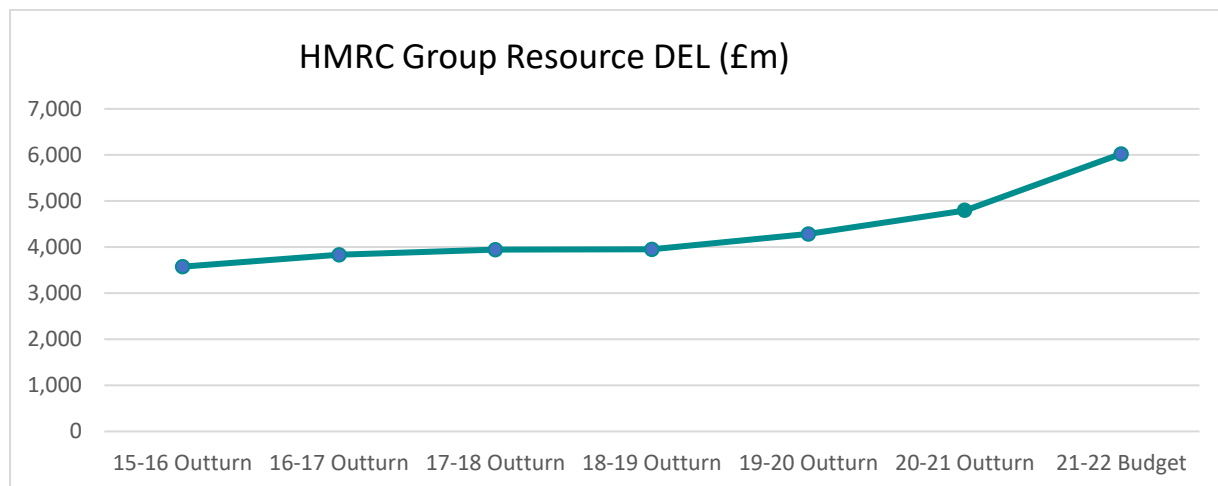
For a detailed explanation of the funding changes (DEL & AME) for HMRC in relation to the Covid-19 pandemic, please refer to Section 1.9.

## 1.6 New policies and programmes; ambit changes

There have been no new ambit changes at the 2021-22 Supplementary Estimates.

## 1.7 Spending Trends

The charts below show overall spending trends since 2015-16 to the plans presented in Supplementary Estimates for 2021-22.



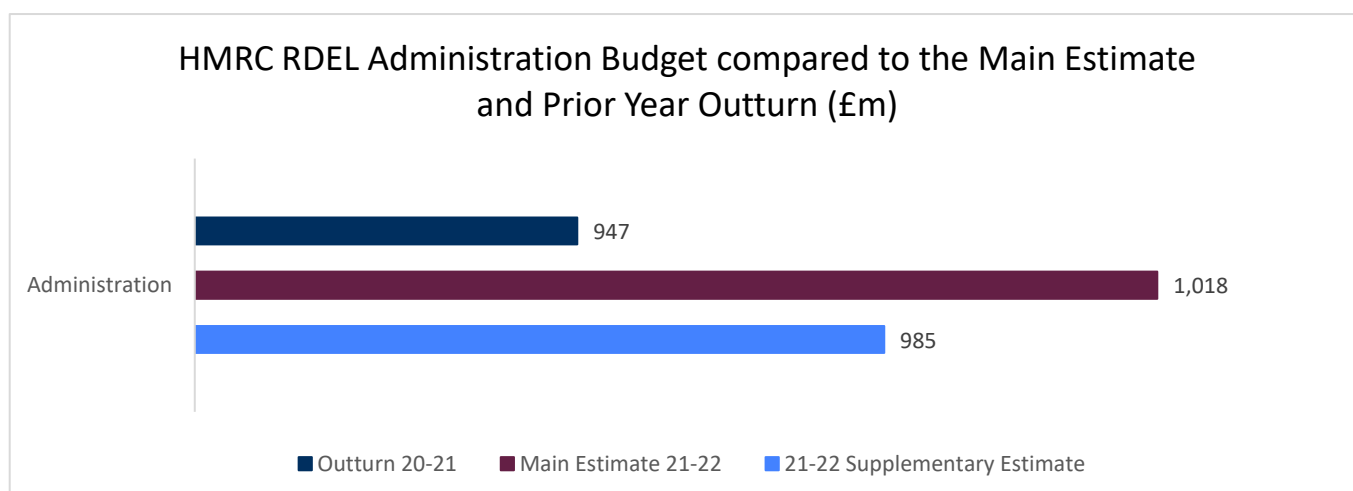


## 1.8 Administration costs and efficiency plans

### Administration Costs

HMRC's Administration budget has decreased by £33m largely due to a reduction in admin depreciation and surrenders to HMT of ringfenced budgets (see note 2.3) at the Supplementary Estimate.

	20-21 Outturn	21-22 Main Estimate Budget	21-22 Supplementary Estimate Budget	Difference (+/-) , compared to original budget this year (Main Estimate 21- 22)		Difference (+/-), compared to final outturn last year (Outturn 20-21)	
				£m	%	£m	%
<b>Administration</b>	947	1,018	985	(33)	(3.30%)	38	3.82%



### HMRC Efficiencies

HMRC's 2021-22 sustainable efficiencies target is £127m, of which £58m are continuous improvements delivered by our operational groups and £69m are savings delivered by our Future Locations and Securing Our Technical Future (SOTF) change programmes. Operational groups generate efficiencies through streamlining our core activities and applying continuous improvement processes which will generate pay bill and non-pay bill savings. Investing in our change programmes will deliver a more resilient, flexible, and cost-effective platform for HMRC's IT services, and a more modern, lower cost office estate.

As at December 2021, HMRC have delivered £82.9m of the efficiencies target.

## 1.9 Funding: Spending Review and Budgets

The levels of DEL funding for HMRC for 2021-22 are based on plans published in the 2020 Spending Round. Since then, the government has made a number of changes at the Main Estimate and at the Supplementary Estimate. The details of these changes are set out in Annex B.

One of the key changes made to HMRC's budget is the additional funding that the department has received from the Reserve. HMRC's Reserve Claim provides necessary support for financial pressures which have arisen during the year and 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**

	£m	Explanation
<b>Net cost of delivering the government's Covid-19 schemes within HMRC</b>	<b>80.8</b>	As part of the government's response to the Covid-19 national emergency HMRC has continued to deliver the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS). This funding supports additional staffing resource and IT systems. Only limited funding was provided for the day-to-day running costs to administer these schemes at SR20 as the schemes were subject to further decisions by the Chancellor.
<b>UK's Transition from the European Union</b>	<b>29.3</b>	Funding for the purchase and development of an Inland Border Facility in Holyhead.
<b>Funding fiscal events announcements</b>	<b>66.5</b>	Includes: <ul style="list-style-type: none"> <li>• £39.9m budget to cover Policy Measures.</li> <li>• £11.5m budget to cover the design, delivery and ongoing monitoring of the customs processes and procedures related to Freeport measures.</li> <li>• £9m of non-baselined (2021-22) revenue raising measures: Investment in counter marketed avoidance; and Aged debt taskforce.</li> <li>• £6.1m budget for the transformation of Pensions Scheme Administration in line with the agreed business case.</li> </ul>
<b>Covid-19 Support - Working Household Payments Scheme</b>	<b>6.0</b>	The Working Household Payments Scheme is a Covid Support Scheme which is in the form of a one-off payment of £500 to eligible working tax credit claimants. Funding has been extended to claimants who were eligible based on claims made by the end of the 2020-21 financial year but were not deemed eligible at the time of the announcement. £6m has been provided for these additional payments.
<b>Increase in Voted Expenditure</b>	<b>7.4</b>	HMRC has redeployed staff planned to be funded from non-Voted National Insurance Fund budgets support Covid-19 activity. This is net-nil at an Exchequer level.
<b>Total Gross Reserve Support</b>	<b>190.0</b>	
<b>Surrender of non-Voted budget underspend to HMT Treasury</b>	<b>(7.4)</b>	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.

<b>Surrender of Voted ring-fenced budget underspends to HM Treasury</b>	<b>(137.4)</b>	Includes the surrender of underspends on the Fiscal Events ringfence and the surrender of surplus CDEL budget.
<b>Surrender of Voted non-ring-fenced budget underspends to HM Treasury</b>	<b>(68.6)</b>	Includes the surrender of underspends on the depreciation budget and the surrender of Dover White Cliffs excess CDEL budget received from DFT no longer required in 2021-22 and a cash management scheme charge issued by HMT.
<b>Total Net Reserve Support</b>	<b>(23.4)</b>	

### **Budget Cover Transfers**

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

<b>Net Budget Cover Transfers by Department</b>	<b>£'000</b>
Department for Transport	33,151
Foreign, Commonwealth and Development Office	1,520
Department for Work and Pensions	17,291
Cabinet Office	1,706
Ministry of Justice	(140)
HM Treasury	(75)
Ministry of Housing, Communities and Local Government	(33)
<b>Total OGD Budget Transfers</b>	<b>53,420</b>

## **1.10 Other Funding Announcements**

### **Overall Coronavirus Schemes Funding**

HMRC has continued delivering a number of key schemes, as set out below. HMRC is being funded to deliver this activity. For the latest statistics on these schemes, please refer to the Gov.uk site: <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>.

### **Coronavirus Schemes**

#### **Working Household Payments Scheme (WHPS)**

At Spring Budget 21 the Exchequer announced a new Covid Support Scheme in the form of a one-off payment of £500 to eligible working tax credit claimants. Payment has now been made to those eligible under that Scheme.

In September, the Chancellor agreed to extend the Scheme to provide financial support to claimants who would have been found to meet the eligibility criteria for the original Scheme, had HMRC been able to process the full information by March 2<sup>nd</sup>, the date on which eligibility was based. This wasn't possible, due to the annualised nature of Tax Credits.

Claimants' entitlement to Tax Credits for 2020-21 are not determined until after the finalisation process, which takes place after 31<sup>st</sup> July 2021 (for many claimants) and 31 January 2022 (for a small minority of claimants with self-assessed income). The design of the original Scheme, which was based on tax credits awards as at 2<sup>nd</sup> March, therefore meant that there were some claimants who were not eligible for the one-off payment at the time of announcement, came in scope after the finalisation

process. Extending the Scheme addressed the unfairness of these claimants not being included in the original Scheme purely as a result of the annualised nature of Tax Credits.

The additional cost is expected to be £6m (£500 x 12,000 claimants). This will all fall within the 2021-22 financial year.

### **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.

As published by the Government on the 16<sup>th</sup> December 2021, a cumulative total of 11.7 million jobs have been supported by the CJRS at various times since the scheme was introduced at a cost of £70 billion. This figure includes claims submitted to HMRC by 14 October 2021.

The furlough scheme ended on 30<sup>th</sup> September 2021. Over the course of the CJRS, jobs on furlough peaked at 8.9 million on 8 May before reducing with a second smaller peak of 5.1 million on 19 January 2021, which subsequently decreased each month until the end of the scheme.

At the end of the furlough scheme on 30<sup>th</sup> September 2021, 21% of eligible employers had staff on furlough, down from a peak of 41% in January 2021. Between March and June 2020, 61% of eligible employers put staff on furlough.

### **Self-Employment Income Support Scheme (SEISS)**

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

Applications for the first grant opened 13<sup>th</sup> May 2020 and applications for the fifth and final grant closed 30 September 2021.

During May 2020 to January 2021, the Government ran phases 1-3 of the scheme. The fourth grant opened for claims on 22<sup>nd</sup> April 2021 and run to 30<sup>th</sup> May 2021. Businesses had to be impacted by coronavirus between 1<sup>st</sup> February 2021 and 30<sup>th</sup> April 2021 in order to claim the grant. The fifth grant could be claimed between 29<sup>th</sup> July 2021 and 30<sup>th</sup> September 2021 by those who had been impacted by coronavirus between 1<sup>st</sup> May 2021 and 30<sup>th</sup> September 2021.

As published by the Government on the 16<sup>th</sup> December, £28.1 billion has been paid in grants in total (up to 28<sup>th</sup> October 2021). Across the 5 grants, 2.9 million individuals have received a grant and 10.4 million total grants have been claimed.

Of the 2.9 million individuals that claimed at least one grant, 1 million individuals claimed all 5 grants. 1.6 million individuals claimed each of the first 4 grants.

### **HMRC AME Provision for Covid-19 Schemes Breakdown**

At the Main Estimate, HMRC received funding of £ 19.16 billion for the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme. Following the closure of both schemes on the 31<sup>st</sup> of September 2021 the funding requirement has reduced by £0.19 billion to reflect the actual payments made.

This brings the total amount of AME for Covid-19 support schemes to £18.98bn.

	<b>£ billion</b>
Main Estimate Provision	19.16

Reduction at the Supplementary Estimate	(0.19)
<b>Total Covid-19 AME Provision for FY 2021-22</b>	<b>18.97</b>

### HMRC DEL Provision for Covid-19 Schemes

In the 2021-22 financial year, HMRC has continued to deliver the Coronavirus Job Retention Scheme, the Self-Employment Scheme as well as administering the Working Household Payment Scheme. The department has also administered the Statutory Sick Pay Scheme in conjunction with the Department for Work and Pensions.

Only limited funding was provided for the day-to-day running costs to administer these schemes at SR20 as the schemes were subject to further decisions by the Chancellor and uncertainty regarding the future path of the virus. In HMRC's SR20 settlement letter the CST committed to revisiting the funding position for these schemes at the Supplementary Estimate, should further funding be required.

The department's gross Covid-19 running costs as at the 30<sup>th</sup> November were £187.5m. The department has been able to offset £59.3m of these costs with savings that have naturally arisen within the organisation as a result of diverting existing resources to deliver the Covid schemes.

The incremental cost is therefore £128.2m, of which £47.4m was funded at the Main Estimate. This left HMRC with an unfunded pressure of £80.8m which was approved as part of HMRC's reserve claim.

The incremental costs are further broken down into IT costs (£2.8m), contracted out services and contingent labour (£26m), Coronavirus Response Unit and other staff costs (£32m), and other costs (£20m).

## 2. Spending detail

### 2.1 Explanation of changes in Departmental Expenditure Limit (DEL)

Estimate Line	Description	Resource				Capital				Last year Outturn (2020-21)	Note	
		Supplementary Estimates Budget Sought	Main Estimate 2021-22	Difference (+/-) compared to Main Estimate 2021-22		Supplementary Estimates Budget Sought	Main Estimate 2021-22	Difference (+/-) compared to Main Estimate 2021-22				
		£m			%	£m	£m			%	£m	
A	HMRC Administration	4,781.7	4,847.6	-65.9	-1.4%	4,335.3	714.8	634.7	80.1	12.6%	529.8	2.1.1
B	VOA Administration	173.9	178.3	-4.4	-2.4%	141.1	23.3	24.4	-1.1	-4.7%	6.7	2.1.2
C	Utilised Provisions	52.7	30.0	22.7	75.8%	96.2	-	-	-	-	-	2.1.3
D	Covid 19 Support	771.0	765.0	6.0	0.8%	0.0	0.0	-	-	-	-	
	<b>Sub-total (Voted)</b>	<b>5,779.4</b>	<b>5,820.9</b>	<b>-41.6</b>	<b>-0.7%</b>	<b>4,572.6</b>	<b>738.1</b>	<b>659.1</b>	<b>78.9</b>	<b>12.0%</b>	<b>536.6</b>	
E	National Insurance Fund	244.6	252.0	-7.4	-2.9%	222.6	-	-	-	-	-	2.1.4
	<b>Sub-total (Non-Voted)</b>	<b>244.6</b>	<b>252.0</b>	<b>-7.4</b>	<b>-2.9%</b>	<b>222.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>Total (Voted and Non-Voted)</b>	<b>6,024.0</b>	<b>6,072.9</b>	<b>-48.9</b>	<b>-0.8%</b>	<b>4,795.3</b>	<b>738.1</b>	<b>659.1</b>	<b>78.9</b>	<b>12.0%</b>	<b>536.6</b>	

### 2.1.1 Changes to HMRC Administration (Section A)

A detailed explanation of the Reserve funding received at the Supplementary Estimate is provided in Section 1.9.

A summary of budget cover transfers with other government departments is provided in Section 1.8.

A summary of the ringfence surrenders is provided in Section 2.3.

### 2.1.2 Changes to VOA Administration (Section B)

Minor adjustments have been made 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 2.2.6). The increase is due to crystallised exit costs.

### 2.1.4 National Insurance Fund (Section E)

The change to National insurance fund is due to redeployment off staff from non-voted activity to voted to support Covid-19. This is a net nil movement at Exchequer level (section 1.8)

## 2.2 Explanation of changes in Resource Annually Managed Expenditure (RAME)

Estimate Line	Description	Resource					Note
		Supplementary Estimates Budget Sought	Main Estimate 2021-22 Budget	Difference (+/-) compared to Main Estimate 2021-22		Last year Outturn (2020-21)	
		£m			%	£m	
F	Child Benefit	11,932.2	11,932.2	0.0	0.0%	11,541.7	
G	Tax Free Childcare	421.3	400.0	21.3	5.3%	253.0	2.2.1
H	Providing payments in lieu of tax relief to certain bodies	130.1	120.1	10.0	8.3%	140.1	2.2.2
I	Lifetime ISA	546.3	512.5	33.8	6.6%	346.1	2.2.3
J	Help to Save	29.7	29.7	0.0	0.0%	0.0	
K	HMRC Administration	36.0	30.0	6.0	20.0%	52.2	2.2.4
L	VOA - Payments of rates to LAs on behalf of certain bodies (POLAR)	78.0	88.0	(10.0)	(11.4%)	75.6	2.2.5
M	VOA - Administration	2.0	2.0	0.0	0.0%	1.2	
N	Utilised Provisions	(52.7)	(30.0)	(22.7)	75.8%	(96.2)	2.2.6
O	Covid-19	18,976.1	19,157.0	(180.9)	(0.9%)	81,233.3	2.2.7
	<b>Sub-total (Voted)</b>	<b>32,099.0</b>	<b>32,241.5</b>	<b>(142.5)</b>	<b>(0.4%)</b>	<b>93,547.0</b>	



P	Personal Tax Credit	13,214.0	13,214.0	0.0	0.0%	15,063.2	
Q	Other Reliefs and Allowances	13,756.1	11,727.5	2,028.7	17.3%	10,698.6	2.2.8
	<b>Sub-total (Non-Voted)</b>	<b>26,970.2</b>	<b>24,941.5</b>	<b>2,028.7</b>	<b>8.1%</b>	<b>25,761.8</b>	
	<b>Total (Voted and Non-Voted)</b>	<b>59,069.1</b>	<b>57,183.0</b>	<b>1,886.2</b>	<b>3.3%</b>	<b>119,308.8</b>	

### 2.2.1 Changes to Tax-Free Childcare (Section G)

The Tax-Free Childcare forecast has been increased in line with the latest departmental forecasts, due to stronger than expected take-up of Tax-Free Childcare this year, following the Covid-19 lockdowns.

### 2.2.2 Changes to Providing payments in lieu of tax relief to certain bodies (Section H)

The Supplementary Estimate reduction reflects the latest Office of Budget Responsibility (OBR) forecasts.

### 2.2.3 Changes to Lifetime ISA (Section I)

This forecast includes the Lifetime ISA scheme. The Supplementary Estimate has been increased to reflect the latest the increased take up of scheme.

### 2.2.4 Changes to HMRC Administration (Section K)

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

### 2.2.5 VOA - Payments of rates to LAs on behalf of certain bodies (POLAR – Section L)

The decrease to POLAR reflects the latest forecast and the removal of previously required contingency to cover late invoices. We have greater certainty around the cost of outstanding invoices so no longer require a contingency.

### 2.2.6 Changes to Utilised Provisions (Section N)

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

### 2.2.7 Changes to Covid-19 (Section O)

The reduction in Covid-19 funding sought is set out at Section 1.10.

### 2.2.8 Changes to Other Reliefs and Allowances (Section Q)

The Other Relief and Allowances forecast has been increased in line with the latest departmental forecasts.

## 2.3 Ringfenced budgets

HMRC have a number of ringfence budgets that are set by HM Treasury. Any funding provided by HM Treasury for the below items can only be spent on a specific area of spend. At the Supplementary Estimate the department has:

- reduced its expected RDEL expenditure by £41.5m to reflect lower day to day running costs within UK Transition (£73.5m), to reflect actual amounts paid under the Working Households Payment Scheme (£42.1m) offset by increased Covid-19 expenditure (see 1.10) and a number of other smaller adjustments; and
- increased its expected CDEL expenditure by £64m to reflect increased levels of infrastructure within our UK Transition activity (£99.4m), offset by lower than expected programme expenditure.

Any surplus funding at the end of the year will be returned to HM Treasury.

HM Treasury Ringfences	Main Estimate 2021-22		Supplementary Estimates Budget Sought		Difference (+/-) compared to Main Estimate 2021-22			
	RDEL	CDEL	RDEL	CDEL	RDEL		CDEL	
	£m				£m	%	£m	%
UK Transition	834.6	222.0	761.1	321.4	(73.5)	(33%)	99.4	45%
Revenue Raising	360.1	15.9	369.1	6.8	9.0	2%	(9.1)	(57%)
Making Tax Digital	66.6	79.4	61.2	82.3	(5.4)	(8%)	2.9	4%
Collections Management	2.7	6.2	2.3	6.6	(0.4)	(15%)	0.4	6%
Breathing Space	17.4	6.0	14.6	7.0	(2.8)	(16%)	1.0	18%
Tax Free Childcare	37.7	0.0	31.4	0.6	(6.2)	(17%)	0.6	0%
Help To Save	15.4	0.0	14.9	0.0	(0.6)	(4%)	0.0	0%
Counter Fraud Package for Covid-19 Schemes	21.8	5.8	21.5	3.7	(0.2)	(1%)	(2.1)	(36%)
Single Customer Record and Account	30.5	36.9	25.5	7.7	(5.0)	(16%)	(29.2)	(79%)
Digitalising Business Rates	0.8	3.6	0.8	0.0	0.0	0%	(3.6)	(100%)
Supporting Customers to Manage Finances	13.3	14.6	11.4	14.6	(1.9)	(14%)	0.0	0%
Pensions Programme	0.0	4.3	3.5	6.9	3.5	0%	2.6	60%
Policy and Analytical capability	5.0	0.0	5.0	0.0	0.0	0%	0.0	0%
Official Development Assistance	4.0	0.0	3.6	0.0	(0.4)	(10%)	0.0	0%
Research and Development	0.0	2.0	0.0	2.0	0.0	0%	0.0	0%
Covid-19	19.8	0.0	99.0	1.7	79.1	399%	1.7	0%
VOA BST	6.6	15.3	6.2	15.7	(0.4)	(5%)	0.4	2%
Working Households Payment Scheme	765.0	0.0	722.9	0.0	(42.1)	(5%)	0.0	0%
Loan Charge	66.1	8.8	63.8	4.2	(2.3)	(3%)	(4.6)	(52%)
Freeports	0.0	0.0	7.9	3.6	7.9	0%	3.6	0%
<b>Total HM Treasury Ringfences</b>	<b>2,267.4</b>	<b>420.8</b>	<b>2,225.9</b>	<b>484.8</b>	<b>(41.5)</b>		<b>64.0</b>	

## 2.4 Changes to contingent liabilities

The following contingent liabilities are contained within Part III: Note K of the Supplementary Estimate. There has been one addition in 21/22, relating to the Valuation Office Agency.

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.	131,490
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.	774
Valuation Office Agency - Costs that may be awarded should various legal cases in which VOA is involved be determined against the Agency.	265
Other – the department has a further number of contingent liabilities	112,686
<b>Total Contingent Liabilities</b>	<b>245,215</b>

## 3. Priorities and Performance

### 3.1 How spending relates to objectives

HMRC's planning and performance is structured around our 5 strategic objectives:

- Collect the right tax and pay out the right financial support;
- Make it easy to get tax right and hard to bend or break the rules;
- Maintain taxpayers' consent through fair treatment and protect society from harm;
- Make HMRC a great place to work; and
- Support wider government economic aims through a resilient, agile tax administration system.

We have continued to deliver our core services for the UK this year during exceptional circumstances. Since the start of the pandemic, we've protected jobs and incomes and provided cash flow boosts for businesses. We did not set performance targets for 2021 to 2022, although we have continued to publish performance updates during the year. We use rolling quarterly expectations to benchmark performance, publishing expected delivery for compliance yield and customer service.

HMRC's departmental finance systems are not structured to report costs and resources by priority outcome. However, we do allocate budgets for these elements per business group.

### 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 [HMRC coronavirus \(COVID-19\) statistics](#).

### 3.3 HMRC's Performance in 2021-22

“In 2021 to 2022 we continued to deliver on our core purpose of collecting taxes and giving financial support to people, whilst responding swiftly to urgent government priorities and playing a vital role in supporting the UK through its transition out of the EU. Our latest figures show us making solid progress during a year of recovery, as the UK economy emerges from the impact of the COVID-19 pandemic.

Over the course of the pandemic, we made choices about the work we prioritised in order to protect our essential services and the livelihoods of our customer groups who need it the most. We prioritised the COVID-19 support schemes, the UK's smooth transition from the EU and the essential services that keep the tax system running. These urgent priorities meant that some of our customer service levels weren't where we would normally expect them to be – although we've also seen some of the highest-ever levels of customer satisfaction with our services, particularly our digital services (82.6% so far this financial year, as of December 2021).

In the first half of the financial year, we stabilised our phone service and our tax credits and Child Benefit services, while we maintained our customs services well within targets and supported the smooth running of the COVID-19 support schemes until they closed in October 2021. Now that the bulk of COVID-19 schemes activity has been delivered, we've been able to move more resources back into our core tax activities, and we've added further capacity through temporary recruitment.

We're working through the stocks of post that built up over the past year and keeping our helpline service levels stable. We've also successfully handled the introduction of EU full customs controls on 1 January 2022 and supported more than 10.2 million people to meet this year's Self-Assessment return deadline on 31 January 2022.

We're still supporting customers who are experiencing financial difficulty as a result of the pandemic. For the second year running, we announced the waiving of late filing and payment penalties for Self-Assessment customers for one month. We also provided Time to Pay allowances for the hospitality and leisure sectors. Since 5 April 2021, more than 30,000 taxpayers have used the self-serve Time to Pay service online to manage their Self-Assessment liabilities, totalling around £75 million.

Further details on HMRC's current performance can be found on our [performance pages](#).

#### 3.4.1 Major Projects

HMRC currently have 19 live projects within the Government Major Projects Portfolio (GMPP).

The following 8 programmes are already published on [gov.uk](#):

- **Building Our Future Locations Programme**: HMRC is seeking to transform itself into one of the most digitally advanced tax authorities in the world. Our Locations Programme is a key enabler for this modernisation and by changing people's working environment, HMRC is helping to change how they work. We are creating a new network of modern digital hubs in

13 regions, alongside 5 Specialist Sites and a London HQ. Our Regional Centres will be inclusive and environmentally friendly places to work. Technologically advanced, they will be available not just to HMRC colleagues but also to other government departments, truly anchoring the locations as the first in the network of wider government hubs and bringing to life the vision for the Civil Service of the future. The Programme approved end date is 31/03/2026.

- **Making Tax Digital:** Delivering modernised IT to digitise tax reporting and improve the customer experience for businesses, agents and individuals. The Programme approved end date is 31/03/2025.
- **Securing Our Technical Future:** The Programme has been established to stabilise and refresh HMRC's current estate which is aged and exiting our 3 data centres the contracts for which expire in 2022 (any further lease extension is against Cabinet Office guidance and likely to prompt wider Commercial challenge) and readying the estate for a move to the new destination platforms, Cloud and Crown Hosting (for physical assets). The Programme approved end date is 30/06/2022.
- **Technology Sourcing Programme:** The Programme is an essential component of the HMRC strategic programme to modernise and transform the enterprise IT estate and services delivered to citizens and colleagues. By the end of June 2022 the Programme will deliver new contracts for services and improve our ways of working through simplified capabilities, processes, tools and standards. The Programme approved end date is 30/06/2022.
- **Contact Engagement Programme:** The Customer Engagement Programme (CEP) is the Telephony based programme that over time allows HMRC to transform the way we interact with customers, becoming a more effective and efficient organisation, driving digital take up where appropriate and providing improved tools to support our colleagues to resolve customer contact effectively through a 'once and done' approach. The Programme approved end date is 30/06/2022.
- **Infrastructure Programme:** The Infrastructure Programme was established to support and enable the Government priority of maintaining the flow of trade following the end of the EU Transition period and to ensure full border controls are in place by the end of the Staged Customs Control delivery timeline.

The Programme is providing Inland Border Facilities and offices of Departure and Destination for goods being moved by transit, via the Short Straits and Holyhead, where the ports do not have the practical ability to accommodate the checks themselves.

Release 1 of Delivery went live on the 31st December 2020, providing 11 temporary Inland Border facilities. Release 2 will bring the Inland Border Facility sites to full operating capacity as well as progressing the migration from temporary facilities to Strategic locations. The Programme approved end date is 31/03/2023.

- **Northern Ireland Trader Support Service:** The Northern Ireland Trader Support Service (TSS) provides a free-to-use service to support traders to meet their obligations under the Northern Ireland Protocol (NIP) following the end of the EU transition period on 31/12/20. The TSS helps traders move goods between Great Britain and Northern Ireland or bring goods into Northern Ireland from outside the UK. TSS is designed to meet the NI command

paper for HMRC to provide extensive support to Northern Ireland traders. The Programme approved end date is 31/12/2022.

- **Protect Connect:** Protect Connect Programme aims to safeguard the operation of HMRC's most critical repayment risking services, future-proofing them by hosting them in the Cloud and laying the essential foundation for development of future strategic risking capabilities. This aligns both the HMRC Compliance and IT strategies, enhancing the understanding of customers and developing increased insight using a single data and analytics platform. The Programme approved end date is 31/05/2022.

There are another 11 Programmes that will be published in July 2022:

- Critical Platform Transformation
- Enterprise Security Programme
- Single Customer Account
- Unique Customer Record
- Payments Programme
- Debt Transformation Programme
- Debt Respite Programme
- Pensions Programme
- Data Protection Remediation
- Borders and Trade Programme
- Single Trade Window

## 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 1.9.

## 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.

A handwritten signature in black ink, appearing to read 'J Harra', written in a cursive style.

Jim Harra

*Accounting Officer*

*Permanent Secretary*

*[HM Revenue and Customs]*

15 February 2022



## Annex: Table A

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

## Annex: Table B

		RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
<b>SR20 Budget</b>		998.0	4,152.1	<b>5,150.1</b>	584.0	<b>5,734.1</b>
<b>Additional new funding awarded since SR20</b>						
<b>2021-22 Main Estimate</b>	UK Transition Extension of Customs Grant Scheme		22.8	<b>22.8</b>		<b>22.8</b>
	Covid-19 Support		765.0	<b>765.0</b>		<b>765.0</b>
	Fiscal Event Measures	20.6	116.9	<b>137.5</b>	75.6	<b>213.1</b>
<b>2021-22 Supplementary Estimate</b>	Fiscal Event Measures	2.1	43.3	<b>45.4</b>	21.1	<b>66.5</b>
	UK Transition Inland Border Facilities			-	29.3	<b>29.3</b>
	Covid-19 Incremental Running Costs		79.1	<b>79.1</b>	1.7	<b>80.8</b>
	Covid-19 Support		6.0	<b>6.0</b>		<b>6.0</b>

	Additional Voted funding (offset by a reduction in Non-Voted)		7.4	<b>7.4</b>		<b>7.4</b>
<b>Estimating, Forecasting and Reprofileing changes</b>						
<b>2021-22 Main Estimate</b>	OGD Budget Transfers (Net)	-0.5	-1.9	-2.4	-0.4	-2.9
<b>2021-22 Supplementary Estimate</b>	Non-Voted Reduction		-7.4	-7.4		-7.4
	OGD Budget Transfers (Net)	-0.7	20.9	<b>20.3</b>	33.2	<b>53.4</b>
	HM Treasury Ringfence Surrenders	-8.0	-80.8	-88.8	-48.6	-137.4
	Non-Treasury Ringfence Surrenders		-0.5	-0.5	-18.1	-18.6
	Reduction in Depreciation	-25.0	-25.0	-50.0		-50.0
<b>Neutral Funding Changes</b>						
<b>2021-22 Supplementary Estimate</b>	2021-22 Supplementary Estimate: Currency Switches	-2.0	-58.4	-60.4	60.4	0.0
<b>Total - Supplementary Estimate Budget</b>		<b>984.6</b>	<b>5039.4</b>	<b>6024.0</b>	<b>738.1</b>	<b>6762.0</b>