

UK COVID-19 INQUIRY

WITNESS STATEMENT OF SIR JAMES ALAN HARRA

1. I, Sir James Alan Harra, former Chief Executive and First Permanent Secretary of His Majesty's Revenue and Customs ("**HMRC**") will say as follows: -
2. I was appointed as HMRC's First Permanent Secretary and Chief Executive in October 2019 and retired from these positions and from the civil service on 5 April 2025. I worked at HMRC for more than 40 years and prior to being First Permanent Secretary and Chief Executive I held a number of senior positions in the department including being HMRC's Second Permanent Secretary and Deputy Chief Executive from 1 January 2018.
3. I am duly authorised to make this corporate witness statement on behalf of HMRC to set out an overview of the department's structures and the role it played in providing support to individuals and businesses during the COVID-19 pandemic. This statement focuses primarily on the period from 1 January 2020 to 28 June 2022.
4. This witness statement is being made in response to the request dated 11 March 2025 from the chair of the UK COVID-19 Inquiry ("**the Inquiry**") made pursuant to section 21 of the Inquiries Act 2005.
5. In drafting this statement, I have necessarily drawn on the knowledge of other members of HMRC staff. As a result, some of the material covered in this witness statement refers to facts which are not within my own personal knowledge but are nevertheless true to the best of my knowledge and belief.

Contents of this statement and overall approach to the preparation of it

6. This statement has been prepared to help the Inquiry understand HMRC's role in providing support to individuals and businesses during the COVID-19 pandemic.
7. Recognising that there is a very wide range of topics to address, the statement will deal with the following issues and subjects, and I have produced an Index to assist with navigating it:

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Part A: Roles and Responsibilities

8. Three government departments, HMRC, His Majesty's Treasury ("**HMT**") and the Department for Work and Pensions ("**DWP**"), worked closely together to plan for, design and deliver various schemes and benefits during the COVID-19 pandemic. In broad terms, HMT had responsibility for advising HMT ministers on the strategic, economic and fiscal policy response to COVID-19. The Coronavirus Act 2020 gave HMT the power to designate additional temporary functions to other departments to enable them to administer certain elements of the economic response. For HMRC, this included directions from HMT to pay out grants via the Coronavirus Job Retention Scheme ("**the CJRS**"), the Self-Employment Income Support Scheme ("**the SEISS**") and the Eat Out to Help Out ("**EOHO**") scheme. It also enabled the Commissioners for HMRC to make regulations related to the Statutory Sick Pay Rebate ("**SSPR**") scheme. HMRC policy, delivery

and analytical teams worked jointly with HMT colleagues in line with the ways of working in the HMT-HMRC Policy Partnership that exists for the purposes of tax policy making, outlined in paragraphs 47 to 54, to advise ministers on the design and delivery options for the HMRC-administered support schemes.

Coronavirus Act 2020

9. HMRC is a non-ministerial Department established by the Commissioners for Revenue and Customs Act 2005, replacing the Inland Revenue and Customs and Excise. HMRC has no standing statutory function in the general situation of a whole system civil emergency, and specifically a pandemic, to devise and implement economic support for individuals or businesses. Unlike ministerial departments, HMRC is a statutory body established by the Commissioners for Revenue and Customs Act 2005. Temporary powers were therefore necessary to enable HMRC to administer the CJRS, SEISS and EOHO schemes, as HMRC only has the functions conferred on it by or under statute – for example the power to collect and manage a wide range of taxes. HMRC's usual role is explained more fully at paragraphs 16 to 18 below. The Commissioners for HMRC can only lawfully spend money on their statutory functions; this contrasts with the position of a Ministerial department that has wider discretion to spend.
10. Prior to 2020, HMRC was not able to prepare to deliver the kind of large-scale economic support that it provided in the COVID-19 pandemic as it did not have legal powers to do so.
11. HMRC was consulted on a general power for financial provision (that would become section 86 Coronavirus Act 2020) by HMT on 19 March 2020 [**JH/ABC/001 – INQ000583748**]. Having established that the proposed clause would not enable HMRC to administer and make payments under a new function, HMRC worked with the Office of Parliamentary Counsel on 20 March 2020 to produce a clause that would enable HMRC to provide grants to employers. This work was further pursued in connection with work on what would become CJRS.
12. The Coronavirus Act 2020 received Royal Assent on 25 March 2020 and included at sections 71 and 76, powers to enable initially a Treasury Commissioner, and latterly two such Commissioners, to issue directions to the Commissioners for HMRC to provide them with

functions in relation to coronavirus or coronavirus disease. Copies of sections 71 and 76 Coronavirus Act 2020 are at **JH/ABC/002 – INQ000583722 and JH/ABC/003 – INQ000583721**. The Coronavirus Act 2020 also provided the flexibility for HMT to provide further directions if necessary, as the government continued to respond to the situation as it developed.

13. Prior to commencement of the legislation, HMRC was working with the government on developing the key economic interventions and considering how they would be delivered. HMRC was therefore taking steps to ensure delivery of its additional powers and responsibilities during March 2020. Further detail on how HMRC was involved in the decisions to confer new responsibilities on it, and how HMRC was preparing for its additional responsibilities, can be found set out later in this statement in sections relating to each intervention.
14. Given the Parliamentary timetable for the Coronavirus Act 2020, and the early stage of the design of CJRS at that time, HMRC was limited in its opportunity to instruct on a full set of powers in the Coronavirus Act 2020 to enable it to enforce compliance with the rules of any support scheme. The new power for HMT to provide HMRC with new functions was understood, by officials, at the time of the passing of the Coronavirus Act 2020, not to provide an ideal suite of recovery or investigation powers. Officials understood that if excessive payments were made under a scheme administered under a Coronavirus Act 2020 function, then HMRC would have recovery rights as exist at common law, and no new formal powers to request information and documents or recover overpayments. While HMRC had a broad set of powers that could be applied in relation to its existing functions (such as recovery of underpaid tax or tackling tax fraud) it was understood that these could not be used effectively for compliance activity relating to COVID-19 support schemes. Had more time been available we would have expected to create a bespoke and suitable suite of powers.
15. Advice was provided to the Chancellor, the Rt. Hon Rishi Sunak MP, on 3 April 2020 on using the Finance Bill 2020 to confirm that the grants made under the new schemes would be taxable, and to ensure that HMRC had sufficient compliance and enforcement powers in relation to the schemes [**JH/ABC/004 – INQ000583311**]. This work resulted in the provisions of schedule 16 Finance Act 2020, enabling overpaid grants to be converted into an income tax liability meaning that HMRC could rely on existing compliance powers. The fact that compliance powers were introduced later, using provisions in the Finance Act 2020 rather than in the Coronavirus Act

2020, is not understood to have had any negative effect on HMRC's ability to administer the support schemes, although it did mean that HMRC could not begin to conduct full compliance and enforcement action until the Finance Act took effect on 22 July 2020.

HMRC responsibilities pre and post Coronavirus Act 2020

16. HMRC's usual role sees it responsible for all the functions (other than prosecutions) which were previously the responsibility of the Inland Revenue and Customs and Excise. This includes responsibility for the collection and management of revenue previously collected by those departments (e.g. income tax, corporation tax, national insurance contributions, VAT and excise duties) and the payment and management of Child Benefit and, up to 5 April 2025, tax credits. A number of other statutory functions have been given to HMRC over the years in other enactments.
17. Largely, HMRC is responsible for collecting most taxes, facilitating international trade in line with the government's trade policy through its administration of the customs system and paying financial support to families (Child Benefit, certain childcare support and tax credits). We also collect Student Loans, enforce the National Minimum Wage and supervise compliance with anti-money laundering regulations by certain bodies. The Valuation Office Agency, an executive agency of HMRC, values property in England and Wales for the purposes of local and national taxation. Administration of some taxes is carried out by the devolved governments in Scotland and Wales; collection of local taxes (council tax and business rates) is administered by local authorities.
18. I exhibit a GOV.UK document which sets out an overview of HMRC's responsibilities [**JH/ABC/005 – INQ000101304**]. HMRC can only ever act within its statutory functions.
19. Following commencement of the Coronavirus Act 2020 and the additional functions allocated to HMRC by HMT under the Act, the role of HMRC was significantly different to its usual role, since it was now required to deliver emergency support schemes. Paying out support grants was not a usual function for HMRC, but HMRC became required to implement economic support for individuals and businesses through the payment of grants via the COVID-19 support schemes.

Preparedness

20. As set out in my previous witness statement to Module 1 of the Inquiry dated 23 February 2023 [INQ000108531], prior to 2020 HMRC was not in a position to prepare for or deliver the kind of large-scale economic support that it did in the COVID-19 pandemic. HMRC had general systems, structures, processes and procedures in place prior to the pandemic; however, these were in place to allow HMRC to carry out its responsibilities for the day to day running of the department's existing statutory functions, not to deliver new economic support schemes in the event of a pandemic or other crisis.

21. Following the Coronavirus Act 2020 conferring new legal powers upon HMT to direct HMRC to deliver economic support, the schemes that were designed made the best use of HMRC's existing structures. We also adapted some of our existing systems. Some of the existing structures used and adapted include:

Governance committee structure

21.1. HMRC has two top-level governance structures: the HMRC Board and the HMRC Executive Committee.

21.2. Statutory responsibility for the day to day running of the department's functions, including specific decisions about people's tax affairs, rests with the Commissioners for HMRC and officers they appoint. During 2020 to 2021 the Commissioners were myself, [NR] Justin Holliday, Penny Ciniewicz, Melissa Tatton (until September 2020) and Ruth Stanier (until July 2021). Other Commissioners that took up the role during the specified period were Myrtle Lloyd (from May 2021 to present), Sophie Dean (from May 2021 to May 2022), Katherine Green (from May 2021 to May 2022), Joanna Rowland (from May 2021 to January 2024) and Jonathan Athrow (from May 2022 to present).

21.3. HMRC's Board is not a decision-making body — it provides support and challenge to the Commissioners to help ensure that the department is run to the highest standards of corporate governance. It was chaired by the Lead Non-Executive member [NR] [NR] until December 2020 and Dame [NR] from December 2020)

during the pandemic and is now chaired by the Exchequer Secretary to the Treasury. Other members of the Board include HMRC's non-executive members, the Permanent Secretaries, and the Chief Finance Officer as the standing members, with other executives attending as the agenda dictates. HMRC's Non-Executive Board members are appointed from outside HMRC and are generally former or current senior business figures who bring in a wide range of expertise and experience.

- 21.4. The Commissioners have in general delegated the business of collection and management of revenue and payment and management of tax credits to an executive committee ("**ExCom**") where collective decisions are made. ExCom consists of all the Commissioners plus certain other senior HMRC officials, with managerial responsibility covering all parts of HMRC, including the Valuation Office Agency. Operational decisions relating to their own business areas are delegated to individual ExCom members. An ExCom member may seek advice and challenge from fellow members before making a decision. ExCom oversees and assures all of HMRC's work and is responsible for setting and delivering strategy and overseeing performance.
- 21.5. This framework enables ExCom to undertake effective and transparent decision-making and provides appropriate challenge and assurance by our non-executives. HMRC's organisation chart pre-pandemic can be found at **JH/ABC/006 – INQ000583749**.

HMRC's organisation

- 21.6. Prior to and during the pandemic, HMRC was made up of four core groups, supported by corporate services. The four core groups are:
- i. Customer Services – this group helps customers get their tax and benefits right, including handling customer contact through telephone helplines, webchat, and post, and helps those who have built up debt to pay what they owe.

- ii. Customer Compliance – this group manages customer compliance risks to ensure the right tax is paid, including intervening through civil or criminal investigations.
 - iii. Customer Strategy and Tax Design – this group leads HMRC’s input to the development of policy for the tax and welfare system to support government priorities, underpinned by customer insight, design and analysis.
 - iv. Borders and Trade – this group leads on the development and delivery of customs policy.
- 21.7. During 2020/21, corporate services groups consisted of the Chief People Officer Group, the Chief Finance Officer Group, the Chief Digital and Information Officer Group, Solicitor’s Office and Legal Services, Transformation Group and Communications.
- 21.8. As well as the groups described above, during the pandemic HMRC’s arm’s length bodies were:
- i. The Valuation Office Agency: this an executive agency which gives the government the valuations and property advice needed to support taxation and benefits.
 - ii. Revenue and Customs Digital Technology Services Limited: a non-profit making company wholly controlled by and operated for HMRC, which supplied the department with IT services.

Pandemic Flu preparedness

- 21.9. In March 2017 a cross-government working group called the Cross-Government Pandemic Flu Readiness Board was set up to oversee delivery of planning and capabilities to manage the wider consequences of a severe pandemic of influenza [JH/ABC/007 – JH/ABC/010 – INQ000101283 INQ000101284 INQ000101285 and INQ000101286].

- 21.10. One of the work streams of the Pandemic Flu Readiness Board was for departments to prepare a Flu Pandemic Plan or statement of preparedness. HMRC prepared its Flu Pandemic Plan between October 2017 and February 2018 and provided its Pandemic Flu Plan to the Cabinet Office by email on 29 March 2018 [**JH/ABC/011 – INQ000101291**].
- 21.11. HMRC used its Flu Pandemic Plan as the basis for its COVID-19 Pandemic Plan which was created over the period January 2020 to April 2020 [**JH/ABC/012 – INQ000101294**]. The Flu Pandemic Plan provided a ready-made foundation for the COVID-19 Plan as it already contained the most applicable HMRC policy and guidance on Health and Safety and hygiene practices in the event of a pandemic. Further detail was added, and guidance re-emphasised during its development in the post Feb 2020 period to accommodate guidance emerging from central government in the early days of the pandemic.

EU exit command structure

- 21.12. One particular area in which HMRC had contingency planning in place was regarding the possibility of a no deal EU exit. In order to prepare for this possibility a “Command Centre” originally known as C3 (Command, Control and Co-ordination) was created on 30 January 2019 to provide central co-ordination across HMRC and to gather a shared situational awareness, understanding of issues and a commonly recognised picture of any international supply chain issues that might arise from across HMRC and government.
- 21.13. The Civil Contingencies Secretariat of the Cabinet Office conducted training of the Command Centre on how to operate and manage a crisis. Subsequently, as EU Exit was delayed at the end of 2019, the Command Centre was stood down but was kept on standby in case of EU exit related issues arising at a later date.
- 21.14. In March 2020, the Command Centre was set up again to assist in the HMRC immediate response to COVID-19. It was a link into central government and to the Civil Contingencies Secretariat structures, whilst also supporting the internal HMRC

COVID-19 Response Unit, set up to make decisions around HMRC delivery of the various COVID-19 support schemes and other economic response measures for which HMRC had responsibility.

21.15. Whilst the Command Centre had not been devised to respond to a pandemic, the fact that HMRC had set up a such a Centre and received training on how to operate and manage a crisis, and had kept the centre on standby, proved beneficial and enhanced HMRC's ability to respond to the pandemic. The significant investment in formal learning, establishing governance, processes and networks, coupled with recent practical experience (EU exit) meant it was a valuable departmental asset. Retaining key talent and our ability to operate a flexible resource model meant we successfully stood up this capability at significant pace.

21.16. Further detail on C3 is at paragraphs 168 to 173 below.

IT systems

21.17. HMRC's IT systems had to be adapted to introduce the functionality required to receive and process applications for COVID-19 scheme payments and pay out the grants. HMRC did not, at the outset, have a system which had the functionality to do this as it was outside the remit of HMRC's core statutory functions to have developed such a system. HMRC already had an existing contract with Capgemini to deliver technology services and projects which are fundamental to HMRC's business. HMRC worked with Capgemini to build the digital systems that would allow delivery of the schemes.

21.18. Further detail on how existing structures were adapted to provide for delivery of specific schemes can be found later on in this witness statement in sections relating to each scheme.

22. Some of our tax regimes—particularly VAT—involve very significant amounts of repayment. HMRC is therefore used to paying money out as well as collecting it and is used to understanding how urgent it is for our customers to receive their payments. Overall HMRC had the capacity,

expertise and experience to meet the additional roles and responsibilities conferred on it in the pandemic. Whilst we had not developed systems specifically to handle large-scale economic support schemes in advance of the pandemic, our existing IT platforms, departmental cultural and experience, and colleagues' skills meant that we were well-placed to administer such schemes and enabled us to set them up quickly and run them efficiently and securely. However, that did have some implications for the administration of the tax system at the same time, as set out at paragraphs 27 to 39 below.

23. Ultimately, HMRC had much experience in making payments at scale and contingency planning, and with its existing capacity was able to build support schemes from scratch in under 7 weeks, including CJRS and SEISS, whilst keeping all its core services running. Naturally this did require the diversion of resources. During 2020 to 2021 HMRC redeployed a significant number of employees to deliver the government's response to the COVID-19 pandemic, including the CJRS, SEISS and EOHO schemes, along with implementing a number of tax policy easements and pausing some tax debt collection activities. Most people stayed within their own business group, switching focus from their usual core activity to COVID-19 activity, but in the early phases of the pandemic, we redeployed compliance officers to provide additional telephony support for customers. By March 2021 all compliance officers had returned to compliance activity. Compliance officers were redeployed to telephony support from 'business as usual' tax compliance activity, rather than COVID-19 compliance activity. The redeployment of those compliance officers until March 2021 enabled the delivery of the CJRS, the SEISS, EOHO and SSPR, as well as the implementation of pre-payment compliance measures and controls (which I refer to later in this statement). HMRC's Customer Compliance Group put in place a dedicated steering group to monitor the response to COVID-19 and adapt its work accordingly. The number of employees deployed on COVID-19 activity fluctuated throughout the financial year to match both demand and new schemes becoming operational – reaching a peak of 9,066 in May 2020 and falling to 4,206 by March 2021. The majority were redeployed to support customer services activities, working at grades AA – EO, in line with the level of activity being undertaken. There were no external redeployments to support the delivery of COVID-19 activity within other government departments.
24. HMRC brought in approximately 1,500 temporary employees in the 2020 to 2021 financial year, and approximately 100 temporary employees in the 2021 to 2022 financial year to assist. At the

start of the 2021 to 2022 financial year we had around 4,200 full time equivalent employees deployed on COVID-19 related activity. As COVID-19 queries and support schemes came to an end, the demand for resource reduced and a large proportion of colleagues returned to their original business areas, with temporary employees being released. The number of full time equivalent employees deployed on COVID-19 related activity reduced to around 1,900 in March 2022. In 2022 to 2023 we retained a core team of circa 1,250 for compliance activity.

25. HMRC's approach was to design and deliver schemes that best used the existing people, systems and expertise we had within the organisation, within the timeframes available to us. Therefore, we needed to make choices about system design, and system controls accordingly to ensure timely delivery of schemes whilst ensuring that they met their objective. These choices were discussed with HMT officials and Ministers.
26. For further detail, part D of this statement addresses the economic support schemes delivered by HMRC and how they were affected by the circumstances in which they were introduced.

Impact on core responsibilities

27. While delivering COVID-19 support, HMRC simultaneously had to keep delivering its core purpose of administering the tax system. HMRC kept all of its usual services running; however, the introduction of new responsibilities was resource-intensive and affected the delivery of HMRC's core responsibilities, including compliance activity and tax collection. HMRC had to make choices about how to balance its resources and had to divert resources onto COVID-19 support. For example, we had to divert some of our skilled advisers from PAYE and Self-Assessment services to provide COVID-19 support because that's what individuals and small businesses needed from us most urgently at a time of acute crisis.
28. The diversion of staff meant that wait times on some of our tax helplines were longer than they would otherwise have been. We received 33.3 million calls in 2020 to 2021 and, on average, they were answered in 12:06 minutes. At the same time, customer satisfaction with our digital services reached an all-time high of 88.5% in August 2020. We introduced a range of new digital services and increased our provision of webchats as a flexible alternative to phone calls, holding 3.1 million webchats with customers during 2020 to 2021. Despite the pressures of the year, we

were able to keep delivering all our usual customer services throughout the year, thanks to a number of new innovations. For example, we successfully tested and introduced technology to allow 7,000 customer service colleagues to answer queries from their own home if needed.

29. Core tax compliance activity was affected by the requirement for HMRC to deliver the COVID-19 support measures. HMRC reallocated 1,468 of its compliance group staff to support the COVID-19 measures during the 2020-21 year. HMRC also adjusted how it carried out its tax compliance activity in a way that recognised the needs and challenges that businesses and individuals were facing, taking a sympathetic approach to those struggling to comply their tax obligations or cope with a tax compliance enquiry as a result of the pandemic.
30. During the pandemic, HMRC usually only opened a new tax compliance enquiry (i) where criminal activity or fraud was suspected; (ii) where not doing so would have meant missing a deadline preventing recovery of the unpaid tax; (iii) where it was protecting employees (e.g. the National Minimum Wage); or (iv) for a check under HMRC's random enquiry programme. For ongoing compliance checks we gave people more time to respond where appropriate, reduced visits and used more digital communication.
31. We also continued checks for our large business customers unless there were valid reasons to stop. Work therefore continued on over 90% of our largest risks.
32. Compliance yield, which measures the effectiveness of HMRC's compliance and enforcement activities, was £30.4 billion in 2020-21; this was down compared to £39.9 billion in 2019-20. HMRC opened 29% fewer civil compliance cases in 2020-21 than in 2019-20 (256,000 compared with 361,000) and closed 26% fewer cases (250,000 compared with 338,000). Yield was also affected by pandemic restrictions, such as court closures and requirements on homeworking, social distancing and personal protective equipment, which meant that HMRC had to reduce the level of compliance activity that it undertook.
33. In line with Cabinet Office guidance we were not required to publish a Single Departmental Plan for financial year 2020 to 2021. This was due to the need for all government departments to adapt their plans to the COVID-19 pandemic and the need to respond quickly to urgent government priorities. For the same reason we did not set formal performance targets for 2020

to 2021, although we continued to publish performance updates during the year **[JH/ABC/013-14c – INQ000583780, INQ000583796, INQ000583808, INQ000583797]**. We used rolling quarterly expectations to benchmark performance, publishing expected delivery for compliance yield in advance for quarters 2, 3 and 4 and for customer service in quarter 4.

34. Inevitably, the scale of the economic impact caused by COVID-19 had some effect on tax revenue and we saw customer debt levels rise significantly during 2020-21. If individuals and businesses are generating less taxable income, there is less revenue to collect – but we also enabled many customers impacted by the pandemic to defer payments of VAT and Income Tax to help them survive.
35. Considerable agility was required on the part of HMRC to implement substantial aspects of the government's response to COVID-19 to support businesses and individuals at pace, with a cost of at least £94 billion in 2020-21. HMRC has not quantified the impact of all the tax measures implemented but, of those it has costed, estimates that the six largest changes (Temporary Stamp Duty Land Tax cut, Reduced VAT rate for the hospitality sector, accommodation and attractions, deferring VAT payments, postponing off-payroll working reforms by 12 months, VAT zero rating for personal protective equipment, and relief on import taxes and duties for goods to tackle COVID-19) reduced tax revenue by around £11 billion in 2020-21.
36. HMRC introduced a number of easements (summarised at paragraph 88) that included options to help taxpayers pay their tax or file their returns on time, while continuing to collect revenue from those customers who were in a position to pay and to take action against avoidance and evasion in all its forms. At the same time, we delivered on other urgent priorities – including changes to Customs rules to support the UK's transition from the European Union. We implemented major process and system changes, opening new Customs facilities at the border and inland, and helping thousands of traders to understand and prepare for the new trading rules.
37. Despite the challenges of the COVID-19 pandemic and HMRC's role in delivering economic support, HMRC collected £608.8 billion in total tax revenues in 2020-21. This was lower than the £636.7 billion collected in the previous financial year, but higher than the initial forecasts at the

start of the pandemic. HMRC's debt balance increased during the pandemic. At the end of 2020 to 2021 we held £57.5 billion of debt – around £35 billion more than at the end of 2019-20 – but much of this increase was due to the choices the government made to support customers and the economy by temporarily deferring VAT and Self-Assessment Income Tax payments. HMRC's annual report and accounts for 2020-21 are at **JH/ABC/015 –INQ000583462**.

38. In the first half of 2021 HMRC had diverted about 5,000 members of staff from various places, and they were focused solely on being trained and then on delivering COVID-19 support. During that period, the Department's intake of customer correspondence relating to tax dropped because the economy grew smaller. In the second half of 2021, HMRC was still delivering the support schemes, but also needed to divert approximately 3,000 people to work relating to the leaving of the European Union. About 60 IT systems were changed, and lots of training needed to be done, so additional staff were diverted to do that. HMRC was nevertheless able to successfully manage the annual self-assessment and tax credit peaks during this time.

39. In 2021 to 2022 HMRC continued to deliver two of the large-scale economic support schemes, the CJRS and the SEISS, until the schemes closed on 30 September 2021, but compliance and tax collection figures had begun to improve during this financial year. In particular:
 - 39.1. Total tax revenue: In 2021 to 2022 the total tax revenue collected increased, with HMRC collecting £731.1 billion of tax for the UK's public services, whilst providing £52,038 million in financial support for COVID-19, personal tax credits, Child Benefit and other reliefs.

 - 39.2. Compliance yield: HMRC secured £30.8 billion in compliance yield, with the factors set out above, namely reduced levels of economic activity and redeployment of staff, continuing to have an impact on compliance yield.

 - 39.3. Debt balance: HMRC's debt balance at end of March 2022 was £41.6 billion, which was £15.9 billion lower than the balance at the end of March 2021. The debt balance hit its lowest point since the start of the pandemic in January 2022 at £38.8 billion. Following that, it steadily increased to £41.6 billion at the end of March 2022. HMRC

continued to secure payments significantly above pre-pandemic levels, but not enough to match the growth in new debt and therefore prevent the debt balance from increasing.

39.4. A copy of HMRC's annual report and accounts for 2021 to 2022 is at **JH/ABC/016 – INQ000583695**.

Reflections

40. HMRC delivered the urgent support customers needed quickly and effectively when the COVID-19 pandemic occurred. HMRC's project management, risk management and service testing worked well to allow HMRC to deliver schemes such as CJRS, SEISS and EOH0, which protected millions of jobs and supported customers during unprecedented circumstances. At the same time HMRC kept core tax administration services running and supported the UK's transition from the EU.
41. Prior to COVID-19 HMRC had invested heavily in technology, providing all staff with laptops and many officials with smartphones. These tools enabled HMRC staff to work flexibly, staying connected when having to work from home during COVID-19 restrictions. When staff began working from home, connections to the Department's systems could be unstable and smartphones enabled key personnel to join Teams calls and read and respond to emails until connections improved. HMRC's Chief Digital Product Office moved fast to expand HMRC's VPN bandwidth to ensure all staff could log on to the Department's systems from home, as necessary. This connectivity enabled HMRC people to move on to priority areas of work and to deliver the economic support schemes.
42. We opened a COVID-19 helpline on 16 March 2020. It received 2.5 million customer calls across all its lines by the end of the financial year – ranging from helping those worried about paying their tax due to the pandemic to answering questions about the various government support schemes. We deployed more than 5,000 customer advisers onto the helpline at the start of the pandemic and continued to prioritise this service. Towards the end of the first quarter of financial year 2020 to 2021, customers experienced an average waiting time of only 3 minutes and 6

seconds and towards the end of quarter 4, this had reduced to 1 minute and 16 seconds. On average, throughout the year calls were answered in 5 minutes and 8 seconds.

43. As our digital offer expanded and due to the impact of the pandemic, contact through post reduced. We received 15.7 million items of post compared to around 17.3 million in financial year 2019 to 2020 – an overall reduction of 9%. Most of our customer service post is scanned on receipt and delivered to staff to deal with via an online system, which meant colleagues working at home during the pandemic were able to continue dealing with customer correspondence. As a result, post turnaround in the first half of the year was above our 80% cleared within 15 working days service standard. In later months we received a significant amount of unanticipated post related to tax relief for working from home expenses, repayments and other COVID-19 related items. These items of post are complex, resulting in longer turnaround times. The year end result was 64.4% items of post cleared within 15 working days, and 85% of post cleared within 40 working days.
44. HMRC has commissioned stakeholder research each year since 2012 (with the exclusion of 2019-20) to provide insight into the views of main stakeholder groups and inform improvements to the way HMRC engages with these audiences. In 2020-21 the research found that stakeholders were impressed with how HMRC adapted during the COVID-19 pandemic, delivering high quality communication and engagement while working remotely. Favourability towards HMRC was at its highest point since research began in 2012. A copy of the stakeholder engagement research is at **JH/ABC/017 – INQ000583747**.
45. Nevertheless, having to deliver large-scale economic support schemes at pace in circumstances where HMRC was not previously prepared to do so, did present challenges. Some of the challenges identified by HMRC were:
 - 45.1. Record-keeping of key documents such as process maps was not always controlled;
 - 45.2. Guidance to frontline staff was sometimes issued with little notice due to delivery timescales and issues were identified with staff compliance with the guidance;
 - 45.3. Changes to guidance were not always communicated clearly, meaning staff used it inconsistently, which increased the risk of fraud and miscommunication;

- 45.4. The planned inbound customer contact model to support the processing of claims did not work as anticipated at first. HMRC planned a three-tiered approach in which certain staff would process simple claims, with more experienced staff at a second and third tier dealing with more complicated or higher risk claims. Roles and responsibilities for each tier were initially unclear, resulting in customer calls being unnecessarily escalated and placing pressure on upper tiers. At one point, 80% of SEISS calls were handed to a higher tier. HMRC learned from the first SEISS grant that there were excessive and duplicate referrals from Tier 1 to other tiers. This was due to a lack of confidence and assertiveness of the Tier 1 advisers. This three-tier model was revised from June 2020 and became more efficient. The original tiered customer contact model was used for the first SEISS grant, with HMRC moving to an approach whereby claimants' inquiries were resolved fully on first contact, supported by improved guidance for HMRC advisers, from the second SEISS grant onwards. The majority of claimants for the later grants had already made a SEISS claim so were familiar with the process and required less support from HMRC advisers, and HMRC advisers became more confident with the scheme rules. This led to claimants' calls being resolved by the first adviser without the need for escalation, follow-up or repeat calls on the same issue. This improved the process for both claimants and HMRC advisers for the later grants [JH/ABC/018 – INQ000606722]. SEISS grants were paid directly into individuals' bank accounts within six working days of a successful claim being made. The SEISS interim evaluation undertaken by HMRC and HMT found that over 99% of claims were paid within the target of six working days.
46. There were also challenges faced during the delivery of the key economic interventions which will be addressed later on in this statement in the specific sections relating to each intervention.

Part B: Cooperation and joint working in the design and delivery of economic support

The Policy Partnership

47. HMT and HMRC work together in a Policy Partnership which took effect with the creation of HM Revenue & Customs in 2005. This Policy Partnership covers policy and analytical work on all direct and indirect taxes and duties, National Insurance, tax credits and Child Benefit.

48. The Policy Partnership works by HMT, supported by HMRC, leading on strategic tax policy and policy development and HMRC, supported by HMT, leading on policy maintenance and delivery – collecting taxes and paying out benefits. The Policy Partnership is explained on GOV.UK **[JH/ABC/05 – INQ000101304]**
49. The Policy Partnership is the term used to describe this working relationship between HMT and HMRC. It is unique across government. In practice, the Policy Partnership is delivered through day-to-day meetings and communication between HMRC and HMT officials, joint working across the two departments on policy development, and advising ministers; sharing of data and expertise between the departments; collaborative working on policy implementation and joint training and development courses and events.
50. The principles behind how HMT and HMRC approach tax policy making under the Policy Partnership are set out in an HMT paper entitled ‘the new Budget timetable and the tax policy making process’, published in 2017 **[JH/ABC/019 – INQ000583713]**. This paper builds on the approach set out in the 2010 paper ‘Tax policy making: a new approach’ **[JH/ABC/020 – INQ000583712]** produced by the coalition government which sought to ensure government creates a more predictable, stable, and simpler tax system through a refreshed approach.
51. The strategic functioning of the Policy Partnership is monitored by the Policy Partnership Oversight Group.
52. The Policy Partnership Oversight Group is jointly chaired by Directors General in HMRC and HMT. During the pandemic, this position was held by Ruth Stanier (Director General for Customer Strategy and Tax Design) in HMRC and Beth Russell (Director General for Tax and Welfare) in HMT. The Policy Partnership Oversight Group includes a broad cross-section of senior leaders involved in policy design and delivery.
53. Central teams in both HMT and HMRC manage activity relating to fiscal events or legislation. These processes support collaboration in policy design and decision making, as well as visibility of emerging policy across the partnership. HMT and HMRC also collaborate on tax policy training, such as a Tax Policy Foundation Programme and Tax Policy School.

54. There is a clear expectation under the Policy Partnership that whether advice is led by HMRC or HMT, colleagues from across the Partnership should provide input to policy advice and participate in key ministerial meetings. Policy Partnership principles state that both departments rely on each other to achieve their objectives, work closely together to advise ministers, and seek to openly exchange information and insight between the two departments (outside of individual taxpayer information which must be kept confidential).
55. In case it is helpful for the Inquiry at **JH/ABC/021 – INQ000583761** there is a Venn Diagram that sets out in visual form at a high level the respective roles of HMRC, HMT and DWP in providing an economic response to the pandemic. This shows (among other things) how HMT was responsible for economic and fiscal policy and therefore had ultimate responsibility for the policy design of the schemes, as well as showing the spilt of operational and IT delivery between HMRC and DWP across the schemes.
56. HMRC was able to work closely with HMT in designing support schemes by building on the existing close working relationships built up through the Policy Partnership. The CJRS and SEISS were unprecedented schemes that the departments had to create from a standing start at great speed and under remote working conditions. To address these unprecedented challenges, HMT and HMRC built on the success of the Policy Partnership and established new ways of working together.
57. The HMT/HMRC joint labour market board was not formally part of the governance structure in place for the HMRC-delivered economic support schemes. This board allowed delivery teams to directly hear the latest information about the path of the pandemic and wider government thinking about responses, and that information really helped HMRC colleagues to understand what their roles were and what was needed to design and deliver the necessary support. That fast information sharing to a range of people who need to know was important, and something that officials should make sure is in place in the future in the event of a similar crisis.
58. As set out in later sections of this witness statement on CJRS and SEISS, one element of the partnership that worked well during the pandemic was the close working between HMT and the full range of HMRC's professions and functions including policy, project management and

operational delivery. Remote working during the pandemic also meant that HMRC colleagues across the country were able to work closely with their HMT counterparts without needing to travel to London.

59. In my opinion there was a strong culture and shared vision of a joint team across HMT and HMRC that was critical to motivate and provide clarity to the team while working at pace. To consolidate this single team approach, we established a joint HMT/HMRC COVID-19 Delivery Portfolio Board. The Board brought together Senior Civil Servants in HMT and HMRC responsible for the delivery and design of the schemes and provided an opportunity to discuss cross-cutting issues and risks relating to delivery of the portfolio.
60. During the pandemic, the teams were required to adapt to new ways of working and almost entirely virtual communication. However, overall the Policy Partnership adapted well and in many areas ways of working improved.

Joint working with other government departments and key stakeholders

61. HMRC has a strong track record of working across government to identify areas where we can deliver stronger outcomes either for the public or the government by working more effectively together, rather than developing unique products or services within HMRC. The aim is to make it easier for the public and businesses to interact with government and to operate as efficiently as possible.
62. In addition to working with HMT, HMRC worked with other government departments and key stakeholders in the design, delivery and implementation of support in response to the pandemic. As with other government departments HMRC attended cross government calls held and chaired by Cabinet Office and others. HMRC also worked with other departments, including:

DWP

63. HMRC does not operate in a Policy Partnership with DWP in the same way that it does with HMT.

64. Prior to the pandemic there was a memorandum of understanding in place between HMRC and DWP concerning data sharing for earnings. Information sharing is covered by section 127 of the Welfare Reform Act 2012, which permits HMRC to disclose information held for its functions to DWP for the purpose of its functions. No changes were required to this Memorandum of Understanding for collaboration between the departments on the majority of the COVID-19 schemes.
65. There was a Memorandum of Understanding put in place for the collaboration on and delivery of the Statutory Sick Pay Rebate Scheme which allowed for specific funding arrangements and covered the initial delivery and ongoing operation of SSPR by HMRC until the scheme's closure. Further information in relation to HMRC and the DWPs joint working on the scheme can be found at paragraphs 1181 to 1186.
66. HMRC policy teams worked closely with DWP teams to respond to questions being raised in real time by DWP customers. These were generally concerned with how and whether SEISS grant payments affected entitlement to Universal Credit.

Cabinet Office

67. HMRC maintained a relationship throughout its economic support schemes with the Cabinet Office's Grants Management Function. This relationship was primarily aimed at giving visibility to the Cabinet Office on the work done by HMRC on the schemes, and also to share best practice/offer support where needed.
68. In December 2020, HMRC joined a meeting of Cabinet Office's Government Grants Advisory Panel, to share our experience of delivering the economic support schemes and the steps we had taken to build compliance in. Whilst this was intended as an experience sharing session, the Panel did subsequently offer a view of the schemes' performance across a range of factors including, but not limited to, legal, finance, policy, counter fraud. Every factor was scored as "green", meaning the panel was satisfied that the schemes continue as set out in the session. Minutes of that meeting are at **JH/ABC/022 – INQ000583750**.
69. The Cabinet Office also occasionally provided HMRC with data on the number of Long Covid cases, which informed HMRC's situational awareness when taking decisions, although this was

not provided on a regular basis. HMRC did not specifically use this data when delivering economic support schemes, but it was a broader consideration in HMRC decision making as one of many information sources available. HMRC sought to use any information to understand the impact of Long Covid on colleagues and the department, for example, long term sickness and general wellbeing risks. Part D of this statement provides further information on Long Covid considerations in the context of particular economic support schemes.

Department for Business, Energy and Industrial Strategy (“BEIS”)

70. HMRC also worked with BEIS to consider aspects of economic support policies relating to employment law. This included technical considerations relating to the CJRS policy design.
71. During the pandemic, a data usage agreement for the Bounce Back Loan fraud analytics pilot was set up between HMRC, BEIS, the Cabinet Office, British Financial Services Limited and accredited lenders to enable Bounce Back Loan data to be matched against data sets held by HMRC in order to detect suspected fraud in the Bounce Back Loan scheme.
72. This information was disclosed pursuant to section 56 of the Digital Economy Act 2017 for the purposes of taking action in connection with fraud against a public authority, because of the risk that applicants may have provided inflated or falsified turnover information to obtain a Bounce Back Loan or a higher Bounce Back Loan amount than they would otherwise have been entitled to. Outputs from the pilot would be used by the Cabinet Office to formulate a risk flag to share with British Financial Services Limited and accredited lenders for the purposes of investigation of Bounce Back Loan related fraud. Information in respect of the pilot has been published on GOV.UK.
73. All disclosures under section 56 of the Digital Economy Act 2017 must be approved for a pilot and once that pilot has concluded further approval must be sought for the operational data share to continue. The pilot for the Bounce Back Loan disclosure is still live and HMRC is currently developing the governance with Cabinet Office and the Department for Business and Trade to move from a pilot into an operational data share. Approval for both the pilot and the operational sharing comes from the DEA Review Board which is administered by the Government Digital Service in the Department for Science, Innovation and Technology. Approval must also be given by a Minister for the Cabinet Office.

Other stakeholders

74. HMRC also worked with other stakeholders to deliver support during the pandemic. For example, in delivering the SEISS, HMRC established a core group of external stakeholders to provide advice on the scheme and in delivering the CJRS HMRC regularly engaged with a range of specialist external industry experts. More detail on how HMRC worked with stakeholders is at paragraph 252 in relation to the CJRS, paragraphs 792 to 811 in relation to the SEISS and paragraph 1050 to 1053 in relation to EOHO.

Devolved Governments

75. HMRC teams engage directly with counterparts in the Devolved Governments on relevant issues. Since 2014 HMRC has had a central Devolution Team (now named the UK and Devolved Governments Team). That team was set up to lead HMRC's general engagement with the governments in Scotland, Wales and Northern Ireland on tax or HMRC issues. Cerys McDonald was the Senior Responsible Officer for Devolution issues.
76. There was not specific engagement with the Devolved Governments on economic matters relating to the support HMRC provided in response to the pandemic. HMT led the strategic relationship with the Devolved Governments during this period. However, there are regular catch ups held between HMRC's Devolution Team and their counterparts in the Devolved Governments, and these regular catch ups continued throughout the pandemic. The Devolution Team meets with the Devolved Governments in Scotland and Wales around once per month. Meetings are generally ad hoc with the Devolved Government in Northern Ireland as they don't administer any devolved taxes. During the pandemic it was our intention and our responsibility to have, first of all, the UK-wide schemes operating correctly and then a good understanding with the Devolved Governments of the consequences of decisions on devolved matters taken in England. The circumstances of the pandemic made engagement more challenging and inevitably engagement and dialogue could have been stronger during the pandemic, but I do not believe it would have materially changed any outcome given the pace at which all governments were required to work and the commitment shown by all organisations to deliver for individuals and businesses across the UK including in the devolved administrations.

77. Alongside the support being provided by central government, Devolved Governments were also putting in place their own economic and social support interventions. We monitored this carefully and encouraged Devolved Governments to speak to us at the early stages of policy development to ensure any tax impacts were identified. This allowed time for consideration of new tax exemptions for the schemes, or to ensure Devolved Government guidance on their schemes included accurate information on tax liabilities. Some examples of our support to the Devolved Governments include:

77.1. In May to July 2020 we gave assistance to the Northern Ireland Executive on a hardship scheme which involved a data sharing agreement **[JH/ABC/023 – INQ000583343]**.

77.2. In July 2020 we engaged with the Scottish Government on its NHS Scotland Coronavirus Life Assurance Scheme and agreed a new tax exemption **[JH/ABC/024 – INQ000583359]**.

77.3. In October 2020 we engaged with the Welsh Government on the tax treatment of a proposed £500 payment to low paid workers to help them to self-isolate when required **[JH/ABC/025 – INQ000583374]**.

78. One challenge was that not all Devolved Government schemes were notified to us in advance, but as a result of this policy cooperation during the pandemic, we now offer training to Devolved Government policy teams on the potential tax treatment of all government payment schemes, including how and why to seek HMRC policy advice on new schemes. In any future national emergency this engagement should take place as part of our 'business as usual' cooperation with Devolved Governments.

Use of informal means of communication

WhatsApp, text messages and other forms of instant messaging

79. Use of direct messaging tools during the pandemic was for administrative purposes only (such as to prompt colleagues to check emails or join calls) and no information was shared via WhatsApp. During the specified period HMRC's policy was that staff must not use WhatsApp for any official business such as discussions about work or staffing matters, and that WhatsApp and

its use of data did not comply with HMRC's GDPR obligations. A copy of HMRC's guidance on the use of online tools, including WhatsApp, at the start of the specified period is at **JH/ABC/026 – INQ000583804**. This guidance was subject to updates during the specified period but maintained throughout that WhatsApp was not to be used for official business.

Microsoft Teams ("MS Teams")

80. Before the COVID-19 pandemic began, HMRC was in the process of rolling out the use of a suite of Microsoft Office 365 tools to enable more efficient ways of working, including the use of MS Teams. Teams was used for virtual meetings and instant messaging, enabling geographically dispersed teams and staff working from home to collaborate. The chat function enabled staff to contact and respond to colleagues quicker than would ordinarily be the case with email. The chat function was not typically used as the main way of communicating major decisions impacting on the delivery of the schemes, although, unlike WhatsApp messages, it was used to share information fundamental to the work of scheme delivery and maintenance of the support HMRC was providing.
81. In May 2023, HMRC applied a 'time-framed' hold to the accounts of 450 individuals that were considered to have been instrumental in the delivery of the COVID-19 schemes. A time-framed hold preserves all material in an account within a set time frame. The date range for the time-framed hold was from 31 December 2019 and 28 June 2022. The start date of 31 December 2019 was selected as it is linked with the initial COVID-19 cases in Wuhan. The end date of 28 June 2022 is the date the Inquiry was formally set up.
82. This had the effect of preserving the activity of those accounts between 31 December 2019 and 28 June 2022 including Outlook email files, Outlook calendar files and MS Teams Chat messages.
83. All MS Teams Chat messages not subject to the above time-framed hold are subject to HMRC's automatic deletion policy. This meant that from September 2023 onwards, all MS Teams Chat messages are permanently deleted 60 calendar days after the date they were posted. A copy of HMRC's automatic deletion policy is at **JH/ABC/027 – INQ000583806**.

Part C: Economic Policy

84. HMRC delivered several significant schemes to support individuals and businesses during the COVID-19 pandemic. The key schemes delivered were:

- 84.1. The Coronavirus Job Retention Scheme (also known as the furlough scheme or CJRS);
- 84.2. The Self-Employment Income Support Scheme;
- 84.3. Eat Out to Help Out;
- 84.4. A statutory sick pay rebate scheme;
- 84.5. VAT payment deferral;
- 84.6. Income Tax Self Assessment payment deferral;
- 84.7. Working Households One Off Payment.

85. HMRC worked with HMT on the design, delivery and implementation of the above schemes. The nature of HMRC's role was specific to the different interventions and detail about HMRC's role in implementing and delivering these schemes is set out later on in this statement. However, it is possible to summarise HMRC's role across different categories of economic support:

85.1. Support for business:

85.1.1. HMRC's support for business included delivering the CJRS, SEISS and EOHO schemes, details of the department's role in those schemes are set out at in Parts D and E of this statement.

85.1.2. HMRC also adapted its existing processes in response to the pandemic through clarifications to tax rules and temporary changes to make tax compliance easier for customers impacted by the pandemic. Many of these supported businesses. Generally these adaptations were agreed in partnership with HMT where they were significant and required a ministerial decision and/or legislation. However, many decisions on administrative easements and the relaxation of guidance were taken solely by HMRC.

85.2. Support for the employed and self-employed:

- 85.2.1. HMRC's support for the employed and self-employed included delivering the CJRS and the SEISS. HMRC's specific role in the design, delivery and implementation of those schemes is set out later in this statement.
- 85.3. Benefits, sick pay and support for socially and economically vulnerable groups including those with protected characteristics:
- 85.3.1. HMRC's role in supporting socially and economically vulnerable groups through Statutory Sick Pay and the Statutory Sick Pay Rebate Scheme is set out at paragraphs 1179 to 1306.
- 85.3.2. HMRC adapted its existing processes in response to the pandemic through clarifications to tax rules and temporary changes to make tax easier for customers impacted by the pandemic. Many of these supported socially and economically vulnerable groups. Generally, these were agreed partnership with HMT.
- 85.3.3. HMRC also introduced temporary changes to HMRC-administered welfare benefits in order to lessen the financial impact of the pandemic on vulnerable groups. A summary of these changes is in the table at paragraph 88 below. These changes were primarily introduced through the Coronavirus Act 2020, or by using HMRC Commissioners' discretion under the Commissioners for Revenue and Customs Act 2005 to vary the exercise of HMRC's payment and management powers.
86. There were some areas where HMRC did not have a role in providing support. Namely, HMRC did not have a role in additional funding for public services essential to the economy such as rail and bus networks, funding to local government or additional funding for the voluntary and community sector.
87. The government sought to introduce a comprehensive package of support for individuals and businesses. That package included Bounce Back Loans, Business Interruption Loans, tax payment deferrals, rental support, increased levels of Universal Credit, mortgage holidays, and other business support grants.
88. The table below lists some of the policy and administrative easements delivered by HMRC to provide support for businesses and individuals during the COVID-19 pandemic at the same time

as delivery of the key economic interventions like CJRS and SEISS. These easements ranged from significant variations to HMRC’s approach which required legislation, to minor tweaks to administrative arrangements.

Summary of easements (non-exhaustive)

Area	Easement
Support for businesses	HMRC penalty easements (across all regimes) Duty Deferment Time-To-Pay Temporary zero rating of personal protective equipment No customs duty or import VAT on imported medical supplies for use by public sector and charities Temporary VAT reduction for hospitality and tourism Allowing digital signatures for various processes that previously required a ‘wet signature’
Support for socially and economically vulnerable groups including those with protected characteristics	Working Tax Credit Uplift Working Households One-Off Payment (WHOOOP) Scheme Working Tax Credits Childcare Costs – continued payment in respect of childcare costs despite closures of childcare settings Tax-Free Childcare (TFC) and 30 hours free childcare – temporary suspension of earnings thresholds, including for critical workers Child benefit – relaxation of birth registration requirement
Other support	Temporary changes to pensions tax in the context of abatement for returning workers. Lifetime ISA – temporary reduction in the withdrawal charge Off-payroll working rules (IR35) delayed introduction to reforms affecting medium and large sized engagers of workers in the private sector. Employer provided COVID-19 tests Employees purchasing home working equipment

Advice to the Chancellor on economic support

89. There is a clear expectation under the Policy Partnership that whether advice is led by HMRC or HMT, colleagues from across the partnership should provide input to policy advice and participate in key ministerial meetings.
90. HMRC advised the Chancellor on some aspects of economic support schemes in response to the pandemic, alongside HMT officials. The individual arrangements in place to advise the Chancellor on each of the different schemes varied. Information on the detailed ways of working and processes are set out later on in this statement.
91. Broadly, during the pandemic, advice was commissioned from the Chancellor's Private Office to HMT officials. HMT officials then brought in relevant HMRC colleagues to contribute to the advice. In some cases, advice was commissioned directly from the Chancellor's Private Office to both HMT and HMRC officials. Any necessary clarifications were sought through conversations with the Chancellor's Private Office and additional advice beyond the scope of the request would be provided with their agreement.
92. Processes for coordinating advice for the Chancellor varied for different pieces of work but HMRC and HMT officials generally work closely together through the arrangements in the Policy Partnership as set out above. Advice would have been either:
 - 92.1. Sent from HMT but HMRC officials had the opportunity to contribute;
 - 92.2. Sent from HMT and HMRC jointly, with lead contributors from each department; or
 - 92.3. Sent directly from HMRC, where advice related specifically to delivery or operational matters.
93. Advice sent from HMRC generally follows a set process. HMRC-led advice to ministers is delivered in line with partnership principles: joint working, openness, and working together for ministers. HMRC's Policy Capability, Coordination and Governance Team operates a central Ministerial Advice Team which securely coordinates and transmits advice and readouts. This provides a central resource to securely communicate advice and information between HMRC

and ministers, working with HMT Ministers' Private Offices to ensure the smooth flow of communication and reduce any risk of security breaches. In usual circumstances, anything sent directly to HMT Private Offices by HMRC officials outside the Policy Capability, Coordination and Governance Team process should be rejected and sent back. However, in practice some HMRC advice to ministers may not have used this process due to the speed at which the departments were working. In any case, all HMRC advice to ministers is copied to the relevant HMT teams as a matter of routine.

94. The Ministerial Advice Team ensure consistent and accurate copy lists for messages and advice, and secure access processes for documents.
95. Overall, the process of advising the Chancellor from HMRC worked well during the pandemic – our existing processes under the Policy Partnership successfully adapted to new ways of working and the pace required. More detail on the process for advising the Chancellor on the CJRS and the SEISS is set out in Part D.

Economic Policy and the working relationship between HMRC and HMT

96. HMRC and HMT had a close working relationship prior to the pandemic through the Policy Partnership. Information was regularly and effectively shared between the departments through digital channels, primarily via email. HMT could also give HMRC access to shared working folders, which were used regularly by officials during the pandemic to collaborate.
97. In general, HMRC considers that the information shared by HMT was sufficient to understand the decisions made by the respective departments/ministers and the basis for those decisions. For example, ministerial readouts were generally detailed and clear.
98. HMRC regularly shared labour market data with HMT (and vice versa) as part of its work on the CJRS. For example, HMRC shared management information on the characteristics of those using the scheme and HMT shared analysis on the economic performance of different sectors to identify which could be most impacted by future non-pharmaceutical interventions. More detail on the specific ways of working between HMRC and HMT on the CJRS and the SEISS is set out in Part D.

99. During the pandemic, the pace and scale of work required meant that sharing of information between the departments generally increased. Across most teams the pandemic saw an increase in collaborative ways of working building from the Policy Partnership relationship. HMRC considers that the information shared by HMT was sufficiently transparent. More detail on information sharing in relation to implementing specific schemes can be found in later sections of this statement.
100. The single team approach across HMT and HMRC enabled us to deliver these schemes quickly. It meant that delivery experts from HMRC were brought into policy design from the very beginning, informing policy development and attending ministerial meetings. Policy experts in HMT were similarly engaged from the outset in the operational design and implementation of the schemes, with HMT officials attending HMRC delivery meetings, project calls and daily catchups which brought together all workstream leads across the two departments. This way of working very quickly ensured feasibility of design at policy advice stage, and the limitations of our systems, data and processes were identified and mitigated early which enabled faster delivery.
101. Remote working added a new complexity, but both departments successfully managed this by using technology to maintain and, in some instances, enhance the traditional ways of working between the departments. For example, to facilitate remote interaction between the departments and collaboration on important documents such as ministerial advice.
102. The departments have proactively conducted valuable lessons learned exercises on the close working between policy and operational teams on the SEISS and CJRS. In these exercises, both departments have reflected on the importance of, for example, clear project management; a shared vision and a strong culture; joint senior leadership support and drive; and empowered and interconnected teams.
103. The Chancellor's decisions on economic support were generally communicated to HMRC either directly to officials at ministerial meetings or through 'readouts' from advice or meetings that were sent by their Private Office, or in some cases both. These decisions were clear, and officials

had the opportunity to clarify anything they were unsure about either with the Private Office or the Chancellor directly where necessary.

104. HMRC considers that the economic policy objectives in response to the pandemic were very clear and allowed HMRC to deliver the economic support schemes. HMRC had regular access to the Chancellor and senior officials in HMT to support decision making, particularly where trade-offs between objectives were needed to inform delivery.

Data and Analysis

105. HMRC's Knowledge, Analysis and Intelligence directorate provide analysis, research and statistics to inform policy and operational development. They have a key role in developing policy, working closely with policy partners in HMRC and HMT, as well as the Office for Budget Responsibility.

106. The Knowledge, Analysis and Intelligence directorate produce a wide range of official and national statistics that supports the government's transparency agenda, improving the public's understanding of the economy and the tax and benefits system. They also undertake and manage social research to fill key evidence gaps about the impact of tax policy. Knowledge, Analysis and Intelligence are one of the largest analytical teams in government with over 600 staff members.

107. Knowledge, Analysis and Intelligence's professions include Statisticians, Operational Researchers, Economists, Social Researchers and other professions including Data and Digital.

HMRC Income Data

108. Most individuals who are employed are taxed via the Pay As You Earn ("PAYE") scheme, either relating to payrolled employment or non-state pensions, with their being deducted and paid over to HMRC by their employer or pension scheme. HMRC may adjust their PAYE tax code to collect tax due on other income, such as savings interest or the State pension.

109. Most individuals who do not have all of their tax liability collected via PAYE are required to submit a self-assessment return that details any other sources of personal income that they had in the tax year, the amount of that income as well as any expenses, allowances or reliefs that they are entitled to and that affect the calculation of their tax liability.
110. In some cases, where HMRC holds all the information needed to calculate an individual's tax bill, we might not require them to submit a self-assessment return, and might, instead, issue a tax assessment (known as a Simple Assessment).
111. In summary HMRC collects a huge quantity of data necessary to determine an individual's personal income tax liability.

Employment data

112. HMRC employment data was important to understanding the nature and extent of the impact of the pandemic on the economy. All UK employers, with a few niche exceptions, are required to submit information to HMRC about the employees they have paid when they run their payroll. They submit this information to HMRC's PAYE Real Time Information system. This information includes personal details of each of their employees, such as their name and home address, as well as income and tax details, such as the amount that they were paid and the amount of tax that has been deducted. Where appropriate, employers are also asked to include the date that an employment started or ended. A complete list of the data items held on the Real Time Information system is at **JH/ABC/028 – INQ000606729**. Payroll periods are typically weekly, fortnightly, four weekly or monthly but can also cover non-standard periods.
113. HMRC holds all of this employment data at employee and pay period level. Typically, this consists of data on payments to 30 million employees each month and amounts to hundreds of millions of records annually.
114. This data will include some individuals who work as freelance workers who work through their own company and take some of their income via the company's payroll.
115. There are two statistical publications that HMRC produces and that provide some insights into the employment market before, during and after the pandemic. These are:

Earnings and Employment from PAYE Real Time Information statistics

116. These statistics use payroll information submitted to HMRC's Real Time Information system to provide an estimate of how many individuals are in employment each day. These estimates are reported as a monthly average and a time series is currently available that shows employment levels from July 2014 to November 2024. Figures are available for the UK as a whole, as well as breakdowns by regions and smaller geographic areas that the employees live in, the industries that they work in and the age of the employees. There are also figures on how many employees enter or leave payrolled employment each month. The statistics are a joint release between HMRC and the Office for National Statistics. They are produced monthly and published on GOV.UK.
117. When first published in December 2019 the statistics were designated as "experimental statistics" in accordance with guidance from the Office for Statistics Regulation. The performance of the statistics was to be monitored and they were to be developed over time.
118. The development of the statistics was accelerated in response to the pandemic and the challenge presented by not being able to conduct face-to-face surveys, which most of the existing statistics relied on, because of the lockdown. The time between receiving PAYE Real Time Information submissions and reporting was subsequently reduced from 6 weeks to 2 weeks, to provide a lead indicator of the state of the economy based on employee numbers, and the coverage of the statistics was expanded to include breakdowns by geographic areas, industries, and age of employees.
119. Along with the Office for National Statistics, HMRC held regular meetings with HMT and other government departments that rely on labour market data to explain the potential and the limitations of these new statistics, how they compared with existing statistics, to listen to their concerns and to build confidence, and to determine the priorities for expanding the scope of the statistics. For example, we had a Labour Market Statistics Steering Group which included representatives from BEIS, DWP, HMT, Office for Budget Responsibility, the Department for Culture, Media and Sport, the Northern Ireland Statistics and Research Agency, the Scottish Government, the Scottish Fiscal Commission, the Welsh Government, the Bank of England and

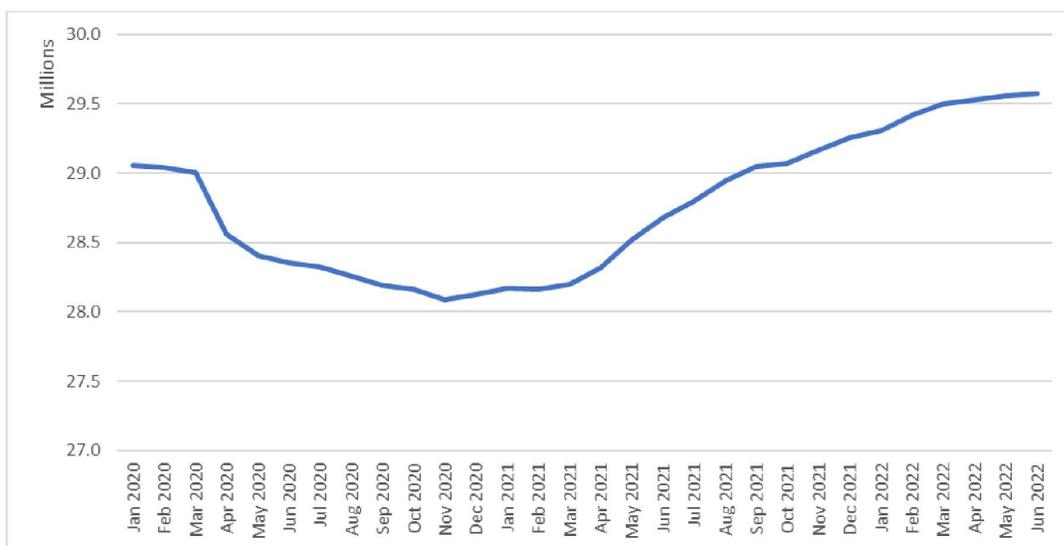
the Low Pay Commission. HMRC also had monthly meetings with labour market colleagues in HMT to discuss secondary analysis of the underlying data.

Employment trends during the pandemic

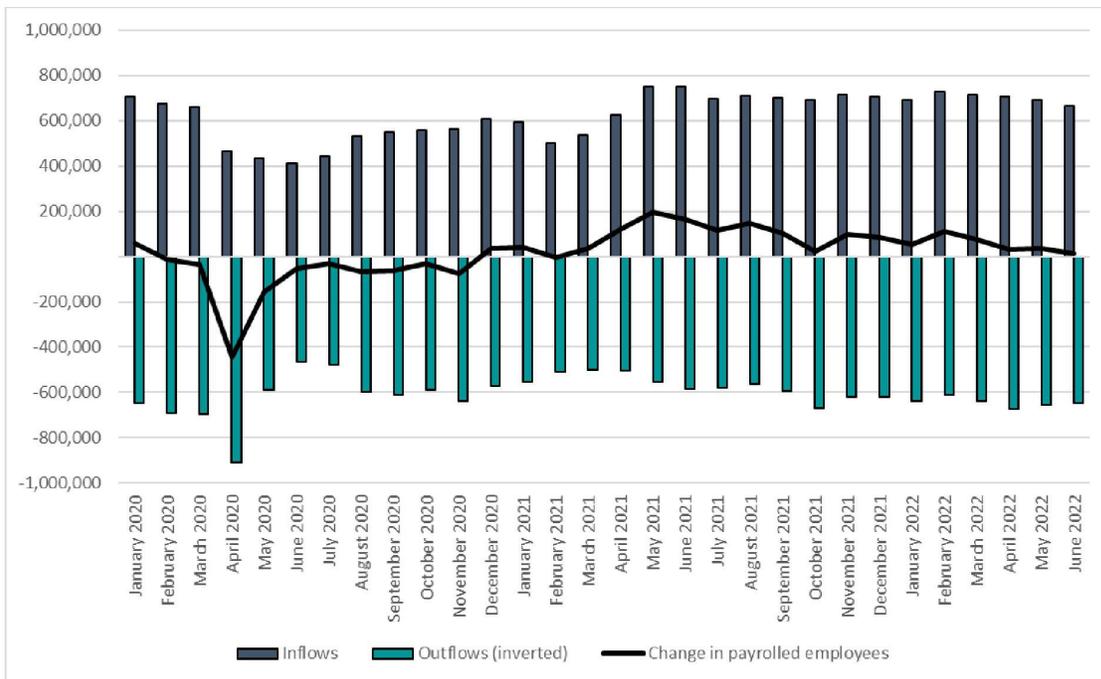
120. Knowledge, Analysis and Intelligence have produced, at Figure 1 below, a graph based on HMRC's PAYE Real Time Information statistics which illustrates the number of payrolled employees each month between January 2020 and June 2022. The number of employees in these months includes employees on furlough.

121. In January 2020, there were 29.1 million employees being paid through payroll. This number decreased to 28.1 million by November 2020, with a decrease of 600,000 occurring over April and May 2020. Employee numbers started to increase substantially from April 2021, reaching pre-pandemic levels by September 2021. By June 2022, there were 29.6 million employees being paid through payroll.

122. Figure ABC/1: The number of payrolled employees, seasonally adjusted, UK, January 2020 to June 2022. Source: Pay As You Earn Real Time Information data



123. Analysis of this data suggests that the decrease in employee numbers in April 2020 could be attributed to a combination of an increase in the number of individuals leaving the labour market alongside a decrease in the number of individuals entering the labour market.
124. Knowledge, Analysis and Intelligence have also produced, at Figure 2 below, a visual showing the number of individuals entering (“**inflows**”) and leaving (“**outflows**”) the labour market each month between January 2020 and June 2022.
125. In January 2020, 710,000 individuals entered the labour market and 650,000 left it. In April 2020, the inflow decreased to 460,000 whilst the outflow increased to 910,000. The outflow then dropped to 460,000 by June 2020. There continued to be steady movement in and out of the labour market throughout the pandemic with both the inflow and outflow being no lower than 500,000 individuals per month from August 2020 onwards. The increase in employee numbers from April 2021 was driven by an increase in the inflow to around 700,000 without a similar increase in the outflow. The inflows remained steady around 700,000 until June 2022, whilst the outflows gradually increased to around 650,000.
126. Figure ABC/2: Month-on-month change in paid employment and contributions to this from inflows (positive) and outflows (negative), seasonally adjusted, UK, January 2020 to June 2020. Source: Pay As You Earn Real Time Information Data



127. Over the course of the pandemic, all regions’ annual growth rates relating to employee numbers followed a similar pattern. That is, growth rapidly declined, but from the middle of 2021 began to recover. The largest change by region was in London, where employee numbers decreased by 5.4% over the first year compared with the 3.0% decrease for the UK overall. The number of employees in a region is based on the number living in that region, not the number working in the region. Employee numbers in the other regions decreased by between 1.9% and 3.3%. Figure 3, below, sets out the growth rate in employee numbers by region between February 2020 and February 2021.

128. Figure ABC/3: Growth rate in employee numbers by region between February 2020 and February 2021.

Region	Growth rate
North East	-2.2%
North West	-2.1%
Yorkshire and The Humber	-2.4%

East Midlands	-2.2%
West Midlands	-2.6%
East	-2.6%
London	-5.4%
South East	-3.2%
South West	-2.8%
Wales	-2.8%
Scotland	-3.3%
Northern Ireland	-1.9%
UK	-3.0%

129. London was also the last region to return to pre-pandemic employee numbers but, by January 2022, all regions were above their pre-pandemic levels. As regions caught up with their pre-pandemic employment levels, growth rates also returned to pre-pandemic levels.

130. It is also possible, from the Real Time Information statistics, to analyse employment trends during the pandemic according to industry, age and gender. This is because employers are required to provide the dates of birth and current gender of their employees as part of their Real Time Information submissions. However, employers are not required to provide information to HMRC on any other protected characteristics. It has been possible to identify the following trends according to industry, age and gender:

Industry

130.1. The annual growth rate of all major sectors of the economy decreased around April 2020. The smallest decrease was in health and social care work. Public administration and defence, and health and social care work saw early recoveries in their growth rates. These were the only two sectors to grow significantly over the first year of the pandemic, by 2.3% and 2.7% respectively. In contrast, accommodation and food services growth rates decreased by 16%, and arts, entertainment and recreation growth rates decreased by 20% over the first year.

130.2. Most major sectors increased in employee numbers across 2021 and 2022. However, by June 2022, several sectors had fewer employees than in January 2020, including manufacturing, wholesale and retail, finance and insurance and arts, recreation and entertainment. The strongest growth by June 2022 was in health and social care work, professional, scientific and technical services, and information and communication services.

Age

130.3. Younger employees were most affected by employment trends during the pandemic. The number of employees under the age of 25 decreased by over 10% over the first year of the pandemic compared to decreases of between 0% and 3% for other age groups. By June 2022, the number of 18 to 24 year old employees was still below the January 2020 level. In comparison, by June 2022 the number of 50 to 64 year old employees and those over 65 years old had increased by over 3% since January 2020.

130.4. In February 2021 we performed some analysis based on the academic year of the employee – that is, we split the population into two cohorts based on birthdays between 1 September and 31 August. It was found that once a cohort passed the point at which they could legally leave secondary education it took over 10 years for three-quarters of the cohort to enter employment. Each cohort followed the same typical trend in employment numbers over those first 10 years. It was also found that each cohort no longer followed the typical trend from March 2020.

130.5. This resulted in the number of employees under the age of 25 decreasing by more than other age groups because the movement of older employees from the 18 to 24 population to the 25 to 34 population, when they turned 25, was no longer being offset by new employees under the age of 25 entering employment.

130.6. In June 2021 we also did some analysis on the proportional distribution of age groups by industrial sector employed in. This showed that the under 25 population were more likely to be employed in accommodation and food services, arts and recreation, and wholesale and retail. These are sectors that are more dependent on services being provided directly in the same location and therefore could have been more affected by

the lockdown policy and social distancing than other sectors. However, this analysis only established an empirical relationship. No analysis was done to establish a causal relationship or to rule out other factors that may have affected both these sector groups and age groups.

Gender

130.7. The number of female employees fell by 3.3% over the first year of the pandemic and the number of male employees fell by 2.8%. By June 2022 the number of both male and female employees had recovered to above their January 2020 levels, with both increasing by 2% overall between January 2020 and June 2022.

130.8. HMRC has not carried out any further specific analysis to determine why there was a greater fall in female employees compared with male employees. HMRC data on the CJRS suggested that men and women benefited relatively equally. The published statistics show that between July 2020 and April 2021, more employments were put on furlough with female job holders than male job holders, while between May and September 2021, more employments were put on furlough with male job holders than female job holders.

Survey of Personal Incomes

131. These statistics use HMRC payroll information and self-assessment information to provide statistics about the overall income and income tax liability in the UK. These statistics are reported as an annual total, based on the tax year. The published statistics focus on taxpayers and include an estimate of the total number at the UK level and smaller geographic areas, as well as a breakdown by sex and total income and an estimate of how many employees also reported self-employment income in the same year. The underlying data also includes non-taxpayers, whose total income for the year is too low for them to be liable to income tax. The statistics are produced annually and published on GOV.UK.

Self-Employment data

132. Individuals who have income not included in a payroll scheme that HMRC considers could result in an uncollected income tax liability are issued with a Notice to File a self-assessment return by

HMRC. These individuals are required to submit a self-assessment return by 31st January after the end of the tax year. The self-assessment return includes personal details, such as their name and home address, as well as sections for different types of income and associated data that is relevant to the calculation of their tax liability. These include income from employment, self-employment, partnerships, land and property, savings and dividends, and other sources. Where appropriate, it also includes the dates that an individual's involvement as a director or in a partnership or self-employment started or ended. The information on the self-assessment return covers an individual's income for the whole tax year.

133. HMRC holds all of this self-assessment data at an individual level. Typically, this consists of over 10 million returns each year.

134. Depending on how their income is structured, individuals could complete various different sections of the self-assessment return. In particular:

134.1. People who receive income from self-employment show this in the self-employment section or the partnership section. The self-employment section is the main section completed by the self-employed, and includes information on the turnover, expenses and net profit or loss of the self-employment, as well as details of the nature of the business. The partnership section includes information on the individual's share of the turnover, expenses and net profit or loss of the partnership, as well as details of the nature of the business.

134.2. Freelance workers who work through their own business are not self-employed for tax purposes. They may take income from the business in the form of a salary, which they show in the employment section, and/or dividends which they show in the dividends section.

134.3. Landlords who receive rental income are not self-employed for tax purposes. They show their rental income in the property section.

135. The Survey of Personal Incomes provides some insights into self-employment before, during and after the pandemic. The published statistics focus on taxpayers and include an estimate of the total number of the self-employed at the UK level and smaller geographic areas, as well as a breakdown by sex and total income and an estimate of how many of the self-employed also

reported employment, pension or investment income in the same year. There is also a breakdown by industrial sector.

136. Given that information on self-employment is only available via annual self-assessment returns, it is not possible to provide monthly trends in self-employment. In respect of the specified period, only information up to 31 March 2023 is currently available, as the Survey of Personal Incomes for the 2023 to 2024 tax year will not be published until March 2026.

137. The Survey of Personal Incomes publications demonstrates that in the 2019 to 2020 tax year there were 5.33 million individuals reporting income or expenses relating to self-employment, of which 3.18 million were taxpayers. In total, they reported income of £99.9 billion from self-employment.

138. In the 2020 to 2021 tax year, there was a 1% decrease in the number of individuals reporting income or expenses relating to self-employment to 5.28 million, but the number of taxpayers increased to 3.28 million. The total income reported from self-employment increased to £108 billion.

139. In the 2021 to 2022 tax year, the number of individuals reporting income or expenses relating to self-employment increased by 3% to 5.42 million, and the number of taxpayers increased to 3.52 million. The total income reported from self-employment increased to £118 billion. Figure 4, below, gives a breakdown of the number of self-employed taxpayers by total taxable income.

140. Figure ABC/4: Number of self-employed taxpayers (in thousands) by total taxable income

Range of total income (lower limit) £	2019 to 2020	2020 to 2021	2021 to 2022
£12,500	437	402	401
£15,000	662	634	670
£20,000	885	890	958
£30,000	464	513	568
£40,000	258	312	336

£50,000	196	245	266
£70,000	105	116	126
£100,000	75	74	79
£150,000	35	35	38
£200,000	26	27	31
£300,000	17	17	19
£500,000	12	12	14
£1,000,000	8	8	10
All ranges	3,180	3,280	3,520

141. It is also possible from the Survey of Personal Income Statistics to identify trends relating to industry, gender and region. Individuals are required to provide their date of birth as part of their self-assessment return and HMRC also holds data on their gender, but individuals are not required to provide information to HMRC on any other protected characteristics. Trends according to gender, region and age focus on self-employed taxpayers:

Industry

142. There was variation in how self-employment income changed during the pandemic between sectors. The biggest increase in self-employment between tax years 2020 to 2021 and 2021 to 2022 was in the Arts, Entertainment and Recreation industry, which increased by 23%. Conversely, the biggest decrease was in the Wholesale and Retail Trade industry, which decreased by 7%. This was the reverse of changes observed between tax years 2019 to 2020 and 2020 to 2021, when there was a decrease of 12% in Arts, Entertainment and Recreation and an increase of 28% in Wholesale and Retail Trade.

143. Sectors such as Transportation and Storage, Legal and Accounting Activities and Education similarly had weaker growth in 2020 to 2021 (between 1% and 3%) and stronger growth in 2021 to 2022 (between 15% and 19%). Accommodation and Food Services had stronger growth than average in both 2020 to 2021 (20%) and 2021 to 2022 (11%). Figure 5 sets out the number of self-employment sources by sector.

144. Figure ABC/5: Number of self-employment income sources (in thousands) by sector.

Industry	2019 to 2020	2020 to 2021	2021 to 2022
Agriculture, Forestry and Fishing (Total)	284	280	279
Manufacturing (Total)	127	129	130
Construction (Total)	1,320	1,280	1,300
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (Total)	321	317	315
Transportation and Storage (Total)	359	373	388
Accommodation and Food Service Activities (Total)	141	135	133
Information & Communication (Total)	76	76	77
Financial, Insurance and Real Estate Activities (Total)	127	122	124
Legal & Accounting Activities (Total)	132	129	126
Other Professional, Scientific and Technical Activities (Total)	293	297	304
Administrative and Support Service Activities (Total)	422	418	431
Education (Total)	209	210	217
Human Health and Social Work Activities (Total)	337	336	344
Arts, Entertainment and Recreation (Total)	204	194	201
Other Industries (Total)	336	339	353
Unknown Industries (Total)	792	910	961
All Industries (Total)	5,480	5,540	5,690

Gender

145. In 2019 to 2020, female taxpayers accounted for 29.6% of the self-employed taxpayer population and 22.0% of self-employment income. The populations of both male and female taxpayers, and their total income, increased in both 2020 to 2021 and 2021 to 2022 but the

growth was stronger for females such that they accounted for 31.0% of taxpayers and 23.3% of the income in 2021 to 2022. Figure 6 sets out the number of self-employed taxpayers by gender.

146. Figure ABC/6: Number of taxpayers with self-employment income (in thousands) by gender:

Sex	2019 to 2020	2020 to 2021	2021 to 2022
All	3,180	3,280	3,520
Male	2,240	2,300	2,430
Female	937	988	1,090

Region

147. There was some variation in self-employed taxpayer numbers between regions. In 2020 to 2021, most regions increased by 3% to 5%. However, the number in London did not change from 2019 to 2020, whilst the number in Wales increased by 10%. In 2021 to 2022, most regions, including London, increased by 6% to 9%. However, the number in Northern Ireland decreased by 1%, having increased by 7% in 2020 to 2021. Figure 7 sets out the number of self-employed taxpayers by region.

148. Figure ABC/7: Number of taxpayers with self-employment income (in thousands) by region

Region or country	2019 to 2020	2020 to 2021	2021 to 2022
United Kingdom	3,180	3,280	3,520
England	2,740	2,830	3,030
North East	80	85	93

North West	273	282	303
Yorkshire and the Humber	209	219	235
East Midlands	200	208	223
West Midlands	232	242	260
East of England	344	361	382
London	576	576	612
South East	513	527	563
South West	316	331	358
Wales	124	137	142
Scotland	204	210	226
Northern Ireland	96	103	102

Unemployment data

149. HMRC only collects and retains information that is necessary to determine an individual's tax liability. Most unemployment benefits, including Universal Credit, are not taxable and so HMRC does not collect data related to unemployment.

150. The main exception is Jobseeker's Allowance, which is taxable, but this has now been largely replaced by Universal Credit. HMRC would defer to ONS for estimates of unemployment.

The role of HMRC data during the pandemic

151. HMRC's role during the pandemic in relation to information, data and analysis included producing analysis, research and statistics to inform policy and operational decision-making across the Policy Partnership, broader fiscal forecasting and HMRC reporting, and cross-government analysis.

152. There was an extraordinarily high degree of uncertainty in all economic analysis, data modelling conducted during the pandemic — whether by HMRC, elsewhere in government, or externally. There was limited historical precedent to draw on to assess the economic impacts of non-pharmaceutical interventions given the scale and unprecedented nature of the pandemic.

153. HMRC utilised a wide range of analytical techniques and data sources to support the development of COVID-19 support schemes including data updates and published statistics used to monitor use of the schemes, producing costings to consider policy options and forecasts of costs. This included making the best use of existing data from both internal and external sources, as well as working to develop new (CJRS and SEISS data) or improved sources of data, like the changes to the PAYE Real Time Information statistics, to inform advice to ministers and HMT. HMRC worked with HMT to provide analysis on economic policy choices during the pandemic as would be the case in usual circumstances.

154. New statistics were published by HMRC on the COVID-19 support schemes **[JH/ABC/029 – INQ000583514]**. It was important to produce statistics in a timely manner to maintain transparency and to help policy makers respond to developing events. HMRC publishes in the region of 100 statistical publications on a regular basis. For example, each month the latest receipts figures are published for all taxes on GOV.UK. This information is provided to HMT to inform economic policies. This information sharing continued during the pandemic and helped HMT to assess the nature and extent of the impact of COVID-19 on the economy.

155. HMRC's information, data and analysis was used for purposes including, but not limited to:

- 155.1. assessing how policy design choices would affect delivery timescales and cost, where HMRC held relevant data;
- 155.2. offering alternative design choices where similar objectives could be achieved with different delivery impacts;
- 155.3. advising on approaches to mitigating the risks of error and fraud, including from organised crime; and
- 155.4. determining and verifying customer eligibility and entitlement using HMRC's data to ensure appropriate targeting of support and to mitigate risk of fraud.

156. HMRC shared labour market data with HMT as part of its work on the CJRS and the SEISS. For example, HMRC shared management information on the characteristics of those using the schemes. HMT shared analysis on the economic performance of different sectors to identify

which could be most impacted by future non-pharmaceutical interventions and led on modelling the impact on the wider macroeconomy.

157. All estimated costs of the economic policy decisions were scrutinised and signed-off by the independent Office for Budget Responsibility at the relevant fiscal events.

158. HMRC's information, data and analysis informed the design and options appraisal of key economic support during the pandemic. Detailed information relating to how HMRC's data and analysis was used to design specific economic interventions is at Part D in relation to support for workers and Parts E and F in relation to other support measures.

159. It was also used to help advise ministers on potential changes to the support schemes. As an example, ongoing CJRS claims data continued to inform ministers and HMT policy teams on the expected costs and impacts of any changes to scheme generosity, length, or operation. It was also used to monitor and evaluate the delivery of the scheme. Since the scheme's closure HMRC and HMT have jointly undertaken comprehensive evaluations of the scheme, covering processes, impact, and value for money evaluation. Copies of the final evaluation reports for CJRS and SEISS are at exhibits **JH/ABC/030 – INQ000583638** and **JH/ABC/031 – INQ000583534**.

160. HMRC's evaluation framework [**JH/ABC/032 – INQ000583807**] sets out that it will:

- 160.1. deliver proportionate and systematic monitoring and evaluation using its evaluation criteria to help bring transparency to decisions;
- 160.2. continue to embed monitoring and evaluation into its governance framework and provide guidance and tools;
- 160.3. ensure HMRC has the right capability for monitoring and evaluation and builds a positive culture by working across the department and other government departments;
- 160.4. continue to embed lessons learnt from monitoring and evaluation already delivered to maximise efficiency in departmental processes

161. HMRC produced analysis to inform policy development, policy costings, forecasts of costs and data updates to monitor performance and uptake of economic policies. Forecasts of costs

were updated when new data became available and were shared through the Policy Partnership. HMRC worked through the Policy Partnership to advise ministers on how interventions were working and their effectiveness which was considered when taking decisions on making any changes to those policies.

162. For major economic policies, reporting dashboards were used and tailored to support management decision-making. These dashboards included information on scheme take-up, claim values, project risks and “risk-profiling” of fraudulent claims, and insight from social media feeds, as appropriate to the specific scheme.
163. Part D contains detailed information on how HMRC’s information, data and analysis was used to monitor and evaluate support for workers. Parts E and F contain detailed information on how HMRC’s information, data and analysis was used to monitor and evaluate other economic interventions.
164. The information, data and analysis produced by HMRC for the purposes of tax administration and shared with HMT helped HMT assess the effects of the pandemic on the economy. Key data used during the pandemic included, but are not limited to:
 - 164.1. Taxpayer populations – The estimated number of individuals with a tax liability arising during the year rather than those paying tax during the year, and the number of traders registered;
 - 164.2. HMRC tax receipts – especially Income tax and National Insurance Contributions via Real Time Information data;
 - 164.3. Other HMRC data sources such as aggregates of the property transactions; and
 - 164.4. Summary data from the new COVID-19 support schemes delivered by HMRC (CJRS/SEISS/EOHO)
165. New data sources were primarily generated through HMRC’s delivery of COVID-19 support schemes, particularly those created to support workers. This new scheme data was used to both monitor and evaluate the operation of the CJRS and the SEISS. It was also regularly reported to HMT to help support their assessments on the state of the economy during the pandemic. Part D contains detailed information on this work and the data.

166. The consideration and discussion of data, and the provision of advice thereupon was structured through the Policy Partnership, which is described in detail above. The specific ways of working in delivering the major economic policies are described in Part D.
167. Over the course of the pandemic HMRC made good use of the data available to deliver the support schemes, working at pace through the Policy Partnership with HMT. The main challenges with regards to the availability and data gaps primarily arose in relation to HMRC's work delivering the COVID-19 support schemes. These specific challenges and their impact on the design of support available is set out in Part D (support provided to workers) and Parts E&F (other economic support).

Governance Arrangements

168. As explained above at paragraphs 21.12 to 21.16 HMRC's Command, Control and Co-ordination Centre ("**C3**") was stood up on 12 March 2020 and acted as a coordination resource to provide a fast-paced governance mechanism for extraordinary decisions required with the normal line of business structures. Adopting the same principles the unit had followed for Brexit preparedness, C3 acted as a central coordinating team for HMRC's response and was able to make decisions that, due the need for urgency, could not go through conventional governance processes.
169. C3 comprised Gold and Silver Commands which provided an initial strategic response to the pandemic in terms of decisions about HMRC's day to day operations. Decisions about the sort of economic support HMRC would need to deliver were made by the Chancellor; C3 considered impacts internally such as what it meant for staff, buildings, estates, IT and the HMRC home working network. C3 also considered what activity HMRC would need to deprioritise or pause. A log of the decisions taken by C3 is at **JH/ABC/033 – INQ000583427**.
170. The Gold Command was the main strategic decision-making body and was chaired by me and attended by ExCom members. Gold Command meetings were held at least four times in March 2020 – taking immediate decisions such as stopping some enforcement activities See **JH/ABC/034 – INQ000583430 and JH/ABC/035 – INQ000583429**.

171. The Silver Command's purpose was to implement the strategic direction set by Gold Command and support the lower-level Bronze Command in business areas. Silver Command was made up of Directors from all business groups across HMRC to enable issues to be raised and decisions taken very quickly. Options and recommendations on issues were often prepared as close as half an hour prior to a meeting with decisions being taken at pace on the same day or next day. The necessity for pace meant that there was not the opportunity to produce more lengthy papers as would normally be the case for meetings at this level. The first meeting of the Silver Command was on 13 March 2020 and by 9 April 2020 there had been 17 meetings of Silver Command taking decisions both about HMRC business operations and some policy easements. [See **JH/ABC/036 – INQ000583428**].

172. Although C3 was originally set up as a temporary team to deal with Brexit preparedness and then the COVID-19 pandemic, HMRC has since recognised the value of having a central team that can coordinate a response to unforeseen events and to improve resilience. C3 has now been established within business as usual as a permanent team known as the Department Operations Centre.

173. Throughout the pandemic the role of C3 command team included:

173.1. Being the point of contact into cross governmental C3 structures – reporting up and down and representing HMRC in these structures. C3 also worked across government C3 teams if needed and directed work to the appropriate department.

173.2. Running daily Silver meetings and Gold meetings as required to make key decisions for the department.

173.3. Collecting data from other government sources and reporting this internally in the form of daily situation reports [see **JH/ABC/037 – INQ000583809** as an example].

173.4. Responding to any cross governmental demands for information and data from HMRC. C3 would receive large amounts of data on a daily basis from the Department of Health and Social Care with granular detail for regional variations on types of strains, number of infections, etc. Being the central point of contact for the department and ensuring good communications through Bronze command teams who were embedded in each business area.

- 173.5. Briefing Senior Civil Service colleagues who may be attending cross governmental meetings at their level.
- 173.6. Day to day incident management. C3 met twice daily throughout the pandemic (mornings and afternoons)
174. Given that the extraordinary HMRC COVID-19 support responses were implemented rapidly and involved diverse parts of HMRC, a holistic approach was required to bring all delivery activity together. The HMRC COVID-19 response required novel delivery mechanisms and co-ordination across the schemes and staff involved in delivering them through multi-functional teams.
175. A Covid Response Unit (“**CRU**”) was formed in March 2020 to apply project management principles across the schemes and act as ‘air traffic control’ and to support the scheme-specific governance and controls already in place, reaching into all the relevant parts of HMRC and HMT coordinating the policy, operational and delivery response to the pandemic. This focus on economic interventions distinguished CRU from C3, which was primarily focussed on maintaining the ‘day to day’ operation of the department and associated corporate decision making.
176. The CRU worked within the governance and approach described in **JH/ABC/038 – INQ000583426**. The CRU promoted shared ownership across the delivery of HMRC’s COVID-19 response using multi-disciplinary teams. Project teams worked directly with stakeholders, subject matter specialists and experts in affected business and delivery areas. This approach enabled rapid delivery, with the skilled experts in each area being directly responsible for their elements of delivery. Delegated responsibility was given within defined parameters and empowered local teams to work towards common goals under CRU governance. The CJRS, the SEISS, EOHO, SSPR, VAT deferral, ITSA deferral and Working Households One Off Payment scheme were all brought into Covid Response Unit governance to ensure that all of the delivery resource and diverse team members were considered and supported in the round.
177. Although no formal assessment was made, it was originally anticipated that the pandemic would be short in length, as the first lockdown measures were expected to be lifted over the summer and economic support schemes were due to come to an end. When this did not happen as

anticipated, and the Prime Minister announced the second lockdown on 31 October 2020, the CRU continued to provide their coordination role throughout the pandemic under a more streamlined structure, operating flexibly as required [See **JH/ABC/039 – INQ000583395**]. Scheme specific planning continued as per the timelines set out in Part D of this statement.

Governance arrangements in relation to HMRC's COVID-19 response

178. In March 2020 and in addition to C3, HMRC introduced emergency governance arrangements to manage its response to the pandemic and support effective decision making.

Governance Boards March 2020 – August 2020

Executive Committee COVID-19 (“ExCom C”)

179. As set out above and in my previous statement to Module 1 [INQ000108531], ExCom is HMRC's main executive forum and the primary place in which the Commissioners make their decisions. In March 2020, HMRC introduced emergency governance arrangements to manage its response to the pandemic.

180. In March 2020, ExCom established a subcommittee of ExCom called ExCom C as ExCom's forum to discuss immediate COVID-19 response issues that required an executive decision.

181. ExCom C first met on 3 April 2020 [**JH/ABC/040 – INQ000583505**]. At this meeting it was noted that [revised] Terms of Reference would need to be agreed and these were subsequently agreed at a meeting of ExCom C on 24 April 2020. A copy of the agreed Terms of Reference is at [**JH/ABC/041 – INQ000584202**].

182. The Terms of Reference set out that ExCom would meet as ExCom C to consider all matters specific to the COVID-19 pandemic as it affected HMRC. It was to be the point of strategic decision making for operational delivery of policy measures responding to COVID-19. It was also to be the point of strategic decision making for matters arising from the impact that the pandemic had more generally on the delivery of HMRC's strategic objectives and business.

183. The Terms of Reference noted that, by exception, the COVID-19 command structure C3 could take urgent or critical decisions which would subsequently be reviewed by ExCom C.
184. The Terms of Reference recorded that ExCom C was supported by various steering groups. These were the COVID-19 Policy Steering Group (with the COVID-19 Policy Working Group reporting in), the COVID-19 Delivery Steering Group (with the SEISS, CJRS, SSPT, VAT Payment Deferral, ITSA Payment Deferral, and EOHO projects reporting in), the COVID-19 Communications and Stakeholder Steering Group, the COVID-19 Operations Delivery Steering Group, and Silver command. Details of these steering groups are set out at paragraphs 187 to 207. An organogram of this structure is at **JH/ABC/042 – INQ000583752**.
185. ExCom C was chaired by Melissa Tatton, Director General of the COVID-19 Response Unit between 3 April 2020 and 31 July 2020, and by Joanna Rowland, Director leading HMRC's COVID-19 Response Unit, between 1 August 2020 and 14 August 2020. Other members were myself, as HMRC's Chief Executive; the Deputy Chief Executive (**NR**); HMRC's Directors General (Ruth Stanier; Penny Ciniewicz; Katherine Green and Sophie Dean (Job share)); the General Counsel and Solicitor (Alan Evans); the Chief People Officer (Esther Wallington); the Chief Finance Officer (Justin Holliday); the Chief Digital and Information Officer (Mark Denney); the Director of C3 (Simon Claydon); the Director of Communications (Poli Stuart-Lacey); the Director of COVID-19 Response Unit (Joanna Rowland); the Director of HMRC Strategy (**NR**); and the Director leading Customer Strategy and Tax Design's COVID-19 Response (Cerys McDonald).
186. ExCom C met fortnightly from 3 April 2020 to 14 August 2020, after which HMRC's emergency governance arrangements were rationalised. Detail on these rationalised governance arrangements is set out in paragraphs 208 to 231.

COVID-19 Delivery Steering Group ("CDSG")

187. In April 2020, HMRC established CDSG as a subcommittee of ExCom C with delegated authority reporting to ExCom C. The Group was chaired by Melissa Tatton, Director General COVID-19 Response Unit, and co-chaired by Joanna Rowland, Director leading HMRC's COVID-19 Response Unit.

188. The role of CDSG was to oversee the delivery of the schemes relating to HMRC's COVID-19 response. These schemes were CJRS, SEISS, SSPR, EOHO and the ITSA and VAT deferral schemes. Its remit was to review progress in delivering these schemes and ensure they landed coherently and in a way that minimised demands for resources, be a forum to resolve areas of delay to delivery schedules, oversee the collective risks the schemes presented to the department and ensure that each project had the necessary resources and priority across HMRC.

189. The Terms of Reference for CDSG are at **JH/ABC/043 – INQ000583736**.

190. CDSG first met on 8 April 2020. It met most often in April and May 2020 (four meetings took place in both months). It met three times in June 2020, twice in July 2020 and had its final meeting on 7 August 2020.

COVID-19 Policy Steering Group ("CPSG")

191. In April 2020, HMRC established CPSG as a subcommittee of ExCom C with delegated authority reporting to ExCom C. The Group was chaired by Melissa Tatton, Director General COVID-19 Response Unit, and co-chaired by Cerys McDonald, Director leading Customer Strategy and Tax Design's COVID-19 Response.

192. The role of CPSG was to oversee operational and policy changes relating to HMRC's COVID-19 policy response. It endorsed and provided steers on the recommendations being put to ExCom C and Ministers and was sighted on relevant COVID-19 related issues being put to Commissioners, considering the wider impacts of those decisions across HMRC.

193. The Terms of Reference for CPSG are at **JH/ABC/044 – INQ000583325**.

194. CPSG first met on 1 April 2020 and met on a regular basis until 19 August 2020.

COVID-19 Policy Working Group ("CPWG")

195. In April 2020, HMRC established the CPWG as a working group of CPSG. The Group was also chaired by Cerys McDonald.

196. The role of CPWG was to consider HMRC's policy and operational policy options across all of its statutory responsibilities as listed in [Exhibit JH/ABC/005 – INQ000101304] as they related to the COVID-19 pandemic. It would test them and develop proposals for CPWG. The group was made up of stakeholders from across HMRC, including Customer Service Group and Customer Compliance Group. The group considered a range of issues from small changes and easements to considering some of the issues arising on HMRC's larger schemes such as the tax deferral schemes. All decision making was made in line with the Policy Partnership with HMT.

197. The Terms of Reference for CPWG are at **JH/ABC/045 – INQ000583737**.

198. CPWG first met on 2 April 2020.

COVID-19 Communications and Stakeholder Steering Group ("CCSSG")

199. In April 2020, HMRC established the CCSSG. The group was chaired by Poli Stuart-Lacy (Director of Communications), supported by Lucy Pink (Director of Customer Insight and Design).

200. The role of CCSSG was to set the direction of the department's communications approach to COVID-19. Membership included senior leaders from across HMRC such as operational roles and was not restricted to communications professionals. The group was not a decision-making group, rather it provided oversight and steering on communications strategies. As an ExCom subcommittee, it was intended to endorse or recommend changes to HMRC's communications approach and where necessary escalate issues for decision to ExCom.

201. The draft Terms of Reference for the CCSSG are at **JH/ABC/046 – INQ000583517**. This is the latest version of these Terms of Reference that is available.

202. CCSSG met on a regular basis during May and June 2020 as the main HMRC schemes were being rolled out. It continued to meet in July and August 2020 but less often. By 2021, the group had evolved to include non-COVID-19 related communications and customer issues, for example customer service performance and Tax Administration Strategy.

COVID-19 Operations Delivery Steering Group ("CODSG")

203. In April 2020, HMRC established CODSG as a subcommittee of ExCom C with delegated authority reporting to ExCom C. The Group was chaired by NR (Director General Customer Service Group).
204. The role of the CODSG was to be an operational delivery steering group to manage the delivery of the end-to-end temporary services. The Group was focused chiefly on the customer service implications and delivery of CJRS, SEISS and SSPR. The Group also considered delivery of some of the other key schemes as they were developed, such as VAT and ITSA deferral and the EOHO scheme.
205. The Group had a delivery focus – overseeing the delivery aspects of IT and the overall customer journey.
206. The Terms of Reference for CODSG are at **JH/ABC/047 – INQ000583472**.
207. The Group first met on 8 April 2020 and met twice weekly until June 2020 when it switched to meeting on a weekly basis. From mid-July 2020 onwards it met on an ad hoc basis.

Governance Boards from September 2020

208. On 14 August 2020 ExCom C considered the governance arrangements needed as HMRC moved to the next phase of its COVID-19 response [**JH/ABC/048 – INQ000583641**]. By this stage of HMRC's response, most strategic decisions driven by COVID-19 impacts were relevant to the whole department (for example, capacity and resourcing decisions) and so were with the remit of the main ExCom.
209. ExCom C was initially set up as a crisis response function. HMRC's governance arrangements had mobilised quickly and had evolved as circumstances changed throughout the period between March 2020 and August 2020. It was acknowledged that, as the nature of the HMRC's emergency response continued to evolve, that the COVID-19 governance structure should be significantly altered to streamline and formalise governance arrangements.
210. On 14 August 2020, ExCom C proposed that ExCom set up a new board empowered to take

operational and policy decisions about the COVID-19 response. The disbanding of ExCom C was discussed by the CPSG on 19 August 2020 [JH/ABC/049 – INQ000584008]. On 25 August 2020, ExCom endorsed this proposal and created a new HMRC COVID-19 Response Board (known as the “CRB”) with wide delegated decision-making powers. Key strategic decisions were still to be escalated to ExCom [see JH/ABC/050 – INQ000583365].

211. CRB replaced ExCom C, CPSG, CODSG and CCSSG. Of the other pre-September 2020 boards, CDSG’s work was moved to the Programme Board (see below). The CPWG remained but with greater delegated decision-making powers (see below). An organogram of this structure is at [JH/ABC/051 – INQ000583753]

212. The C3 structures including Gold Command continued to exist to facilitate urgent and immediate decision making.

ExCom’s role post September 2020

213. In practice, most of the decision making after September 2020 took place in in CRB and CPWG, to which ExCom had granted significant delegated authorities. ExCom continued to make strategic decisions driven by COVID-19 impacts that were relevant to the whole department.

214. ExCom received regular briefings from the CRB and through receiving these briefings maintained strategic oversight of HMRC’s response to COVID-19 alongside its usual functions in relation to ensuring HMRC delivered in accordance with its strategy.

215. In April 2020 HMRC introduced the Commissioners’ Decisions Standing Committee, initially chaired by Justin Holliday. Principally the Committee considers the exercise of the Commissioners’ collection and management and payment and management discretion under the Commissioners for Revenue and Customs Act 2005, where the exercise of that discretion involves not enforcing or requiring strict compliance with tax law. Decisions are taken by a minimum of three Commissioners.

COVID-19 Response Board (“CRB”)

216. In September 2020, HMRC established CRB as a subgroup of ExCom with delegated authority. The key decision-making powers delegated to CRB were set out by ExCom at this meeting [see

paragraph 13 of **INQ000583365**]. CRB reported to ExCom.

217. CRB was a vital board that gathered all the relevant senior leaders on a regular basis. CRB was chaired by Joanna Rowland (Director General COVID-19 Response Programme) from September 2020 to February 2021, followed by Cerys McDonald (Director leading Customer Strategy and Tax Design's COVID-19 Response) from March 2021 to May 2023.

218. In addition to ensuring the delivery of the economic support schemes, CRB took a holistic approach, ensuring that HMRC was also adapting its business-as-usual activities to support customers as necessary.

219. CRB provided written briefings to ExCom outlining key decisions, escalations and relevant data where required.

220. CRB ratified decisions of the CPWG about easements being considered by that group and had substantive discussions on a wider range of issues including management of HMRC debt and changes to the main response schemes.

221. The Terms of Reference for CRB are at **JH/ABC/052 – INQ000583370**.

222. CRB first met on 2 September 2020 and met on a regular basis throughout the rest of 2020 and throughout 2021 dealing with issues as they arose. In 2022 and 2023, CRB still met regularly but less frequently. The final meeting of the CRB took place in June 2022. CRB officially stood down in May 2023.

COVID-19 Policy Working Group ("CPWG"): Adapted post September 2020

223. In September 2020, HMRC adapted the purpose of the existing CPWG following the rationalisation of its COVID-19 governance arrangements. CPWG was now established as a subgroup of CRB with delegated authority. CPWG reported to CRB. CPWG continued to be chaired by Cerys McDonald (Director leading Customer Strategy and Tax Design's COVID-19 Response), from February 2022, CPWG was chaired by Zoe Nettelfield and Declan Norris.

224. Pre-September 2020, the role of CPWG was to consider HMRC's COVID-19 related operational

policy in relation to the administration of taxes and benefits, and to test them and develop proposals for CPSG. The adapted CPWG continued to consider these options but was given the delegated authority to make the policy decisions required to be made at a senior level about HMRC's numerous schemes and easements, excluding HMRC's most significant schemes that were overseen by the COVID-19 Programme Board. It also received updates from the CRB and escalated issues up to the CRB; it considered data in the form of comprehensive dashboards about HMRC's performance and issues arising from schemes and easements.

225. The Terms of Reference for the adapted CPWG are at **[JH/ABC/053 - INQ000583384]**.

226. The adapted CPWG first met on 9 September 2020 and met on a regular basis until September 2021. By September 2021, the CRB and CPWG were meeting less often. The final meeting of the CPWG took place on 6 April 2022. CPWG officially stood down in April 2023.

COVID-19 Programme Board ("PB")

227. In September 2020, HMRC established the PB as a subgroup of CRB with delegated authority to oversee the delivery of the schemes relating to HMRC's COVID-19 response: CJRS, SEISS, SSPR, EOHO and the ITSA and VAT deferral schemes.

228. PB replaced the COVID-19 Delivery Steering Group and reported into CRB. The Programme Board was initially chaired by Joanna Rowland.

229. Each of the COVID-19 schemes had its own project team who escalated issues to PB when they needed key decisions. In addition to guiding these projects in delivery, when schemes had completed programme board signed off on closure documentation, before making a recommendation to CRB to endorse project closure.

230. The Terms of Reference for PB are at **JH/ABC/054 - INQ000583371**.

231. PB met first on 18 September 2020 and met monthly until 7 July 2022.

Part D: The Coronavirus Job Retention Scheme

232. The CJRS was announced by the Chancellor on 20 March 2020 and was deployed between April 2020 and October 2021 (covering claim periods starting on 1 March 2020 and ending on 30 September 2021), with the objective of providing rapid economic support to maintain existing employer-employee relationships during COVID-19 [JH/D-CJRS/01 – INQ000065324]. Pursuit of this objective allowed the government to:

- 232.1. prevent job losses and large and persistent negative impacts on the labour market;
- 232.2. reduce risk of business closures;
- 232.3. support incomes for individuals; and
- 232.4. maintain employee capacity so businesses could rescale activity swiftly as restrictions lifted.

233. A total of 1.3 million employers and 11.7 million employments were supported by the CJRS, with claims totalling £70 billion. An employment is each job reported through a PAYE scheme, so that where an individual is employed at multiple jobs, each is counted separately. In accounting for both the social and economic costs and benefits of the scheme (such as cost to the exchequer, macroeconomic impacts, and impacts on equity and equality), the final evaluation of the CJRS published in July 2023 suggested that the CJRS had a positive net benefit to society of £50 billion and a social benefit to cost ratio of around 4:1. Analysis in the evaluation also estimated that the CJRS protected around 4 million jobs and saved many employers from permanent closure [JH/D-CJRS/02 – INQ000583638].

234. For most of its deployment the CJRS enabled employers to put their employees on furlough and claim a grant to recover up to 80% of their wages (capped at £2,500 per month per employee). This design aimed to ensure that employees could retain their jobs and the majority of their usual wage, even if COVID-19 disruption and restrictions meant that they could not work and that their employer could not afford to pay them.

235. The CJRS was designed to support almost all employers across the UK, ensuring consistent support for employers and their employees regardless of where they lived or worked. The scheme was open to employers regardless of size, geographical location or sector, covering

almost all employees across the UK, regardless of their demographics or employment contract. The scheme was also designed to ensure risks of fraudulent abuse were minimised.

236. While the CJRS provided support for employers and employees, the Self-Employment Income Support Scheme (SEISS), which was announced six days after the CJRS, was designed to provide broadly equivalent support for self-employed individuals during COVID-19.
237. During periods when the COVID-19 restrictions eased, primarily in the summers of 2020 and 2021, the economy and labour market grew stronger. In these periods the government increasingly focused on releasing labour back into work, encouraging reallocation and reducing the cost of CJRS. This was achieved by introducing flexible furlough, and by gradually reducing the amount of government support available to employers and tapering government contributions, as exhibited in Tables 1 and 2 below. The tapering of government support consisted of reductions in the government's contribution, and accompanying increases in an employers' contribution, ensuring that employees still received 80% of their reference salary for hours for which they were furloughed.
238. The timing of the closure of the CJRS in September 2021 was a ministerial decision balancing both the economic case for further support and helping employers and employees to restart their activity to allow the UK economy to recover.
239. There were four main iterations of the CJRS set out below. Each iteration included important changes to how the policy functioned, including the cut-off date for determining employee eligibility, in response to the developing health situation.

Table CJRS/1: Timeline of support levels provided through CJRS (percentages are of reference salary)

	March – July 2020	August 2020	Sept. 2020	October 2020	Nov. 2020 – June 2021	July 2021	August - Sept. 2021
Government contribution: wages for hours not worked	80% up to £2,500 per month	80% up to £2,500 per month	70% up to £2,187.50 per month	60% up to £1,875 per month	80% up to £2,500 per month	70% up to £2,187.50 per month	60% up to £1,875 per month
Minimum Employer contribution: wages for hours not worked	None	None	10% up to £312.50 per month	20% up to £625 per month	None	10% up to £312.50 per month	20% up to £625 per month
Government contribution: covering associated employer NICs and pension contributions	Up to £304 per employee (£2,804 total cap)	None	None	None	None	None	None
Employer contribution: associated employer NICs and pension contributions	Above government contribution (if required)	In full – employer paid these costs					
For hours not worked the employee receives	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month

Table CJRS/2: Main CJRS iterations with key features

	1 March 2020 – 30 June 2020	1 July 2020 – 31 October 2020	1 November 2020 – 30 April 2021	1 May 2021 – 30 September 2021
Scheme iteration	CJRS Classic (CJRS 1)	CJRS Flexible Furlough (CJRS 2)	CJRS Extension (CJRS 3)	CJRS 4

Flexible furlough	No	Yes	Yes	Yes
Employee Eligibility	Employee must have been employed on 19 March 2020 with payments made to that employee between 5 April 2019 and 19 March 2020.	Employee must have been employed on 19 March 2020 with payments made to that employee between 5 April 2019 and 19 March 2020.	Employee must have been employed on 30 October 2020 with payments made to that employee between 20 March 2020 and 30 October 2020.	Employee must have been employed on 2 March 2021 with payments made to that employee between 20 March 2020 and 2 March 2021.
Tapering of government contributions	No	Yes	No	Yes

Design

240. HMT and HMRC worked collaboratively to design the CJRS. Decisions about the design of CJRS, were ultimately however taken by HMT ministers, on joint advice from both departments. [JH/D-CJRS/03 – INQ000583306, JH/D-CJRS/04 – INQ000583341, JH/D-CJRS/05 - INQ000397190, JH/D-CJRS/06 - INQ000583479 and JH/D-CJRS/07 - INQ000583714]

241. HMRC pulled dedicated resource from across the department to focus on the CJRS including allocating individuals to focus on the CJRS policy design and delivery:

241.1. Carol Bristow was the Director for the HMRC CJRS policy team, with Deputy Directors [NR], Reshma Prajapat, [NR] and Rachel Nixon leading at varying stages of the CJRS;

241.2. Sarah Goom was a Director in Solicitor’s Office and Legal Services, who provided legal advice and oversaw the drafting of the CJRS Treasury Directions, and [NR] was the Deputy Director;

241.3. Janet Alexander was the Director for Covid-19 compliance work, and Matt Erikson led on the compliance aspects of the CJRS;

241.4. [NR] was the Corporate Finance lead;

- 241.5. Joanna Rowland was the Director of the Coronavirus Response Unit and chaired weekly meetings called Project Boards. Craig Ogilvie, was in place as the dedicated CJRS Project Director immediately following the Chancellor’s announcement of the CJRS to the public on 20 March 2020, and he was succeeded by Anita Holmes, Jo Gray and subsequently Claire McGuckin;
- 241.6. Jane Whittaker was the Director of Knowledge, Analysis and Intelligence and led on the production of costings, analysis of data to inform policy design, and the publication of official statistics;
- 241.7. Poli Stuart-Lacey was the Director of Communications and oversaw the development of the communications campaign and supporting communication activities to drive employer awareness and understanding of the scheme; and
- 241.8. John Harrison led on ensuring customer-centric design, including the operational equalities impacts.

Policy Partnership with HMT

242. HMT led advice to ministers about core policy decisions, including advice on equalities impacts of the CJRS such as the consideration of women on maternity leave, national living wage, age and its interactions with parental pay and leave systems – see for example ministerial submissions concerning the CJRS’s initial design from 20 March and 24 March 2020 [**JH/D-CJRS/08 - INQ000583499** and **JH/D-CJRS/03 - INQ000583306**]. HMT also advised on equalities and impacts on identified vulnerable groups whenever core aspects of the CJRS were changed [**JH/D-CJRS/06 - INQ000583479**].
243. HMT was also responsible for consultation with other government departments for the duration of CJRS, especially the Cabinet Office, No10 and the Department for Health and Social Care.
244. HMT also led all engagement with the Devolved Governments about the UK government’s economic support measures, including the CJRS. HMRC is aware that, following engagement with the Devolved Governments at official and ministerial level in May 2020, a recommendation was made to ensure regular engagement both between officials and ministers [**JH/D-CJRS/04 - INQ000583341**]. HMRC teams did not formally engage with the Devolved Governments separately.

245. HMRC is aware that analysis of existing international income support schemes, such as the German Kurzarbeit scheme and the Danish wage compensation scheme, was discussed in developing the CJRS, particularly in relation to decisions about the level of support employers would be able to claim **[JH/D-CJRS/09 - INQ000583299 and JH/D-CJRS/10 - INQ000583303]**. HMT took the lead in considering international short-term work schemes and undertook the analysis and assessment of comparable schemes. HMRC was not asked to do any further analysis on comparable schemes in other countries. As the CJRS developed over time, further consideration was given to those international comparisons with HMT continuing to lead on this work **[JH/D-CJRS/11 - INQ000583337, JH/D-CJRS/12 - INQ000583338 & JH/D-CJRS/13 - INQ000583759]**.
246. HMT also led on consultations with major stakeholder lobby groups, such as the Confederation of British Industry.

HMRC's role in the design, delivery, and implementation of the CJRS

247. HMRC's main role was to consider the deliverability and operational options in order to best meet the economic objectives set by ministers. This included considering the speed of implementation and ability to make payments quickly, as well as the approach to limiting the risk of error and fraud. HMRC did not advise on the priority of labour market or economic objectives.
248. HMRC had overall responsibility for:
- 248.1. working with HMT to provide written and oral advice on scheme design, particularly regarding how policy design choices would affect delivery timescales and options, offering alternative design choices where similar objectives could be achieved with different delivery impacts. This included advising on approaches to mitigating the risks of error and fraud, including organised crime, and providing delivery advice on how the CJRS would operate;
 - 248.2. providing data and analysis of employer and employee populations, including take-up of CJRS and generating costings of policy options;

- 248.3. leading on the instruction and drafting of legislation to support the CJRS and associated compliance provisions;
 - 248.4. implementing and operationalising the CJRS, including providing the ability for employers to make claims, and putting into effect the payment mechanisms;
 - 248.5. drafting and publishing guidance on the CJRS on GOV.UK;
 - 248.6. supporting employers and agents in making claims;
 - 248.7. engaging with specialist stakeholder groups to ensure successful delivery of the CJRS and gathering feedback on the operation of the CJRS; and
 - 248.8. tackling error and fraud in the CJRS, through the design of the CJRS and claim process, use of existing and verifiable data already held by HMRC, pre-payment checks, and recovery of ineligible grants that had been paid both pre claim, during claim (if required) and post-claim.
249. HMRC did not monitor or advise on workplace transmission of COVID-19 at any stage of the CJRS. The purpose of the CJRS was not explicitly to prevent transmission of COVID-19, but to support businesses with the financial impact of public health measures and non-pharmaceutical interventions, particularly restrictions on travel and opening places of business. Decisions about the CJRS policy design (such as generosity) reflected the non-pharmaceutical interventions in place at the time. For that reason, HMRC did not evaluate the effectiveness of the CJRS in supporting public health outcomes. However, statistics and guidance published by other government departments (for example Public Health England, the department of Business Energy and Industrial Strategy (BEIS) and the NHS) were used to support decision making and scenario planning as COVID-19 progressed.
250. HMRC also worked with BEIS in some limited ways on a small number of technical aspects of the policy relating to employment law and the legal practicalities of how the concept of furlough worked **[JH/D-CJRS/08 - INQ000583499]**.
251. In particular, after the CJRS announcement, HMRC engaged with BEIS on issues related to employment law, for example the accrual of Holiday Pay whilst on furlough **[JH/D-CJRS/14 - INQ000583480 and JH/D-CJRS/15 - INQ000583320]** and whether the CJRS should permit employers who had acquired new employees under processes like the Transfer of

Undertakings (Protection of Employment) regulations to claim for those employees after the CJRS deadlines **[JH/D-CJRS/16 - INQ000583326 and JH/D-CJRS/17 -INQ000583312]**.

252. The HMRC policy team also worked with a range of specialist external industry experts, including specialist representative bodies for accountancy professionals, large accountancy firms, payroll software providers, and employment agents. HMRC sought their input on key pieces of guidance **[JH/D-CJRS/18 - INQ000583385]** as well as in the drafting of Treasury Directions **[JH/D-CJRS/19 - INQ000583500 and JH/D-CJRS/20 - INQ000583503]**. This helped to ensure that the legislation and guidance that HMRC drafted were clear and usable for employers. This working relationship also gave external stakeholders the opportunity to request clarifications from HMRC where their members had raised queries **[JH/D-CJRS/21 - INQ000583502]**. Initially, this engagement was generally conducted by sharing drafts of proposed legislation and guidance for comment. Engagement was formalised in June 2021 when the External stakeholder forum was set up and meetings were held each month until November 2021 **[JH/D-CJRS/22 - INQ000583838]**. This reflected the focus shifting to more technical issues, particularly as businesses reached accounting deadlines for, and prepared for audits of, the first financial year affected by Covid-19. The formalised structure better enabled HMRC to capture and respond to technical concerns raised by employers and their representatives. While the CJRS External stakeholder forum is no longer in existence, a number of other forums exist through which HMRC engages with stakeholders on a variety of topics.

Initial scheme design: Consideration of alternative support options

253. From late February 2020 into March 2020, HMRC was involved in several conversations with HMT exploring possible business support options **[JH/D-CJRS/23 - INQ000583294]** to meet HMT ministers' objectives. These were focussed around mechanisms available to HMRC at the time, such as tax cuts, tax payment deferrals or extended payment arrangements for tax which was due **[JH/D-CJRS/24 - INQ000583293, JH/D-CJRS/25 - INQ000583296 and JH/D-CJRS/26 - INQ000583297]** as well as tax refunds. All of these options were intended to support businesses in an economy under significant pressure, not to support businesses during a lockdown. The options could have assisted employers with their cashflow, which in turn could have been used by employers towards wages during the pandemic, rather than

HMRC directly subsidising wages. This also included two weeks of intensive design work conducted by HMRC for HMT on the SSPR announced by the Chancellor on 11 March 2020 as part of Budget 2020. These work streams [**JH/D-CJRS/27 - INQ000583298** and **JH/D-CJRS/28 - INQ000583302**] and SSPR [**JH/D-CJRS/29 - INQ000583627**] continued in parallel, but separate, to the development of the CJRS to form a wider package of economic support delivered by HMRC.

Development and announcement of the CJRS

254. A commission to design a wage subsidy scheme was issued by HMT on 17 March 2020 [**JH/D-CJRS/30 - INQ000583715**]. This asked HMRC to consider how it could use existing systems and infrastructure to deliver a direct wage subsidy to employers.
255. The initial ideas for the CJRS were influenced by the SSPR work that had already been undertaken, including the associated risk assessments and delivery considerations. This included considering options to reduce the risk of error and fraud, such as the use of pre-existing data for verification purposes. As HMRC's only comprehensive data source on employees, this focused on PAYE Real Time Information data. This helped because it meant that an outline of the CJRS design could be progressed much more quickly than would otherwise have been possible. As a result, the broad CJRS design was largely formulated within 24 hours, ready for ministerial decision.
256. HMRC then focussed on identifying what mechanisms could be best used to deliver this quickly. For example, on 18 and 19 March 2020 HMRC teams discussed different methods of payment (postal order, cheque, direct payment) and the systems and data that could be used to administer the CJRS without delay [**JH/D-CJRS/31 - INQ000583301** and **JH/D-CJRS/32 - INQ000583300**].
257. Decisions about the design concept were made by the Chancellor in a meeting held on 18 March 2020 [**JH/D-CJRS/10 - INQ000583303**].
258. The level of financial support provided through the CJRS was a ministerial decision informed by HMT analysis of the Labour Market that also provided the initial costing of the CJRS. The

initial costing produced by HMT and BEIS, estimated the cost of the scheme based on the ONS' Annual Survey of Hours and Earnings data from 2019, considering some different levels of support. BEIS also used intelligence from their sector teams to give each industrial sector a Red Amber Green rating based on their potential exposure to coronavirus. This analysis was shared with HMRC analysts on 19 March 2020 to confirm that the HMRC PAYE data that had been used for this was the most current available **[JH/D-CJRS/33 - INQ000583734]**. Initial HMT estimates were based on an estimated cost of £1.7bn per 1 million workers per month. The advice did not include a precise estimated cost figure due to the high levels of uncertainty around the uptake levels for the scheme. Take up assumptions were based on scenarios with costs ranging from £4.2-£8.4bn per month which were ultimately higher than the final costs estimates of the CJRS done by HMRC (see paragraph 269 of this statement).

259. By 19 March 2020 the broad scheme outline had been agreed **[JH/D-CJRS/34 - INQ000583304]** ready for announcement by the Chancellor and HMRC was already working on operationalising the CJRS **[JH/D-CJRS/35 - INQ000583706]**.

260. The CJRS was announced by the Chancellor on 20 March 2020 **[JH/D-CJRS/01 - INQ000065324]**.

Initial policy design

261. The primary aim of the CJRS was to provide rapid support that maintained as many existing employer-employee relationships as possible. To meet the objective of getting grants out quickly to those who needed it, HMRC made the claim process as simple as possible by using data that was already held or was straightforward to obtain by HMRC and employers to assess eligibility **[JH/D-CJRS/08 - INQ000583499 and JH/D-CJRS/03 - INQ000583306]**. This allowed the grant calculation process to be straightforward for the majority of cases **[JH/D-CJRS/36 - INQ000583492]**, and therefore for payments to be made quickly.

262. A key aspect in the design of the CJRS was the use of verifiable data in order to minimise the risk of error and fraud. This meant that data from CJRS claims could be checked and verified against data that HMRC already held, to reduce the risk of erroneous or fraudulent overclaims. For this, HMRC made use of the data it held about employers, employees, and their earnings

within the PAYE system. PAYE is a system under which employers collect tax, National Insurance (“NI”) contributions and other deductions (such as pension or student loans contributions) before paying salaries to employees (as defined for PAYE purposes). The employers report these payments and deductions directly to HMRC on or before each payday along with a complete set of information about employees’ income and tax/NI payments as part of a PAYE Real Time Information submission.

263. The result of this is that HMRC had a complete and broadly reliable set of information about employees’ income and tax/NI payments from which a picture could be built of employers’ payroll systems, both at that time and in the past. This was crucial to the operation of the CJRS as it gave HMRC the information it needed to check whether employers had correctly calculated furlough pay for their employees. This data was sufficient to enable the CJRS to be designed in a broad way and meet the policy objectives. Further data may have helped to understand usage of the scheme. However, the PAYE data only includes basic characteristic information (age and gender) as more detailed information is not required to operate the income tax and NI system or other functions that rely on this data such as the apprenticeship levy or student loan repayments. The limitations on CJRS design resulting from the use of PAYE Real Time Information data, such as they were, are discussed further at paragraphs 323-337, and 430-431
264. The CJRS was initially envisaged as a temporary scheme that would last for at least three months [**JH/D-CJRS/08 - INQ000583499** and **JH/D-CJRS/37 - INQ000583305**]. This reflected the Chancellor’s preference to mirror the 12 week period noted in the Prime Minister’s announcements [**JH/D-CJRS/37A – INQ000606706**]. This was increased to 4 months on 17 April 2020 [**JH/D-CJRS/38 - INQ000065333**] following the government’s announcement on 16 April 2020 that social distancing measures would need to be extended for at least another three weeks. As HMRC had planned for the CJRS to last for three months as a minimum it was possible to continue operating the scheme for longer than the initial three months at short notice. Details about the further extensions are provided later in this statement.
265. At the outset, employers could apply for a grant to cover 80% of a furloughed employees wages up to a monthly per employee cap of £2,500 plus the associated Employer NI contributions and pension contributions (up to the level of the minimum automatic enrolment employer pension contribution) [**JH/D-CJRS/39 - INQ000583646**].

266. The £2,500 figure was regarded as an appropriate level of support for employees given that, at the time, it was roughly equal to the median monthly earnings for full-time employees in the United Kingdom and the support levels being used by other countries. Employers were also allowed to 'top up' an employee's wages beyond the £2,500 funded by the grant, but this was entirely at the employer's discretion and expense.
267. The amounts paid to employees for periods of furlough were subject to income tax and NI, including employers' NI. The associated employer NI contributions and pension contributions (up to the level of the minimum automatic enrolment employer pension contribution) could also be claimed for under the CJRS for claim periods covering time spent on furlough between 1 March 2020 and 1 August 2020. Whilst these amounts were claimable through the CJRS the maximum amount an employer could potentially claim through the CJRS per employee was £2,804 (up to £2,500 for wages payable to the employee plus up to £304 for the associated employer NICs and pension contributions).
268. The initial scheme design proposed payments made in arrears to employers [**JH/D-CJRS/08 - INQ000583499**]. The Chancellor decided on 26 March 2020 that the CJRS would allow employers to claim and receive grants in advance of paying their employees in order to prevent cash flow issues for employers [**JH/D-CJRS/40 - INQ000583437** (erroneously dated 26 March 2019, rather than 2020) **and JH/D-CJRS/41 - INQ000583308**]. Employers were permitted to claim up to 14 calendar days in advance of the claim period end date (the last day that they were claiming for in the claim).
269. In April 2020 HMT commissioned HMRC to develop a more detailed cost estimate of the CJRS in advance of it going live [**JH/D-CJRS/42 - INQ000583735**]. HMRC's cost estimate incorporated earlier analysis by BEIS and HMT but also identified levels of error and fraud risks to give an early view of the cost of the CJRS before it went live.

Legislation

270. Under the Coronavirus Act 2020 powers, the Chancellor of the Exchequer (as a Treasury Commissioner) made Directions to HMRC, which set out the legal framework for the CJRS. The first Treasury Direction setting out CJRS was made on 15 April 2020 [**JH/D-CJRS/43 -**

INQ000583316]. This established the scheme and provided for its operation covering the period up to 31 May 2020. During the course of the scheme, six further directions were made, modifying the original direction to allow for changes to the existing scheme [**JH/D-CJRS/44 - INQ000583463, JH/D-CJRS/45 - INQ000583634, JH/D-CJRS/46 - INQ000583635, JH/D-CJRS/47 - INQ000583656, JH/D-CJRS/48 - INQ000583636 and JH/D-CJRS/49 - INQ000583649]**

Opening of the CJRS

271. The CJRS opened for claims on 20 April 2020, with employers able to backdate claims to cover time any employees had spent on furlough from 1 March 2020. This included those who had been furloughed by their employer at the very start of the pandemic, without any knowledge or expectation of government support, provided they met the wider eligibility requirements, which remained necessary to prevent error and fraud. Further detail about eligibility requirements including the PAYE Real Time Information cut-off dates is provided later in this statement. The estimated error and fraud rates were based on the rules of the scheme and no distinction was made in the analysis between retrospective and prospective claims.

272. Once the CJRS was live, HMRC data, including ongoing CJRS claims data, continued to inform ministers and policy teams on the expected costs and impacts of any changes to the scheme generosity, length, or operation.

273. All estimated costings for the CJRS were produced and updated for the different stages of the policy design and were included in the Office for Budget Responsibility forecast at the relevant fiscal event [**JH/D-CJRS/50 - INQ000583698, JH/D-CJRS/51 - INQ000583399, JH/D-CJRS/52 - INQ000583699, JH/D-CJRS/53 - INQ000583400, JH/D-CJRS/54 - INQ000583533], JH/D-CJRS/55 - INQ000583811 and JH/D-CJRS/56 - INQ000583819]**.

Delivery and ways of working

274. Due to the need to deliver the CJRS to very compressed timescales, design work and internal delivery work started on CJRS prior to the introduction of the Coronavirus Act 2020, and the subsequent Treasury Directions giving the new functions to HMRC.

Delivering the CJRS within compressed timescales

275. To ensure successful delivery of the CJRS, HMRC set up a central project team to coordinate the programme led by Joanna Rowland, Director of the Coronavirus Response Unit. It was accountable for delivering the scheme and was overseen by a project board [**JH/D-CJRS/57 - INQ000583388** and **JH/D-CJRS/58 - INQ000583324**] and the various HMRC COVID-19 governance groups. Actions and decisions from the project board were recorded in a decision log. A copy of the decision log is at [**JH/D-CJRS/59 - INQ000583470**].

276. CJRS risks and issues were recorded on the Management and Recording Tool. This enabled the project team to track progress on decisions as well as the accountable decision maker. Retaining this in one place where the relevant stakeholders could feed in helped to manage risks and ensured the information was readily available when needed. A copy of the Management and Recording Tool is at [**JH/D-CJRS/60 - INQ000583846**].

277. The central project team co-ordinated the programme, drawing on expertise from across the department to deliver various aspects. For example, delivery teams included those specialising in compliance, policy, guidance, communications, customer insight, data/analysis, design, operations, and systems. Bringing together these teams, each accountable for their own aspect of delivery but to work collaboratively, ensured activity was managed concurrently and to the required pace. Some of the key principles employed are set out below:

277.1. Keep it simple with the customer at the heart of delivery plans.

277.2. Promote early collaboration to impact options effectively.

277.3. Ensure good visibility of plans, decisions, risks, and issues with clear accountabilities.

277.4. Establish well-defined escalation routes and effective incident resolution post go live.

- 277.5. Ensure design teams work closely with customer insight, delivery, and communications teams so that the claims, payment, and review processes can be developed concurrently with the internal and external guidance products.
- 277.6. Drive forward operational readiness and ensure the delivery teams have the required software and hardware to manage the claims, payment, and review processes, as well as access to relevant training and guidance.
- 277.7. Work on project delivery activities in parallel instead of sequentially to ensure tight delivery timetable is met.
- 277.8. Reprioritise work where necessary, keeping all delivery partners informed.
278. The Governance structure for the HMRC COVID-19 schemes is covered in Part A of this statement. Any key decisions on delivery were escalated to the appropriate HMRC COVID-19 Board.
279. The compressed timescales created some challenges, and meant that:
- 279.1. usual policy development processes could not be followed, for example public consultation on the design and legislation which would normally help improve the design or operation of a policy and reduce the risk of unintended consequences or mistakes in legislation;
 - 279.2. work continued on refining the detail of the policy after the scheme had initially been announced, leading to updates and additions to guidance for employers;
 - 279.3. normal project delivery governance was not always carried out up front, for example, detailed documentation such as a business case, investment appraisal, project initiation documents and in-depth options analyses; and
 - 279.4. some design decisions were not formally captured contemporaneously in the early days of the project.
280. Considering policy and delivery simultaneously was crucial in enabling the fast delivery of a robust scheme design capable of providing economic support. Challenges in ensuring clarity of responsibilities and appropriate flows of information to all HMRC staff involved were addressed through close working between teams with shared governance and ways of working and overall, this approach worked well.

Eligibility and targeting of support

281. At the outset of the pandemic, it was unclear how businesses in the UK would be affected and to what extent. Ministers set the eligibility criteria by considering two factors: the desire to maximise support and coverage to allow for a range of health scenario outcomes (rather than targeting specific groups), while also seeking to minimise identified error and fraud risks, such as PAYE schemes being setup just to access the CJRS, and false or erroneous increases in workforce size or wages in order to claim greater amounts.

282. In summary, employers were eligible if they had:

282.1. created and started a PAYE payroll scheme on or before the cut-off date, as relevant to period of their claim;

282.2. enrolled for PAYE online; and

282.3. a UK, Isle of Man or Channel Island bank account [**JH/D-CJRS/61 - INQ000583643**].

283. Employees were eligible to be furloughed if their employer had made a PAYE Real Time Information submission to HMRC, notifying a payment of earnings for that employee, within the relevant dates for the period of the claim.

284. Employers were able to decide which, if any, of their eligible employees to furlough based on their own judgements about business need (and subject to agreement with the employee), and no particular groups of employers or employees were prioritised for support.

285. Further detail of the eligibility criteria, and the rationale for these, is noted in the following sections.

Eligible employers

286. The CJRS was open to all UK employers, including any entities with employees liable to UK income tax on earnings, for example including commercial businesses, recruitment agencies,

charities, employers of private domestic staff and public authorities **[JH/D-CJRS/61 - INQ000583643]**.

287. Provided an employer met the requirements above, they could apply for a CJRS grant where they had furloughed an eligible employee. The requirement to have created and started a PAYE scheme on or before the relevant PAYE Real Time Information cut-off date prevented potentially substantial fraudulent claims and organised criminal attacks, whereby new PAYE schemes were established, or whereby fictitious employees were invented, following the announcement of the CJRS solely to claim under the CJRS.
288. Limiting eligibility to those employers with UK, Isle of Man, or Channel Islands bank accounts enabled HMRC to check claimant's bank details, ensuring it was a valid bank account. These checks would not have been possible with bank accounts based in other jurisdictions.
289. Provided an employer met these requirements they could apply for a CJRS grant where they had furloughed an eligible employee.
290. When submitting a claim, employers were required to provide the name and NI number of the employee they were claiming for which allowed HMRC to check the NI number was genuine. If the employer did not have the employee's NI number they were required to search for it using HMRC's basic PAYE tools. Where an employee genuinely did not have NI number, for example because they were under 16 years old, employers were still permitted to claim for them.
291. Employers who furloughed employees were also required to confirm to their employee in writing that they had been furloughed.
292. Organisations with staff costs that were publicly funded were eligible for the CJRS, but government guidance advised them that they were expected to continue to use their public funding to pay staff rather than claim through the CJRS which would represent double funding **[JH/D-CJRS/61 - INQ000583643]**.

Eligible employees

293. When the CJRS went live, employees must have been included on a PAYE Real Time Information submission to HMRC between 5 April 2019 and 19 March 2020 to be eligible for furlough. This date range allowed annually paid employees and those with irregular work patterns such as seasonal workers to be captured, whilst reducing the risk of employers erroneously or fraudulently claiming for employees who no longer worked for them. The date range was updated with later iterations of the scheme.
294. Eligible employees could be on any type of employment contract, including full-time, part-time, agency, flexible or zero-hour contracts and the grant calculation was designed to accommodate both those who were paid a fixed, regular salary and those who had variable pay [**JH/D-CJRS/03 - INQ000583306**]. Any individual who was an employee for PAYE Income Tax purposes was also an employee for the purposes of CJRS, providing all of the other scheme criteria were met. This resulted in a wide range of employment types being eligible for the CJRS including less common employment types such as office holders (e.g., salaried company directors, company secretaries or board members), and agency workers [**JH/D-CJRS/62 - INQ000583644 and JH/D-CJRS/16 - INQ000583326**].
295. The CJRS eligibility criteria also allowed for individuals with caring responsibilities being shielded [**JH/D-CJRS/16 - INQ000583326**], or on maternity/parental leave [**JH/D-CJRS/08 - INQ000583499**] to be furloughed. Broad eligibility criteria helped to ensure that the CJRS supported as many jobs as possible.

Use of HMRC data in establishing PAYE Real Time Information cut-off dates and being “on payroll”

296. The use of an cut-off date was a key measure to mitigate the risk of error and fraud. It provided verifiable data to substantiate CJRS claims, from a point in time before the CJRS was announced.
297. When the government first announced the CJRS on 20 March 2020, the cut-off date was going to be 28 February 2020. This would have meant that the employee had to be employed and

on payroll before 28 February 2020 (“**on payroll**”), which is when HMRC took a snapshot of data from its systems to determine eligibility for the SSPR. (This date was chosen for the snapshot for the SSPR as it was recent, and the last Friday of the month, and therefore likely to capture those paid at the end of February.)

298. The CJRS announcement on 20 March 2020 indicated that eligible employees were required to be “on payroll” at 28 February 2020 to qualify. By “on payroll” the policy design intended to mean having been included on a PAYE Real Time Information submission to HMRC.
299. New employees normally only appear on employers’ returns to HMRC when they are paid. Therefore, employees who were employed before 28 February 2020 and not paid until after that date would typically not be included on employers’ PAYE Real Time Information returns made by 28 February 2020 but could reasonably be viewed as “on payroll” by the employer. In addition, where an employment started in February 2020, but the employer had not submitted their PAYE Real Time Information returns covering the new job until after 28 February 2020, HMRC would not have held any information about the employment by 28 February 2020.
300. HMRC became aware of this issue through stakeholder feedback during the week of 6 April 2020 and an initial summary of the issue was provided to the Chancellor on 9 April 2020 [**JH/D-CJRS/63 – INQ000607143**]. Full Advice on 13 April 2020 from HMRC to the Chancellor [**JH/D-CJRS/64 - INQ000583438**], explored options to address this issue. The advice recommended that changing the PAYE Real Time Information cut-off date to 19 March 2020 would most effectively address the issue for new employees whilst not increasing resource costs and fraud risk.
301. Initial HMRC analysis for the advice sent to the Chancellor on 13 April 2020 identified around 370,000 people who had started a job before 28 February 2020 but had not been notified to HMRC via PAYE Real Time Information by then. It was anticipated that changing the PAYE Real Time Information cut-off date to 19 March 2020 would make around 230,000 of these people eligible for the CJRS (because they had been included on a PAYE Real Time Information submission by 19 March 2020).
302. On 15 April 2020 the government announced that it had changed the CJRS cut-off date to 19 March 2020 [**JH/D-CJRS/65 - INQ000583628**] and guidance was updated to clarify HMRC’s

position that “on payroll” meant that an employee had been included in a PAYE Real Time Information return by that date **[JH/D-CJRS/66 - INQ000583653]**.

303. Further HMRC analysis between 18 and 20 April 2020 indicated that the change of cut-off date also made eligible an additional 240,000 paid employments which started between 29 February 2020 and 19 March 2020, and which were also included on employers’ PAYE Real Time Information submissions by 19 March 2020. This meant that a total of around 470,000 employments were actually made eligible for the CJRS by the change to the cut-off date. As some individuals will have had more than one job eligible for furlough, the number of people eligible will have been a little lower than this **[JH/D-CJRS/67 - INQ000583322]**.

304. HMRC does not hold data on the actual impact on uptake, because it is not possible to identify claims that were made solely because of the change in cut-off date.

Ministerial decisions to maximise coverage

305. HMT and HMRC advised ministers on ensuring that coverage of the CJRS was maximised and that a sensible approach was taken to various issues that arose in considering eligibility. This included addressing the following issues.

Directors’ statutory duties

306. Directors of limited companies who paid themselves a salary through PAYE were eligible to be furloughed and receive support through CJRS in relation to their PAYE earnings, providing they met the wider eligibility criteria.

307. HMRC and HMT recognised that company directors were required to carry out particular duties to fulfil their statutory obligations, as set out in the Companies Act 2006. Carrying out those duties would have breached the CJRS’s requirement not to work whilst on furlough **[JH/D-CJRS/68 - INQ000583485]**.

308. HMRC and HMT took steps to ensure that the First Treasury Direction **[JH/D-CJRS/43 - INQ000583316]** and GOV.UK guidance **[JH/D-CJRS/69 - INQ000583755]** were clear in advising company directors that they could meet their statutory obligations while on furlough,

providing they did no more than what was reasonably necessary for the purposes of meeting their statutory obligations. They could not undertake work which would generate commercial revenue or provide services to or on behalf of their company.

Redundant employees

309. In order to support those employees who had recently been made redundant due to COVID-19, staff who were employed on 28 February 2020 and made redundant on or after 1 March 2020, could be rehired by their former employer and furloughed under the CJRS (providing the other eligibility conditions were met) **[JH/D-CJRS/70 - INQ000583756]**.

Training/volunteering/working for other employers

310. Whilst on furlough, employees could not carry out any work for their employer but could complete training for their role. Employees could also undertake paid work in another job with a different employer, or unpaid voluntary work for an organisation other than their employer, while on furlough. These allowances aimed to ensure that employee skills could be retained, new labour market demands (e.g., home delivery services) could be catered for, and that people could act as volunteers to help with the COVID-19 response **[JH/D-CJRS/70 - INQ000583756]**.

Childcare

311. At various points COVID-19 resulted in school closures which could make it difficult for those with childcare responsibilities to work, even if they were working from home. To support this group, employers were allowed to furlough employees with childcare responsibilities and claim for them under the CJRS **[JH/D-CJRS/16 - INQ000583326]**.

Holiday pay

312. Employees could take holiday whilst on furlough, but guidance made clear that employers should not have put their employees on furlough because they were going to be on paid leave **[JH/D-CJRS/71 - INQ000583652]**. The Working Time Regulations required holiday pay to be

paid at the employee's normal rate of pay or, where the rate of pay varies, calculated on the average pay received by the employee in the last 52 working weeks (12 weeks in Northern Ireland). Therefore, where a furloughed employee took holiday leave the employer was required to pay their usual holiday pay in accordance with Working Time Regulations even if this was more than could be claimed for the employee under the CJRS.

313. Furloughed employees also continued to accrue leave as per their employment contract. HMT engaged BEIS on amending Working Time Regulations to ensure that where it was not reasonably practicable for the employee to take some or all of their statutory holiday due to the effects of COVID-19, the amount which had not been taken may be carried forward into the following two leave years **[JH/D-CJRS/72 - INQ000583647]**.

Use of HMRC Commissioners' discretionary powers to ensure intended coverage

314. HMRC Commissioners exercised or delegated their discretionary collection and management powers and payment and management powers in order to avoid unintended or temporary anomalies that would prevent the CJRS from operating as intended. The following paragraphs summarise the decisions taken to ensure the CJRS had its intended coverage.

Transfer of Undertakings (Protection of Employment) regulations eligibility dates

315. An error was made in clause 9.3 of the first CJRS Treasury Direction. This clause originally provided that employees who underwent a transfer under the Transfer of Undertakings (Protection of Employment) regulations or similar transfers (payroll succession, where another legal entity takes ownership of a business and becomes responsible for the pay records, and payroll consolidation (the merging of multiple PAYE schemes within one organisation) after 19 March 2020 would be eligible to make a claim. This was not in line with the ministerial decision to allow this from the earlier date of 28 February 2020.
316. On 29 April 2020 HMRC Commissioners used their discretion to accept that employers were eligible for a CJRS grant in respect of employees who transferred under the Transfer of Undertakings (Protection of Employment) regulations between 28th February 2020 and 19 March 2020. They also agreed to exercise the same discretion in respect of payroll succession

and payroll consolidation **[JH/D-CJRS/73 - INQ000583529 and JH/D-CJRS/74 - INQ000583332]**. This permitted HMRC to accept the relevant claims ahead of the second CJRS Treasury Direction being updated to correct the position on 20 May 2020 **[JH/D-CJRS/44 - INQ000583463]**.

Cases where non-eligibility was caused by HMRC error or exceptional vulnerability

317. Early in the operation of the CJRS a small number of particularly difficult cases arose (identified by operational contact and ministerial correspondence) and these needed to be resolved with some urgency. HMRC's advice to commissioners for handling these difficult cases focused on (i) where the customer was ineligible for the grant because of an HMRC error, and (ii) dealing with exceptionally vulnerable customers **[JH/D-CJRS/75 - INQ000583528]**.
318. On 18 May 2020 the Commissioners agreed to the exercise of their discretion in cases involving HMRC errors in which the employer would have qualified for the CJRS but for HMRC's error, as demonstrable by evidence **[JH/D-CJRS/76 - INQ000583336]**.
319. The Commissioners deferred their decision on these proposals concerning vulnerable customers, wanting to see a more detailed proposition including how it would be articulated to ministers **[JH/D-CJRS/76 - INQ000583336]**. This was completed within three days and supported a final decision by the Commissioners which set criteria and delegated decisions on a case-by case basis to a Discretionary Claims Board.
320. The Discretionary Claims Board acted with delegated authority from the Commissioners to review cases which met the strict criteria agreed by the Commissioners **[JH/D-CJRS/77 - INQ000583527]**, involving:
- 320.1. HMRC errors in which the employer/employee would have qualified for CJRS but for HMRC's error as demonstrable by evidence. For example, one customer was given incorrect advice by HMRC call agents on whether they could setup a PAYE scheme and another was given incorrect contact information to setup their PAYE scheme which delayed their returns being filed before the PAYE Real Time Information cut off-date.

- 320.2. vulnerability cases where the customer had tried to comply with the requirements of CJRS but was prevented from doing so as a result of their vulnerability (including physical or mental health) and the consequences of HMRC not paying their claim were unconscionably harsh on the level of risk to life or threat of serious violence, for instance a risk of suicide.
321. The first Discretionary Claim Board meeting was held on 21 May 2020 and it met weekly from May 2020 to March 2021. However, meetings were convened within 24 hours in more urgent or vulnerable cases (for example in cases involving self-harm or threat to life). Its membership was made up from teams across HMRC. After March 2021 the Discretionary Claims Board convened on an ad hoc basis determined by cases that required review.
322. In total 83 cases were deemed eligible through the Board, 71 were approved on the grounds of HMRC error, and 12 on the grounds of vulnerability.

*Unintended Gaps
Reasons for excluded groups*

323. The CJRS was designed to provide employers with an option to maintain their workforce during Covid-19. Employers were able to decide which, if any, of their employees to furlough. Employers were able to decide not to furlough employees where they did not think there was a benefit to their business, for instance if a role was unlikely to be viable in the longer-term.
324. In line with the objectives to provide support as broadly as possible while protecting against error and fraud, the eligibility criteria for the CJRS were based on existing, verifiable data. In combination with the need to provide support quickly, this led to some individuals being excluded from both the CJRS and the SEISS.
325. Advice to ministers highlighted these scenarios, which broadly fell into two categories:
- 325.1. where hard boundaries, namely the PAYE Real Time Information cut-off date, were necessary to minimise the risk of fraud, but meant that some employers and

employees might not benefit despite, on the face of it, it being logical for them to be included [JH/D-CJRS/04 - INQ000583341]; and

325.2. where policy design decisions meant that individuals were not eligible for the CJRS or the SEISS (notably Company Owner Managers who paid themselves through dividends) but where alternative support options carried too high a level of risk of error and fraud.

326. HMRC, working with HMT, considered a number of approaches to extend support to those ineligible for the CJRS (and the SEISS). Options to extend support were considered to be unworkable or open up the CJRS, SEISS (or a separate support scheme) to an unacceptable level of risk of error and fraud. Previous sections ('Ministerial decisions to maximise coverage' and 'Use of HMRC Commissioners discretionary powers to ensure intended coverage') describe the steps taken to maximise coverage where possible.

327. It is important to say that those ineligible for both the CJRS or the SEISS may still have been eligible for other provisions within the financial support available during COVID-19. Those who did not receive a CJRS or a SEISS grant may have been eligible for increased levels of Universal Credit. In addition to this, they may have been able to access other elements of support, including Bounce Back loans, COVID-19 Business Interruption Loans, tax deferrals, rental support, mortgage holidays and other business support grants.

Employees whose PAYE Real Time Information data was filed late and new employees

328. A key limitation of the PAYE Real Time Information data based approach lay in how an employee's start and cessation dates of employment are usually reported through PAYE Real Time Information after the relevant event has occurred alongside their respective first and last payments of earnings. This is because employees are usually first paid (which results in a PAYE Real Time Information submission) 1-4 weeks after they have started employment and usually receive their last payment 1-4 weeks after their employment has ceased. Combined with HMRC's use of the PAYE Real Time Information cut-off dates, this resulted in cases where an employee started work on or before the PAYE Real Time Information cut-off date (e.g., March 19) but was not eligible because their employer had not paid them and included them on a PAYE Real Time Information submission on or before the cut-off date. Inclusion of

these cases would have significantly weakened the fraud protection provided by the PAYE Real Time Information cut-off date.

329. In April 2020 HMRC estimated that 140,000 people who were employed by 28 February 2020 were not notified to HMRC via Real Time Information by 19 March 2020. A further 370,000 people who started employment between 29 February 2020 and 19 March also weren't notified to HMRC via PAYE Real Time Information on or before 19 March 2020 **[JH/D-CJRS/67 - INQ000583322]**.

Employed freelancers

330. The CJRS was available to all employees on PAYE regardless of their type of employment contract, including freelancers **[JH/D-CJRS/70 - INQ000583756]** (estimated as approximately 400,000 people in February 2021).

331. Freelancers on short-term contracts may not have been eligible for the CJRS as a result of the PAYE Real Time Information cut-off dates. Where a freelancer's contract had ended they could be re-employed, furloughed and a claim submitted if either:

331.1. their contract expired on or after 28 February 2020 and a PAYE Real Time Information payment submission for the employee was notified to HMRC on or before 28 February 2020; or

331.2. their contract expired on or after 19 March 2020 and a PAYE Real Time Information payment submission for the employee was notified to HMRC on or before 19 March 2020.

332. As with those whose PAYE Real Time Information data was filed late or new employees, other changes to the PAYE Real Time Information cut-off date to enable these individuals to be eligible would have significantly weakened the fraud protection.

Employees with dividend income and Company Owner Managers

333. Guidance told employers what to include and what not to include when calculating wages **[JH/D-CJRS/78 - INQ000583445]**. If an individual received some earnings through a salary taxed under PAYE and some dividend income their entitlement to the CJRS could only be calculated based on the PAYE earnings.
334. If an individual only received dividend income then it was not possible for that income to be the subject of a CJRS claim.
335. Income from dividends is a return on investment in the company, rather than wages. It can be derived from multiple sources including investments, rather than simply being paid in lieu of salary. Freelance workers who work through their own company often remunerate themselves through dividends in lieu of salary because this results in a tax saving. Under income reporting mechanisms, it was not possible for HMRC to distinguish between dividends derived from a freelance worker's own company in lieu of wages and dividends from other sources. Dividend income also arises as unearned income from shares held by individuals not related to employment (e.g. owning some shares in a publicly listed company). Therefore, dividends could not be included in the calculation of the grant available under the CJRS or other HMRC support schemes.
336. On 20 May 2020, HMT sent advice to the Chancellor exploring the provision of further support for Company Owner Managers for the portion of their income paid via dividends in lieu of salary **[JH/D-CJRS/79 - INQ000583739]**. The advice estimated that approximately 850,000 Company Owner Managers had both dividend and PAYE income while approximately 50,000 Company Owner Managers had only dividend income. It also explained that such a scheme would necessarily be more complex, less targeted and more open to abuse than the SEISS, due to the data limitations and the consequent reliance on self-certification (information which could not be validated) in establishing eligibility and entitlement. It also highlighted considerations about the rationale for supplementing dividend income to Company Owner Managers, and capacity challenges in delivering this scheme on top of other commitments. Operationally given the complexities, it would require the need for more manual processing. Following this advice, the Chancellor decided not to pursue a specific scheme to support Company Owner Managers **[JH/D-CJRS/80 - INQ000583342]**.

Annually paid Company Owner Managers

337. People who were paid wages annually were able to be claimed for under the CJRS as long as they met the wider eligibility criteria. Some annually paid individuals who were due to be paid towards the end of the 2019-2020 tax year, or the start of the 2020-2021 tax year, (and had not been paid wages since before 5 April 2019) would not have met the PAYE Real Time Information cut-off date requirements, and therefore were ineligible to be claimed for. Through stakeholder feedback, it became apparent that this would primarily affect a class of Company Owner Managers who make salary decisions late in the tax year, alongside decisions to pay dividends. When the CJRS was extended from 1 November 2020 (CJRS 3) new PAYE Real time Information cut-off dates were introduced. This meant that annually paid Company Owner Managers who were not eligible for the original scheme could have been claimed for through the extension in relation to their salaried earnings, if they had been paid, (and their employer had made a PAYE Real Time Information submission to HMRC, notifying a payment of earnings for that employee), between 20 March 2020 and 30 October 2020.

Alternative proposals to extend support to excluded groups

338. There was well-publicised criticism that some groups were ineligible for both the CJRS and the SEISS. Over time, some business groups and stakeholders developed their own proposals for alternative support schemes to provide support to those ineligible for the CJRS and the SEISS, including for those who pay themselves through dividends. For instance, the Federation of Small Businesses, Forgotten Limited and the Association of Chartered Certified Accountants proposed the Director Income Support Scheme **[JH/D-CJRS/81 - INQ000583501]**. The Gaps in Support All Party-Parliamentary Group put forward a proposal for a Targeted Income Grant Scheme **[JH/D-CJRS/82 - INQ000583832]**.

339. HMRC and HMT considered the proposals from stakeholders, with HMRC's role primarily focussing on understanding the feasibility of designing and operating an alternative scheme.

340. On 13 January 2021, advice was sent to the Chancellor, to consider the position for Company Owner Managers **[JH/D-CJRS/83 - INQ000583762]**. This advice sought a decision on what

approach to take in relation to potential support and provided a summary of the risks, challenges and potential for fraud and error for two groups:

- 340.1. 'Directors' with less than £50k turnover (0.9 million people) and
- 340.2. 'Close Company Directors' with less than £50k turnover (0.3 million people)

341. On 3 February 2021, the COVID-19 Response Board discussed those groups ineligible to receive support through the CJRS and the SEISS, considering both the size of the ineligible groups, and the reasons why they were ineligible. The discussion also provided an update on why the additional proposals to offer support to those groups were considered to be unfeasible. **[JH/D-CJRS/84 - INQ000583393, JH/D-CJRS/85 - INQ000583394 and JH/D-CJRS/86 - INQ000583397].**

342. Advice was also shared with ministers regarding alternative scheme designs. On 1 February 2021 advice on the All Party Parliamentary Group's proposal for the Targeted Income Grant Scheme was sent to ministers **[JH/D-CJRS/87 - INQ000583392]**. Ministers decided not to pursue delivery of the Targeted Income Grant Scheme.

343. On 19 March 2021 the then Financial Secretary to the Treasury wrote to the All-Party Parliamentary Group sponsoring the proposals designed to support those not eligible for the CJRS or the SEISS. The letter explained why none of the options could be taken forward. A copy of this letter is at **[JH/D-CJRS/88 - INQ000583604]**. The reasons included issues in targeting the support, the inability to verify data, the need for self-certification which could require significant manual operations by HMRC, and the significant error and fraud risks. Throughout the design and implementation process of the CJRS (and the SEISS) HMRC had used verifiable data in order to minimise the risk of error and fraud. However, allowing individuals or businesses to self-certify would have potentially substantially increased the risk of error and fraud. The Director Income Support Scheme would have needed information on who was a working director of a company, their remuneration amount from that company, and whether they were a director of one company or several. HMRC did not hold this data and therefore it would have been reliant on self-certification. Any approach where payments were made, and then data subsequently verified to confirm eligibility, would have been highly

resource intensive, and risked a greater percentage of incorrect or fraudulent payments being made that HMRC would later be unable to recover.

*Implementation and delivery
Communication; Guidance*

344. HMRC was responsible for drafting and publishing guidance on the CJRS on GOV.UK. This work was led by Reshma Prajapat and subsequently NR
345. The CJRS eligibility rules were set out in publicly available guidance on GOV.UK, using accessible language wherever possible in line with GOV.UK standards **[JH/D-CJRS/62 - INQ000583643]**. The guidance was written for employers, as the potential claimants, and guided them through the steps they would need to take to claim.
346. HMRC also maintained a guidance page that was specifically written to help employees understand the CJRS and whether their employer could claim for them **[JH/D-CJRS/71 - INQ000583652]**.
347. HMRC tested proposed guidance with professional bodies and trusted stakeholders to test its usability for employers **[JH/D-CJRS/89 - INQ000583425 and JH/D-CJRS/90 - INQ000583436]**.
348. By way of examples:
- 348.1. HMRC first published guidance about CJRS on GOV.UK on 26 March 2020 **[JH/D-CJRS/91 - INQ000583758]**.
- 348.2. On 20 April 2020 HMRC first published guidance on the claim process “*Claim for wages through the Coronavirus Job Retention Scheme*”, which included a link to an online claim portal. That guidance highlighted what was required before a claim could be made, and what information was needed to make a claim **[JH/D-CJRS/92 - INQ000583645]**.
- 348.3. The online claim process closely mirrored the online calculator which could be found in the guidance “*Coronavirus Job Retention Scheme calculator*” and “*Calculate how*

much you can claim using the Coronavirus Job Retention Scheme” **[JH/D-CJRS/93 - INQ000583441]**. If someone had used the HMRC calculator to estimate the amount they may be entitled to, then they would have had the majority of the information required to complete the claim **[JH/D-CJRS/94 - INQ000583646]**.

348.4. Guidance on how to “*Pay Coronavirus Job Retention Scheme grants back*” was first published on 26 June 2020 **[JH/D-CJRS/95 - INQ000584239]**. Other guidance pages included:

348.4.1. Check if your employer can use the CJRS **[JH/D-CJRS/71 - INQ000583652]**

348.4.2. Check if you can claim for your employee’s wages through CJRS **[JH/D-CJRS/62 - INQ000583643]**

348.4.3. Check which employees you can put on furlough to use the CJRS **[JH/D-CJRS/78 - INQ000583445]**

348.4.4. Steps to take before calculating your claim using the CJRS **[JH/D-CJRS/78 - INQ000583445]**

348.4.5. Reporting employee’s wages to HMRC when you’ve claimed through CJRS **[JH/D-CJRS/96 - INQ000583760]**

348.4.6. Examples of how to calculate your employee’s wages **[JH/D-CJRS/97 - INQ000583654]**

348.4.7. Full calculation examples **[JH/D-CJRS/98 - INQ000583655]**

349. Guidance was continually updated in response to developments and changes to the various iterations of the CJRS Treasury Directions. Each guidance page contained its own archive list detailing the dates of each update and the reason for each update. Archived copies of pages could be found on the government archive webpages.

Support for claimants

350. In addition to the online guidance HMRC provided telephone support and online webchat to deal with user issues. HMRC staff were trained to handle a wide range of enquiries relating to the CJRS and could process claims, or make amendments to prior claims, over the phone where necessary (for example, for the digitally excluded).

351. While the CJRS was open for claims (between 30 March 2020 and 12 October 2021) HMRC officials ran 310 webinars attended by 158,909 people. These explained the CJRS's rules, how to furlough employees, and how to claim grants through the CJRS and were constantly updated to reflect the latest guidance. These webinars were often recorded and made available to the public after the event.

Communications to employers

352. Employers were also supported through targeted communications to make them aware of the CJRS, including if they were eligible, any changes to the CJRS rules, and how to apply and feel supported through the process. HMRC's target audience for communications was employers, and stakeholders as the potential claimants for the CJRS. Vulnerable customers were also considered, including those who would be digitally excluded and those unable to use digital channels **[JH/D-CJRS/99 - INQ000583866 and JH/D-CJRS/100 - INQ000583813]**

353. To maximise the reach of HMRC's key messages to this audience a multi-channel approach was taken, including non-digital channels. Channels included media activity (press releases, paid for advertising and editorials), social media activity (paid for adverts, government department channels and stakeholder channels), direct communications (emails to employers, agents and stakeholders subscribed to HMRC's mailing list and updates in Personal Tax Accounts), HMRC bulletins (employers and agents), recorded messages on HMRC's helplines and webinars. The approach and the messages in communications were the same across the UK, reflecting that the CJRS was a UK-wide scheme **[JH/D-CJRS/101 - INQ000583310, JH/D-CJRS/102 - INQ000583795 and JH/D-CJRS/103 - INQ000583817]**.

354. Communications were evaluated for effectiveness, with data reviewed across internal communications, media, social media, GOV.UK, webinars, emails and stakeholder communications. Where available, historical data was used as a benchmark to measure performance of the communications used **[JH/D-CJRS/104 - INQ000583845]**. There were online surveys undertaken with 1,032 employees and 1,226 businesses conducted by Ipsos MORI between 16 and 19 April 2020, just before the CJRS launched on 20 April 2020. These surveys identified that awareness and understanding of the CJRS was high, with most businesses confident they knew whether they would be eligible for the CJRS and how to apply.

The most used information source was HMRC webpages on GOV.UK [**JH/D-CJRS/105 - INQ000583375**].

Accessibility: Equalities considerations

355. HMRC led on the consideration of equalities impacts relating to the operational delivery of the CJRS. HMT was as set out above responsible for equalities impacts of the policy decisions themselves. Equality assessments for the design decisions were included in the very earliest advice sent to the Chancellor see for example ministerial submissions concerning the CJRS's initial design from 20 March and 24 March 2020 [**JH/D-CJRS/08 – INQ000583499** and **JH/D-CJRS/03 - PI-000583306**]
356. The CJRS Equality Impact Assessment, which covered the impacts of the operational delivery of the CJRS throughout its existence was published on GOV.UK on 13 October 2022 [**JH/D-CJRS/106 - INQ000583648**].
357. Through March and April 2020 before the CJRS was introduced HMRC assessed the equality impacts of the operational delivery against all protected characteristics in line with the Equality Act. An unsigned copy of what I am advised is a copy of the original assessment is at [**JH/D-CJRS/106A – INQ000606728**]. The following steps were taken to mitigate the equality impacts found:
- 357.1. Disabled: additional assistance was provided for customers who are deaf or hearing impaired, blind or partially sighted. This included providing a variety of content formats, zoom facilities. The extra support service was available for those who could not interact digitally, for example, due to cognitive difficulties or physical disabilities.
 - 357.2. Age: insight suggested there was likely to be differences in digital access across different age groups. HMRC offered extra support services for those who could not interact digitally because of limited access.
 - 357.3. Religion or belief: the values of some religions limit the time of day or week they can interact with HMRC services and use of computers. Digital provision offered out of hours self-serve options to suit needs and employers and agents could claim on behalf of the employee.

- 357.4. People who use different languages: guidance, existing and new forms for the CJRS were made available in both English and Welsh. Forms could be requested in alternative formats. Manual claims could be processed in Welsh. Arrangements could be made for family and friends to interpret or speak on behalf of those for whom English was not a first language.
358. At each iteration of the CJRS, final decision records from HMRC and HMT were sent to the Chancellor for his agreement. Like the ministerial advice that preceded the decision records, these regularly included reference to the impacts of policy decisions on different groups of the population, analysis conducted, and recommendations of how those impacts might be addressed within the CJRS. These were then reflected in the decisions made to ensure access, for example **[JH/D-CJRS/03 - INQ000583306]**:
- 358.1. setting the same maximum grant amount for part time and full time employees;
 - 358.2. designing the pay calculation to capture employees with variable income such as zero-hour contracts or seasonal workers;
 - 358.3. allowing employers to choose to include employees on parental leave; and
 - 358.4. allowing employees who were shielding to be furloughed.
359. Once the CJRS had been live for a period of time it became possible to identify broad trends in likelihood to be furloughed across different groups. From 6 May 2020, HMRC produced data showing the number of employees supported through the CJRS by age and gender **[JH/D-CJRS/106B – INQ000606711 and JH/D-CJRS/106C – INQ000606712]**. As HMRC only holds data necessary to fulfil its functions, analysis of other characteristics relied on multiple data sources, including external sources such as from the Resolution Foundation. These trends were also captured in advice to ministers. HMT summarised evidence that young people, people from ethnically diverse backgrounds and those on lower incomes (more likely to be women, disabled people or those from an ethnically diverse background) were more likely to be furloughed **[JH/D-CJRS/04 - INQ000583341]**. Women and disabled people were also more likely to have caring responsibilities or face shielding requirements **[JH/D-CJRS/05 - INQ000397190]**. Continuation of the CJRS in line with non-pharmaceutical interventions aimed to reduce the risk of redundancies across these groups.

360. In February 2021 joint advice to the Chancellor summarised the policy impacts of the CJRS on the following groups **[JH/D-CJRS/06 - INQ000583479 and JH/D-CJRS/07 - INQ000583714]**:

- 360.1. Age: CJRS changes were more likely to impact those under 25 and over 65, the former who were more likely to be furloughed and the latter who were more likely to be shielding;
- 360.2. Disability: HMRC does not collect data on disability status but external research suggested that people with disabilities were more likely to be furloughed and would therefore be more impacted by changes to the scheme;
- 360.3. Race: Although HMRC did not collect ethnicity data, people from a diverse ethnic background were more likely to be furloughed as they were more likely to be low-paid and were heavily represented in sectors where the CJRS take-up was high;
- 360.4. Sex: The employment distribution over time for the CJRS remained very similar for both men and women. Whilst there were impacts on men, there were greater impacts on women because they were disproportionately represented in the sectors that had the highest take up, were more likely to be on lower incomes and tended to have more caring responsibilities;
- 360.5. Pregnancy and Maternity: Calculation of the CJRS grant could be affected by the timing of maternity leave as well as if variable rates of pay were received during the reference period. In some cases this would have meant that new or expectant mothers were not eligible to be furloughed or could have received lower pay than a counterpart who did not take maternity leave during the salary reference period;
- 360.6. Characteristics for which is there was no/little impact: gender reassignment, religion or belief, sexual orientation, marriage and civil partnership: We do not know the proportion of these groups within the furloughed populations, and there is very limited external data available. It is unlikely that there were any major differential impacts flowing from the CJRS design for these groups; and
- 360.7. Region: Regional impacts depended on non-pharmaceutical interventions and the vaccine rollout, which were uncertain. The continued availability of the CJRS likely benefitted low-resilience areas, Covid-19 hotspots and areas subject to tougher restrictions, but there were risks if tapering the CJRS didn't align with lifting non-

pharmaceutical interventions in some areas, resulting in more redundancies and fewer returns to work in those areas.

User-centred design

361. HMRC took steps to ensure there was a strategic, customer-centric approach to delivering the CJRS. It also had to be reliable, and able to cope with unprecedented demand. In-built controls were also required to reduce fraud and error.
362. To make the process as simple as possible, and protect against the risk of error and fraud, the claims service sought the minimum amount of data from those claiming the CJRS possible and used existing data (e.g. PAYE Real Time Information data) to automatically check customer eligibility.
363. HMRC applied a logic-based cap to the total amount of government contribution each employer was allowed to claim per month across all its employees. The cap was established by determining the total number of eligible employees on the PAYE scheme(s) and multiplying that number by the current monthly per employee cap. The cap therefore acted as a compliance control, mitigating the risk that employers could accidentally or deliberately overclaim.
364. The system was also designed so that agents were able to claim on an employer's behalf.
365. Understanding customer's needs and user testing were important in ensuring the service was accessible to employers and agents who needed support. Given compressed timescales, user research from the SSPR was used to inform employer needs, and testing was undertaken with trusted third parties. All updates to the service after that were informed by ongoing research and user feedback.
366. Rigorous performance testing of the Digital Service was undertaken prior to go live to provide confidence that the service could cope with the expected spike in traffic following the launch of the service to check for cyber-attack vulnerabilities and security risks. End to End testing

ensured that the system behaved as expected and that the flow of data was maintained for all kinds of user, tasks and processes.

367. IT delivery colleagues used existing relationships with a trusted group of payroll software providers to maximise efforts to help employers get ready for the service to go live on 20 April 2020. This allowed the claims portal to be built in basic form and shared with trusted employers and front-line staff for testing and review. Comments were taken on board and the portal amended and then taken back to the same group for further review and testing. This iteration process continued until the portal was deemed acceptable by all testers.
368. HMRC's Customer Insight and Design Directorate established and led a Design Community and produced process maps that captured the main steps at key processes (including employers making claims, and HMRC payment of grants). 'Customer Journeys' mapped out the potential touch points between HMRC and employers during their claim process. This helped to ensure processes were as simple as possible for the customer and highlighted where improvements could be made **[JH/D-CJRS/107 - INQ000583315 and JH/D-CJRS/108 - INQ000583317]**.
369. To ensure HMRC staff were able to process claims quickly and accurately, and able to handle customer contact about the CJRS, HMRC's Operational Excellence teams developed process maps, to show the more detailed operational steps. Detailed guidance was also published on Ocelot (HMRC's internal guidance platform for operational staff). Together this gave HMRC staff a step-by-step process to allow them to handle customer calls and carry out any back-office work. This applied to all stages/aspects of the scheme, including compliance work.

Addressing access and usability issues in the claims service

370. After the CJRS claims service was launched, a small number of issues were identified and resolved. These are detailed in the Management and Recording Tool **[JH/D-CJRS/61 - INQ000583846]**.
371. While small employers could manually enter employee details into the CJRS portal to make claims, HMRC recognized this was unworkable for medium to large employers, many of whom

have thousands of employees. This created both a high administrative burden on the employer and a risk of error from manual entry of large amounts of data. This issue was first identified on 3 April 2020. HMRC worked with payroll software providers to co-create, build, and deliver a payroll based CJRS claims solution. This pulled data directly from payroll software and automatically applied the correct calculations and crucially created a file that could be uploaded into the CJRS portal **[JH/D-CJRS/109 - INQ000583442]** eliminating the need for manual data entry. This solution was initially implemented in June 2020 for claim periods from 1 July 2020.

372. Following the implementation of this solution, an issue was identified on 11 June 2020 where some CJRS claims were rejected because of employees who, whilst still employed, were receiving Statutory Sick Pay and Statutory Maternity Pay. This prevented the employer's full claim from being paid where they had submitted their claim through the new file upload process. This was because the data used to check claim eligibility did not include these individuals. A manual process was included in the CJRS claims service on 15 June 2020 which enabled employers to make a declaration that those employees were still employed, enabling the claim to go through. These claims were then targeted and picked up in compliance checks.

373. In July 2020 a combination of customer complaints and internal quality checks identified 330 grants (totalling around £2.3m) had been paid out to employers that were not eligible to receive them. Employers were ineligible but had received payments because of errors in the PAYE Real Time Information data used to determine eligibility and incorrect manual processing of claims by HMRC call centre staff as a result of misinterpretation of guidance **[JH/D-CJRS/110 - INQ000583530]**. HMRC obtained approval from HMT to write off the £2.3m paid out. On 29 July 2020 HMRC Commissioners agreed to contact these employers to inform them that although they were not eligible for a claim, HMRC would not pursue recovery action and the overclaimed amounts did not need to be returned. Commissioners also agreed that a reasonable notice period was required so employers were advised that further claims covering a period of up to eight weeks from the date of the letter would be accepted while they rearranged their affairs (around £2.5m). This was to be considered on a case-by-case basis. Commissioners delegated the ability to further exercise this discretion in similar circumstances **[JH/D-CJRS/110 - INQ000583530]**.

Monitoring

374. In addition to the project governance structures, following launch of the CJRS, a daily programme meeting was established to understand how the service was performing and enable quick resolutions and mitigation of issues and decisions. An example of a daily update is at **[JH/D-CJRS/111 - INQ000583309]**.
375. HMRC also developed a reporting dashboard for CJRS which was used to support management decision-making. These dashboards were reported to ExCom, HMT, and the Chancellor, initially daily, and then weekly. The dashboards included information on scheme take-up, claim values, project risks and “risk-profiling” of fraudulent claims **[JH/D-CJRS/112 - INQ000583410]**. This also included insight from social media feeds.
376. Due to the compressed timescales which HMRC was working to, whilst it would have been part of HMRC’s usual policy implementation and delivery processes and standard governance to formally set what are referred to as ‘Critical Success Factors’, being conditions or targets which a service must achieve to be considered successful, this was not possible for the CJRS. In addition to the internal monitoring referred to above, the performance of the CJRS was monitored by HMRC through user feedback and customer satisfaction scores, which were continually higher than the overall HMRC target (being a 95% satisfaction score compared with a usual score of 85%). HMRC also monitored social media which helped to gauge system performance and identify any issues that employers were having so that these could be addressed. These processes helped support decisions which were made by HMRC regarding changes to service features.
377. HMRC has not identified any significant reported ongoing or repeated difficulties for employers using the CJRS or with the payment efficiency. Due to the time constraints and the amount of employers using the scheme it is possible there were some localised difficulties faced by users, particularly in the early days of the CJRS being available, but as noted above HMRC was monitoring and addressing these issues as they arose and user feedback was positive. HMRC data indicates that 99.5% of claims were processed and paid to employers within three working days of their claim being made.

378. Research for the interim evaluation found that nine in ten employers (93%) and agents (91%) that used the CJRS were satisfied with their experience of applying for the CJRS **[JH/D-CJRS/113 - INQ000583639]**.

Data collection

379. HMRC used data collected from the CJRS claims system to monitor use of the CJRS. HMRC worked with HMT to feed statistical figures into advice that went to ministers to inform policy development of the CJRS, these figures included policy costings and data updates monitoring performance and uptake, for example those exhibited at **[JH/D-CJRS/114 - INQ000583801, JH/D-CJRS/115 - INQ000583800 and JH/D-CJRS/116 - INQ000583799]**. Examples of policy costings included estimating the cost of extensions to the CJRS and modelling costs for alternative policies like the JSS **[JH/D-CJRS/117 - INQ000583820]**. Forecasts of costings for the CJRS were updated when new data became available and were shared with HMT. Policy makers and ministers considered this data when considering changes to the CJRS, for example whether to extend the CJRS or change generosity levels **[JH/D-CJRS/118 - INQ000583531 and JH/D-CJRS/54 - INQ000583533]**.

380. In November 2020 HMRC introduced a fourteen-day claim deadline and a further fourteen days from this for amendments to claims. This change improved the speed with which reliable data on scheme usage became available to HMRC. In turn, this provided quicker insights on the impacts of COVID-19 on the economy and helped inform ministerial decisions about the future of the CJRS.

Adjustments and cessation of support

381. After the initial scheme was introduced, it was extended three times, on 12 May 2020, 31 October 2020 and 3 March 2021, before closing nineteen months later at the end of September 2021.

382. Throughout the lifetime of the CJRS, HMRC considered a number of approaches to target the scheme, and the levels of government and employer contributions to furloughed employee's

wages were reviewed during the CJRS based on the labour market conditions and COVID-19 outlook. Higher levels of government support were available during more restricted periods with employers being required to contribute more when restrictions were typically easing.

383. To help ensure employers only furloughed those employees who really needed to be furloughed they were required to ensure that furloughed employees continued to receive a consistent minimum level of income (equal to 80% of their relevant wage, up to a cap of £2,500 a month) when the level of support through the CJRS tapered.

384. Throughout the CJRS, adaptations were made to the policy to reflect the changing COVID-19 pandemic situation and associated non-pharmaceutical interventions:

384.1. from 1 July 2020, flexible furlough was introduced. This allowed employees to return to work for any amount of time while employers were still able to claim for the hours not worked;

384.2. from 1 August 2020, employers could no longer claim associated employee costs (NI contributions and pension contributions);

384.3. from 1 September 2020, employers were required to contribute 10% of usual pay in respect of any hours not worked, followed by 20% in October 2020; and

384.4. from 1 November 2020, the government contribution was increased back to 80% and subsequently extended until June 2021 in response to the increase in non-pharmaceutical interventions – accompanying a new PAYE payroll cut-off of 30 October 2020.

385. The timing of government announcements when there were changes to the CJRS were not in HMRC's control. They often reflected the timing of decisions and announcements about non-pharmaceutical interventions made by the government.

First extension of the CJRS

386. The first extension to the CJRS was announced on 12 May 2020 during the Spring Budget, extending the CJRS until 31 October 2020 [JH/D-CJRS/119 - INQ000086774]. October 2020

was selected as the date of closure on the basis that lockdown restrictions were being lifted over the summer.

387. The CJRS was originally designed to support a short national lockdown of some weeks, potentially extending to a short number of months. Therefore, early exit planning was focussed around choosing a suitable last day for the CJRS to operate **[JH/D-CJRS/120 - INQ000583473]**.

388. A key consideration on the timing of the CJRS extension was the 45-day mandatory consultation process for large employers planning potential redundancies of more than 100 staff **[JH/D-CJRS/120 - INQ000583473]**. If employers could not be reasonably certain that they would be financially able to maintain their employees after around 45 days, they would be obliged in practice to begin this process by sending letters to potentially affected staff members. This meant that an announcement about the future of the CJRS beyond the end of June 2020 needed to be made by mid-May 2020 to avoid greater uncertainty.

389. Advice from HMT to the Chancellor on 23 April 2020 **[JH/D-CJRS/121 - INQ000583478]** presented possible options to adapt the CJRS and balance continued support of the employee-employer connection, with incentivising employers and staff to return to work when it was safe to do so. These options included: ending the CJRS altogether, reducing grant generosity, allowing part-time furloughing and targeted access to the CJRS.

390. These options were assessed in a series of briefings held with the Chancellor between 1 May 2020 and 6 May 2020 – see **[JH/D-CJRS/121A- INQ000606713, JH/D-CJRS/121B - INQ000606710, JH/D-CJRS/121C - INQ000606714, JH/D-CJRS/121D - INQ000606715, JH/D-CJRS/121E - INQ000606716, JH/D-CJRS/121F - INQ000606717, JH/D-CJRS/121G - INQ000606718, JH/D-CJRS/121H - INQ000606727]**. As part of this assessment, HMRC considered the fraud impacts of these proposals, including assessing the level of data held that could be used to verify claims.

391. The Chancellor made the decision on 7 May 2020 that he would announce an extension of the CJRS at the Budget on 12 May 2020. This allowed HMRC and HMT more time to assess the

various implications of exit options as well as options for more targeted support when the CJRS ended **[JH/D-CJRS/122 - INQ000583333]**.

Flexible furlough

392. A further announcement on 29 May 2020 confirmed the introduction of 'Flexible Furloughing' from 1 July 2020 and the tapering of government contributions from 1 August 2020 as part of the extension **[JH/D-CJRS/123 - INQ000583507]**.
393. During the first phase of the CJRS, there was a minimum furlough period of three weeks for each employee and flexible furloughing was not possible. If an employee returned to work at the end of a period of furlough, any subsequent furlough period also had to be a minimum of three weeks. This was agreed in early design discussions with the Chancellor **[JH/D-CJRS/08 - INQ000583499]**. It was intended that this would reserve the CJRS for cases where furlough was used as an alternative to laying employees off. It would also be operationally simpler, reducing the possibility of having a large number of very short-term or complex claims that increased potential for error and burden on employers in the calculation process **[JH/D-CJRS/03 - INQ000583306]**.
394. During the summer of 2020 restrictions were to be eased and the government began to focus on releasing labour back into work, encouraging reallocation and reducing the cost of the CJRS **[JH/D-CJRS/122 - INQ000583333]**.
395. In preparation for the Spring Budget 2020, as non-pharmaceutical interventions were being lifted, the Chancellor commissioned HMRC and HMT to examine options for introducing part-time work flexibility to the CJRS. Introducing additional flexibility to the CJRS could allow firms to bring back their furloughed workers in a phased way, according to their own demand for labour, rather than withdrawing support entirely. Initial advice was provided on 15 May 2020 detailing the options, delivery risks and recommended mitigations in allowing furloughed workers to come back to work, while still providing employers with some government support to help firms restart production as the economy recovered **[JH/D-CJRS/124 - INQ000583334]**. HMT and HMRC provided joint advice detailing options for passing some cost back to employers to the Chancellor on 20 May 2020 **[JH/D-CJRS/125 - INQ000583504]**.

396. On 22 May 2020 advice which outlined the final design of new flexibilities and changes to employer contributions was sent from HMRC and HMT for agreement by HMT ministers [**JH/D-CJRS/04 - INQ000583341**].
397. On 29 May 2020 the government announced that employers would be able to use CJRS to flexibly furlough employees from 1 July 2020 [**JH/D-CJRS/123 - INQ000583507**].
398. These new flexibilities allowed employers to bring employees back to work for any amount of time and any shift pattern (colloquially known as ‘flexible furlough’ or ‘flexi furlough’) while still being able to claim the CJRS grant to pay for the hours employees did not work. Employers would be required to submit data on normal hours worked, actual hours worked, and hours claimed for under the CJRS for furloughed employees. It was also agreed that employers should be able to furlough employees without constraints on the proportion of time an employee can be flexi furloughed. The requirement for employees to be on furlough for a minimum of three weeks at a time was reduced to a minimum of one week. These flexibilities remained in place for the life of the CJRS.
399. The CJRS closed to new entrants on 30 June 2020. This meant that only employers who had previously used the CJRS would be able to access it, and then only in respect of employees who had previously been furloughed. The number of total furloughed employees on any one claim by any employer could not exceed the maximum number they had claimed for on or before 30 June.
400. From 1 August 2020, employers could no longer claim the costs of employer NICs and pension contributions (up to the level of the auto enrolment minimum) for hours not worked. From 1 September 2020 employers were also required to contribute 10% of usual pay in respect of any hours not worked, followed by 20% in October 2020, with the government contribution through the CJRS reducing to 70% and 60% respectively. These changes were designed to encourage employers to consider the future viability of their employees’ jobs (and thus encourage reallocation into sectors and roles where there was more demand for labour) by increasing the cost to the employer of keeping the employee on their payroll. HMRC could not

assess which jobs were viable or have insight into the employers' business needs; it was down to employers to make such decisions.

401. The CJRS re-opened to new applicants for claim periods beginning on 1 November 2020 to extend the eligibility of the CJRS to those whose employment circumstances had changed since the CJRS was first introduced.

The Coronavirus Job Retention Bonus ("JRB")

402. From June to early August 2020, HMRC was commissioned by HMT to work on a new scheme which became JRB. The scheme was designed to provide a one-off 'bonus' payment to employers, of £1,000 for every employee previously furloughed under the CJRS who remained continuously employed to the end of January 2021. This was intended to support the UK's economic recovery from COVID-19 by encouraging employers to retain as many employees who had been on furlough as possible once the CJRS ended in September 2020 **[JH/D-CJRS/126 - INQ000583491]**. It was designed for a more optimistic scenario where the UK would be exiting from restrictions in the period from early Autumn 2020.

403. JRB was announced on 8 July 2020 **[JH/D-CJRS/127 - INQ000583631]**. As Accounting Officer, I wrote to the Chancellor summarising my assessment of the scheme, prior to the 8 July 2020 announcement **[JH/D-CJRS/128 - INQ000583701]**. In response the Chancellor issued a ministerial direction formally instructing me to take forward the scheme with immediate effect **[JH/D-CJRS/129 - INQ000583465]**. Delivery advice was sent from HMRC to the Chancellor on 26 August 2020 **[JH/D-CJRS/130 - INQ000583364]**. Full details were then published on 2 October 2020 **JH/D-CJRS/46 - INQ000583635]**. However, JRB was withdrawn on 5 November 2020 **[JH/D-CJRS/131 - INQ000408785, and JH/D-CJRS/47 - INQ000583656]** following the extension of the CJRS and no payments were ever made under the scheme.

The Coronavirus Job Support Scheme ("JSS")

404. From late August 2020, HMRC was commissioned by HMT to develop contingency scenarios for Autumn/Winter 2020 **[JH/D-CJRS/132 - INQ000583369]**. These scenarios focussed on

local or sectoral lockdowns or restrictions, and on reduced demand for goods and services in the UK economy, and not a sustained national lockdown. In considering options for contingency scenarios, delivering the scheme's policy objectives while at the same time mitigating the risk of error and fraud in any support schemes, was a key focus for HMRC.

405. The JSS originated as a scheme to enable short-time working, employees working fewer hours than their normal hours, primarily to enable businesses to respond to a period of reduced aggregate demand in the economy without having to make excess redundancies. This was informed by international comparisons with other short-time working schemes, and by continued monitoring of the take-up of the CJRS as its generosity was reduced **[JH/D-CJRS/133 - INQ000583483]**.
406. A second strand of contingency work focussed on supporting those businesses forced to close or experiencing near-zero demand due to more intensive restrictions.
407. On 12 September 2020 design work began on the JSS **[JH/D-CJRS/134 - INQ000583744]** with the intention of that forming the main follow-on scheme from the CJRS, in conjunction with JRB. The key design input from HMRC in this phase included how we could ensure that staff were working for at least one-third of their normal hours ("**short-time working**"), how to identify businesses suffering from reduced turnover, and how the calculation of financial support would work.
408. The full details of the first version of the JSS were announced on 24 September 2020 (after a brief announcement on 22 September 2020) as part of the Chancellor's 'Winter Economy Plan' **[JH/D-CJRS/135 - INQ000583632]**. The JSS was a grant payment for employers, to be introduced on 1 November 2020 for six months to replace and follow on from the CJRS.
409. The key design features were **[JH/D-CJRS/136 - INQ000583372]**:
- 409.1. Staff could only be claimed for if they continued to work at least one-third of their normal hours.
 - 409.2. Government support was more limited than under CJRS, covering one-third of usual pay for the hours not worked.

- 409.3. Larger businesses could only claim if their turnover had fallen during the pandemic (which could be verified using VAT data).
- 409.4. Employers could also claim for the JRB, increasing the incentive to keep on staff.
- 409.5. Scheme to run for six months from 1 November 2020.
410. After the COVID-19 situation worsened during late September 2020 and early October 2020, the Chancellor decided to merge the second contingency strand into the JSS. This expansion was announced on 9 October 2020 [**JH/D-CJRS/137 - INQ000583633**]. The key features of this expansion to the JSS were [**JH/D-CJRS/138 - INQ000583488**]:
- 410.1. Businesses could claim if their premises had been closed due to UK or devolved nation COVID-19 restrictions, including those closed but still able to operate outdoor or collection services.
- 410.2. They would receive support of two-thirds of employee's usual pay from the government.
- 410.3. They could top that pay up themselves but were not required to do so.
411. Work on the detail of the overall JSS scheme, including both variants, was the focus of HMRC activity until the publication of the full guidance for the JSS on 30 October 2020 [**JH/D-CJRS/139 - INQ000583833**].
412. The final JSS contained two variants:
- 412.1. The JSS Open ("**JSS(O)**"), designed to enable 'short-time working' from businesses able to open but suffering from reduced demand [**JH/D-CJRS/140 - INQ000583489**].
- 412.2. The JSS Closed ("**JSS(C)**"), designed to enable businesses, forced to close premises directly due to restrictions, to retain their staff. This was intended to include bars and restaurants only able to open outdoors and for take-aways [**JH/D-CJRS/137 - INQ000583633**].

Second extension of the CJRS

413. The Prime Minister announced the second national lockdown on 31 October 2020. HMRC was commissioned on the morning of 31 October 2020 to work with HMT on how to support a one month extension of the CJRS [**JH/D-CJRS/141 - INQ000583382**].

414. At the time of the design and announcement of the JSS, the government was applying a combination of non-pharmaceutical interventions, including local lockdowns, restrictions on gatherings, and further limitations particularly impacting on hospitality and events.

415. The JSS had been modified in October 2020, introducing the 'Closed' variant in response to the worsening pandemic and the intensification of restrictions. However, it was not designed to support a sustained second national lockdown. Because it was designed to support and encourage a period of recovery, combined with local or sectoral restrictions, it had the following shortcomings in relation to a sustained national lockdown:

415.1. Workers would be guaranteed to receive two-thirds of their usual salary for hours not worked, rather than 80%. In the case of the JSS Open, this was because they would also be expected to be working at usual pay for at least one-third of the time. In the case of the JSS Closed, the closures were expected to be short-lived.

415.2. Under the JSS Open the government support was limited to one-third of usual pay, with employers needing to contribute a further one-third of usual pay for hours not worked. This was to encourage businesses to re-open more fully.

415.3. There was no scheme available for businesses not closed, but experiencing near-zero demand.

416. The JSS would therefore be less suitable for a sustained national lockdown, which would lead to greatly reduced demand for many businesses, not just those directly closed by restrictions. They would therefore be unable to meet the condition of having employees work one-third of their normal hours. The level of support to both employers and individuals would also be unlikely to be sufficient to meet the objectives of preserving valuable job-matches during the lockdown period to enable faster recovery afterwards.

417. By the end of the day on 31 October 2020 the following outline had been reached [**JH/D-CJRS/142 - INQ000583380**]:

- 417.1. The CJRS would be extended for the month of November, with the possibility of further extension should economic or health scenarios worsen.
- 417.2. JSS to be delayed, so it would be introduced from 1 December 2020 at the earliest.
418. It was recognised that the CJRS would be the most familiar form of support known to employers, which would facilitate them being able to access it with confidence in respect of the difficult month of November 2020. It was also recognised that the CJRS objectives of protecting valuable job matches and making the eventual recovery faster would continue to be relevant in this scenario.
419. The Prime Minister announced at a press conference in the evening of 31 October 2020 [**JH/D-CJRS/143 - INQ000086830**] that there would be a second national lockdown and the announcement of a CJRS extension was made alongside, recognising the need to reassure employers of the support available to them through the second lockdown.
420. Prior to the decision on 31 October 2020 to announce a second national lockdown HMRC resource and planning was focussed on progressing the closure of CJRS and the opening of the JSS on 31 October 2020 [**JH/D-CJRS/144 - INQ000583481**].
421. HMRC was not responsible for assessing the path of the pandemic nor the economic outlook. Even with little lead-in time, HMRC was able to continue to administer the CJRS, and the extension was implemented successfully without adverse impacts. Focus on delivering the JSS before this date was undertaken with the knowledge of ministers and in discussion with HMT officials.
422. On the assumption that the JSS would still replace the CJRS when the national lockdown ended, HMT sent advice to the Chancellor on 1 November 2020 to confirm key policy choices and provide initial assessment of the impact of the CJRS extension on employers, compliance and protected groups [**JH/D-CJRS/145 - INQ000583484**].
423. On 2 November 2020 further advice to the Chancellor recommended that the CJRS be extended into early 2021. This decision noted the possibility of an extended national lockdown as well as increased local restrictions and sought to reassure employers of the support

available over the winter if the health scenario worsened and they remained affected. It also gave HMT and HMRC appropriate time to plan a transition back to JSS support **[JH/D-CJRS/146 - INQ000583490]**.

424. A further announcement by the government on 5 November 2020 set out that the CJRS would actually be extended until 31 March 2021 **[JH/D-CJRS/131 - INQ000408785]**. This extension increased the generosity of the CJRS and was made because of increasing health related restrictions during the winter of 2020/21.
425. When the CJRS was extended, government contributions were raised to cover 80% of a furloughed employees wages up to a monthly per employee cap of £2,500, with no employer contribution required beyond the associated NICs and Pension Contributions **[JH/D-CJRS/05 - INQ000397190]** and the Real Time Information cut-off date was changed to 30 October 2020 **[JH/D-CJRS/147 - INQ000583381]**. These decisions were confirmed in the CJRS Treasury Direction issued on 12 November 2020 **[JH/D-CJRS/148 - INQ000583493 and JH/D-CJRS/47 - INQ000583656]**.
426. It was confirmed in an announcement by the Chancellor in December 2020 that this would remain the position until April 2021 **[JH/D-CJRS/149 - INQ000583486]**. This remained the position until July 2021, when government contributions were tapered again.
427. For claim periods starting on or after 1 December 2020, HMRC published details of claims, including the employer names and rounded amounts of claim groupings as part of a monthly publication. The first publication was on 26 January 2021, covering claims made in December 2020, with a new publication following in each subsequent month of the CJRS's life. This information was published under the Treasury Direction for the CJRS which only allowed HMRC to have this information published for a length of twelve months, meaning that the information is no longer available.

Third extension of the CJRS

428. A third extension of the CJRS was announced on 3 March 2021 during the Spring Budget, extending the CJRS until 30 September 2021 **[JH/D-CJRS/150 - INQ000583757]**. This

extension reduced the generosity of the CJRS and was designed to align with the government's roadmap to ease pandemic-related restrictions during the summer of 2021.

429. Ahead of this decision HMRC conducted detailed exploration and analysis of the JSS and other possible targeting options throughout Winter 2020/21. In advice from HMT and HMRC to the Chancellor on 7 December 2020 it was noted that targeting the JSS presented difficulties as it risked increasing redundancies where support would be withdrawn from businesses who still needed it. Given the challenges identified with the JSS targeting, the advice recommended reconsidering alternative mechanisms for targeting support **[JH/D-CJRS/151 - INQ000583487]**.
430. On 17 December 2020 HMRC and HMT provided analysis to the Chancellor on the impact of introducing employer contributions towards furloughed employees' wages over the summer as well as the impacts of the CJRS on the labour market **[JH/D-CJRS/152 - INQ000583435]**. The alternative options considered at the request of the Chancellor **[JH/D-CJRS/153 - INQ000583389]** included i) a Financial Impact Test, ii) targeting by sector, or iii) targeting by location **[JH/D-CJRS/154 - INQ000583474 and JH/D-CJRS/155 - INQ000583406]**. Each of these options was discounted in favour of tapering general CJRS support on the basis that they would have meant unfairly excluding people genuinely in need, created additional avenues for fraud, or because the options were too complex to deliver as emergency support.
431. For instance, targeting CJRS to location could have enabled the variation of support to reflect local level non-pharmaceutical interventions in place. However, HMRC does not hold data as to the specific location of where employees work day-to-day, only the location of the business itself or, where an employer has multiple sites, their head office, meaning that eligibility for support would have been based on self-declaration (where employers would specify where their furloughed employees were based), potentially increasing the risk for error and fraud. Such an approach could also have led to hard cases where individuals did not have a usual place of work (e.g. drivers).
432. A sectoral approach could have enabled support to be targeted to those most impacted by COVID-19. However, there were, and remain, significant challenges with such an approach, including the challenges in appropriately defining a sector, and how to support businesses in associated supply chains but outside the targeted sector.

433. Given these challenges, support was instead tapered, through reductions in government contributions under the CJRS. On 1 July 2021, the government contribution reduced to 70% with employers contributing a minimum of 10%. On 1 August 2021, the government contribution reduced to 60%, and the employer contribution rose to 20%, the CJRS's generosity then remained at this level until closure on 30 September 2021, as set out in advice sent from HMT to the Chancellor on 18 February 2021 **[JH/D-CJRS/06 - INQ000583479]**.

Closure of the CJRS

434. The Spring 2021 assessment of the CJRS reflected that the need for the CJRS would diminish as the economy started to reopen **[JH/D-CJRS/06 - INQ000583479, JH/D-CJRS/07 - INQ000583714, JH/D-CJRS/156 - INQ000583405, JH/D-CJRS/157 - INQ000583396, JH/D-CJRS/158 - INQ000583432 and JH/D-CJRS/159 - INQ000583398]**. Therefore, to provide certainty to employers, the CJRS was set to extend in line with ongoing non-pharmaceutical interventions before gradually reducing the support offered in order to transition towards closure as non-pharmaceutical interventions ended.

435. Throughout Summer 2021 HMRC and HMT prepared analysis and advice for ministers on a range of contingency and targeting options should the government's roadmap be interrupted or the health scenario rapidly worsen. This included revisiting previously identified targeting options and assessing them against new or emerging evidence and the changing health and economic context **[JH/D-CJRS/160 - INQ000583433, JH/D-CJRS/161 - INQ000583482, JH/D-CJRS/162 - INQ000583477, JH/D-CJRS/163 - INQ000583475 and JH/D-CJRS/164 - INQ000583423]**.

436. HMT's advice to ministers on 11 August 2021 noted that health and economic trajectories meant that the CJRS remained on course to close at the end of September 2021. The labour market had recovered rapidly with the reopening of the economy. In addition, strong growth in vacancies and a faster than expected decline in the numbers of jobs on furlough indicated that labour demand had bounced back **[JH/D-CJRS/165 - INQ000583476]**.

437. As a result, the CJRS closed on 30 September 2021 as planned. HMRC and HMT retained contingency options (including the JSS) in place should a scheme need to be introduced at

speed in October 2021, but this was ultimately not required [**JH/D-CJRS/166 - INQ000583434**].

438. As part of the closure of the CJRS a review was undertaken of the targeting mechanisms considered during its lifetime (including a Financial Impact Test such as a decrease in turnover as an eligibility requirement, Sectoral targeting and Geographical targeting) to capture previous thinking and allow future re-consideration of these options if needed [**JH/D-CJRS/167 - INQ000583781**].

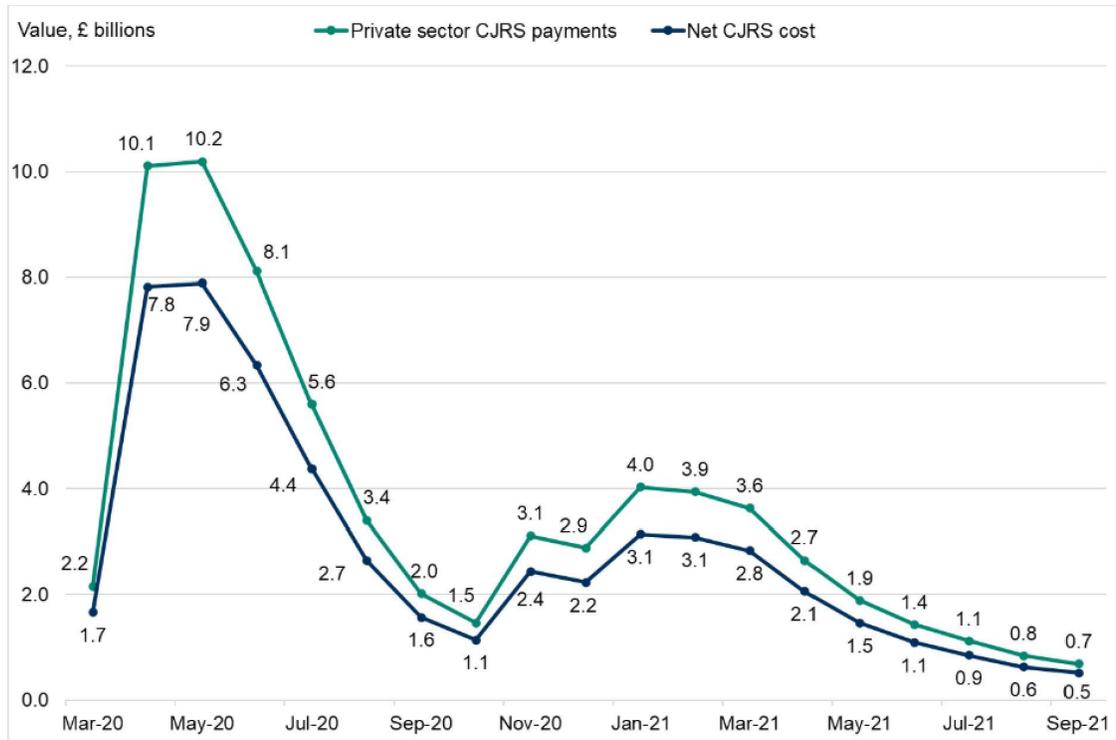
Process for undertaking the CJRS costings

439. As set out above, before the scheme was launched, HMT and BEIS produced early estimates of costs of the scheme. HMRC provided costings to HMT and the Chancellor throughout the CJRS being in place, for example **JH/D-CJRS/50-INQ000583698** and **JH/D-CJRS/52-INQ000583699**. Initially, from the CJRS being made available to July 2020, the costings were calculated based on the actual cost of CJRS during that time.
440. After that time, the costings were calculated by multiplying the number of employments furloughed per month by the average monthly CJRS claim. HMRC made adjustments to these figures on the basis of a number of factors, including estimated income tax and NI receipts, repayments of CJRS claims, that public bodies were expected to continue to use their public funding to pay staff rather than the CJRS, and compliance activity which addressed any fraud and error. When flexible furlough was introduced that was also taken into account for the relevant months.
441. The actual value of CJRS claims data was used to estimate the average monthly claim amounts for furloughed employments. The number of employments furloughed per month was projected in line with the Office for Budget Responsibility's economic forecast. As the CJRS support was tapered this projection reflected modelled changes in the take-up of the CJRS which resulted from the introduction of employer contributions.
442. HMRC undertook a similar costings exercise for JSS. For JSS, the costings used data on the number of employments furloughed in April 2020, July 2020 and the estimated number who

would be furloughed in November 2020. This required an estimate of employments that would be covered by the JSS(O) and JSS(C) policies based on the tiered local lockdown restrictions which had been introduced by the government. Part of that modelling involved analysing the VAT returns of large businesses to compare turnover over the pandemic period to that before the pandemic. The costings assumed some employers with unproductive employments would not take-up JSS(O) due to the more stringent employer contribution and the minimum hours threshold. The scale of this would be dependent on how employers reacted to having to make larger contributions under the JSS compared to the CJRS. This allowed us to estimate the total cost of the JSS. As JSS policy developed and the Chancellor announced a more generous version of JSS the costing used an estimate of the number of employments likely to use JSS and multiplied this by an estimated claim value. Adjustments were made to take account of likely labour market turnover and change in the total number of employees based on the Office for Budget Responsibility's economic forecasts **[JH/D-CJRS/117 - INQ000583820]**.

Total cost of the CJRS

443. Around £69 billion was paid out by HMRC in grants through the CJRS. In the March 2022 Economic and Fiscal Outlook, the Office for Budget Responsibility also published an estimate of CJRS grants that excluded the £15.4 billion in income tax and NICs due on these payments, resulting in a net cost of £54 billion, as set out in the chart below which shows the monthly gross and net cost of the CJRS **[JH/D-CJRS/02 - INQ000583638]**:



Cost of delivery

444. The administrative cost of the CJRS is estimated to have been £85 million (£74.1 million in 2020 to 2021 and £11.4 million in 2021 to 2022 respectively). This covered staffing and IT costs, capital spending and other expenditure required to deliver the scheme, including post-scheme costs. As a proportion of the grants paid through the CJRS, this represents 0.1%.

Fraud and error

Identification of risks and steps taken to design out fraud and error

445. From the beginning HMRC was clear that the schemes would be targets for fraud and that customers operating under pressure would make mistakes, that is why the CJRS was designed to minimise fraud and error, whilst not unnecessarily delaying payments.

446. HMRC identified organised criminal attack and opportunistic fraud and error as the principal threats to CJRS. Of these threats organised criminal attack represented the largest impact, with the recovery of grants after they had been paid (referred to below as “**post payment**”)

being very difficult to achieve. Consequently, HMRC's fraud and error compliance strategy was to:

- 446.1. prevent large scale organised criminal abuse of the CJRS at the pre-payment stage;
 - 446.2. minimise the risk of ineligible or mistaken claims made by legitimate businesses;
 - and
 - 446.3. collect information needed to enable later recovery of overpayments.
447. This strategy also ensured that HMRC was able to make payments as quickly as possible to support employers, which was essential to achieving the policy objectives. Compliance controls were "built in" to the claims system, enabling HMRC to identify and, if necessary, block suspect claims.
448. HMRC's approach to mitigating the risk of error and fraud in the CJRS design was influenced by the earlier design work on the SSPR **[JH/D-CJRS/168 - INQ000583610]**. Like the CJRS, the SSPR allowed employers to claim funds in relation to their employees.
449. In advice to ministers on the design of the SSPR in the first half of March 2020, HMRC highlighted a number of potential risks of fraud within a payment scheme for employers **[JH/D-CJRS/169 - INQ000583614]**. These risks related to:
- 449.1. newly set up entities, which could be set up on a large scale by organised criminals in order to claim payments;
 - 449.2. existing entities who could deliberately overstate the size of their workforce in order to claim unlimited multiples of the support available, either by reference to real individuals or invented individuals; and
 - 449.3. existing entities who might deliberately or erroneously claim more than the maximum amount per real employee.
450. The risks for the CJRS were similar in principle to the risks as outlined above in relation to the SSPR scheme, although the scale of the CJRS increased their impact.

451. The magnitude of the financial risk was far greater for the CJRS than for the SSPR. The SSPR was restricted to small and medium-sized employers (fewer than 250 employees) claiming a maximum of £192.70 per employee to cover up to 2 weeks' Statutory Sick Pay. The CJRS was not limited by the size of employer, and in its initial, most generous, phase, allowed employers to claim up to £2,804 (£2,500 plus the associated employer NICs and pension contributions) per employee each month.
452. In order to control the risks identified, HMRC needed to have a definitive record of what employers were in existence, how many employees they had and what their past wages had been. This information was all available from employers' PAYE Real Time Information submissions.
453. This definitive record had to be captured at a point in time before businesses were aware of the CJRS and therefore motivated by potential fraudulent intent to amend the data. Therefore, a snapshot of the data (i.e. the PAYE Real Time information cut-off date) provided a definitive, unamended record, and mitigated the risk of organisations making invalid claims, either fraudulently or in error.
454. The eligibility criteria were therefore designed with reference to the PAYE Real Time Information cut-off date at each stage of the CJRS: employers had to have created a PAYE payroll scheme on or before the cut-off date and employees were only eligible if they had been included in a PAYE Real Time Information submission by the relevant cut-off date.
455. Inclusion of those who had started new employment or changed jobs after these dates would have significantly weakened the fraud protection provided by the PAYE Real Time Information cut-off date, leaving the CJRS open to greater fraud risks.
456. It was the responsibility of the employer to ensure the full amount being claimed by the employer was used to pay the wages of employees. There was therefore a risk of the non-payment or underpayment of the CJRS grant from employers to employees.

457. Additionally, for the CJRS, there was a risk of employers claiming for employees who remained working whilst also being claimed for. HMRC was aware from the start that this risk would be harder to identify and mitigate because there was no independent data to verify whether the employee was working or the hours worked **[JH/D-CJRS/08 - INQ000583499]**.

458. HMRC's priority was to get claims processed quickly, to support people, businesses and the economy. HMRC informed the Chancellor **[JH/D-CJRS/08 - INQ000583499]** it could not establish strong preventative controls for the risk of employees working while being claimed for. As a specific control HMRC did put in place an honesty declaration in the online form, whistleblowing routes, other forms of intelligence and post-payment investigation. In an initiative between government and the independent charity Crimestoppers, a new COVID Fraud Hotline was set up enabling people to call anonymously and free of charge to report suspected fraudulent activity. HMRC set up an online fraud reporting form in addition to its telephone hotline. The telephone hotline was not available for CJRS1, because home-working restrictions meant staff could not take calls in a secure environment.

Estimating levels of Error and Fraud

459. HMRC produced early estimates of the likely level of error and fraud in the CJRS and subsequently refined the estimate as more data and evidence became available. The estimates were expressed as a percentage and also in a monetary figure. The error and fraud estimate was calculated net of voluntarily disclosed overpayments but before any recovery of overpayments through HMRC's post-payment compliance activity. The uncertainty in the calculation of the estimates is reflected in the range HMRC published, where the actual amount of the invalid claims may be above or below the most likely estimate provided.

Initial estimates of error and fraud

460. Initial advice to the Chancellor in March 2020 highlighted the risk of error and fraud, but did not quantify it – see **[JH/D-CJRS/08 INQ000583499]**, **[JH/D-CJRS/03 INQ000583306]** and **[JH/D-CJRS/40 INQ000583437]**.

461. HMRC's initial planning assumption, developed in May 2020, for the level of potential error and fraud in CJRS was 5% -10%, before post-payment compliance action to identify and recover overpayments [**JH/D-CJRS/170 - INQ000583803**]. This was based on identification of specific risks across organised crime and opportunistic fraud and error.
462. This initial working level analysis and planning assumption was refreshed twice, first in July 2020 and then October 2020, to incorporate newly available CJRS expenditure data, hotline referral calls and pre-emptive assurance calls [**JH/D-CJRS/171 - INQ000583708 and JH/D-CJRS/172 - INQ000583709**]
463. These estimates were made public for the first time in September 2020, at a Public Accounts Committee hearing [**JH/D-CJRS/173 - INQ000583702**]. In November 2021, HMRC published the original planning assumptions as well as full provisional error and fraud estimates for 2020 to 2021 as part of its 2020-21 Annual Report and Accounts [**JH/D-CJRS/174 - INQ000583462**]. This estimated that the level of error and fraud in the CJRS was most likely 8.7%, with a range of 6.7% to 12%. This equated to a most likely estimate of £5.3bn, with a range of £4.1bn to £7.3bn. The Annual Report and Accounts also included estimates of error and fraud for the SEISS and EOHO. These error and fraud estimates were reported as early as possible using the best available evidence given the critical nature of the pandemic and the public interest in the COVID-19 financial support schemes.
464. Additional detail on the methodology used to develop the estimate was published in the accompanying methodology report [**JH/D-CJRS/175 - INQ000583468**]. The main data sources to estimate the level of error and fraud in the CJRS at this time were: PAYE Real Time Information data, CJRS claim data, and surveys/analysis carried out by external bodies.
465. These error and fraud estimates were based on the best available information and the evidence level was described as 'mild', meaning there were some uncertainties in the underlying evidence and a high probability that the figures would be revised in future upon receipt of further information. Estimates were refined as more evidence became available.

Updated estimates of error and fraud

466. In July 2022, HMRC published error and fraud estimates for 2021 to 2022 and 2020 to 2021 as part of its 2021-22 Annual Reports and Accounts [**JH/D-CJRS/176 - INQ000583695**] based on additional evidence and accompanying methodology report [**JH/D-CJRS/177 - INQ000583814**]. Across the lifetime of the CJRS, after we had administered a wide range of controls to limit the risk (detailed further below), the level of error and fraud was estimated to be £3.5bn with a range of £2.4bn to £4.9 bn. The published ranges of error and fraud are between 3.7% and 7.6% in 2020 to 2021, with a most likely estimate of 5.3%, and between 2.0% and 3.7% in 2021 to 2022, with a most likely estimate of 2.8%.

467. These estimates took account of a stronger evidence base for CJRS from newly available data, including data from compliance activity that HMRC had undertaken. This provided a more comprehensive understanding of the level of error and fraud. The assessment of the evidence base was that there was now 'adequate' evidence to support the provisional estimates (previously 'mild') This meant that there was still some uncertainty to the estimate and a medium probability that the figures would be revised in future, upon receipt of further information.

Final estimate of error and fraud

468. The final estimate of the level of error and fraud within the CJRS lifecycle of 1 March 2020 to 30 September 2021 was published as part of the 2022-23 Annual Report and Accounts [**JH/D-CJRS/178 - INQ000583823**] in July 2023 and accompanying methodology report [**JH/D-CJRS/179 - INQ000583779**], and found to be at the lower end of the initial planning assumptions of 5% to 10% with a most likely estimate of 5.1%, lying in the range of 3.0% to 7.8%. In monetary terms, this corresponds to a most likely estimate of £3.5 billion, with a range of £2.0 billion to £5.4 billion. This is before any recovery of overpayments through HMRC's post-payment compliance activity.

469. At all times throughout the design and implementation process for the CJRS, HMRC was mindful of the need to minimise the risk of error and fraud. It would have been impossible to eliminate all risk in rolling out a financial scheme such as the CJRS and HMRC considers, in the circumstances, that it took all steps that it reasonably could at each stage of the scheme to minimise that risk.

Levels of error and fraud throughout the CJRS

470. The scale and nature of error and fraud changed throughout the different claim periods of the CJRS as scheme design and eligibility rules changed. Employers claiming for employees who were working contributed the largest proportion of error and fraud across the whole lifecycle of the CJRS, however the prevalence of this particular error and fraud risk compared to other risks reduced over time. This is likely because of changes to scheme design and eligibility rules, such as varying the levels of claim amounts which allowed employers to use the CJRS more flexibly. However, the introduction of these changes later in the CJRS lifecycle did introduce more scope for error in claims from employers for other reasons. This was due to added complexity.
471. The estimate of the amount of error and fraud attributed to employers claiming for employees who were working was based on a range of evidence, making it difficult to state the level of error and fraud with certainty.
472. Despite it being difficult to identify claims for employees working while being claimed for, HMRC has had success in recovering overpayments.

Tackling error and fraud

473. HMRC's approach can be summarised at a high level as follows:
- 473.1. Promoting compliance – through education and clear guidance, good customer service, and providing easy ways for customers to make correct claims or correct and repay overclaims, including establishing an online voluntary disclosure portal.
 - 473.2. Preventing non-compliance – to limit incorrect or fraudulent claims being accepted compliance controls were built into the CJRS design and the claims process itself.
 - 473.3. Post-payment compliance – through powers granted to HMRC in the Finance Act 2020 (meaning HMRC could apply existing investigative and recovery powers to overpaid grants), as well as developing automatic correction methods and the creation of a taskforce specifically designed to recover overpaid COVID-19 grants.

Post-payment, our strategy was to focus on the most egregious and largest impact risks. To date, HMRC has already taken action on the riskiest claims, and with COVID-19 government support schemes closed, HMRC expect to continue to see diminishing returns from compliance activity.

474. Parliament introduced legislation in the Finance Act 2020, which received Royal Assent on 22 July 2020, to ensure that HMRC had the powers it needed to enable it to recover overpaid grants, and to apply penalties in particular circumstances. The legislation and associated Parliamentary debate [**JH/D-SEISS/033 - INQ000583512, JH/D-CJRS/180 - INQ000583512**] made it clear that HMRC would only penalise deliberate non-compliance, in recognition that applying penalties for making non-deliberate errors could have deterred claims from those most in need of support. In wider tax compliance, HMRC can charge a penalty if a customer has failed to take reasonable care (as an example). These penalties were not chargeable for CJRS overclaims. For deliberately incorrect CJRS claims only, claimants could be charged a penalty of up to 100% of the overclaimed amount [**JH/D-CJRS/181 - INQ000583705**].

Pre-Payment Checks

475. HMRC built automated controls into the digital claims process, which prevented over 100,000 ineligible or mistaken claims from being made across all HMRC-administered schemes up-front.
476. It ensured that a valid PAYE scheme reference and UK (or Isle of Man or Channel Islands) bank account number had been used and that the claim amounts per employee did not exceed the maximum permitted under the CJRS. It also enabled HMRC to check whether the employer was linked to a previously blocked CJRS claim.
477. To mitigate against the risk of fraudulent claims and attacks by organised criminals, there was a short 72-hour window between the employer submitting the claim and payment. This enabled HMRC to complete an automated validation check, reviewing the CJRS claims against pre-defined risking criteria. Automated checks could be conducted at scale and in near-real time, avoiding delaying payments through lengthy and resource-intensive manual processes, while identifying and reducing the risk of fraudulent claims and attacks.

478. When risking claims in the pre-payment window, HMRC focussed on identifying and stopping criminal attacks by blocking suspicious claims that showed signs of criminal activity or were from known bad actors. Those claims triggering a risk were sent for further compliance activity prior to payment.
479. Over 22,000 suspicious CJRS claims were blocked from being paid, valued at over £114.7 million.
480. A longer risking period (between the application and payment) could have enabled HMRC to request additional data from employers to provide more supporting evidence to support the validity of the claim. HMRC could also have sought further information from employers in more cases where the claim looked to be incorrect. However, either approach would have delayed the payment of grants and not met the policy intent of paying support quickly.

Post-Payment Compliance Strategy

481. Consistent with ministerial advice [**JH/D-CJRS/182 - INQ000583378**], HMRC's compliance strategy was (and remains) focussed on those who deliberately abused the CJRS while providing a clear voluntary disclosure process for those who had overclaimed by mistake.
482. HMRC's Risk and Intelligence Service analysed all CJRS claims to identify those that presented the highest risk of being ineligible, incorrect and/or fraudulent. High-risk cases were selected and packaged from multiple risk profiles and intelligence reports received from the widely publicised intelligence hotline. This included considering factors such as the amendment of previous PAYE Real Time Information submissions by the employer, the employer not reporting details of the CJRS claim in the relevant PAYE Real Time Information return, the presence of employees with NI numbers that did not match our records on a claim, and overlapping or duplicate claims.
483. This led to the development of two risk-based populations for compliance interventions [**JH/D-CJRS/183 - INQ000583532**].

- 483.1. The “One to Many” population included those HMRC considered may have made errors when claiming. HMRC sent approximately 28,000 letters to employers directing them to check their claims and, if errors or overpayments were identified, giving them the opportunity to make appropriate declarations at the voluntary disclosure portal. In line with the intention to take a supportive approach to genuine claimants facing difficult circumstances, a penalty was not chargeable where the claimant did not know at the time that they had overclaimed. We also asked employers to contact us if they thought the grant was correct. If, following that contact, we were unable to agree the claim, HMRC considered the case for further investigation within the department.
- 483.2. Where further investigation of a “One to Many” case was necessary, or where there were clear indicators of a risk of fraud, claimants were subject to detailed compliance checks, referred to as One to One checks. Those claimants were asked to evidence their claims in detail to HMRC’s satisfaction.
484. HMRC established a fraud reporting hotline so that people could tell us when they saw scheme-related fraud. HMRC followed up on every one of these reports but not all of these allegations would be enough to proceed to investigation – for example where there was not enough information to identify the business or individual alleged to have committed fraud; checks in our systems invalidated the report (e.g. the business accused had not in fact claimed); or there was simply not enough credible or specific information to open an investigation.
485. In the March 2021 Budget, the Chancellor announced a two-year £100 million investment in the creation of the Taxpayer Protection Taskforce [JH/D-CJRS/150 - INQ000583757]. The Taxpayer Protection Taskforce saw HMRC commit around 1,200 full time equivalent staff to recovering money paid as a result of erroneous or fraudulent claims. The Taxpayer Protection Taskforce opened over 46,000 compliance checks, exceeding the Budget 2021 target of opening 30,000 interventions during the lifecycle of the Taxpayer Protection Taskforce.
486. HMRC also worked closely with key external stakeholders to provide clarity on HMRC’s approach to compliance activity, and in particular to answer questions about common errors

made in the calculation of the CJRS grants. A final summary of frequent questions and answers was shared with stakeholders on 4 August 2022 **[JH/D-CJRS/184 - INQ000583703]**.

487. While the CJRS was live, employees were able to see whether their employer had claimed a CJRS grant for them on their online Personal Tax Account. This supported the identification and tackling of cases where employees were unknowingly being claimed for while working; employees could report their employer to HMRC if their Personal Tax Account showed that they had been claimed for by their employer despite them not being furloughed.

Preventing non-compliant use of the CJRS grants

488. Any grant paid out under CJRS had to be used to pay wages to furloughed employees and had to be treated in the same way as any wage payment, subject to all the usual payroll deductions. Employers were required to deduct any income tax and employee National Insurance contributions on the full amount that they paid the employee, including any scheme grant, and pay it to HMRC through PAYE. Where this did not occur, it was indicative that the employer was not using the grants for the intended purpose.

489. On 21 April 2021 HMRC Commissioners agreed to **[JH/D-CJRS/185 - INQ000583409 and JH/D-CJRS/186 - INQ000583408]**:

489.1. stop future CJRS claims where there was unresolved non-payment of CJRS-funded PAYE in the past that gave HMRC reason to believe the claimant would not apply future CJRS grants for their intended purpose; and,

498.1. contact approximately 290 'high risk' employers to encourage them to make contact with HMRC about their CJRS-funded PAYE debt to avoid future claims being blocked.

490. Advice on this approach was sent to the Chancellor on 28 April 2021 **[JH/D-CJRS/187 - INQ000583707]**.

Voluntary disclosure

491. After the initial phases of the CJRS, the government received requests from a number of employers for a facility by which they could repay CJRS grants. In some cases, this was because the employers had overclaimed CJRS grants, for example due to error or because they had claimed in advance and then not furloughed as many staff as expected. In other cases, employers had seen better than anticipated business profits during the pandemic, meaning that they did not need the financial support available to them through the CJRS and wished to repay it voluntarily.
492. HMRC initially employed a manual process to enable customers to make a payment to HMRC. We then worked with stakeholders to develop a process to allow a charge to be raised so that overclaims could be repaid and accounted for correctly within the CJRS.
493. If employers were making a further CJRS claim, they could reduce the value of their next claim by the amount that they wanted to repay.
494. Where employers were no longer claiming CJRS grants, HMRC introduced the CJRS Voluntary Disclosure Portal. The business case for the new voluntary disclosure facility [**JH/D-CJRS/188 - INQ000583711**] was agreed on the 30 July 2020. HMRC deployed the facility successfully on 21 September 2020.
495. This service allowed employers to easily pay funds back to HMRC online, with a clear audit trail without needing to call and speak to HMRC [**JH/D-CJRS/95 - INQ000584239**].
496. Submissions were monitored to ensure the payment was subsequently made. If it was not, an Officers Assessment was raised to recover the money. Raising an Officers Assessment also allowed penalties to be charged and recovered, where appropriate. Employers were able to make payments via bank transfer from 21 September 2020, then by card from 5 October 2020.
497. In addition, feedback from an external stakeholder group indicated that there were customers who knew they had overclaimed but for various reasons were unable to quantify the amount [**JH/D-CJRS/189 - INQ000583821**]. An online 'intent to disclose' process was introduced in December 2021 to allow these customers to tell us they had an overclaim but needed more time to calculate. They were then pointed to the Voluntary Disclosure route to make the actual disclosure and payment. Random checking of electronic forms received shows that a small

number of customers had gone on to use the Voluntary Disclosure portal and repay the money owed to HMRC.

498. There has been over £1 billion in unprompted disclosures and voluntary repayments from claimants where they identified an overpayment of a CJRS grant or if they wanted to voluntarily pay the grant back, as they no longer required it [**JH/D-CJRS/02 - INQ000583638 and JH/D-CJRS/95 - INQ000584239**].

Compliance results

499. Across the three HMRC-administered COVID-19 support schemes (CJRS, SEISS and EOHO), up to the end of March 2024, HMRC has prevented the payment of or recovered the overpayment of over £1.7 billion worth of grants. This is made up of £0.4 billion prevented from being paid out and £1.3 billion recovered from overpayments (not including unprompted repayments and disclosures as these were not included in the CJRS error and fraud estimate). This means that HMRC has recovered over a quarter of the most likely estimated error and fraud losses to end of March 2024. HMRC is continuing to tackle error and fraud in the CJRS, through post-payment compliance activities. HMRC does not distinguish amounts recovered between error and fraud.
500. Of the overall £0.4 billion prevented from being paid out due to HMRC's pre-payment compliance controls, £0.1 billion relates to CJRS.
501. Of the overall £1.3 billion recovered from overpayments through HMRC's post-payment compliance activity, £0.9 billion relates to CJRS.
502. Considering that the value of CJRS error and fraud is estimated to be between £2.0 billion and £5.4 billion (with a most like estimate of £3.5 billion), HMRC's best estimate is that we have recovered £0.9 billion of the most likely estimated CJRS error and fraud losses to the end of March 2024. The most likely error and fraud estimate minus COVID-19 yield (to end of March 2024) is £2.6 billion. This figure continues to reduce through HMRC's ongoing compliance work.

503. As of the end of March 2024 HMRC had opened 45 criminal investigations into suspected fraud where the main COVID scheme was CJRS and made 67 arrests related to these cases. There were two additional criminal investigations involving suspected fraud against CJRS, but where EOHO was the main suspected covid fraud.
504. The final estimate of the error and fraud rate (i.e. the amount of error and fraud at the point of payment) across the CJRS lifecycle was found to be at the lower end of the initial planning assumptions. This demonstrates HMRC's pre-payment controls were effective, with money lost to organised crime significantly lower than anticipated.
505. Despite active steps to reduce the level of error and fraud, as with any scheme it is not possible to eradicate all the error and fraud risks.
506. Any residual CJRS risk will be addressed through business-as-usual compliance activity. It is important to note that risks that are left in this space are mostly cases of error, where the value of the overclaim is low.

Lessons Learned
Joint HMT-HMRC Evaluation of the CJRS

507. Since the closure of the CJRS, HMRC and HMT have jointly undertaken comprehensive evaluations of the CJRS, covering a process, impact, and value for money evaluation. An interim evaluation, published in October 2022, set out initial findings on the early stages of the CJRS and included an evaluation of processes underpinning the design and delivery of the CJRS [JH/D-CJRS/113 - INQ000583639]. This was followed by the publication of the CJRS final evaluation in July 2023 which covers the impacts across the full duration of the CJRS and also assesses value for money, including a consideration of deadweight and lessons learned [JH/D-CJRS/02 - INQ000583638].
508. The evaluations drew on evidence from a range of sources, including internal research and analysis, as well as research commissioned by HMRC and conducted by an independent research agency, Ipsos MORI. Importantly, the CJRS claims data and PAYE data allowed HMRC to assess the impact of the CJRS on individuals and evaluate how well the CJRS met

the policy objectives. The main findings from the final evaluation report [**JH/D-CJRS/02 - INQ000583638**] were:

- 508.1. The CJRS was good value for money, with a positive net benefit to society of £50 billion and a social benefit to cost ratio of around 4:1.
 - 508.2. The CJRS was devised and implemented at pace, reaching employers and their employees in need of support and achieving very high levels of satisfaction amongst both businesses and individuals.
 - 508.3. The CJRS directly protected around 4 million jobs and saved many employers from permanent closure.
509. The evaluation considered the benefits and costs of the CJRS, beyond the headline spend, ultimately calculating the social benefit to cost ratio detailed above.
510. The main economic benefit of the CJRS was in protecting jobs, preserving of job matches, preventing falls in income, and supporting household spending.
511. As well as the amount paid out through grants, the consideration of economic cost included the cost to HMRC of delivering the CJRS, and the cost of increased government debt and the need to service this.
512. The evaluation also considered the social costs and benefits. The CJRS is shown to have been reasonably equitable, benefitting a broad base of working households. It particularly benefitted those sectors and parts of the population that were most affected by COVID-19, such as hospitality and those on lower incomes.
513. The support available through the CJRS was consistent across the UK. The evaluation considered the use of the CJRS across the UK by analysing the employment take-up rate. This is based upon the nation that the employee lives in and may be different from where their employer is based. Employer take-up rates by nation within the UK are not explored because HMRC does not hold this data.
514. Employment take-up was significantly above the UK average in Wales, and somewhat lower than average in Northern Ireland. Factors that influenced this may have included the difference

in the non-pharmaceutical interventions, and the different types of economic support available in each nation. This is supported by the employer qualitative research that found relaxed restrictions and increased business demand to be the main factors influencing the use of the CJRS over time.

515. Additionally, the survey evidence from the evaluation looked at the reach of the CJRS, including by geography. Across the UK nations, there was minimal variation in the impact of the COVID-19 pandemic on trading status, sales or turnover for employers that used the CJRS (referred to as 'Users' in the research). This was also the case when viewing the impact over the length of the CJRS. However, employers in Northern Ireland (17%) and Scotland (16%) were significantly more likely to have made redundancies than those in Wales (8%). England (11%) was in line with the UK average (12%).

516. A summary of the key findings of the evaluation in respect of the types of employers and employees which benefitted most from the CJRS are:

516.1. Employers in hospitality, arts, entertainment and recreation, and other services sectors were most likely to use the CJRS;

516.2. The employer take-up rate amongst small, medium, and large employers was higher than micro employers for CJRS 1 and CJRS 2;

516.3. CJRS offered the greatest income support (as a percentage of pre-pandemic net household income) to those working-age households in the middle-income range;

516.4. Men and women benefitted from the CJRS relatively equally;

516.5. CJRS tended to benefit younger employees at the start, but over time older employees formed the largest group of beneficiaries; and

516.6. There were no significant differences in usage of the CJRS by different ethnic groups or by disabled individuals relative to the total population.

517. There is more detail contained within the evaluation itself as to the basis for those findings.

518. Overall, the evidence demonstrates that the CJRS played an important part in supporting the UK economy, in accelerating the labour market's recovery from the COVID-19 pandemic and restrictions on activity, as well as reducing the long-term damage to the economy. Furthermore,

the CJRS supported household incomes and living standards, and therefore consumption and the macroeconomy.

Reflections on timing

519. Changes to the design of the CJRS reflected the non-pharmaceutical interventions in place at the time. The timing of the changes to the CJRS and its closure were ultimately determined by HMT ministers. HMRC officials, including Senior Civil Servants, worked closely with colleagues in HMT to provide frequent balanced and impartial advice to ministers on the CJRS and a wide range of other policy interventions and easements. Briefings and advice were developed jointly, with each department's focus reflecting their role in the Policy Partnership, as summarised in paragraphs 47-60
520. Before the CJRS ended, there were concerns that the closure of the scheme could have produced a rise in unemployment.
521. The timing of the CJRS's closure was based on an uncertain outlook. Externally, some may have felt that the scheme remained open for too long. Others, particularly in sectors which saw greater or longer-lasting impacts may have wanted support to continue for longer.

Changes to the CJRS

522. HMRC and HMT retrospectively considered the impact of these changes and the CJRS closure on the economy through the evaluation [JH/D-CJRS/02 - INQ000583638], finding that:
- 522.1. The initial successful delivery of the CJRS was enabled through focussing on a simple and deliverable design, and then building and adding complexity over time.
- 522.2. The policy design changes during spring and summer 2020 enabled a quick economic recovery, as the economy opened. The introduction of flexible furlough and tapering of government contributions had positive impacts, helping to incentivise employers to scale up activity as non-pharmaceutical interventions evolved and ended.

522.3. Subsequent adjustments to recognise the strengthened non-pharmaceutical interventions over autumn and winter 2020 to 2021 meant that the CJRS continued to be effective in protecting jobs and businesses.

523. The evaluation also considered the impact of the CJRS on jobs and the wider labour market, including the extent to which the winding down and closure of the CJRS impacted on employment.

524. The CJRS is estimated to have directly protected around four million jobs over its duration.

525. This estimate is technically challenging, as it requires working out what would have happened without the CJRS to provide a counterfactual. The options for constructing a counterfactual estimate were limited. The assessment is based on two estimates using different analytical approaches and reflects the uncertainty involved in estimating the CJRS's impact. Further detail on the methodologies used is published alongside the evaluation [**JH/D-CJRS/190 - INQ000583816** and **JH/D-CJRS/191 - INQ000583818**]

The impact of the CJRS over time

526. The evaluation suggested that the impact of the CJRS was greatest in its early stages. This demonstrates that targeting had increasing benefits in later stages of the CJRS support:

526.1. between March and October 2020, the CJRS protected 3,400,000 jobs.

526.2. between November 2020 and April 2021, the CJRS protected a further 300,000 jobs.

526.3. estimates of additional jobs directly protected from the final period of the CJRS, May 2021 to September 2021, are not included. In the evaluation of the CJRS a matched counterfactual analysis was used to estimate the impact of the scheme on jobs. This is a method to estimate the causal effect of an intervention by comparing outcomes of a treatment group with those of a similar, control group. This comparison helps determine what would have happened to the treatment group if they hadn't received the intervention - a counterfactual. A matched approach is used to improve the balance between the two groups. Estimates for the counterfactual analysis for the period between May 2021 and September 2021 were not considered

robust or statistically significant enough to include any additional amounts to the calculation of the cumulative job saved estimate. The methodology and limitations around the job saved estimates are set out in the evaluation document and accompanying technical note

527. The fall in the estimated number of additional jobs directly protected across the duration of the CJRS indicates a declining impact of the CJRS from the peak in May 2020. This broadly reflects the reduced use of the CJRS over its duration and is consistent with improvements in the underlying economy and relaxation in COVID-19 restrictions.

528. However, it also reflects the methodology used in generating these estimates. This only captures a job protected in one period and individuals newly eligible for furlough in that period to avoid double-counting, meaning the estimates will fall as take-up falls. In reality, jobs may have been protected at multiple points during the CJRS, for example during both the spring 2020 and winter lockdowns, but in this approach the job would only show as being protected in spring 2020.

Closure of the CJRS

529. The winding down of support and closure of the CJRS was timed to coincide with the ending of restrictions. The evidence from the evaluation shows that gradual winding down of support was viewed favourably by employers.

530. Analysis from the evaluation also shows that the gradual ending of support by September 2021 mitigated a potential spike in unemployment. There were 1.2 million employments on furlough when the CJRS closed on 30 September 2021. However, unemployment fell by 79,000 in the 3 months after the closure of the CJRS, compared with the previous quarter. Inactivity rose by 90,000 over the same period. This suggests that over 1 million of the 1.2 million CJRS recipients remained in employment following the closure.

531. Additionally, the CJRS enabled employers to return to more normal operating capacity than there would have been without the CJRS. This would also have contributed to there being no significant increase in unemployment and inactivity when the CJRS closed.

532. Evidence from the evaluation suggested the closure of the scheme was successful in mitigating a potential spike in unemployment, while continuing to provide support for employers while non-pharmaceutical interventions remained in place. The evaluation does not consider any counter-factual analysis of alternative dates of closure, and so HMRC is unable to compare this to the potential impacts of an alternative closure timeline.

Lessons Learned

533. As part of closing the CJRS and bolstering future resilience, HMRC captured knowledge from the CJRS, including lessons on flexing resource and running effective governance and project management processes to successfully deliver change at pace.

534. In order to document lessons learned and ensure HMRC would be ready to provide a similar scheme again in future in the event of an emergency scenario, HMRC worked jointly with HMT to develop 'playbooks' for each of the main COVID-19 financial support schemes. These playbooks cover policy, delivery, analytical and legal considerations setting out clear instructions for how to develop and implement a scheme **[JH/D-CJRS/192 - INQ000583455]**.

535. Lessons learned about ways of working were discussed and considered at key stages of the CJRS delivery and contingency planning, as well as prior to project closure, to inform future project delivery:

535.1. Close working between HMT and teams across HMRC, including policy, compliance, and project delivery, was key to ensuring delivery of the CJRS within target timescales. This has informed the subsequent approach to policy design and project delivery.

535.2. Working with external stakeholders, for instance in drafting the legislation and guidance, and in developing the claims service, helped to identify potential issues early, and the approach taken for CJRS enabled HMRC to receive this feedback quickly and efficiently. Such engagement and collaboration including through a formalised forum, should be considered in future policy development, particularly in the absence of being able to conduct formal consultation processes.

536. Chapter 3 of the interim evaluation of the CJRS includes findings from the process evaluation of the CJRS [**JH/D-CJRS/113 - INQ000583639**]. This highlights several key learning points for HMRC including the importance of prioritising the delivery of an easy-to-use system that made extensive use of data that was already available to HMRC.

537. Chapter 9 of the final evaluation of CJRS [**JH/D-CJRS/02 - INQ000583638**] includes a summary of the main lessons that the government learned, and recommendations that should be considered in the development of future economic support schemes, covering:

537.1. the processes required to manage future crises – An early focus on a simple and deliverable design and close working between HMRC and HMT enabled the successful delivery of the CJRS at pace. This approach of adopting a simple and deliverable design initially and building complexity over time, as well as those departments working in parallel, may be helpful in delivering future economic support at pace. An alternative, more complex design may have enabled employers to use the scheme more flexibly and resulted in improved targeting, however it may also have delayed delivery and led to greater error.

537.2. the core policy design choices necessary for a scheme like the CJRS, reflecting the benefits of flexible furlough and tapering of government contributions – these types of design choices should be considered in the development of future schemes. Additionally, while CJRS payments were made in arrears, this may have led to some errors in claims, due to changes in businesses' plans and activities. Future schemes should consider both payments in advance and payment in arrears, reflecting the policy objectives of the scheme.

537.3. the inherent challenges behind targeting a policy like the CJRS, including the impact of the economy on all aspects of government, and the difficulties in defining or identifying specific areas of the population that require support. In general, fast and broad-based support does risk including supporting individuals who do not require support, while more targeted supported generally is slower, is more complex with lower take-up, and means some may not have got the support they need. The availability of additional data may have increased the options available for HMRC and HMT to target support. Following this, they consulted on options for improving the data collected from customers, publishing its response in 2023. This considered

the potential benefits of collecting additional data against any additional administrative burden.

537.4. how to achieve an appropriate balance between getting support to employers quickly and managing the risk of error and fraud – The approach taken for the CJRS demonstrates that policy and operational design choices made successfully balanced getting support to employers quickly and managing the risk of error and fraud. The compliance controls were effective, with money lost to organised crime significantly lower than anticipated and the level of error and fraud in the CJRS was at the lower end of the initial planning assumptions. Further compliance controls, such as a longer risking period, would have delayed payments. The digital voluntary repayment service made available to employers worked well, and future schemes should consider providing a similar service from the outset where appropriate.

537.5. the importance of customer contact channels being used to support customers throughout the pandemic to understand the CJRS and identify any areas to be addressed – As well as clear guidance and ensuring the claims process was as simple as possible, the improvements made to the claims process for large employers from 1 July 2020 improved the process further.

Data reporting and the CJRS statistics

538. HMRC produced and published official monthly Official Statistics (the “**Monthly Statistics**”) based on available data so that this information was accessible to the public. Official statistics are statistics that are produced by crown bodies, those acting on behalf of crown bodies, or those specified in statutory orders, as defined in the Statistics and Registration Service Act 2007. The Office for Statistics Regulation the regulatory arm of the UK Statistics Authority, assesses compliance of these statistics against the Code of Practice for Statistics.

539. The Monthly Statistics were first published in June 2020, with the final publication published in December 2021 along with a reference table [**JH/D-CJRS/194 - INQ000182946**]. Previous versions of the publications covering other months of the CJRS can be found on The National Archives website [**JH/D-CJRS/193 - INQ000583651**]. The monthly CJRS statistics provided information on the number of employments and individuals on furlough over time and in specific months, along with CJRS claims, as well as breakdowns by furlough type, sector, 3

digit standard industrial classification code, employer size, age and gender, region, local authority, parliamentary constituency, and how long jobs had been on furlough continuously.

540. It was important to produce statistics in a timely manner to maintain transparency and to help policy makers respond to developing events. HMRC also prepared monthly Experimental Statistics that provided estimates of the number and value of claims made to the CJRS to HMRC and number of employments included in claims. These statistics were experimental as the methodologies used to produce the statistics were still in their development phase. This did not mean that the statistics were of low quality, but the statistics were new and still being developed and to be tested in line with the standards of trustworthiness, quality, and value in the Code of Practice for Statistics. Improvements were made to the scope of the statistics each month, meaning that the final publications contained more breakdowns than the months prior. The statistic breakdowns included:

- 540.1. employer size;
- 540.2. sector of the economy;
- 540.3. geography; and
- 540.4. employee age and gender.

541. Between 23 April 2020 and 13 December 2020 HMRC published regular management information about CJRS. HMRC data about CJRS was published on Twitter and provided on GOV.UK [**JH/D-CJRS/193 - INQ000583651**].

542. The final release of the statistics are exhibited [**JH/D-CJRS/194 - INQ000182946**]. Earlier versions providing final figures for the scheme are exhibited [**JH/D-CJRS/195 - INQ000583651**]

543. After 13 December 2020, HMRC ceased the publication of separate management information figures on the CJRS, instead the figures on CJRS claims were incorporated into the monthly official statistics publication on the CJRS. This change improved the accuracy of figures published on the total number of jobs being covered in CJRS claims. The initial method HMRC was following to collate the management information figures led to an underestimate of the total number of jobs put on furlough, using data from PAYE, the number of jobs on furlough

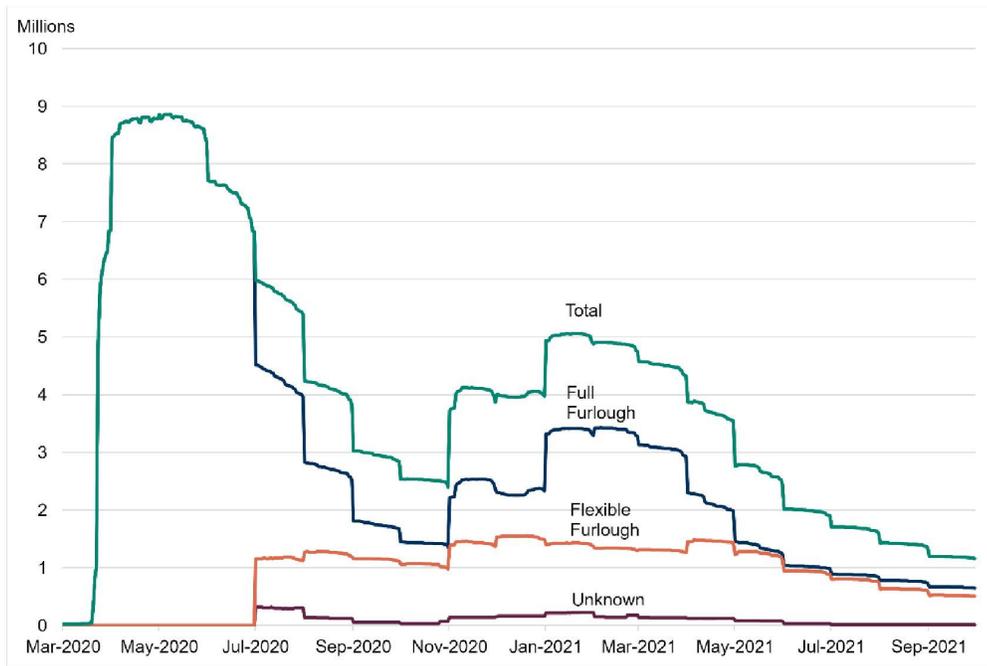
and applying that per employer. The revised approach used job-level data. This calculated the number of unique NI numbers in the claims made by each employer. This information was supplemented by the employee's name and payroll number in a small number of cases.

544. The Office for Statistics Regulation, on behalf of the UK Statistics Authority, reviewed the CJRS statistical publications against several key aspects of the Code of Practice for Statistics and regards them as consistent with the Code's pillars of Trustworthiness, Quality and Value [**JH/D-CJRS/196 - INQ000092802**]. HMRC also published a Background Quality Report for the CJRS publications which helps users of the statistics understand their strengths and limitations [**JH/D-CJRS/197 - INQ000583640**].

Analysis and trends in the uptake of the CJRS

Take up figures:

545. The employments on furlough supported by the CJRS peaked during the first wave of COVID-19 at 8.9 million in May 2020. This represented a take-up rate of 30% of total eligible employments. The number of employments placed on furlough via the CJRS then declined over time, reflecting the impact of COVID-19. There were noticeable increases in take-up when the scheme eligibility and end-date was extended in November 2020 and again in January 2021 in response to the increase in non-pharmaceutical interventions. This resulted in a secondary peak of 5 million employments on furlough in January 2021. After January 2021 there was a steady decline in employments on furlough as the vaccine programme was rolled out, non-pharmaceutical interventions eased, and the economy reopened, with the CJRS support from the government tapered before its closure [**JH/D-CJRS/02 - INQ000583638**]:



546. A total of 11.7 million unique employments were on furlough for at least part of the CJRS. When taking into account employees with more than one job, this amounted to 10.8 million individuals benefiting from the scheme.

547. At the end of the furlough scheme on 30 September 2021, 21% of eligible employers had staff on furlough, falling from the 2021 peak of 41% in January 2021. Between March and June 2020, 61% of eligible employers put staff on furlough. The data shows that, when it closed on 30 September 2021, the CJRS was supporting 410,000 employers who had a total of 1.16 million jobs on furlough.

CJRS claims:

548. The data tables which were published by the government on CJRS show the monthly total number of jobs covered, the total number of employers claiming and the total claimed [JH/D-CJRS/193 - INQ000583651]:

Total claims made as of midnight	Total number of unique jobs covered in claims by each date (millions)	Total number of unique employers that claimed by each date (millions)	Total amount claimed by each date (£ billions)
23 April 2020	3.8	0.5	4.5
3 May 2020	6.3	0.8	8.0
11 May 2020	7.5	0.9	10.1
17 May 2020	8.0	1.0	11.1
24 May 2020	8.4	1.0	15.0
31 May 2020	8.7	1.1	17.5
7 June 2020	8.9	1.1	19.6
15 June 2020	9.1	1.1	20.8
21 June 2020	9.2	1.1	22.9
28 June 2020	9.3	1.1	25.5
5 July 2020	9.4	1.1	27.4
12 July 2020	9.4	1.2	28.7
19 July 2020	9.5	1.2	29.8
26 July 2020	9.5	1.2	31.7
2 August 2020	9.6	1.2	33.8
9 August 2020	9.6	1.2	34.7
16 August 2020	9.6	1.2	35.4
20 September 2020	9.6	1.2	39.3
18 October 2020	9.6	1.2	41.4
15 November 2020	9.6	1.2	43.0
13 December 2020	9.9	1.2	46.4

(Caseload figures from 15 February 2021 were calculated using an improved methodology and so are not directly comparable with those above [JH/D-CJRS/194 - INQ000182946].

15 February 2021	11.2	1.3	53.8
15 March 2021	11.4	1.3	57.7
14 April 2021	11.5	1.3	61.3

14 May 2021	11.5	1.3	64.0
14 June 2021	11.6	1.3	65.9
14 July 2021	11.6	1.3	67.4
16 August 2021	11.6	1.3	68.5
14 September 2021	11.7	1.3	69.3
14 October 2021	11.7	1.3	70.0
21 November 2021	11.7	1.3	70.0

Statistics on claims made under the CJRS

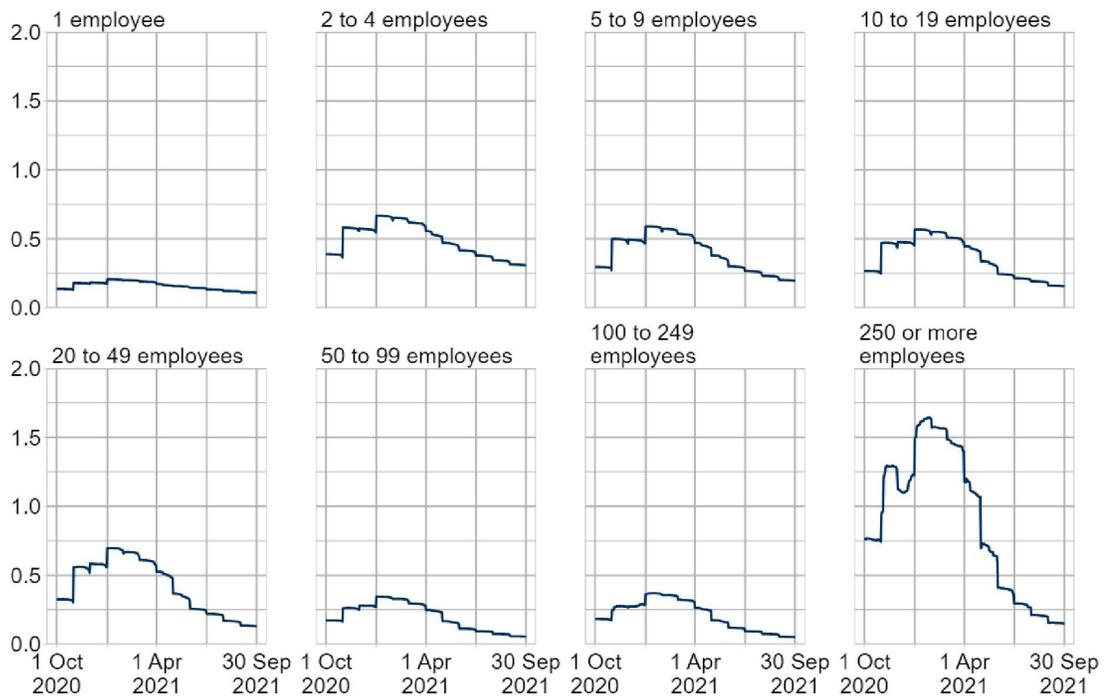
Employers

549. In terms of the size of employer claiming under CJRS, the key points arising from the statistics were:

- 549.1. employers with 250 or more employees had the most jobs supported by furlough with 3.9 million jobs on furlough over the lifetime of the CJRS.
- 549.2. at its peak in May 2020, employers with 250 or more employees had 3.45 million jobs on furlough whereas employers with one employee peaked in April 2020 at 295,700 employments on furlough.
- 549.3. employers with 250 or more employees saw a 96% reduction in employments on furlough between the beginning of the scheme and the closure at 30 September 2021, in comparison with a 63% reduction amongst employers with one employee. This may be indicative of the varying impact of the pandemic on businesses of differing sizes.
- 549.4. for all employer sizes, the number of employments on furlough decreased each month between February and September 2021, this recovery occurred faster in the largest companies.
- 549.5. the proportion of largest employers (with 250 or more employees) using the CJRS reduced from 58% in February 2021 to 22% at the end of September 2021. Between March and June 2020, 73% of the largest employers had used the scheme.

549.6. employers with 2 to 4 employees had the highest proportion of eligible employments on furlough at 30 September (17%). Employers with 250 or more employees had only 1% of eligible employees on furlough when the scheme closed.

550. These graphs show the total employments on furlough in millions by employer size (number of employees) from October 2020 to September 2021 [JH/D-CJRS/194 - INQ000182946]:



Sectors

551. In terms of the different industries claiming under CJRS, the key points arising from the statistics were:

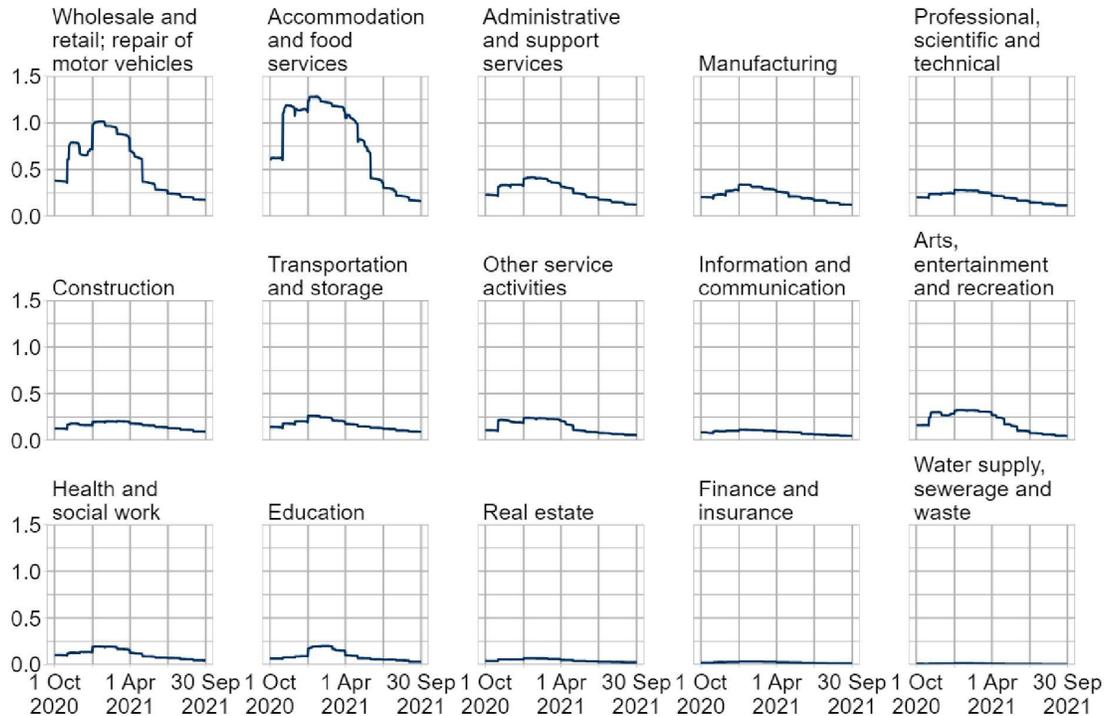
551.1. between 31 January 2021 and the end of the scheme, the food service activities industry group had the highest number of employments on furlough. This sector also had the largest number of employments on furlough between March and June 2020.

551.2. at 31 January 2021 the beverage serving activities industry group had the highest take-up rate at 91%. However, the take-up rate dropped substantially as restrictions were eased and at the end of the scheme this group's take-up rate was only 8%.

551.3. since levels of furlough last peaked in January 2021, the primary education and secondary education groups had the largest percentage fall in the number of employments on furlough to the end of the scheme (94%). Food service activities had the largest decrease in jobs on furlough, falling by 383,500 employments between 31 January and 30 September 2021.

551.4. industry groups among those related to tourism had the highest take-up rates at 30 September 2021: notably passenger air transport (38%), and travel agency and tour operator activities (35%).

552. These graphs show the total employments on furlough by industry (in millions), being the largest fifteen sectors in decreasing number, from October 2020 to September 2021 [JH/D-CJRS/194 - INQ000182946]:



Regions

553. In terms of the take up of the CJRS across the regions, the key points arising from the statistics were:

553.1. London consistently had the largest number of employments on furlough. A total of 1.64 million employments were on furlough at any time in London during the lifetime of the scheme. There were 232,700 employments on furlough in this region at 30 September when the scheme closed, 6% of the total eligible.

553.2. in Scotland, a total of 911,900 employments were on furlough during the course of the scheme. Final figures show 80,800 employments were on furlough when the scheme closed on 30 September 2021, 3% of the total eligible.

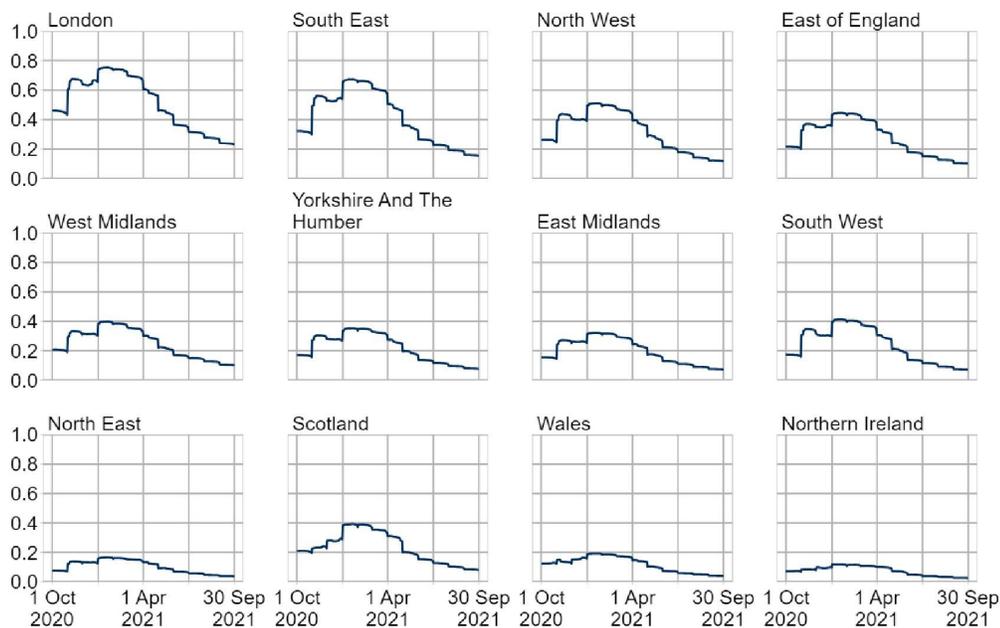
553.3. in Wales, 474,600 employments were ever on furlough over the course of the scheme. Final figures show 40,500 employments were on furlough when the scheme closed on 30 September 2021, 3% of the total eligible.

553.4. in Northern Ireland a total of 287,100 employments were on furlough during the scheme. Final figures show 26,600 employments were on furlough when the scheme closed on 30 September 2021, 4% of the total eligible.

553.5. in England, there were 9.65 million employments supported by furlough over the whole scheme. Final figures show there were 971,900 employments on furlough when the scheme closed on 30 September 2021, 4% of the total eligible.

553.6. London, the South East and the South West have a more pronounced fall in the number of employments on furlough during December 2020 when compared with the other regions and countries in the UK. This may be indicative of the geographical variation in restrictions seen at that time in the UK.

554. These graphs show the total employments on furlough by country/region from October 2020 to September 2021 [**JH/D-CJRS/194 - INQ000182946**]:



Age and gender

555. In terms of the take up of the CJRS by age, the key points arising from the statistics were:

- 555.1. for most of the time the scheme ran employees aged under 25 were the most likely to be put on furlough. As restrictions eased in spring 2021, particularly in hospitality and retail sectors, the level of furlough in this age band decreased faster than other bands. By the end of the scheme the furlough take-up rate for employees aged under 25 was the lowest across all age bands at 3%.
- 555.2. at 30 September 2021 the 65 and over age band had the highest furlough take-up rates of 6% and 7%, for jobs held by female and male employees respectively. Throughout the scheme, employments held by employees in the 65 and over age band have had one of the top two highest take-up rates.
- 555.3. for all age bands the number of employments on furlough and the take-up rates decreased each month between February and September 2021 after peaking in January 2021.
- 555.4. take-up rates reduced more slowly in older age groups compared to younger ones between July and September 2021.

556. In terms of the take up of the CJRS by gender, the key points arising from the statistics were:

556.1. more males were put on furlough over the lifetime of the CJRS than females. The table below shows a total of 5.7 million males were put on furlough compared to 5.0 million females. The remaining 0.1 million belong to individuals where the gender is not available in the data.

556.2. there was very little use of furlough in some sectors where more females are employed than males, such as education and health.

556.3. more females were put on furlough than males in the under 18 and 18 to 24 age bands.

556.4. more individuals in the 18 to 24 age band were supported by furlough over the course of the CJRS than any other age band with 1.8 million individuals on furlough.

557. This table shows the total number of individuals on furlough at any time broken down by age and gender [JH/D-CJRS/194 - INQ000182946]:

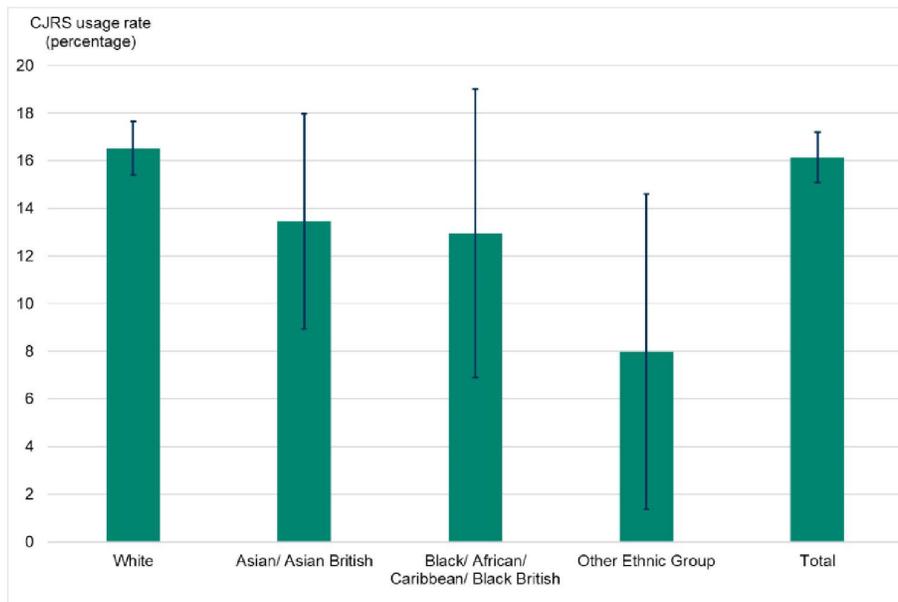
Age	Total number of females ever on furlough	Total number of males ever on furlough	Unknown gender	Total number of individuals ever on furlough
Under 18	165,500	123,700	-	289,300
18 to 24	909,400	867,500	-	1,776,900
25 to 29	606,200	679,600	-	1,285,900
30 to 34	562,200	661,400	-	1,223,600
35 to 39	503,000	606,400	-	1,109,400
40 to 44	437,600	536,400	-	974,000
45 to 49	448,200	543,600	-	991,800
50 to 54	463,100	557,800	-	1,020,900
55 to 59	404,100	503,000	-	907,100
60 to 64	273,300	358,000	-	631,300

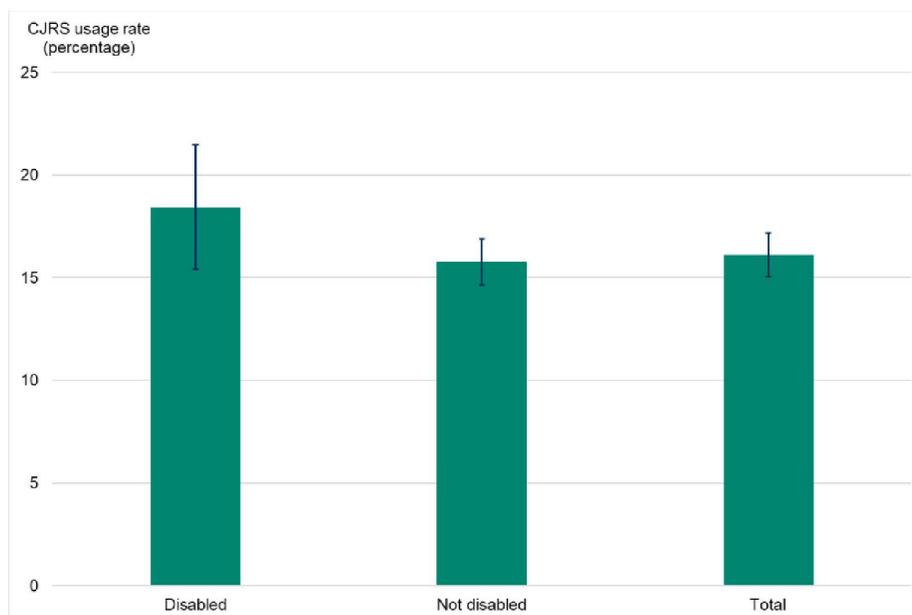
65 and over	166,800	216,800	-	383,600
Unknown	46,600	36,200	142,200	225,000
Total	4,986,100	5,690,400	142,200	10,818,700

Protected characteristics

558. The protected characteristics HMRC routinely collects data on are age and gender which have been addressed above. HMRC only collects and holds data necessary to fulfil its functions and so data on other protected characteristics are not generally available.

559. The CJRS statistics included analysis of CJRS claims and the characteristics of disability and ethnicity, created by matching data to an ONS survey. The evidence (shown in the charts below) suggest that there are no statistically significant differences in usage of the CJRS by different ethnic groups or by disabled individuals relative to the total population, with the exception of 'Other Ethnic Groups' [JH/D-CJRS/02 - INQ000583638].





Long Covid

560. The economic impact of Long Covid was not considered by HMRC during the design and delivery of the CJRS. Long Covid was not fully understood when the CJRS was first implemented, and the purpose of the CJRS was not explicitly to prevent transmission of COVID-19, but to support businesses with the financial impact of public health measures and non-pharmaceutical interventions.

561. However, as set out above, the CJRS was open to almost all employers to provide support for their employees. In terms of those employees who became ill with Long Covid, including those employees who became economically inactive or unable to work as a result, HMRC was not involved in the employers' decision regarding which employees were placed on furlough or which employees were bought back to work whilst the CJRS was available. This was a decision for the employer based on their assessment of their business needs. The CJRS was not intended to cover short-term absences from work due to sickness, however, an employee being off sick did not make them ineligible to be furloughed.

562. The amount available through a CJRS grant was based on the employee's reference salary, which was largely (although, during later stages of the scheme, not universally) pre-pandemic where Long Covid is unlikely to have impacted an employee's earnings to any great extent.
563. HMRC had no role in providing data or undertaking assessments as to the economic impact of Long Covid on the CJRS, or on employers with employees who suffered with Long Covid.

Part D: The Self-Employment Income Support Scheme

564. On 26 March 2020 the Self-Employment Income Support Scheme (SEISS) was announced as part of the government's economic response to the COVID-19 pandemic. A copy of that announcement is at **JH/D-SEISS/001 – INQ000086740**. The SEISS was a UK-wide scheme which provided support to all eligible individuals across all parts of the UK.
565. The primary objective of the SEISS was to support self-employed individuals whose businesses had been adversely affected by COVID-19 restrictions. It sought to quickly support individuals most reliant on their self-employed income who would have lost out financially due to COVID-19 and enable them to remain in business. The SEISS interim evaluation report, which was published on 13 October 2022, sets out the objectives of the scheme and its rules. A copy of this report is at **JH/D-SEISS/002 – INQ000583509**. The SEISS final evaluation report was published on 17 July 2023 and included a value for money analysis and a section on lessons learned. A copy of the final evaluation report is at **JH/D-SEISS/003 – INQ000583534**.
566. SEISS grants were set to be broadly equivalent in generosity to the support provided to employees via the CJRS. However, the policy design needed to adapt to the circumstances of the self-employed cohort which presented different challenges to the employed population. The distinct characteristics of the self-employed population and the nature of the data HMRC collects meant there were different issues to consider in the policy design.
567. The CJRS enabled employers to put their employees on furlough and claim a grant to cover up to 80% of their wages, to a maximum of £2,500 a month. The first SEISS grant provided eligible claimants with a taxable grant worth 80% of their average trading profits and was paid

out in a single instalment covering three months' worth of profits, capped at £7,500. In aiming to support individuals most reliant on their self-employment trading income, the SEISS targeted those with average annual trading profits of no more than £50,000, and who received at least half of their income from self-employment.

568. The SEISS was delivered as a series of five grants available between May 2020 and September 2021 that self-employed individuals could claim based on their self-assessment tax records. It was delivered at pace, with the first grant opening for applications on 13 May 2020.
569. As the effects of COVID-19 eased and the economy reopened, additional criteria were introduced to ensure the scheme was more targeted towards those whose businesses continued to be most affected by the pandemic. A Reasonable Belief Test was introduced from the third grant onwards, where claimants had to declare that they reasonably believed their trading profits were reduced as a result of COVID-19. A turnover test, that claimants had to complete to measure the financial impact of the pandemic on their trade, known as a Financial Impact Declaration was included in the fifth and final grant which opened for claims on 29 July 2021.
570. Information from self-assessment Returns enabled HMRC to quickly identify the potentially eligible population and to calculate and pay out grants at scale. This meant that claimants did not need to provide significant new information or make calculations themselves.
571. To be eligible for the first, second and third SEISS grants, individuals were required to have filed their 2018/19 self-assessment tax return on or before 23 April 2020. This filing deadline was set to ensure those who missed the self-assessment filing deadline of 31 January 2020 for their 2018/19 self-assessment return were given time to file that return and to be assessed for eligibility for the SEISS.
572. Claims based on late returns, so on those returns filed between 26 March 2020 (the date the Chancellor announced the scheme) and 23 April 2020, were subject to enhanced compliance checks. These were manual checks to verify a claimant's identity and included validating information supplied against existing HMRC data, for example business and home addresses and bank account information. A review of any past compliance activity associated with the

claimant was also undertaken. In some cases, contact with the customer was required. These measures focused on stopping criminal attacks. We relied on post-payment compliance to tackle more opportunistic fraud, for example, an individual inflating profits to secure a higher grant. As part of the additional identity checking noted above, HMRC also flagged priority cases for post-payment review. HMRC sent advice to the Chancellor on those checks on 30 April 2020 [**JH/D-SEISS/003b – INQ000606709**]. This work was not impacted by the redeployment of compliance officers, given that the redeployment was of those working on 'business as usual' tax compliance, rather than those working on COVID-19 compliance activity relating to the SEISS.

573. The SEISS was designed to be as simple as possible to claim and administer, whilst minimising the risk of error and fraud. The SEISS system had to be accurate, calculating grants based on certain and verifiable underlying data already held by HMRC. It had to have measures built in that would protect, as far as possible, against errors and fraudulent claims. It had to be automated so far as possible, given the need for speed, reliability, and accuracy, and the constraints on HMRC's resource. It also had to be simple for those seeking to make a claim: both to encourage eligible individuals to use the system, and to ensure they could do so with a minimum of administrative support from HMRC staff. Simplicity was important to ensure that all those eligible to claim SEISS grants were able in practice to do so, regardless of background, familiarity with administrative processes and language skills.

574. A total of 2.9 million eligible self-employed individuals claimed SEISS grants, totalling £28.1 billion.

Design

Initial design and announcement of the SEISS

575. HMRC and HMT started to design the SEISS over the weekend of 20 – 22 March 2020 ("**the 20 March 2020 Weekend**"). On 20 March 2020, following the announcement of the CJRS and other HMRC-led easements to support taxpayers, senior HMRC officials were contacted by HMT colleagues.

576. HMT requested HMRC colleagues to attend a call with the Chancellor on the afternoon of Saturday 21 March 2020 to consider what support should be given to the self-employed. A

copy of that email meeting invite for Sunday 22 March 2020 is at **JH/D-SEISS/004 – INQ000583768**. The email included an attachment which was used as an agenda for the meeting. That agenda is **JH/D-SEISS/005 – INQ000583769**.

577. On 22 March 2020, HMRC and HMT policy teams discussed the outline for a scheme to support the self-employed. Discussions over the 20 March 2020 Weekend focused on:

- 577.1. defining the population to support;
- 577.2. potential data sources for information on the self-employed including average income levels;
- 577.3. the type of scheme that could be developed;
- 577.4. the parameters to use;
- 577.5. those newly self-employed in 2019/20;
- 577.6. how to minimise fraud; and
- 577.7. the application and payment process.

JH/D-SEISS/006 – INQ000583770, JH/D-SEISS/007 – INQ000583771 and JH/D-SEISS/008 – INQ000583772 detail the discussions over the 20 March 2020 Weekend. These exhibits consist of email discussions on how to identify the self-employed population, an agenda for a meeting with the Chancellor and a draft paper for a wage support scheme for the self-employed. This work fed into the advice that was sent to the Chancellor later that day.

578. The key HMRC individuals involved in liaising with HMT over the 20 March 2020 Weekend were Paul Riley (Director responsible for Tax Administration), Helen Page (Deputy Director responsible for Self-Assessment policy), Jane Whittaker (Director responsible for HMRC Knowledge, Analysis and Intelligence) and members of their respective teams.

579. In the following days they were joined by Chris Irwin (Deputy Director responsible for external engagement and guidance for the SEISS), Max Hacon (Deputy Director responsible for leading the project team designing and delivering the scheme), John Harrison (Deputy Director responsible for customer insight and design), Janet Alexander (Director responsible for COVID-19 compliance work) and Michael Howes-Roberts (Deputy Director, IT owner for UK Personal Taxes including Self-Assessment Tax systems).

580. HMRC rapidly established departmental governance processes and brought individuals together from different areas in a multi-skilled team over the 20 March 2020 Weekend to consider what could be designed and delivered at pace to meet the Chancellor's remit for a support scheme for the self-employed. The team included colleagues from policy, legal, compliance, delivery, customer impacting, communications, operational teams and others, working closely with HMT colleagues. HMRC staff were able to adapt and pull together to deliver on the Chancellor's remit to support individuals in a time of crisis but designing and implementing the scheme at pace did not come without challenges, such as:

580.1. Ensuring the right people with the right knowledge and skills were identified for this team and backfilling their usual roles;

580.2. Working very long hours;

580.3. Challenges with the technology for working from home – securing the right IT kit and connectivity issues – but these rapidly improved through spring 2020. The teams adapted well to working online rather than in person, although having lots of people on calls sometimes made it difficult to ensure all voices were heard;

580.4. The fact that the policy was necessarily developing at the same time the system was having to be designed which put pressure on testing and delivery timescales, especially for the first grant. This was understandably frustrating for the self-employed and their representatives and was one reason why the eligibility checker was designed and delivered, allowing the self-employed to determine as soon as possible whether they could be eligible, which in turn gave them time to plan accordingly;

580.5. The high level of telephone contact from the self-employed, especially those seeking reviews of their eligibility, was another challenge that HMRC managed by recruiting temporary staff and moving experienced compliance staff on to the COVID-19 helplines.

581. On 22 March 2020 an HMT-led submission was made to the Chancellor on the design and delivery of the SEISS [**JH/D-SEISS/009 – INQ000583444**]. The income criteria were based on the policy remit to provide support to the self-employed most in need (with trading profits of no more than £50,000), and most dependent on their trading income (with trading profits at

least equal to their non-trading income). HMT's analysis of the self-employed population by income bands, based on the Family Resources Survey and the Survey of Personal Incomes was as follows [**JH/D-SEISS/006 – INQ000583770**]:

Income band (lower bound)	Number		Average income (£py)	
	SPI	FRS	SPI	FRS
<11,500	-	1,584,643	-	£6,098
11,500	302,000	328,382	£9,320	£12,204
13,000	333,000	145,041	£10,300	£14,029
15,000	671,000	480,385	£12,100	£17,107
20,000	889,000	702,967	£16,000	£24,130
30,000	716,000	612,352	£21,400	£38,252
50,000	181,000	158,446	£29,300	£57,109
70,000	108,000	105,080	£42,400	£83,143
100,000	80,000	65,835	£66,500	£112,595
150,000	37,000	33,399	£97,400	£175,998
200,000	28,000	20,436	£144,000	£247,746
300,000	18,000	17,595	£241,000	£378,463
500,000	13,000	1,933	£480,000	£541,039
1,000,000	8,000	0	£1,680,000	-

582. On 23 March 2020 HMRC sent a costings note to the Chancellor setting out a range of options regarding eligibility for the SEISS. The costings were based on the 2017-18 Survey of Personal Incomes. This analysis and costings is set out in **JH/D-SEISS/009b – INQ000606707**. Also on 23 March 2020 HMT made a submission to the Chancellor expanding on the 22 March 2020 submission and setting out potential ways in which a grant could be made conditional [**JH/D-SEISS/010 – INQ000583443**].

583. HMRC and HMT policy teams were also considering whether the scheme should provide a grant or a loan. HMT led rapid development of an options paper that was sent to the Chancellor on 23 March 2020 for discussion on a call 24 March 2020 covering a range of issues for decision regarding the scheme. This advice set out options for a taxable grant or repayable loan, including how these would work, the complexities involved and some examples. A draft

copy of the options paper is at **JH/D-SEISS/011 – INQ000583740** and a copy of the advice to the Chancellor on this is at **JH/D-SEISS/012 – INQ000583741**.

584. On 24 March 2020 an HMT-led submission was made to the Chancellor setting out the final decisions required on the SEISS. A copy of that submission is at **JH/D-SEISS/013 – INQ000583457**.

585. On 25 March 2020 a recommendation was made to the Chancellor to base the grant calculation on an average of the trading profits declared on up to three years' tax returns covering the period 2016/17 to 2018/19 [**JH/D-SEISS/014 – INQ000583361**]. This was in recognition of the fluctuating nature of self-employed profits. Basing the grant calculation on average trading profits was designed to smooth out those profit/loss fluctuations and to pay grants more representative of the claimant's profits over time. The submission asked for decisions on paying the grant at either 60% or 80% of an individual's average trading profits and whether the cap should be at £2,000 or £2,500. To target the grants at those most who were considered to be most in need, those on middle to low incomes who were less likely to have assets to fall back on, the advice also recommended a limit on trading profits of no more than £50,000. Although HMT led on this advice, HMRC officials were closely involved in the submission, particularly with regard to defining and estimating the potentially eligible population and the estimated costs of the scheme. The decisions were received from the Chancellor on the same day, a copy of which is at **JH/D-SEISS/015 – INQ000583307**.

586. On 26 March 2020, following decisions from the Chancellor on the scheme parameters set out in the submissions of 22 and 24 March 2020 exhibited above, the Chancellor announced the SEISS.

587. Between the announcement of the SEISS on 26 March 2020 and the publication of the first SEISS direction on 30 April 2020 HMRC worked with HMT on various practical issues, as well as on the detailed scheme guidance. These issues included how to treat certain customer groups, for example carers, Lloyds Underwriters, Loan Charge customers, North Sea Divers, those taking breaks from their trade and those with part-year profits. Other issues included the taxability of the grants, payment thresholds, dealing with those customers subject to a compliance check or who had settled an HMRC enquiry via a contract settlement rather than

via an amendment to their tax return, residence considerations, handling reviews and disputes and the meaning of a trade being “adversely affected” by COVID-19. Many of these issues were included in advice to the Chancellor in April 2020 seeking decisions to enable the first direction underpinning the scheme to be drafted, the SEISS IT system to be designed and built and the customer guidance to be drafted. See **JH/D-SEISS/016 – INQ000583766** and **JH/D-SEISS/017 – INQ000583765** for examples of these submissions.

588. In line with the principles of the Policy Partnership, HMT had responsibility for advising ministers on the strategic economic and fiscal response to COVID-19. The purpose and main principles of a scheme to support the self-employed were largely set before HMRC became involved, as demonstrated by **JH/D-SEISS/006 – INQ000583770**. HMT led on advice to ministers relating to the operational design of the scheme, with HMRC policy advisers feeding in. HMRC was responsible for the implementation of the scheme, for paying out the SEISS grants and for recovering overpaid grants. As such HMRC was not involved in considering any alternative schemes in the formulation of the SEISS. Paragraphs 589 to 603 below set out the final eligibility rules for the scheme and how they were decided during the 20 March 2020 Weekend, insofar as HMRC had involvement.

Eligibility: income rules

589. The SEISS had a series of rules designed to determine eligibility in line with the remit for the scheme. The first was a set of income rules. The first income rule was that the self-employed individual's average trading profits were £50,000 or less, and more than £0, in the relevant period. Those making losses in one year could qualify on the average trading profits rule explained at paragraph 585, but those making a loss in the relevant period would not qualify as they could not have been reliant on their trading income. The second income rule was that the individual's average trading profits constituted at least half of their total income for the relevant period.

590. At the time, data from the latest available Survey of Personal Incomes and Family Resources Survey demonstrated that the majority of the self-employed received income of £50,000 or less; only 4.1% were in receipt of income over that figure [see the email timed 09:24 in **JH/D-SEISS/006 – INQ000583770**]. The income distribution data showed overall earnings for the

self-employed were lower than for employees, with median net income being less than £20,000.

591. The policy teams discussed the percentage of total income to be derived from a trading source. The figures of 60% and 50% were discussed in the email chain exhibited above. HMRC was mindful that the self-employed are a diverse population, with large variances in turnover and profits depending on their trading activity. Many experience monthly and annual variations in income even in normal times, and in some cases, they have substantial additional forms of income. The income rules within the scheme, that an individual's trading profits must be no more than £50,000 and at least equal to their non-trading income, supported the policy objectives of the scheme. These were to support the self-employed through the pandemic by providing grants to those most in need and who were most reliant on their self-employment income.

95% coverage

592. HMRC analysts within Knowledge, Analysis and Intelligence provided costing advice and data updates throughout the design stage of the scheme to HMT colleagues. I exhibit examples of these as **JH/D-SEISS/017a – INQ000583800** and **JH/D-SEISS/017b – INQ000583802**. The advice was based on the parameters under consideration and tax data, and would have been used by HMT officials to provide the Chancellor with an estimate of the eligible population.

593. HMRC's analysis showed approximately 95% of those with over half their income from trading as a self-employed individual would be potentially eligible for the SEISS. Taking account of this analysis, the Chancellor decided to set the income rules at £50,000 and more than £0, and 50% of total income to derive from a trading source.

594. At the time of the SEISS launch announcement on 26 March 2020, the Chancellor made a statement which mentioned that "95% of people who are majority self-employed will benefit from this scheme." The Institute for Fiscal Studies estimated that c.675,000 (or 18%) of the 3.8 million people who received more than half of their income from self-employment would be ineligible for support under the SEISS.

595. The Chancellor's statement was based on HMRC's Survey of Personal Incomes analysis data for 2017-18. The data held showed 5.75 million individuals had some form of self-employment. From these figures 1.73 million received less than half of their total income from self-employment trading profits, so were not eligible for the SEISS grants (as they were not majority self-employed). A further 0.22 million had trading profits in excess of £50,000 (so were also not eligible). On 5 May 2020 an additional explanation relating to the 95% figure was sent to the Treasury Select Committee, that explanation was as follows:

- a) *"This 95% figure was estimated using HMRC's Survey of Personal Incomes (SPI) data for 2017-18. Specifically the estimation used the data underpinning published National Statistics Table 3.10 "Income of individuals with self-employment sources", available here: <https://www.gov.uk/government/statistics/income-of-individuals-with-self-employment-sources-2010-to-2011>.*
- b) *The reason for using the SPI data is that it is known to be rigorous and consistent with a range of other income data sources. The SPI is the primary source of data for policy analysis and for answering Parliamentary Questions and Freedom of Information requests concerning incomes.*
- c) *Table 3.10 presents the estimated number of people reporting self-employment to HMRC through their Self-Assessment (SA) returns. This includes those reporting any information on self-employment, including those with losses or nil trading profits. The published table confirms that 5.75 million individuals were deemed as having some form of self-employment in 2017-18.*
- d) *The Self-Employment Income Support Scheme (SEISS) is aimed at those with trading profits making up at least half of their total income. The SPI data includes information on other incomes for these individuals (e.g. dividend, rental, employment and savings incomes) so total income for these self-employed individuals can also be established.*
- e) *Based on the SPI, HMRC estimates that of the 5.75 million individuals deemed as having some form of self-employment in 2017-18, 1.73 million received less than half of their total income from self-employment trading profits, and therefore fall outside the ambit of the SEISS.*
- f) *Of the 4.02 million individuals for whom trading profits made up at least half of their total incomes, 0.22 million (5% of the 4.02 million) had trading profits of at least £50,000, and therefore breach the income condition in the SEISS.*

- g) *This leads to the conclusion that of the self-employed – i.e. those for whom trading profits made up at least half of their total income – 95% have trading profits of less than £50,000 and therefore are eligible for a grant under the scheme.*
- h) *The 95% figure therefore relates to 2017-18, and can be considered an estimate of the proportion of the self-employed who will be eligible for SEISS. It does not include any adjustment for those who might have started or ceased self-employment since 2017/18.*
- i) *The eligibility criteria for SEISS are more complex than a calculation based on a single year of data. HMRC will take into account up to three years of self-assessment data (2016-17 to 2018-19 inclusive) to assess eligibility.*
- j) *The following is taken from gov.uk (<https://www.gov.uk/guidance/claim-a-grantthrough-the-coronavirus-covid-19-self-employment-income-support-scheme>):*
- k) *Who can claim:*
You can claim if you're a self-employed individual or a member of a partnership and you:
- i. have submitted your Self Assessment tax return for the tax year 2018 to 2019*
 - ii. traded in the tax year 2019 to 2020*
 - iii. are trading when you apply, or would be except for coronavirus*
 - iv. intend to continue to trade in the tax year 2020 to 2021*
 - v. have lost trading profits due to coronavirus*
- You will need to confirm to HMRC that your business has been adversely affected by coronavirus.*
- HMRC will as usual use a risk based approach to compliance.*
- vi. Your trading profits must also be no more than £50,000 and more than half of your total income for either:*
 - vii. the tax year 2018 to 2019*
 - viii. the average of the tax years 2016 to 2017, 2017 to 2018, and 2018 to 2019*
- l) *The 95% figure quoted is based on one year of published official statistics data relating to 2017-18, and therefore is an estimate regarding the eligible population rather than a being a definitive figure.*
- m) *Such estimation is often used for policy analysis and for published assessments of the likely impact of policy changes.”*

596. The estimate from the Institute for Fiscal Studies was produced on a different basis and included self-employed individuals who would not have filed a self-assessment return and were not accounted for in HMRC's data.

596.1. On 26 March 2020 HMT contacted HMRC to confirm the analysis that approximately 95% of those with over half of their income from trading as self-employed would be potentially eligible for the SEISS. This was confirmed by HMRC on the same date [JH/SEISS/018 – INQ000606708]. The key difference between HMRC's analysis and that of the Institute for Fiscal Studies is that the Institute for Fiscal Studies' analysis included those who were newly self-employed in 2019-20. As this group would not have yet filed a tax return they were not included in HMRC's analysis.

596.2. HMRC did not hold any self-employment data for individuals that had not filed a self-assessment tax return and so could not include them in the analysis. Not all self-employed individuals are required to file a tax return. For example, those with annual gross trading income below £1,000 can choose to take advantage of the trading allowance. Those choosing to do this do not have to complete a self-assessment tax return, although they may wish to do so to claim reliefs or to pay national insurance contributions.

597. The statistics published by HMRC on the SEISS set out the number and characteristics of both the eligible and ineligible groups within the self-employed population. These include information on self-employed individuals with income above the £50,000 threshold and those with the majority of their income from other sources and support the statement that 95% of self-employed individuals were potentially eligible to claim the SEISS grants.

Taper

598. HMRC and HMT policy teams considered whether a taper should be applied to the £50,000 eligibility threshold. On 23 March 2020 there were email discussions between HMT and HMRC officials which flagged the High-Income Child Benefit Charge that was initially based on a "hard edge" but when implemented included a taper. This email discussion also mentioned how to cater for loss-making businesses and whether to pro-rata profits for part-year trading.

599. HMT stated that there was less concern regarding a hard edge than for High-Income Child Benefit Charge as this was a one-off payment paid by reference to a historical year and, as such, it was unlikely to create economic distortions. There was wariness around introducing new design features at this stage. A more complicated design based on tapered support around these thresholds could have delayed the implementation of the scheme to bring in a relatively small additional potentially eligible population. It was agreed that the teams would await the Chancellor's view on an income cap overall and perhaps offer a taper later if he expressed an interest in this **JH/D-SEISS/019 – INQ000583774**.

600. HMRC officials attended the Treasury Select Committee on 8 April 2020 where particular hard cases affected by the £50,000 threshold were raised. This prompted further discussion of a taper with the SEISS policy teams [**JH/D-SEISS/020 – INQ000583776**]. The thinking at this time was that the Chancellor and many stakeholders had accepted the hard edge. There was a final mention of reconsidering a taper from HMRC on 17 April 2020, as set out in **JH/D-SEISS/021 – INQ000583777**, in the context of the Chancellor asking for the cost and population impact of changing the income threshold to £60,000 or £75,000, but the idea was not taken further.

Eligibility: trading activity

601. The second set of rules related to trading activity. These were important given the SEISS was designed to support the self-employed through the pandemic and enable them to survive and revive their business once restrictions eased and the economic situation improved.

602. At the point of claim, the self-employed individual had to confirm they were still trading, meaning they had not permanently ceased trading. Recipients of SEISS grants were allowed to continue to trade, start a new trade, take on other employment, or pause a trade. However, they could not claim the grants if they had permanently ceased trading or had no intention of trading in the year of claim. When new tax data was available ahead of the fourth and fifth SEISS grants being launched, individuals who had ceased trading were noted as no longer eligible for the scheme.

Eligibility: effect of the pandemic on trading activity

603. The final set of scheme eligibility rules related to the effect of the pandemic on self-employed individuals' trading activity. This was important as some trades and activities grew during the pandemic while others stalled or were halted altogether. Individuals were required to confirm that their business had been adversely affected by COVID-19 for the first and second grants. This requirement continued for the later grants and was incorporated into a consideration of the impact of the pandemic on the individual's expected or actual trading profits. This was designed to ensure the grants continued to be targeted at self-employed individuals most affected by the pandemic. Table 1 outlines the eligibility criteria throughout the five grants.

Table SEISS/1. SEISS eligibility criteria

Grant	Qualifying period	Claim period	Criteria	Grant amount %	Grant cap (£)
First grant	Impacted on or before 13 July 2020	13 May 2020 - 13 July 2020	Business adversely affected by the COVID-19 outbreak.	80	7,500
Second grant	14 July 2020 – 19 October 2020	17 August 2020 - 19 October 2020	Business adversely affected by the COVID-19 outbreak.	70	6,570
Third grant	1 November 2020 – 29 January 2021	30 November 2020 – 29 January 2021	Reasonable Belief Test Claimant must declare that they reasonably believed that any reduced activity, capacity or demand due to COVID-19, would result in a significant reduction in trading profits, compared to what they would	80	7,500

			<p>otherwise expect to have achieved during this period.</p> <p>Note: For this, and the subsequent grants, the adversely affected test also applied, but in practice it was met by someone meeting the Reasonable Belief Test.</p>		
Fourth grant	1 February 2021 – 30 April 2021	22 April 2021 – 1 June 2021	Reasonable Belief Test (as explained above)	80	7,500
Fifth grant	1 May 2021 – 30 September 2021	29 July 2021 – 30 September 2021	<p>Reasonable Belief Test (as explained above)</p> <p>In addition:</p> <p>The Financial Impact Declaration was introduced to determine the amount of the grant. Self-employed individuals who suffered a 30% or smaller reduction in turnover received 30% of 3 months' average trading profits, while the rate was 80% for those who suffered a greater reduction in turnover.</p>	80/30	7,500/2,850

New parents and reservists

604. On 5 May 2020 a submission was made to the Chancellor on the treatment of new parents and reservists. The submission provided further information and options for accommodating reservists and those with periods of parental leave. Both groups were likely to have experienced periods where they had paused their trading activity, which could have affected eligibility for the SEISS and the grant values. A copy of that submission is at **JH/D-SEISS/022 – INQ000583431**. A copy of the email dated 23 May 2020 recording the Chancellor's agreement to including these groups in the scheme is at **JH/D-SEISS/023 – INQ000583719**.
605. On 12 June 2020 a further submission was made to the Chancellor on this topic, a copy of which is at **JH/D-SEISS/024 – INQ000583461**. The Chancellor responded on 16 June 2020 with the decision to pursue option 2 set out in that submission. This option included support for self-employed women who took time out of their trade, or reduced their trading activity, because of pregnancy or childbirth (including a stillbirth after more than 24 weeks of pregnancy). It also provided support to all self-employed parents, including fathers, who took time out of the labour market to care for children within 12 months of the birth of the child and to adopters within 12 months of an adoption placement. A copy of that decision is at **JH/D-SEISS/025 – INQ000583720**.
606. In consequence, changes to the scheme rules were introduced via the second SEISS direction to make these groups eligible. The changes meant that new parents and reservists who did not file a 2018/19 tax return, or whose trading profits were less than their non-trading income in that year, could become eligible for the scheme. If newly eligible, these groups could claim both the first and second grant within the claim window for the second grant.

Unintended gaps

607. The unintended gaps in the initial design of the SEISS included certain new parents and reservists. The changes explained above show how they may have become eligible for the SEISS grants.
608. The other self-employed groups not eligible for the SEISS grants were known when the SEISS parameters were set and agreed upon. The key groups excluded by the scheme rules were

those with trading profits in excess of £50,000 or who received more than half their income from sources other than carrying on a trade, and the newly self-employed.

609. HMRC is not aware of any concerns raised from central government on the exclusion of specific groups. HMRC engaged with HMT colleagues to consider certain external proposals put forward to support specific groups, including the Directors Income Support Scheme. This area is addressed in paragraphs 338 to 342 of the CJRS part of this statement.

Contrast with usual process

610. The development and announcement of the SEISS contrasted with HMRC's usual process for developing, announcing and delivering tax measures. HMRC usually develops tax and customs measures for announcement at the Budget which become legislation through the annual Finance Bill. I have explained earlier the way in which HMT and HMRC, through the policy partnership, usually manage activity relating to fiscal events and legislation, and how this worked during the pandemic.
611. The usual process includes a policy development stage that will often include producing options that will be formally consulted on. This consultation is conducted via publication on GOV.UK and engaging directly with affected taxpayers and their representatives. This will then be followed by further public consultation on the technical detail of a measure and on the draft legislation to implement it. At each stage of consultation, a Tax Information and Impact Note will be drafted and published for external comment. This note includes equalities and impacting assessments. Legislation can also be amended by Parliament during the Finance Bill process. HMRC systems or processes will then be adapted to reflect that, as well as for the outcome of the various public consultation exercises on any new measure.
612. In usual circumstances it might have been possible to identify groups that would not be eligible for support, such as the new parents and reservists, at the outset, but the pace and scale of work required to introduce the SEISS meant that this was not possible for the first SEISS grant. We would expect the policy development stage, and in particular external consultation, to highlight those groups which would have allowed HMRC to consider the same and potentially develop solutions to bring them into eligibility from the outset.

613. Due to the speed with which the SEISS was designed, legislated and delivered these usual consultation processes, including scrutiny by Parliament, did not take place. However, the SEISS Expert Panel provided valuable external feedback on many elements of the design and delivery of the scheme, including the customer guidance. For more information on their role see paragraphs 792 - 807 below. Some decisions were made on calls and recorded briefly via action points or within project documentation rather than via formal readouts or minutes. However, the key decisions, including on the eligibility criteria, were taken by ministers using the HMT submission process. The lack of support initially for new parents and reservists who were largely reliant on their trading income but who may have missed out due to certain breaks in trade would, in ordinary times, have been addressed from the outset. This would be because there would have been more time to identify such impacts and develop processes to cater for them, or because external consultation would have flagged the issue and possibly offered some workable solutions.

Engagement with Devolved Governments

614. As I have explained, although HMRC's Devolved Governments Team met regularly with the Devolved Governments during the pandemic, there was no specific engagement with them relating to the economic support schemes HMRC was delivering. The HMRC policy teams did not engage with the Devolved Governments in the design of the SEISS or in providing information after decisions were made, although this was not a deliberate decision. It may be appropriate to engage with the Devolved Governments in designing support schemes in response to a future pandemic.

615. The SEISS was designed to be a straightforward online application process accessed via GOV.UK which required customers to use their existing Government Gateway login to apply. The IT delivery team did engage with the Northern Ireland Executive to gain access to Northern Ireland driving licence data to address concerns about Government Gateway access. Following this engagement, Northern Irish driving licences became a source of verifiable identity for the Government Gateway.

Legislation

Coronavirus Act 2020, Finance Act 2020 and the SEISS Directions

616. The Coronavirus Act 2020 received Royal Assent on 25 March 2020.
617. The Coronavirus Act 2020 provided for a Treasury Commissioner, and latterly two such Commissioners, to issue directions to the Commissioners for HMRC to provide them with functions in relation to COVID-19. The SEISS directions set out the legal framework for the scheme and state that HMRC is responsible for the payment and management of amounts to be paid under the scheme.
618. The First SEISS Direction (the “**First SEISS Direction**”) [JH/D-SEISS/026 – INQ000583327] was made on 30 April 2020 and set out the purpose of the SEISS and the rules for the operation of the scheme. A further direction was required to set the closure date for that first grant. Learning from the content and process of delivering the First SEISS Direction, subsequent directions set out the qualifying period for each subsequent grant as well as the relevant claim window. These later directions built on the rules for the grants set out in the earlier directions and included additional changes, such as:
- 618.1. Bringing in new parents and those who were on reservist duty from the second grant onwards (the “**Second SEISS Direction**”) and allowing them to make claims for the first grant and second grant. The Second SEISS Direction was made on 1 July 2020 [JH/D-SEISS/027 – INQ000583469];
 - 618.2. Introducing the Reasonable Belief Test from the third grant onwards (the “**Third SEISS Direction**”). In addition to the eligibility criteria for the first two grants, individuals also had to declare that they reasonably believed that any reduced activity, capacity or demand due to COVID-19, would result in a significant reduction in their trading profits, compared to what they would otherwise expect to have achieved during this period absent the pandemic. The Third SEISS Direction was made on 21 November 2020 [JH/D-SEISS/028 – INQ000583464];
 - 618.3. Allowing newly self-employed individuals who started trading during 2019/20 to claim from the fourth grant (the “**Fourth SEISS Direction**”). This direction also included specific powers to enable HMRC to recover overpaid SEISS grants following amendments to relevant tax returns. The Fourth SEISS Direction was

made on 7 April 2021 [**JH/D-SEISS/029 – INQ000583510**] with a correction slip, due to an incorrect date, on 9 April 2021 [**JH/D-SEISS/029a – INQ000583511**]; and

618.4. Introducing the Financial Impact Declaration (a turnover test) which was designed to target the most generous support at those that had experienced a slower recovery. This came in for the fifth and final SEISS grant (the “**Fifth SEISS Direction**”), which also included further dedicated recovery provisions. The Fifth SEISS Direction was made on 5 July 2021 [**JH/D-SEISS/030 – INQ000583466**] and a modification to the SEISS for certain partnerships was made on 26 July 2021 [**JH/D-SEISS/030a – INQ000583723**].

619. Together, “**the SEISS Directions**” set out the scope and nature of the scheme, including the eligibility rules and grant calculation for each grant.

Timing and the impact on design decisions

620. The directions demonstrate how the scheme developed over time, bringing in new cohorts as data and systems allowed and tightening the impact tests to ensure grants remained targeted at those whose trade continued to be most affected by the pandemic restrictions. HMRC initially understood the scheme would pay out a one-off grant. Similarly, when the second SEISS grant was announced the Chancellor at the time had made it clear that would be the final grant [**JH/D-SEISS/031 – INQ000583507**].

621. Given the scheme was designed to support those largely dependent on their trading income and to replicate the generosity of the CJRS, the fact that the intention was to pay one or two grants had little impact on the reach and generosity of the grants. However, as lockdown measures began to ease and economic conditions seemed to be improving when the second grant was being considered, advice was sent on 22 May 2020 to the Chancellor on paying a grant based on 70% rather than 80% of average trading profits. This brought the SEISS into parity with CJRS where, at this time, the contribution from the government reduced to 70%. A copy of this advice is **JH/D-SEISS/032 – INQ000583446**. The Chancellor settled on paying the second grant at 70% of average trading profits rather than 80%. As conditions worsened and a second national lockdown was imposed in autumn 2020, the third grant reverted to the

80% level. The final grant then provided two levels of support as the economy reopened, with the higher level for those experiencing a slower recovery.

Finance Act 2020

622. HMT's powers under the Coronavirus Act 2020 to direct HMRC to exercise new functions to respond to COVID-19 covered the administrative functions around the SEISS, such as inviting applications and making payments. The Treasury directions set out the eligibility rules and grant calculation formula and included some administrative rules. However, because paying out grants was not about tax, HMRC's existing compliance powers could not be used to recover overpaid grants. At the time the first SEISS direction was made HMRC would only have common law and criminal powers to recover overpaid grants.
623. The use of Treasury directions to legally underpin the scheme instead of primary and secondary legislation, for which there is a well-established but often long timescale to delivery, allowed the scheme to be delivered quickly. The main drawbacks to using directions were the lack of Parliamentary scrutiny that is associated with the introduction of new primary and secondary legislation, as well the inability to link directly to HMRC's existing compliance powers.
624. Parliament introduced legislation in the Finance Act 2020, which received Royal Assent on 22 July 2020, to ensure the grants were treated as income subject to tax and NICs, that overpaid grants could be recovered, and to apply penalties in particular circumstances. As the grants were taxable, the legislation enabled HMRC to apply existing powers to both investigation and recovery of overpaid grants. The legislation and associated Parliamentary debate [**JH/D-SEISS/033 – INQ000583512**] made it clear that HMRC would only penalise deliberate non-compliance, in recognition that applying penalties for making errors could have deterred claims from those most in need of support.
625. HMRC conducted a short, technical public consultation on the draft Finance Act 2020 COVID-19 support payments taxation and compliance legislation. The consultation ran from 29 May 2020 to 12 June 2020 and the draft legislation was updated as appropriate to reflect representations received.

626. The Finance Act 2020 provisions allowed HMRC to recover payments to which recipients were not entitled. This legislation imposes an income tax charge on the recipient, who is required to notify HMRC about the overpayment within the notification period. This period is 90 days after the Royal Assent of Finance Act 2020 or the date of receipt of the overpaid grant. These provisions gave HMRC the power to make an assessment if an officer considers an individual has received a payment to which they were not entitled. If the individual had not repaid the grant or HMRC had not raised an assessment to recover an overpaid grant before they are due to submit a self-assessment return for the relevant year, then the self-employed individual was required to include the overpaid amount in their self-assessment return.

627. The taxation of COVID-19 grants was introduced at Report Stage of Finance Bill 2020 as New Clause 19. This was debated in Parliament on 2 July 2020; a copy of the Hansard report of that debate is at **JH/D-SEISS/033 – INQ000583512**.

628. The Ministerial Speaking Note at **JH/D-SEISS/034 – INQ000583513** covers New Clause 19 regarding the taxation of COVID-19 support payments and included the following summary:

“This clause and Schedule ensure that particular grants to help businesses, employers and individuals (including partners of partnerships) affected by the coronavirus crisis are taxable income, although whether any tax is paid will depend on the overall tax position in each case. This includes payments made under the Coronavirus Job Retention Scheme (CJRS), the Self-Employment Income Support Scheme (SEISS), the Coronavirus Statutory Sick Pay Rebate Scheme (CSSPRS) and other business supporting grant schemes announced by the government and the Devolved Administrations. The legislation ensures that grants made under the schemes are within the scope of tax and included as revenue for income tax and corporation tax purposes, as has been made clear in communications around the grant schemes. The provisions also provide HM Revenue and Customs (HMRC) with additional compliance and enforcement powers in relation to the CJRS and SEISS.”

629. Further provisions were introduced in Finance Act 2021, which received Royal Assent on 10 June 2021, to amend the Finance Act 2020 provisions. The Finance Act 2020 provisions enabled HMRC to reclaim overpaid SEISS grants where the claimant did not meet the eligibility

criteria at the time of claim. The Finance Act 2021 amendments enabled HMRC to recover grants where an individual was potentially entitled to the grant at the time of claim but subsequently ceased to be entitled to all or part of the grant. This was designed to ensure overpaid SEISS grants resulting from an amendment to a relevant tax return had to be notified to HMRC and repaid. If self-employed individuals failed to do this, then HMRC could impose a tax charge equivalent to the amount of the grant to be recovered, via a tax assessment.

Data and Statistics

630. In designing and delivering the SEISS, HMRC's aim was to make the claims process simple whilst minimising error and fraud risks. A key part of this was designing a system that enabled HMRC to calculate the amount of self-employment support an eligible individual would receive, so they did not need to do this themselves.
631. The key existing data system relating to self-employed individuals is the self-assessment return system (or Computerised Environment for Self Assessment. The Computerised Environment for Self Assessment interacts with a related corporate data warehouse (containing audit trail information), which stores the data submitted to the Computerised Environment for Self Assessment (via self-assessment returns), and the Citizen Identification Database in a way that enables it to be used and analysed. Together, these systems provide a robust database of the data provided in individuals' past self-assessment returns, including information on individuals' income, expenses, and profits. They are the only HMRC systems which contain this kind of data about the earnings of self-employed individuals at such a level of granularity.
632. These systems provided the data that was needed to assess the 'ordinary' trading profits of self-employed individuals. Using this data was the only practical approach to designing the SEISS system. This data was already within HMRC's possession and was 'historic' data that had been submitted and validated. Therefore, the data used to determine both eligibility and grant calculations could not be manipulated for the purposes of claiming SEISS, therefore mitigating the risks around error and fraud.

633. It would not have been possible to capture new sets of self-assessment information and use that more up to date information in the limited time available. To increase the scope of the self-assessment data for the SEISS would first have required HMRC to alter the self-assessment IT system, and then to require new self-assessment returns. Previous HMRC projects which altered the self-assessment IT system (in 2016) took over 12 months to deliver the core change. Expanding the data available to SEISS through the self-assessment system was not an option: any such change would have taken many months to design and implement.
634. Around 11 million individuals complete an self-assessment return each year to declare potentially taxable income from a variety of sources. Of those, around 5 million individuals reported income from self-employment and were automatically assessed for the SEISS. Of those 5 million, 1.6 million were found to be ineligible because they did not meet the eligibility criteria based on the data HMRC held. Of the individuals who were assessed to be ineligible, the majority earned more than half their income from another source, had trading profits of zero or less, or had trading profits of over £50,000.
635. The trading profits data from the tax years 2016/17, 2017/18 and 2018/19, or a narrower selection where the individual had not traded for all three years, were averaged to form the basis of the SEISS grant calculation. The Computerised Environment for Self Assessment provided the raw data for that averaging process, which then had to be fed into the wider build of the SEISS system.
636. Using data from filed tax returns to determine eligibility and grant calculations meant the newly self-employed were not initially supported by the SEISS. It also meant those taking breaks from their self-employed trade for whatever reason, or those growing their business over the previous three years, may have received relatively smaller grants. These “hard edges” were inevitable in a scheme built on information already held by HMRC for which millions of people would be eligible, and these were flagged to ministers [JH/D-SEISS/035 – INQ000583413].
637. For the first three SEISS grants the 2018/19 self-assessment returns were used as a reference point. The decision to use the 2018/19 tax returns as a reference point was part of the advice that was sent to ministers on 22 March 2020 [JH/D-SEISS/009 – INQ000583444]. The rationale for this was to ensure the data used to determine both the potentially eligible

population and size of the grants was reliable and not open to manipulation. This was a key measure in preventing fraudulent access to the scheme. HMRC was not aware of any data that could reliably identify the self-employed who had started trading since 6 April 2019. When the SEISS was announced in March 2020 the 2019/20 tax year had not ended and the window for filing 2019/20 tax returns had not yet opened. Those individuals who had started trading in 2019/20 did not have to file a tax return until 31 January 2021. There was no further advice, analysis or research on this. There were no alternatives that were considered for those that became newly self-employed in 2019/20. This was because HMRC did not have access to a comprehensive set of self-assessment returns for that year to verify eligibility or upon which to base a grant calculation.

638. Allowing individuals who started trading in the 2019/20 tax year access to the grants would have required HMRC to manually verify the person was self-employed and running a business, as well as asking for information regarding their trading profits that would be unverifiable. This cohort would also be aware of the scheme rules and, if so inclined, could manipulate that information to secure the highest grants available. Unverifiable information would have increased the likelihood that ineligible claims were made, either in error or fraudulently. A scheme that included manual checking and required submission of further information from claimants would have slowed down claims processing and making payments, increased risk and created an administrative burden that could have prevented HMRC from effectively administering the range of COVID-19 support delivered as well as maintaining its usual functions.
639. To be potentially eligible for the fourth and fifth grant, the 2019/20 tax return had to be filed on or before 2 March 2021. Using data from these tax returns meant the scheme could be widened to include those newly self-employed or newly eligible as a result of the information on the 2019/20 tax return, provided it was filed by the scheme deadline.
640. The UK Government was aware of the “Newly Self-Employed Hardship Fund” in Scotland for newly self-employed individuals who were ineligible for the SEISS, including those who had become self-employed after 6 April 2019. The eligibility criteria for this fund, administered by local authorities, was more restrictive than for the SEISS. For example, individuals must have been ineligible for other COVID-19 related business support, must not have been in receipt of working age benefit payments, must have taken steps to limit costs and expenditure, and must not have had access to sufficient savings or other sources of income to meet basic needs. The

UK Government considered it was not possible, due to the reasons set out above, for it to implement a scheme that would be accessible to the newly self-employed.

Establishing the population eligible for the SEISS

641. HMRC data was used to inform the design and cost estimates for the SEISS. Using self-assessment data supported HMRC and the end user as it meant all claims could be verified and the claimant did not have to calculate their grant amounts themselves. This was important in ensuring the scheme was deliverable, as otherwise HMRC would have had to support millions of people to undertake these calculations. This meant individuals who had filed at least one tax return within the relevant tax years were included in the potentially eligible population and were invited to check their eligibility and then claim a grant. HMRC calculated the amount of the grant based on declared profits, meaning the size of the grant was proportionate to the historic reported profits of the self-employed claimant.
642. The nature of the self-assessment reporting system and the filing timetable for tax returns means HMRC data on who is self-employed, and their levels of income, is always somewhat out of date. This lack of real-time data constrained the design and reach of the scheme. For example, when the SEISS was designed in March/April 2020 the last complete set of data HMRC held on the self-employed and partnerships related to the 2018/19 tax year, which ended 5 April 2019. That data was at least 12 months old, and for those whose accounting periods ended early in that tax year it was considerably more unrepresentative of their trading and income situation at the start of the pandemic. However, this provided the best available measure of historic performance of a self-employed trade or partnership, allowing the targeting and value of the SEISS grants to be proportionate to need.
643. Introducing 'Making Tax Digital for Income Tax' will, in time, provide HMRC with a more up to date picture of the trading and profit levels of self-employed individuals as it will be based on a requirement to submit real-time trading information four times per year, rather than in one backward looking return. This real-time information could enable a future grant scheme to be better targeted and to pay out grants more in line with real-time, rather than historical, profits.

644. The availability of funding was not a constraint on the design of the scheme. The key constraints were time and deliverability. HMRC's role included paying out the grants upon claims from the eligible self-employed population, and working with HMT colleagues to evaluate the scheme, which included a value for money analysis. The evaluation shows there was some "deadweight" in the scheme. This means some payments, though claimed legitimately, may have gone to self-employed individuals that did not need the support – representing a form of deadweight. However, the analysis did find the scheme was well targeted at individuals with lower incomes and provided support to those likely to have been impacted by the pandemic.
645. HMRC was able to respond quickly to challenges with grant calculations, from individual claimants disputing their grant calculation as well as to issues identified by HMRC as part of our analytical processes. This was done in real time by establishing a weekly process to update any payments based on further information from the taxpayer, from HMRC helpline staff or analysts, right from the outset of the scheme.
646. Once the SEISS was live, HMRC used data collected from the claims system to monitor demand for the scheme and to publish official statistics. A copy of the SEISS statistics, which cover all grants administered by HMRC up to 28 October 2021 are at **JH/D-SEISS/036 – INQ000583798**. The statistics showed individuals that claimed SEISS by age, gender, industry sector and geography. These statistics were expanded over time, for example by including data on those ineligible for the scheme, adding in further geographic information at the level of parliamentary constituency and local authority, and publishing sub-sector level data. The data was published regularly and in a timely manner consistent with other data releases from HMRC, to promote transparency on the use of public funds.
647. The first SEISS official statistics were published on 11 June 2020, less than a month after the claims for the scheme began. A Background Quality Report was published on 7 October 2021 to provide more detail about the data and processing used to produce the statistics to further promote transparency. A copy of this is at **JH/D-SEISS/037 – INQ000583540**. Statistics were published regularly with only occasional breaks during periods when there was no live support available and were expanded to include supplementary publications. The Office for Statistics Regulation conducted a rapid review of the statistics and supported the approach taken, noting

how quickly the Government Statistical System responded to the need for data. A copy of this review is at **JH/D-SEISS/037a – INQ000583539**.

648. HMRC data continued to inform policy decisions about subsequent grants. It was used to inform ministers and policy teams of the potentially eligible population and expected costs of each extension. For the fourth and fifth grant self-assessment returns from 2019/20 were used to assess eligibility, allowing the scheme to be extended to those who were newly self-employed in this year. It also fed into new developments to the policy such as estimating the impact of introducing the Financial Impact Declaration for the fifth grant. All policy costings were scrutinised and signed off by the Office for Budget Responsibility as part of the Budget process.
649. HMRC did not undertake any assessment with regards to extending or ending the SEISS. This work was led by HMT and was a choice for ministers. The Chancellor made it clear that, as the situation developed, he would keep under review how long the support schemes need to go on. Operationally I stood ready to do whatever he required.
650. HMRC data was also used to inform the SEISS interim evaluation published in October 2022, and the SEISS final evaluation published in July 2023 [**JH/D-SEISS/002 – INQ000583509 and JH/D-SEISS/003 – INQ000583534**]. self-assessment data allowed HMRC to assess the impact of the scheme on individuals in the 2020/21 and 2021/22 tax years by looking at their trading profits and total income. It also highlighted whether individuals chose to remain in self-employment. The interim evaluation set out findings about the delivery of all 5 grants of the scheme, and the final evaluation built on the interim evaluation, assessing the impact and value for money of all 5 SEISS grants.

Costings

651. Costings for the SEISS were produced and updated for the different stages of the policy design and were included in the Office for Budget Responsibility forecast at the relevant fiscal event:
- 651.1. For the first and second grants, the cost base was the total population who had income or losses from self-employment, including those who had trading profits and/or income from partnerships. The cost base was calculated using Self-

Assessment data, considering self-assessment returns filed on or before 23 April 2020. The policy used a backwards-looking definition on income looking at an average of historic tax years. The claims figures that had been published as part of the SEISS statistics suggested that take-up for the second SEISS grant was around 90% of that of the first. An increase in Income Tax and self-employed National Insurance was accounted for in the costing. A copy of the costing note for the first and second grant is at **JH/D-SEISS/037b – INQ000583829**].

651.2. The cost base remained the same for the third grant. The key behavioural consideration was around take-up – i.e. how many of the eligible population will claim their grants if they are eligible. Outturn data on take-up for the first two SEISS grants were considered to estimate take-up for the third grant. A copy of the costing note for the third grant is at **JH/D-SEISS/037c – INQ000583831**].

651.3. The third (and fourth) SEISS grants increased the value to 80% of average trading and partnership profits, and the fifth grant included the Financial Impact Declaration to determine the grant amount applicants were eligible for (either 80% or 30%). At the time this was to be based on how much their turnover had reduced in the year April 2020 to April 2021. Again, the cost base was the total population who have income or losses from self-employment, including those who have trading profits and/or income from partnerships. The cost base was calculated using available outturn Self-Assessment data. The costing was produced by estimating eligibility and take-up relative to the cost base. This was informed by outturn data on take-up for the first three SEISS grants. Impacts on Income Tax and self-employed National Insurance Contributions are accounted for in the costing.

652. Two design choices were made that impact on cost by the time of the Autumn Budget 2021, namely:

652.1. Claimants were able to use an alternative 'reference year' for the Financial Impact Declaration (2018 to 2019) if they believed that tax year more accurately reflected the usual turnover of their trade than 2019-20.

652.2. Claimants who started trading in 2019-20 and did not trade in all of 2018-19, 2017-18 and 2016-17 automatically received the 80 % grant.

652.3. Costing notes for the fourth and fifth grants are at **JH/D-SEISS/037d – INQ000583830 and JH/D-SEISS/037e – INQ000583828**].

653. The cost base for this policy measure was made up of individuals with income from self-employment, including individuals with income from partnerships, who met the SEISS eligibility criteria. The cost base was calculated using available outturn SEISS grant data. The costing was estimated by assessing the value of claims impacted by the policy design decisions using outturn data. Impacts on Income Tax and self-employed National Insurance Contributions are accounted for in the costing.

654. In March 2022, the Office for Budget Responsibility published its estimate of the net cost of the SEISS. The total value of grants paid was £28.1 billion, but accounting for the estimated rate of NICs and Income Tax paid on this reduces the net cost of the scheme to £24 billion. At the March 2023 Spring Budget, HMRC revised this estimate down to £23.9 billion due to a slightly higher rate of Income Tax paid on the fourth and fifth grants than initially projected. The gross and net cost of each grant is shown in the table below.

655. Table SEISS/2: Gross and net cost of the SEISS:

Grant	Gross cost (£ millions)	Income Tax (£ millions)	NICs (£ millions)	Net cost (£ millions)
First grant	-7,590	775	390	-6,425
Second grant	-5,930	595	305	-5,030
Third grant	-6,220	605	315	-5,295
Fourth grant	-5,520	540	290	-4,690

Grant	Gross cost (£ millions)	Income Tax (£ millions)	NICs (£ millions)	Net cost (£ millions)
Fifth grant	-2,850	230	130	-2,485
Total	-28,105	2,750	1,430	-23,925

Accounting Officer Advice

656. As with any new measures requiring HMRC to spend public money, as Accounting Officer I am required to assess whether the measure meets the Managing Public Money rules. A copy of these rules is at **JH/D-SEISS/038a – INQ000188728**.

657. An Accounting Officer assessment was undertaken for each of the five SEISS grants. This assessment consists of four questions that, as Accounting Officer, I need to be satisfied can be met. These are:

657.1. Regularity – can I spend money this way? Is it compliant with our right to spend?

657.2. Propriety – should I spend the money this way? Is this Parliament's expectation/intention?

657.3. Does this represent value for money? Would alternative proposals, or doing nothing, deliver better value for the Exchequer as a whole?

657.4. Feasibility – is it likely that this proposal will be delivered? Is there any doubt that the proposal can be implemented accurately, in a sustainable way and to the intended timetable?

658. Copies of the Accounting Officer assessments, and agreement that the four-question test set out in paragraph 657 had been met are exhibited to this statement:

658.1. An Accounting Officer assessment was produced for the first SEISS grant on 9 April 2020, and I exhibit that as **JH/D-SEISS/038b – INQ000583453**. On 17 April 2020, I agreed that the four-question test was satisfied and I exhibit a record of that agreement at **JH/D-SEISS/038c – INQ000583321**.

- 658.2. An Accounting Officer assessment was produced for the second SEISS grant on 19 June 2020, and I exhibit that as **JH/D-SEISS/038d – INQ000583471**. An addendum to the document was completed on 11 August 2020 [**JH/D-SEISS/038e – INQ000583725**]. On 11 August 2020, I agreed that the four-question test was satisfied and I exhibit a record of that agreement at **JH/D-SEISS/038f – INQ000583360**.
- 658.3. An Accounting Officer assessment was produced for the third SEISS grant on 28 October 2020, and I exhibit that as **JH/D-SEISS/038g – INQ000583495**. Further advice was completed on 19 November 2020 **JH/D-SEISS/038h – INQ000583497**. On 2 November 2020 and 25 November 2020, I agreed that the four-question test was satisfied and I exhibit records of my agreement at **JH/D-SEISS/038i – INQ000583383** and **JH/D-SEISS/038j – INQ000583386**.
- 658.4. An Accounting Officer assessment was produced for the fourth SEISS grant on 1 March 2021, and I exhibit that as **JH/D-SEISS/038k – INQ000583498**. An addendum to the document was completed on 5 July 2021 [**JH/D-SEISS/038l – INQ000583494**]. On 4 March 2021 and 5 July 2021, I agreed that the four-question test was satisfied and I exhibit records of my agreement at **JH/D-SEISS/038m – INQ000583402** and **JH/D-SEISS/038n – INQ000583419**.
- 658.5. An Accounting Officer assessment was produced for the fifth SEISS grant on 14 July 2021, and I exhibit that as **JH/D-SEISS/038o – INQ000583496**. On 19 July 2021, I agreed that the four-question test was satisfied and I exhibit a record of my agreement at **JH/D-SEISS/038p – INQ000583420**.

Uptake of the SEISS

659. For the first three grants 2.7 million individuals made 7.2 million claims totalling £19.7 billion.
660. For the fourth and fifth grants 2 million individuals made 3.2 million claims totalling £8.4 billion. Around 500,000 people were brought into scope who either became self-employed in tax year 2019 to 2020, or were ineligible for previous grants but became potentially eligible for the fourth and fifth grants based on having submitted their 2019 to 2020 tax return. Note that this does not represent an increase in the potentially eligible population, as individuals could also become ineligible based on the newly available tax return data. The statistics showed that

take-up rates for the fourth and fifth grants among individuals who were newly self-employed or previously ineligible for the third grant was lower than the full population.

661. Across the five grants 2.9 million individuals claim a total of 10.4 million grants with a combined value of £28.1 billion being paid.

662. The number of claims declined with each successive grant, likely as a result of both an improving economic recovery and the introduction of the Reasonable Belief Test and Financial Impact Declaration. Table [SEISS/3] below sets out the number and value of claims per grant, alongside the take-up rate (the proportion of potentially eligible self-employed individuals for each grant who made a claim).

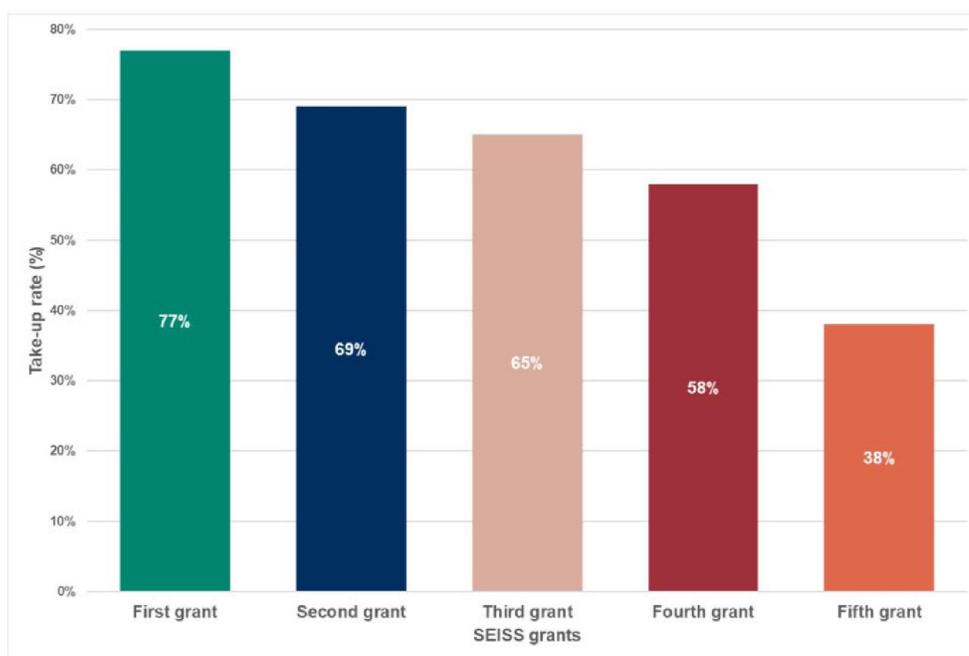
663. Table SEISS/3: Number and value of claims for each SEISS grant:

Grant	Total no. of claims (000s)	Total value of claims (£m)	Average value of claims (£)	Take-up rate
First grant	2,610	7,591	2,900	77%
Second grant	2,351	5,931	2,500	69%
Third grant	2,194	6,219	2,800	65%
Fourth grant	1,958	5,518	2,800	58%
Fifth grant	1,262	2,846	2,300	38%
All grants	10,374	28,105	2,700	-
Total number of individuals	2,897	28,105	9,700	-

664. The number and value of SEISS claims was highest for the first grant, corresponding to the initial wave of COVID-19, paid out between May and July 2020. Take-up declined with each successive grant as shown in figure SEISS/4 below. Introducing the Reasonable Belief Test for the third grant onwards and the Financial Impact Declaration for the fifth grant, alongside

improving economic conditions and reduced COVID restrictions (i.e. relaxation of non-pharmaceutical interventions) over time, are likely to have contributed to take-up declining to 38% for the final grant.

665. Figure SEISS/4: Take-up rate of the SEISS across the 5 grants:



666. The fifth and final SEISS grant was paid out up to the end of September 2021, coinciding with the easing of restrictions and the withdrawal of other COVID-19 support such as the CJRS.

667. To claim the fifth grant, individuals had to compare their pandemic year turnover with that from tax year 2019 to 2020 or tax year 2018 to 2019, their reference year. If turnover in the pandemic year decreased by 30% or more compared to the reference year, the higher 80% grant could be claimed. Otherwise, individuals were eligible for the lower 30% grant. Newly self-employed individuals were exempt from the turnover test and were able to claim the higher grant because they would have no reference year to compare too. Of the 1.3 million individuals who made a successful claim:

667.1. 29% received the lower grant, with an average claim of £1,100

667.2. 71% received the higher grant, with an average claim of £2,700.

Analysis of the uptake of the SEISS

668. Claims for the first SEISS grant opened on 13 May 2020. HMRC published regular management information on the number and value of claims made under the scheme [**JH/D-SEISS/039a – INQ000583651**]. Data relating to the first grant was published weekly every Tuesday. Data for the second grant was published monthly. This data was provided on Twitter and published on GOV.UK.

669. Table SEISS/5 below sets out the cumulative claims data for the first SEISS grant for which the claim window opened on 13 May 2020 closed on 13 July 2020:

Total claims made as of midnight	Total number of claims made	Total value of claims made
13 May	441,000	£1.3bn
14 May	1.1m	£3.1bn
17 May	2m	£6.1bn
24 May	2.3m	£6.8bn
31 May	2.5m	£7.2bn
7 June	2.6m	£7.5bn
14 June	2.6m	£7.6bn
21 June	2.6m	£7.6bn
28 June	2.6m	£7.7bn
5 July	2.7m	£7.7bn

Total claims made as of midnight	Total number of claims made	Total value of claims made
12 July	2.7m	£7.8bn
19 July	2.7m	£7.8bn

Note: figures were initially published daily for 13 and 14 May 2020 - thereafter, figures were published weekly.

670. Table SEISS/6 below sets out the cumulative claims data for the second SEISS grant for which the claim window opened on 17 August 2020 and closed on 19 October 2020:

Total claims made as of midnight	Total number of claims made	Total value of claims made
17 August	296,850	£768.9m
20 September	2.2m	£5.6bn
18 October	2.3m	£5.9bn
15 November	2.4m	£5.9bn

671. Table SEISS/7 below sets out the claims data for the third SEISS grant for which the claim window opened on 30 November 2020 and closed on 29 January 2021:

Total claims made as of midnight	Total number of claims made	Total value of claims made
13 December	1.7m	£4.8bn

672. After 13 December 2020, HMRC ceased the publication of separate management information figures on the SEISS, instead figures on SEISS claims were covered by the official statistics publication on the SEISS.

673. In HMRC's statistics, information such as the number of claimants is displayed per grant. HMRC does not have this type of information available to display per month. Unlike CJRS, the SEISS was not a monthly grant. It was one payment to claimants per grant covering a qualifying period (typically around 3 months). The timing of SEISS claims and payments related to the timing of the invite to claim within a claims window; this did not always match the qualifying period.

674. The advantage to this is that it allows easier comparison between claims, for example regarding the number of claims made and average grant amounts, which reduced over time as the pandemic progressed, as the targeting rules were tightened, and as economic conditions improved.

Trends in the uptake of the SEISS

675. It is possible to analyse the take up of the SEISS according to age, gender, industrial sector, geography and, to some extent, protected characteristics.

Age

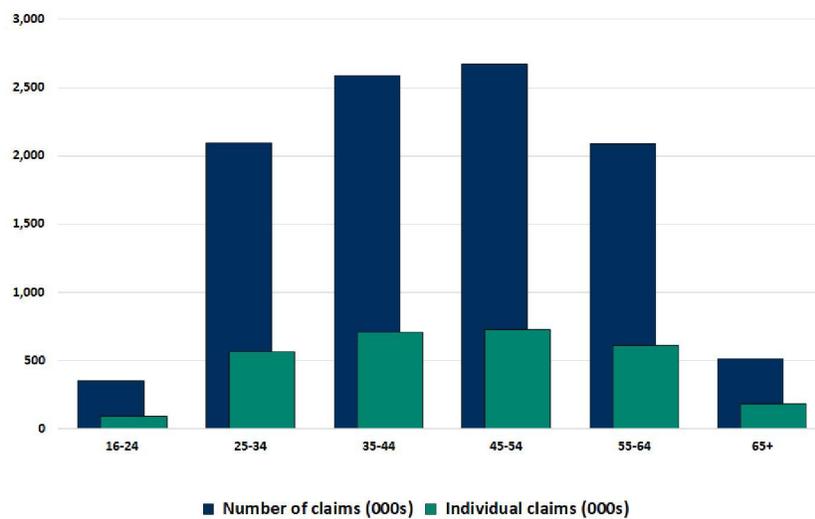
676. Figures SEISS/8 and SEISS/9 below show the number of claims and the number of individuals that claimed SEISS grants by age group.

677. Around 89% of individuals who claimed grants were between the ages of 25 and 64, with 91% of the value of claims coming from this age group. Take-up of the grant in these age-groups was at or above 77% for the first grant and at or above 34% for the fifth grant.

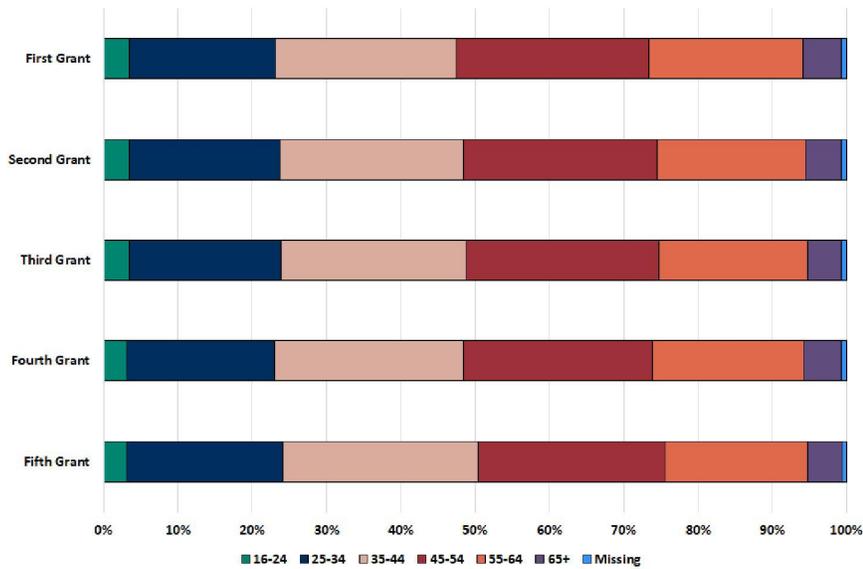
678. The take-up rate was noticeably lower for those who were aged 65 and over (62% for the first grant and 25% for the fifth grant), although they had the highest average claim value across all 5 grants at £3,100. The youngest age group (16 to 24) had the lowest average claim value at £2,000.

679. Over 0.7 million individuals (25%) aged between 45 and 54 made 2.7 million claims (26%) worth £7.3 billion (26%). This is the age group with the largest number of claims but is only slightly higher than individuals aged 35 to 44, and individuals aged 55 to 64.

680. Figure SEISS/8: The number of claims and number of individuals that made a claim across all 5 grants, by age group.



681. Figure SEISS/9: The percentage of claims across all 5 grants, by age group:



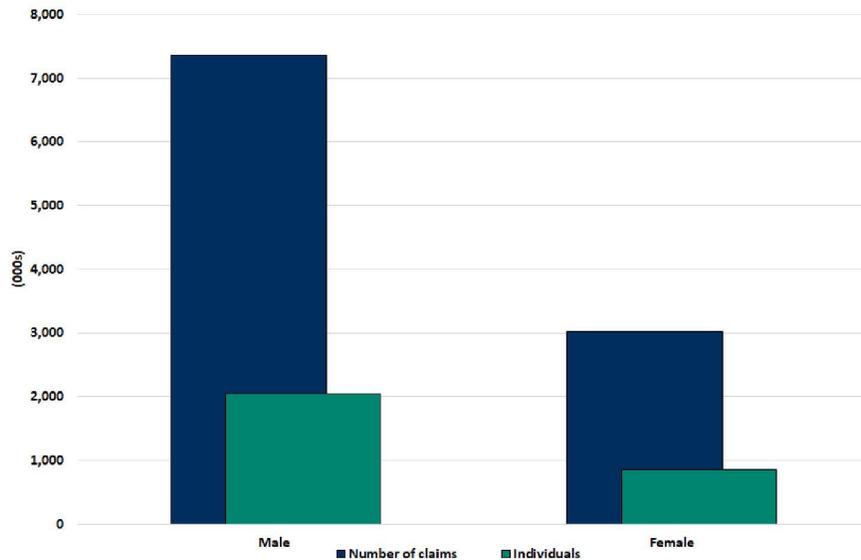
Gender

682. Figure SEISS/10 shows the number of claims and the number of individuals that made claims for SEISS grants by gender.

683. Of 2.9 million individuals that claimed one or more grant, male claimants make up around 71% and make up the same proportion (71%) of the total number of claims.

684. HMRC received 7.4 million claims from male claimants totalling £21.6 billion, compared to 3.0 million claims from female claimants totalling £6.5 billion. Male claimants had higher take-up rates than female claimants across all grants and the average value of all claims made across all 5 grants by male claimants (£2,900) was higher than the average for female claimants (£2,100).

685. Figure SEISS/10: Number of claims and number of individuals that made a claim for each grant, by gender



Industrial sector

686. Figures SEISS/11 and SEISS/12 set out the number of claims made across all five SEISS grants by industrial sector.

687. The construction industry had the largest number of individuals who claimed grants. Just under 1 million construction workers had made 3.5 million claims totalling £11.5 billion; an average of £3,300 per claim. This represents around 34% of the total number of claims across the five grants.

688. The sector with the highest average claims across all 5 grants was the financial and insurance activities sector (£3,800), but only 15,000 individuals in this sector made claims.

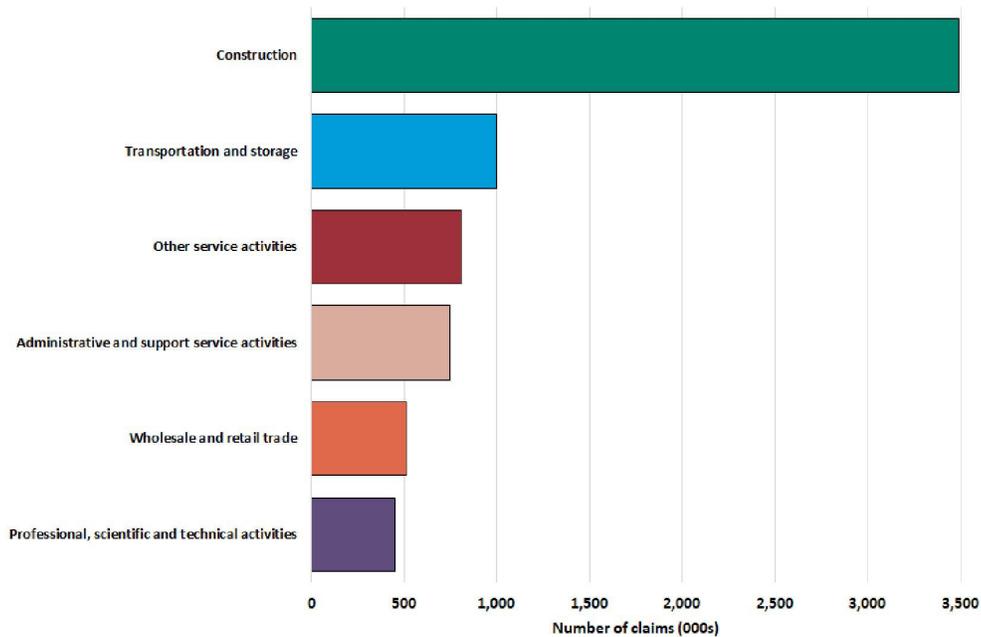
689. Self-employed individuals in the transportation and storage sector made up 10% of the total number of claims across the 5 grants and 248,000 individuals made just over 1.0 million claims totalling £2.1 billion. Administrative and support services made up 7% of the total number of claims and 221,000 individuals have made 746,000 claims totalling £1.4 billion.

690. Take-up rates across the 5 grants were highest in the other service activities, transportation and storage, construction, and education sectors. Take-up rates in those sectors range from 80% to 85% for the first grant and 41% to 58% for the fifth grant, with the 58% take-up rate belonging to individuals in the transportation and storage sector.

691. The agriculture, forestry and fishing sector had the lowest take-up rate for each grant, with 59% for the first grant (compared to 77% overall) and 8% for the fifth grant (compared to 38% overall).

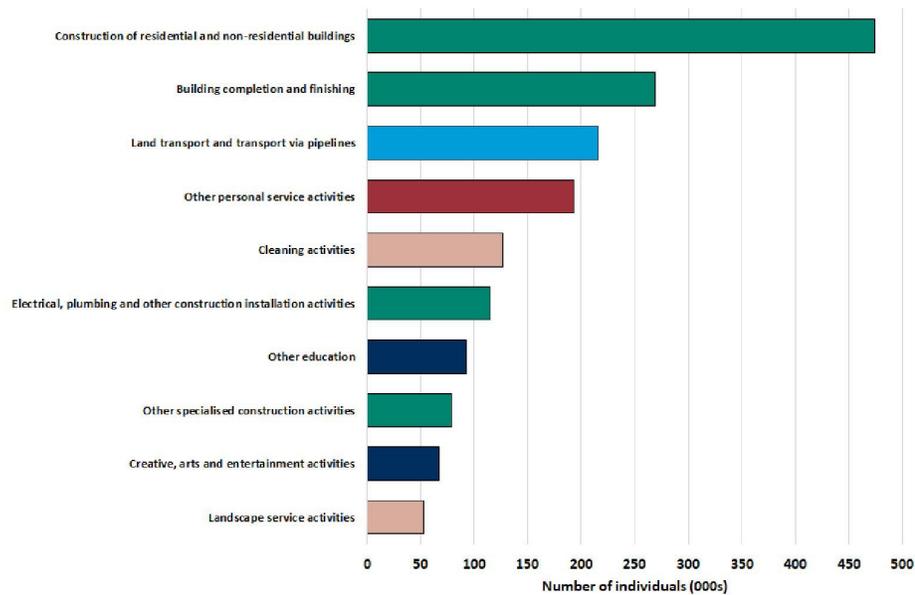
692. The largest group (industrial sub-sector) by number of claims is 'construction of residential and non-residential buildings', with over 1.7 million claims by 470,000 individuals worth £5.5 billion across the 5 grants. Over 400,000 individuals who have made nearly 1.5 million claims cannot be matched to a sector.

693. Figure SEISS/11: Number of claims made across all 5 grants, by primary industrial sector (for the 6 largest SIC industries¹ potentially eligible for the scheme)



Source: HMRC SEISS linked to Self-Assessment taxpayer information

694. Figure SEISS/12: Number of individuals who claimed a grant for 10 largest industrial sub-sector groups across all grants:



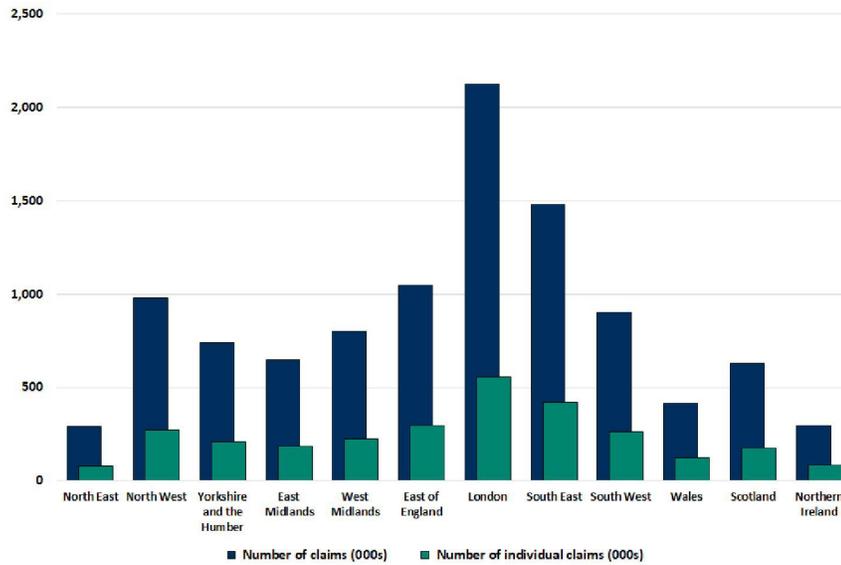
Region

695. Figures SEISS/13 and SEISS/14 display the number of claims and take-up rates according to region.

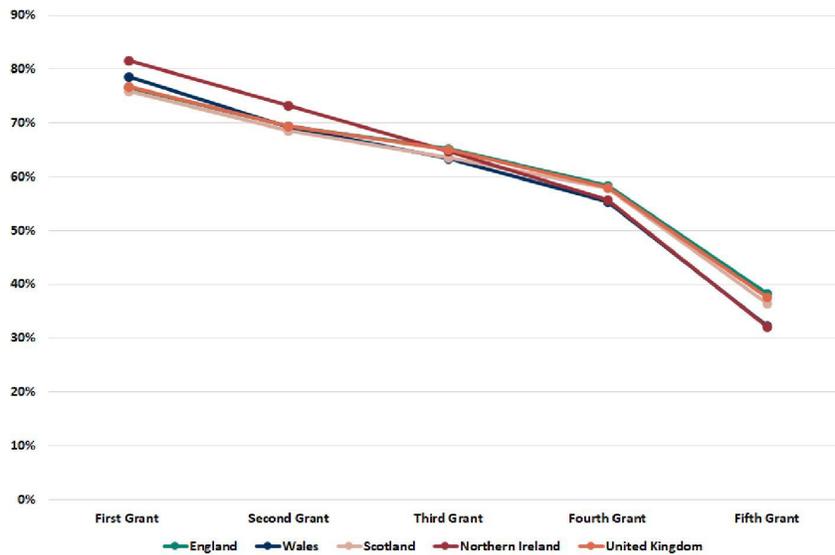
696. London had the largest number claims across all 5 grants (2.1 million), the largest number of individuals that made a claim (558,000) and the largest value of claims with a total value of £5.8 billion across the 5 grants.

697. The North East had the lowest average claim value across all 5 grants at £2,400. The highest average claims values across all 5 grants belong to individuals in East of England and South East (£2,900).

698. The average take-up rate across the whole United Kingdom for the first grant was 77%, with most regions within 2 percentage points of this. Northern Ireland had the highest take-up rate for the first grant (82%).
699. The average take-up rate for United Kingdom for the fifth grant was much lower at 38% with more variations across regions compared to the first grant. The take-up rate in London was 50% for the fifth grant compared to a 32% take-up rate in Northern Ireland and Wales, and a 30% take up rate in the South West. Figure 19 shows how the take-up rates change for each grant in each region.
700. 175,000 self-employed individuals in Scotland have made 628,000 claims totalling £1.7 billion; in Wales 418,000 claims were made by 122,000 individuals worth £1.1 billion, and in Northern Ireland 294,000 claims were made by 85,000 individuals for £0.8 billion.
701. The 2 regions with the largest number of claims were London and South East, where 1.0 million individuals claimed 3.6 million grants worth £10.2 billion, reflecting the size of their populations. These 2 regions represent 35% of the total number of claims across the 5 grants. Northern Ireland had the highest regional take-up rate (82%) for the first grant, but the lowest regional take-up rate (32%) for the fifth grant, alongside Wales.
702. Figure SEISS/13: Number of claims and number of individuals that made a claim across all 5 grants by country and region¹², ranked by size of number of claims:



703. Figure SEISS/14: Take-up rates across all 5 grants, by country and region:

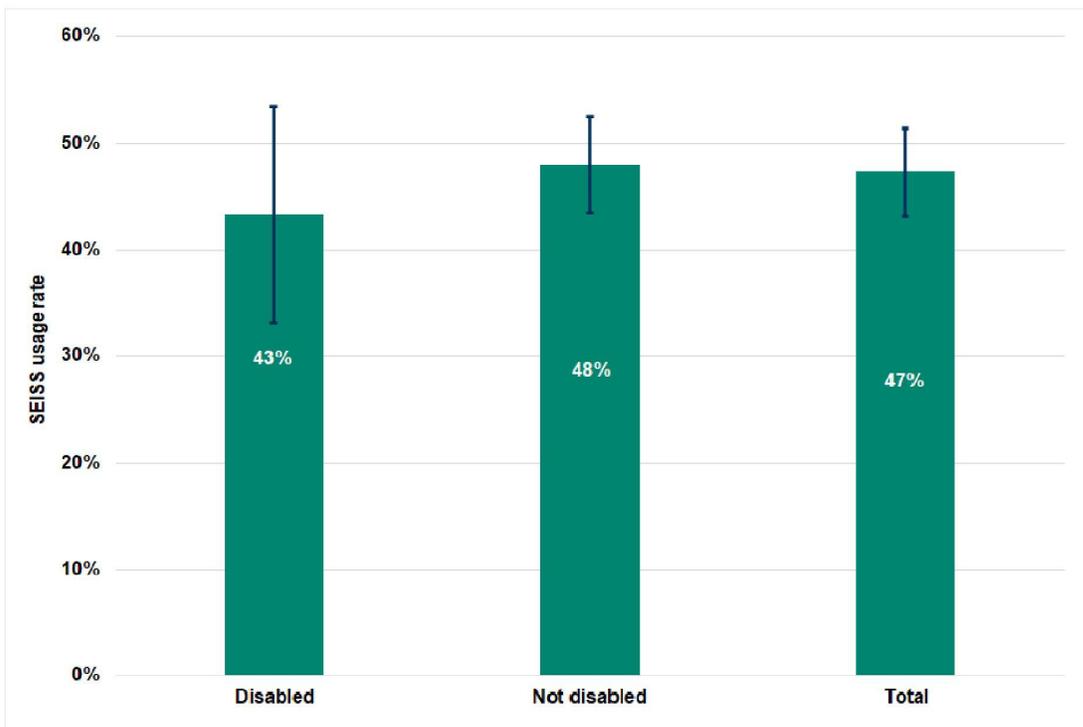


Protected characteristics

704. The protected characteristics HMRC routinely collects data on are age and gender. Analysis in the SEISS final evaluation [JH/D-SEISS/03 – INQ000583534] included the additional protected characteristics of disability and ethnicity. Limitations on data quality prevent robust analysis of other characteristics, but by matching HMRC data to the ONS' Family Resources Survey for 2020 to 2021 some further analysis is possible, as set out below.

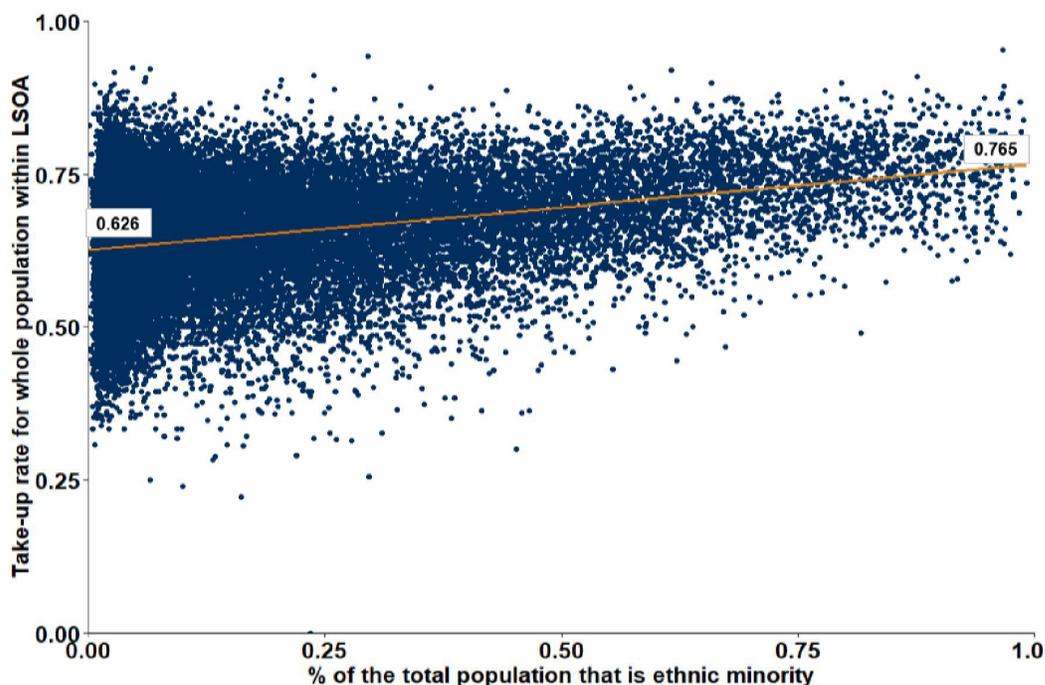
705. The evidence suggests that there are no significant differences in usage of the scheme by people with disabilities relative to those without disabilities or the overall population. Figure [9] below sets out the usage rate of the SEISS across those with and without disabilities. The usage rate is estimated at 43% for the disabled population, compared to 48% for those who are not disabled. However, when accounting for the uncertainty ranges introduced by the sample size of the Family Resources Survey this difference is not found to be statistically significantly different.

706. Figure SEISS/15: Usage rate of the SEISS for disabled and not disabled individuals:



Source: Family Resources Survey for 2020 to 2021 Sample size: 152 disabled individuals and 796 non-disabled individuals, weighted to reflect the characteristics of the population as a whole

707. Trends in the usage of the SEISS according to ethnicity was not able to be assessed directly using the Family Resources Survey due to limitations on data quality and sample sizes. The evaluation presented analysis of take-up rates of the SEISS in geographic clusters based on postcode, known as Lower Layer Super Output Areas, with these areas ranked by income deprivation – using data on the Indices of Multiple Deprivation. This showed that take-up of the grants is positively correlated with the level of income deprivation in a particular Lower Layer Super Output Area. Generally, across all UK nations, the more income deprived an Lower Layer Super Output Area is, the more likely it is for that Lower Layer Super Output Area to have a higher SEISS take-up rate. Census data was used to cross-reference the take-up of each Lower Layer Super Output Area, against the proportion of the population that is from different ethnic groups.
708. Figure SEISS/16: Correlation between take-up rate of the third SEISS grant and percentage of total population that is ethnic minority by Lower Layer Super Output Areas in England:



709. This is an overall trend but does not prove a causal relationship between ethnicity and take-up rates of the SEISS, and it should be noted that there is a strong correlation between ethnic minority groups and lower incomes. Nevertheless, based on the analysis here there is no evidence of minority ethnic groups being less able to access support through the SEISS.

Reviews and late claims

710. Some individuals queried or disputed decisions made by HMRC in operating the SEISS; in particular, decisions taken by HMRC about their eligibility for the scheme and HMRC's calculation of the amount of grant.

711. When designing the SEISS, no formal review and appeal process was introduced. There were several reasons for this. Paying out support grants was a new function for HMRC, quite different from collecting tax to which formal review and appeal processes applied. The scheme rules were clear on eligibility and the grant calculation was based on information provided by individuals themselves in their tax returns, so the potential for dispute was unclear. HMRC thought at the outset that only one grant would be paid out to provide real-time support, so there was a balance to be struck between the complexity of a full-blown review and appeal

process that would take many months, if not longer, for cases to progress to hearing and the need to pay the SEISS grants quickly to those eligible.

712. Early in the process, HMRC officials had a meeting with The Adjudicator's Office to discuss potential complaints and escalations. A copy of the outcomes from the conversation of 15 May 2020 is at **JH/D-SEISS/039b – INQ000583731**. HMRC was clear that there would be no formal review and appeal process, but that an individual could ask HMRC to review their decision if they felt they were eligible, and that they would have access to the usual complaints route.

713. It was important that individuals were aware of how they could ask HMRC to review a decision on their eligibility. The data used to determine eligibility and grant amounts was correct from the outset for the majority of self-employed individuals assessed for the scheme. However, there were instances where the original data was incomplete or incorrect. There were several reasons for this, including individuals misreporting information or HMRC error, largely due to only having access to partial data for an individual. There were also data issues with bankruptcy cases, where the person receives a new Unique Taxpayer Reference, and HMRC systems would not always join that up with the previous Unique Taxpayer Reference. In these cases, an individual could initially be ineligible, but when the data was reviewed and updated, they could become eligible.

714. Many individuals used the informal review and/or complaints process to ask HMRC to look again at their position when they realised they were not eligible for the scheme because they had filed the relevant tax returns late or failed to claim within the scheme time limits, and they felt they had a reason for those errors.

715. HMRC's discretionary powers to pay grants outside of the strict terms of the SEISS Directions are set out in the paper to HMRC Commissioners of 27 May 2020 [**JH/D-SEISS/040 – INQ000583732**]. This requires consideration of the particular facts that led to the self-employed individual filing a late return or missing the claim window for any particular grant.

716. In line with the approach taken for CJRS, a paper was sent to the HMRC Commissioners on 27 May 2020 discussing how to deal with difficult cases where an individual was not eligible for a grant because of particular circumstances which took them outside of the strict eligibility

rules of the SEISS, and the governance process for decisions. The governance process was for such cases to be worked by operational colleagues, with appropriate lines of escalation including to a group of senior policy, operational, project and compliance representatives (“**the SEISS Review Escalation Governance Group**”). A copy of this paper is at **JH/D-SEISS/040 – INQ000583732**.

717. On 3 June 2020, the Commissioners met and agreed the criteria for allowing a late claim as set out in paragraph 718 below, and noted that the SEISS Review Escalation Governance Group had been set up to review SEISS cases escalated to them by operational teams. A copy of the document that records that decision is at **JH/D-SEISS/041 – INQ000583546**.

718. The Commissioners agreed to exercise their limited discretionary powers to accept a claim under the SEISS in “exceptional circumstances” where some of the criteria were not met. These circumstances were where either:

718.1. there is an HMRC error or process put in place for HMRC’s administrative convenience which is causative (in the sense that the customer would have qualified for the SEISS but for the error or process) and demonstrable by evidence; or

718.2. there is detrimental reliance – having relied on the online eligibility tool, the taxpayer is now worse off than they would have been had HMRC told them they were ineligible at the outset and is demonstrable by evidence; or

718.3. A claimant who would otherwise be eligible was in a geographical region so remote that:

- i. they could not be aware either of SEISS or of the need to comply with deadlines within the scheme; or
- ii. they were unable to comply with deadlines and it would not be reasonable to have expected them to have made provision to comply before going to the remote region (for example, by filing a tax return by the normal due date); or

718.4. all of the following criteria are met:

- i. the taxpayer has made attempts to be compliant; and
- ii. they have been unable to comply with the requirement to file a tax return by the relevant date because of a particular vulnerability; and
- iii. the consequences of not paying the grant would be unconscionably harsh.

Unconscionably harsh consequences would include, for example, a threat to life and other situations of similar gravity but exclude financial hardship. There were some very difficult cases, especially concerning threat to life. Review and complaints teams held difficult and often upsetting conversations with customers when collecting evidence. These teams took care to approach these conversations with sensitivity and empathy given the often difficult circumstances.

719. Review and complaints teams prepared borderline cases, where it was unclear whether they met the discretionary criteria for late approval of the grant, for consideration by the SEISS Review Escalation Governance Group. The majority of cases that came before that group were considered under criteria (i) and (iv), that is, because of apparent HMRC errors or customer vulnerabilities.
720. Occasionally a SEISS Review Escalation Governance Group decision would set a precedent for referral teams, allowing them to process similar claims without the need to refer the case to the group. For example, the group saw several cases where returns were filed late following an HMRC-agreed extension to the filing date. The group fed back to review teams that these cases could be accepted rather than each one having to come to the group for approval.
721. A total of 758 claims were considered by the SEISS Review Escalation Governance Group over the period June 2020 to February 2023. Of these, 407 claims were approved for payment, and roughly £1.5m was paid out as a result of these claims.
722. On 11 January 2022, the SEISS guidance on GOV.UK was updated to include a final deadline of 28 February 2022 for individuals to contact HMRC with new queries about their SEISS eligibility. This guidance is set out at **JH/D-SEISS/042 – INQ000583545**. A small number of cases were considered by the group after this date, mainly where the individuals had already been in contact with HMRC about their claim.

Targeting

723. Targeting was included from the start of the SEISS. Individuals whose main source of income was from self-employment and whose self-employed trading profits were no more than £50,000 per year but greater than zero had been identified as those who needed support. The SEISS did not prioritise any groups of individuals – it provided support to all individuals that were eligible.
724. Additional targeting and self-certification were introduced into the scheme over time with the Reasonable Belief Test in place from the third grant onwards, and the turnover test via the Financial Impact Declaration for the fifth grant. These measures were introduced to improve targeting and reduce the risk of deadweight within the scheme.
725. These types of financial impact tests were not introduced sooner due to the need for support to be delivered quickly in a way that did not deter legitimate claimants in the early stages of the pandemic when economic restrictions were most severe.

Reasonable Belief Test

726. The Reasonable Belief Test was introduced from the third SEISS grant onwards. Individuals had to declare that they reasonably believed that any reduced activity, capacity or demand due to COVID-19, would result in a significant reduction in their trading profits compared to what they would otherwise have expected to achieve during this period if the pandemic had not happened.
727. This test was designed to strengthen the “adversely affected” by COVID-19 test, and to encourage self-employed individuals to think about whether they really needed the third grant ahead of claiming it.
728. The scheme included both intentions to continue to trade and impact rules that were self-declared. Such rules inevitably carry error and fraud risks that HMRC could only test via post-payment compliance activities. There was a risk that some individuals would have ceased trading or would otherwise not meet the eligibility rules but would attempt to make a claim. The “ceased trading” risk was assessed via two major post-payment compliance campaigns, which are expanded on below.

Financial Impact Declaration

729. The value of the fifth grant, available from July to September 2021 was determined by a turnover test, called the Financial Impact Declaration. The objective of the Financial Impact Declaration was to target the most generous support at those experiencing a slower recovery as the economy was reopening.
730. The test determined the level of grant by asking individuals to compare their turnover during the pandemic period to their turnover in a tax year before the pandemic, known as a reference period. The Financial Impact Declaration determined that those declaring a larger reduction in turnover received a grant based on 80% of three months' average trading profits. Those who reported a smaller reduction in turnover received a grant based on 30% of three months' average trading profits. The newly self-employed received the higher rate grant. This was because the Financial Impact Declaration required a comparison between two years' turnover figures which would not be available for the newly self-employed.
731. The Financial Impact Declaration used was specifically designed to better target support, albeit it was recognised that introducing the Financial Impact Declaration carried a higher error and fraud risk than the earlier grant iterations. This was because it required the pandemic year turnover, and in some cases the reference year turnover figure, to be self-calculated and self-declared by the claimant.
732. A financial impact test was not considered when the SEISS was first designed as at the time the view was that the SEISS would be a one-off grant. There was consideration for introducing a financial impact test for the fourth SEISS grant, but it was not feasible to introduce financial impact tests sooner than the fifth SEISS grant for practical reasons. It would have involved asking claimants to undertake complicated calculations using information not required to establish their tax position and so not necessarily easily available. Also, it would have been an entirely self-assessed test that would have introduced unacceptable levels of error and fraud into the scheme.

733. On 2 June 2021 HMRC published a policy paper on eligibility for the fifth SEISS grant. A copy of that guidance is at **JH/D-SEISS/043 – INQ000583537**. On 6 July 2021, HMRC published guidance on how to undertake the pandemic year turnover calculation. A copy of that guidance is at **JH/D-SEISS/044 – INQ000583536**. The risk of error and fraud was mitigated by the fact that HMRC was able to check this figure once later returns were filed, albeit the claimant could argue they had tried their best to calculate this figure in real time but had simply got it wrong. As stated above, self-certification elements such as the Reasonable Belief Test and the Financial Impact Declaration both carried increased risk of error and fraud but were cost saving measures overall as they better targeted grants at those most in need.
734. The SEISS final evaluation found that the exact saving from the Financial Impact Declaration is uncertain due to other factors such as the changing economic situation, but could be up to £2.5 billion when comparing the drop-off in take-up between the fourth and fifth SEISS grants.
735. Ultimately, the introduction of specific impact tests covering the third, fourth and fifth grants allowed the government to better target the grants at those most in need as the pandemic progressed and then as restrictions eased.

Implementation and Delivery

Setting up a project

736. To ensure successful delivery of the SEISS, HMRC set up a central project team to coordinate the programme. It was accountable for delivering the scheme and was overseen by a project board and the various HMRC COVID-19 governance groups.
737. SEISS risks and issues were recorded on the Management and Recording Tool. This enabled the project team to track progress on decisions as well as the accountable decision maker. Retaining this in one place where the relevant stakeholders could feed in helped to manage risks and ensured the information was readily available when needed. A copy of the Management and Recording Tool is at **JH/D-SEISS/045 – INQ000583730**.
738. The central project team co-ordinated the programme, drawing on expertise from across the department to deliver various aspects. For example, delivery teams included those

specialising in compliance, policy, guidance, communications, customer insight, data/analysis, design, operations, and systems. Bringing together key delivery partners, each accountable for their own aspect of delivery but to work collaboratively, ensured activity was managed concurrently and to the required pace. Some of the key principles employed are set out below:

- 738.1. Keep it simple with the customer at the heart of delivery plans.
- 738.2. Promote early collaboration to impact options effectively.
- 738.3. Ensure good visibility of plans, decisions, risks, and issues with clear accountabilities.
- 738.4. Establish well-defined escalation routes and effective incident resolution post go live.
- 738.5. Ensure design teams work closely with customer insight, delivery, and communications teams so that the claims, payment, and review processes can be developed concurrently with the internal and external guidance products.
- 738.6. Drive forward operational readiness and ensure the delivery teams have the required software and hardware to manage the claims, payment, and review processes, as well as access to relevant training and guidance.
- 738.7. Work on project delivery activities in parallel instead of sequentially to ensure tight delivery timetable is met.
- 738.8. Reprioritise work where necessary, keeping all delivery partners informed.

739. The Governance structure for the HMRC COVID-19 schemes is covered in Part A of this statement. An example of the Governance structure in place for the SEISS is at **JH/D-SEISS/046 – INQ000583697**. Any key decisions on delivery were escalated to the appropriate HMRC COVID-19 Board.

The SEISS IT system

740. The new functionality required for the SEISS IT systems (together the “**SEISS System**”) was extensive. The SEISS System had to be able to receive potentially millions of applications; to process those applications against HMRC’s existing data; to incorporate eligibility and fraud checks; and to pay out grant sums quickly, accurately, and efficiently. It was also constrained

by the need to use data which HMRC already collected and held for the purpose of its usual role.

741. In March 2020, HMRC did not have a system which had that functionality as it was a unique ask, outside the remit of HMRC's core functions. It was obvious from the outset that such a system would have to be developed.

742. The SEISS System was constructed as a fully functional end-to-end service within six weeks, which is much faster than normal HMRC project delivery timelines. From analysis of other projects delivered by HMRC, small IT projects take between 8 to 13 months to deliver, while larger IT projects normally take 18 to 21 months to deliver.

743. To develop the SEISS System as quickly as possible, HMRC made extensive use of existing technology and design patterns. The construction of the SEISS System utilised several existing government IT capabilities: existing GOV.UK content, webchat, and virtual assistant functionalities (services that support real-time customer interaction), and g-forms (electronic forms that allow secure transfer of the data input to HMRC). HMRC also made use of the existing Government Gateway identity security requirements, and existing government and HMRC transaction monitoring capabilities.

744. The digital 'front end' of the SEISS systems, with which self-employed individuals would interact, was built on HMRC's Multichannel Digital Tax Platform, which would capture claims (for example, allow claims to be submitted), and would explain and set out the grant calculation for each applicant. The claims screen set out a declaration for the individual to confirm that they met the trading eligibility for the SEISS and had been adversely affected by COVID-19. This was iterated for the later grants to include the Reasonable Belief Test and the Financial Impact Declaration.

745. The front end required significant user testing to ensure that it was fit for purpose. User research was key in the design of the SEISS service and user research groups, as well as the SEISS Expert Panel, were used to provide feedback. Internal HMRC staff from the operational teams were asked to review and provide feedback throughout the development of the service. The testing resources were part of the delivery team. A small group of 3,000 customers were

invited, as part of a controlled go live process, to test the service ahead of its opening. The user testing also covered specific customer groups to make sure the claims service met their needs, for example users of assistive technology and the visually impaired. This accessibility testing was a key part of the digital team's test approach before any service could go live. This was built into HMRC testing for both the internal and external SEISS service.

746. This resulted in a service that allowed individuals to easily follow what they needed to do, whilst balancing the need for accuracy in communicating the eligibility requirements of the SEISS. This was an example of how HMRC focussed the design of the SEISS on the end user.
747. As set out at paragraph 631 the self-assessment return system holds the key data relating to self-employed individuals. This was the main system used to identify eligible individuals and produce their grant calculation, although HMRC also used a number of other systems to support this and ensure we had the most up to date details.
748. The information from the Computerised Environment for Self Assessment and other systems was collated and moved into a new SEISS service, with data held in the SEISS Core Database. The SEISS Core Database served three key purposes: (1) it provided the data that determined an individual's eligibility; (2) it held data used to make payments; and (3) it also fed data into a number of existing internal compliance tools that HMRC use. This was important for HMRC's pre-payment and post-payment compliance activity.
749. This was a very complex undertaking requiring expert IT and data science input. The scale of this was beyond anything previously attempted by HMRC in such a short timescale.
750. For potentially eligible individuals, the SEISS Core Data supplied data to a specific online customer-facing part of the service, accessed via GOV.UK. The first part of the online service was an eligibility checker, where individuals could enter their details and check whether they were potentially eligible for a grant. The second part was the claims service itself, where individuals made a claim if they were eligible and chose to do so.

The eligibility checker tool

751. On 4 May 2020 HMRC released an online SEISS eligibility checker. This allowed individuals to input their details on GOV.UK to check whether they could be eligible for support, and to start to plan accordingly.
752. HMRC contacted most potentially eligible individuals directly, via a combination of letters and emails, to invite them to use the eligibility checker. The self-employed individuals meeting the scheme income rules were already known to HMRC from their self-assessment data. HMRC understood that individuals may be anxious to be contacted, and that current data would not cover every potentially eligible self-employed individual. For example, at this time HMRC was still processing relevant self-assessment returns, particularly amended returns, which could provide the data making the individual eligible for the scheme. If individuals thought they were eligible, they were advised to use the eligibility checker on GOV.UK.
753. To use the checker, individuals needed their Unique Taxpayer Reference, National Insurance number and Government Gateway user ID.
754. If an individual used the eligibility checker and was potentially eligible, the checker would tell them to enter their contact details and that HMRC would use this information to inform them when they could make a claim. HMRC also used the contact details to email or text message individuals to tell them when their payment was on its way.
755. HMRC began contacting the 3.4 million potentially eligible self-employed individuals from 6 May 2020 to explain what they needed to do. Those potentially eligible were encouraged to complete the online eligibility checker and advised when they would be able to make a claim, asked to register for the Government Gateway if they did not have valid credentials, and to provide up to date contact details. Claims were staggered between 13 and 18 May 2020 to ensure the system was not overwhelmed. Specific claim dates were allocated by Unique Taxpayer Reference – it was not 'first come, first served.' Those ineligible for the grants could ask HMRC operational teams to review their position by raising a query via an online form or by calling HMRC's COVID-19 helpline.

756. Individuals accessing the checker from 18 May 2020 and who were eligible for a SEISS grant were routed on-screen directly to the claims service to make their claim. Alternatively, individuals could go directly to the 'start now' option on GOV.UK to make a claim. This took individuals through the eligibility checker first, then allowed them to proceed to make their claim online.

757. HMRC identified those eligible from filed tax returns and were confident that the eligibility checker produced a correct answer in over 99% of cases. There were two reasons for individuals getting ineligible responses where they may have been eligible:

757.1. Incorrect data – individuals were advised to double check the Unique Taxpayer Reference code and National Insurance number entered in the claims service;

757.2. Late filers – some of the data from returns received by the extended filing deadline of 23 April 2020 was uploaded after the eligibility checker launched; users were advised to check again when the system had been updated.

758. The eligibility checker was only available for the first SEISS grant. Throughout the scheme, individuals who were concerned about their eligibility were encouraged to review the guidance, speak with their accountant/agent if they had one, or to access HMRC's help services which included webinars and webchat. If individuals still felt they had not received the right result, then they could ask for a review by completing an online form. Agents and accountants were also able to ask for a review on their client's behalf.

Delivering the claims service

759. HMRC calculated that there were c3.4m potentially eligible records and issued invitations to those individuals, using contact details already held by HMRC: email, text, or physical letter depending on the contact details held.

760. Individuals were also entitled to claim under the SEISS if they had not received an invitation, for example because out of date contact information was held but they were eligible. Information about this was made available on GOV.UK and via stakeholders and the media. To speed up the process, grant calculations were pre-performed by the SEISS system,

calculating the amount of the SEISS grant for each individual pre-assessed as potentially eligible based on their self-assessment data.

761. Using the pre-calculated grant amount (which was also double-checked at point of claim), the SEISS system would then automatically inform the customer of the amount of grant to which they were entitled. After fraud checks were completed, the funds would be released.

762. The front-end system was supported by a virtual assistant and further supplemented by a customer contact service offering telephone and webchat support. Around 4,300 customer support advisors were trained to work on SEISS support. A significant (and planned) advantage of the simplicity of the SEISS was that customer support advisors had a simple 'customer journey' before them: a customer who required assistance could be managed through the process of eligibility check, making a claim, and payment. It was considered imperative, both for HMRC and for individuals, that the SEISS process was as simple to use as possible.

The extensions to SEISS made under the Second Direction

763. A good example of the challenges involved in any amendment to the SEISS, even a small one, was the changes that were made to the scheme under the Second Direction to include individuals who were not originally eligible because a pause in their trade affected their trading profits in 2018/19 due to their caring responsibilities for children ("**2018/19 Parents**").

764. The decision to make changes to bring 2018/19 parents and reservists into the SEISS is explained in paragraphs 604 to 606. The process of making the technical and organisational changes to the system to enable such individuals to claim took a period of around 8 weeks. Within this, HMRC spent a month building the new code, testing and quality assuring this process from a data perspective, alongside putting in place changes to the SEISS system and SEISS Core Database to handle the different calculations. Peer checks were performed on the code build as part of the quality assurance process, as well as a manual check of the calculation results performed by HMRC technical experts. These checks were vital in ensuring the overall SEISS Service continued to work as intended when this change was delivered. The

tools used were developed further to support HMRC advisors assessing customer queries on individual cases.

765. HMRC was using an existing framework for the SEISS. The rules for 2018/19 parents and reservists built on provisions which had been included in the original scheme of the SEISS. HMRC's rough internal assessment was that there might be around 10,000 potentially newly eligible 2018/19 parents.

766. The SEISS system was initially built as a one-off solution. For each additional grant HMRC had to rebuild the data to be used in the service and enhance both the digital service and core database to be able to support further grants.

767. Much of the complexity relating to the process for 2018/19 parents concerned the need to put in place an individual verification process for applicants, as it relied on additional information not available from tax returns. Each applicant was required to provide evidence to verify their identity, and information about their child.

768. The process for parental verification involved the customer accessing the SEISS service through the Government Gateway and completing a g-form. This asked for data about the customer, their child, and their circumstances to allow HMRC to assess if they were eligible. The information requested about the child would include (depending on the circumstances):

- 768.1. the child's full name and date of birth;
- 768.2. the date of adoption, if relevant;
- 768.3. Child Benefit number;
- 768.4. child's birth certificate number; and
- 768.5. if Maternity Allowance had been claimed.

769. The customer then completed a declaration, and the data was passed to HMRC. This data was risk-assessed, primarily through an automated process seeking to confirm the existence of the child and applicant. Applications for parental verification were also run against HMRC risk profiles to identify potential fraud and organised criminal attacks. From this, each case

was given a Red Amber Green status. Those cases with the least verified information were subject to further in-depth manual checks.

770. Where it was necessary for HMRC to conduct manual checks (either because the case had not passed the automated checks, or if the case was not progressed through the automated system) the process of risk assessment required extensive work by the HMRC caseworker. For each applicant, the caseworker would have to:

770.1. Attempt to verify both the existence of the child or children and establish a link with the customer submitting the g-form. This involved checking DWP's child benefit records (to see if they could match the child to the parent's record), and DWP's Customer Information Service for a relevant period where Maternity Allowance was paid.

770.2. As with the automated process, each case would be given a Red Amber Green status, dependent on the amount of information that could be verified. Those cases with the least verified information were passed to a separate compliance team to conduct further in-depth checks, which are explained below.

The data was then picked up once a week for the eligibility check. Individuals received a response inviting them to claim or telling them they were ineligible for the SEISS. If eligible, they would then be added to the SEISS database and invited to claim.

771. Manual checks were made on the Child Benefit database to try and identify cases where verification had not been possible due to alternative names or spelling errors and similar, for example Steve instead of Steven.

Communication/Accessibility

Contacting the potentially eligible population and paying grants

772. For all grants, HMRC contacted potentially eligible self-employed individuals directly to inform them about the scheme, how and when they could claim, and pointing them to the information and guidance on GOV.UK. HMRC contacted individuals by letter, SMS and/or email.

773. Grants were paid directly into individuals' bank accounts within 6 working days of a successful claim being made. The SEISS interim evaluation found over 99% of claims were paid within the government's target of 6 working days.
774. To ensure quick delivery of support, SEISS grants were paid via lump sums. The SEISS grants were not intended to provide a month-by-month replacement of income.

Guidance

775. HMRC was responsible for drafting and publishing the customer guidance for the SEISS on GOV.UK, working closely with HMT. The SEISS guidance was intended to explain the SEISS legislation and policy in a way that allowed self-employed people to understand whether they were eligible for the SEISS and, if so, what they needed to do to claim a grant and how they could do it. It was designed around user needs and customer journeys.
776. HMRC internal teams worked with HMT in designing and developing guidance for individuals. This included the customer journey and how that would appear on the guidance pages on GOV.UK and internal guidance pages for operational colleagues. HMRC used internal customer insight and guidance-writing experts to explain the policy for claimants. These experts would start the drafting process after an initial discussion with the policy team, and the guidance would then be iterated in a series of "pair writing" sessions.
777. The pair writing brought together content writers, policy, compliance, and legal colleagues. The sessions aimed to make sure HMRC communicated accurate messages, as simply as possible, without putting off eligible self-employed individuals from making a claim. The drafts of the guidance were shared with behavioural insight colleagues to ensure individuals were able to understand what they needed to do and were likely to take the action that was needed. This was an iterative process. HMRC also shared drafts of the guidance with the Expert Panel and took on board their feedback.
778. To complement the guidance on GOV.UK, HMRC put in place a comprehensive package of educational support across different channels for individuals to help them claim the grant. These channels included direct emails, webinars, YouTube videos, information for agents to use to support their clients, HMRC's Virtual Assistant within the claims service, and support

for customers who called the helplines. The webinars had over 100,000 attendees with individual satisfaction scores averaging over 80%, and the YouTube videos had over 200,000 views. HMRC created question and answer documents to support customers with the scheme and with making claims.

779. On 26 March 2020, the day the scheme was announced by the Chancellor, HMRC published guidance on claiming the SEISS grant. A copy of this guidance is at **JH/D-SEISS/047 – INQ000583710**.
780. On the 14 April 2020, the guidance page was amended to state that the individual's business had to have been adversely affected by COVID-19. A copy of this guidance is at **JH/D-SEISS/048 – INQ000583535**. This was before the scheme was launched and grants could be claimed.
781. On the 13 May 2020, when the claims service opened, the SEISS main guidance on how to claim was published. This told self-employed individuals to keep evidence that their business had been adversely affected and included examples, such as business accounts showing a reduction in turnover and the dates a business had to close due to lockdown restrictions. A copy of this guidance is at **JH/D-SEISS/049 - INQ000583696**. This guidance was continually updated in response to user feedback and as the scheme developed and the rules changed over time.
782. Each GOV.UK guidance page contains its own archive list detailing the dates of each update to that page and the reason for each update.
783. In addition to the online guidance HMRC provided telephony support and an online webchat facility to deal with questions and provide real-time support to self-employed individuals.
784. Guidance products clearly set out who could claim SEISS grants, what could be claimed, how to calculate a grant, how to make a claim, how to report and repay overclaimed grants and what records to keep.

785. Each version of the SEISS guidance published on GOV.UK told self-employed individuals what to do if they became aware they were not eligible after a claim was made and a grant had been paid, and how to repay grants. HMRC developed an online voluntary repayment service so that individuals could repay grants. This was used by those who had incorrectly made a claim, who wanted to repay some or all of the grant if they felt they had not been impacted to the extent of the amount they had received, or if they wanted to pay the grant back because it impacted their claims for welfare benefits. Up to the end of March 2023, HMRC received £51 million of unprompted repayments and disclosures of SEISS grants.

786. All HTML guidance on GOV.UK is designed to be fully accessible for all and is compatible with all types of assistive software and technology that users may have as detailed in the accessibility statement on GOV.UK [**JH/D-SEISS/050 – INQ000583541**]. This has been a legal requirement under the Public Sector Bodies Accessibility Regulations since before COVID-19.

787. The main guidance was available from 13 May 2020 and was withdrawn 4 October 2021.

Updates to guidance to cover the Reasonable Belief Test and the Financial Impact Declaration

788. The Reasonable Belief Test was added to guidance on GOV.UK for the third SEISS grant. On the 24 November 2020, the guidance on the Reasonable Belief Test was updated on GOV.UK and a copy is at **JH/D-SEISS/051 – INQ000583542**.

789. The SEISS guidance instructed self-employed individuals to retain records for the Reasonable Belief Test in line with normal self-assessment retention rules. It stated that these records should include evidence of the reduction in expected trading profits due to reduced activity, capacity, or demand to show how this test was met.

790. The Financial Impact Declaration was added to guidance on GOV.UK for the fifth SEISS grant on the 6 July 2021. A copy of the first update to GOV.UK on the Financial Impact Declaration is at **JH/D-SEISS/052 – INQ000583718**.

External Stakeholder engagement

791. HMRC focused on a user-centred design in implementing the SEISS. In March 2020, the HMT and HMRC policy teams agreed that early stakeholder engagement could help deliver targeted support for self-employed individuals during the COVID-19 pandemic. HMRC were keen to draw on representative bodies' understanding of their clients to help ensure the scheme being designed, developed, and delivered at pace would be understood and accessible to the self-employed individuals it was designed to support.
792. HMRC established a core group of external stakeholders to provide advice on the scheme and guidance and, in particular, to ensure the needs and capabilities of self-employed individuals and their agents were reflected. This group became the SEISS Expert Panel.
793. A submission was made by HMT on 2 April 2020 seeking permission to set up this advisory panel [**JH/D-SEISS/035 – INQ000583413**]. On 6 April 2020, the Chancellor and Financial Secretary to the Treasury agreed to establish the group and to share confidential and sensitive information with panel members. A copy of this approval is at **JH/D-SEISS/053 – INQ000583313**. This enabled HMRC to bring in external stakeholder expertise as early as possible to the policy design, legislation, delivery process, guidance, and customer outputs. Panel members were able to help shape the scheme from the outset.
794. The group chosen represented the diverse self-employed population who were the focus of the support scheme. All were very willing to step up at short notice to give their time, expertise, and consideration to this work, and HMRC is very grateful for that.
795. The panel's first virtual meeting was held on the 16 April 2020. The panel was made up of representatives from the following organisations:

ICAEW (Institute of Chartered Accountants of England and Wales)
ICAS (Institute of Chartered Accountants of Scotland)
CIOT (Chartered Institute of Taxation)
LITRG (Low Income Taxes Reform Group)
FSB (Federation of Small Businesses)
ATT (Association of Taxation Technicians)

796. In general, the Expert Panel met online via Teams calls fortnightly from April 2020 until shortly after the closure of the claims service for the fifth and final SEISS grant in October 2021. Beyond those regular meetings, HMRC frequently engaged with the Expert Panel via email, at times daily, on a broad range of topics but more so on the design of the online claims service, draft customer communications and on the guidance and supporting products for publication on GOV.UK.

797. The agenda for the first Expert Panel meeting is at **JH/D-SEISS/054 – INQ000583516**. The key points and actions from the meeting are at **JH/D-SEISS/055 – INQ000583515**. A schedule of the meetings with the Expert Panel is at **JH/D-SEISS/055a – INQ000583810**.

798. Working closely with HMT via the policy partnership, HMRC shared policy thinking with the Expert Panel as it was being developed, and in advance of final decisions being made or the scheme rules being made public. This provided the policy team with valuable insight directly from the people representing the target group for support and their agents. The group was crucial in publicising the scheme externally via their members and in ensuring eligible self-employed individuals had the right information to successfully claim this support.

799. A good example of the Expert Panel's practical input into policy design relates to the design of the Financial Impact Declaration (otherwise known as the "turnover test") for the fifth SEISS grant. HMRC asked the panel whether:

799.1. turnover or profit should be used for the FID;

799.2. whether it was reasonable to expect businesses to know that information relatively soon after the end of the 2020/21 tax year; and

799.3. whether a fall in turnover was a reasonable indicator for a business being adversely affected by the pandemic.

800. The Expert Panel's views informed advice to ministers and directly informed the decisions that the Financial Impact Declaration would use turnover and that the newly self-employed would be exempt from the test and instead would automatically receive the higher rate grant. The panel flagged this was an important fairness issue. This was because the newly self-employed would not have been able to undertake the Financial Impact Declaration as it required a

comparison of two years' turnover data which they will not have had. Consequently, they could have been awarded the lower rate grant at a time of particular risk and uncertainty for them in trying to establish their fledgling businesses.

801. On 20 May 2021, a submission was made to the Chancellor on the outstanding issues for the fifth SEISS grant, which included the Financial Impact Declaration and an exemption for the newly self-employed. A copy of that submission is at **JH/D-SEISS/056 – INQ000583414**. A copy of the email dated 25 May 2021 recording the Chancellor's agreement to all the recommendations is at **JH/D-SEISS/057 – INQ000583726**.

802. The Expert Panel was involved in the development of the external guidance for the scheme; from minor updates to the publication of detailed 'How to claim' guidance on GOV.UK ahead of the launch of each grant. They helped to test and refine the draft guidance to ensure that:

- 802.1. individuals would be able to easily follow it and quickly understand what they would need to do to claim a SEISS grant; and
- 802.2. it did not drive low value contact, helping HMRC to keep telephony and webchat resources available to help individuals that needed it the most, for example those who needed extra support.

803. The Expert Panel provided advice on the claims service; HMRC shared screenshots of the developing customer journey with panel members as the service was designed and HMRC refined these where appropriate following their input. The design teams presented walkthroughs of the service at the regular panel meetings. This interaction and input helped to make sure that when the claims service launched it was as easy to use as possible for claimants.

804. The design for the IT service was led by HMRC's Chief Digital Information Office with the assistance of user researchers and content designers. The customer facing part of the service was based around standard and therefore familiar GOV.UK formatting, leading customer interaction through a series of simple page by page questions and information gathering. Each page contained links to online guidance, providing easy access to additional clarification where required.

805. HMRC Communications colleagues oversaw the wording of content and assessed the developing pages for plain English and reading age, on an iterative basis, in parallel with the IT build. The design incorporated formatting enabling access from any type of digital device, recognising the shift to mobile devices within the self-employed population. All content was accessible to standard assistive technology, and a version of the service was provided in Welsh.

806. Input from Expert Panel members supported the user research and insight that was a key part of designing the IT service. For example, thanks to the panel, HMRC changed the language used in the first part of the online claims service customer journey to better match the language that self-employed individuals would recognise and be familiar with. For the first SEISS grant, HMRC shared draft customer letters with the Expert Panel. After taking on board their feedback, the drafts were user-tested to gauge customers' understanding of the eligibility rules for the SEISS. A copy of the feedback is at **JH/D-SEISS/058 – INQ000583727**. Another example of this type of engagement relates to the fifth SEISS grant. On 6 July 2021 HMRC shared an iteration of the claims service with panel members as the service was designed. On 6 July 2021 one of the members of the Expert Panel provided advice on the claims service. A copy of this advice is at **JH/D-SEISS/059 – INQ00058372**.

807. HMRC also sought input from the Expert Panel on a wide range of communications products. This included direct communications to individuals, social media posts, targeted communications to agents and additional support products such as YouTube videos and webinar sessions. Their insight helped to identify the gaps in HMRC's communications strategy, or where the approach could be changed to ensure a particular product had greater impact. For example, when the Financial Impact Declaration was introduced for the fifth SEISS grant, the panel helped make HMRC's customer messaging on this potentially tricky subject much clearer [**JH/D-SEISS/060 – INQ000583728**]. Following their feedback, HMRC simplified the language used in turnover test communications products, including YouTube videos, and provided examples for individuals of the type of calculations they would need to undertake.

808. In addition to engagement with the Expert Panel, the HMRC SEISS teams regularly attended several of HMRC's existing key external stakeholder forums to update them on SEISS

developments, to listen to their concerns and respond to questions raised about the grants and associated processes. The key forums were the Individual Stakeholder Forum, Virtual Communications Group and the Representative Bodies Steering Group. The Individual Stakeholder Forum is HMRC's main engagement and consultation forum for the voluntary and community sector bringing together various organisations representing HMRC's diverse customer groups. The Virtual Communications Group is a monthly get-together with the seven Main Professional Bodies. The Individual Stakeholder Forum met weekly during COVID-19 and held longer meetings on a quarterly basis; the Virtual Communications Group met on a monthly basis. A list of members for the Individual Stakeholder Forum is at **JH/D-SEISS/061 – INQ000583538** and members of the Virtual Communications Group included:

ICAS – Institute of Chartered Accountants of Scotland

ACCA – Association for Chartered Certified Accountants

ICAI – Chartered Accountants Ireland

AAT – Association of Accounting Technicians

ICAEW – Institute of Chartered Accountants of England and Wales)

ATT – Association of Taxation Technicians

CIOT - Chartered Institute of Taxation

809. The Representative Bodies Steering Group is a forum that engages with professional bodies, intermediaries, software developers, and senior HMRC managers. It advises on strategic decisions about HMRC's performance, including customer service, its digital strategy, and the impact of these on agents. HMRC valued the input and suggestions from all the external stakeholders who took time and used their experience to help design and deliver the SEISS.

810. The relationship with the Expert Panel and external stakeholder groups helped HMRC to mitigate risks in the design and delivery of the scheme. The introduction of the Financial Impact Declaration for the fifth SEISS grant was particularly tricky to manage. This was because it asked self-employed individuals to do something they had not needed to do for the previous SEISS grants. This potentially meant a significant increase in contact to HMRC from claimants

seeking to understand what they needed to do. The joint working with the panel on policy development, delivery and the guidance products meant that the Financial Impact Declaration launched smoothly, self-employed individuals knew what they needed to do, and demand for support from HMRC was manageable.

811. SEISS policy was better as a result of engagement with the panel. Panel members spotted potential issues and problems that HMRC had not, and so helped design in solutions rather than discovering a problem after the scheme launched and it then needing to be fixed.

812. The work with the Expert Panel and other external stakeholder groups supported both policy design, and design and delivery of a service with the end user in mind throughout the SEISS grants.

Economic and demographic disparities and vulnerable groups

813. HMRC's dedicated helpline and Extra Support Team services were available for customers who could not interact with HMRC digitally or needed additional support and reassurance to make their claim.

814. Guidance was available on GOV.UK and was regularly updated as the grants evolved and in response to customer feedback or queries on particular areas that were unclear. The guidance pointed to HMRC's SEISS helpline, webchats, and translation services which were all available to provide direct support. HMRC also provided webinars and YouTube videos to support customers with the scheme and to make their claims.

815. Although agents were not able to claim SEISS grants on behalf of their clients, HMRC provided support via contact centres on the completion of applications where needed. Agents were provided with information to allow them to support and prepare their clients to make these claims. Representative bodies were involved in developing the scheme communications and guidance products to ensure they were easy to understand, and they cascaded HMRC's guidance to their members and clients.

816. HMRC engages with and provides support through various products to stakeholders including agents, charities and MPs. As part of the support for those with protected characteristics

HMRC provides additional assistance for customers who are deaf or hearing impaired, blind or partially sighted. All GOV.UK web content adheres to national and international standards.

817. The vast majority of claims for all the SEISS grants were made online (96%). HMRC provided both telephony and webchat contact services to support customers making claims.
818. For the first SEISS grant, HMRC targeted communications and mass marketing campaigns for individuals to go online to check their eligibility and claim their SEISS grant if they were eligible. GOV.UK guidance advised customers who needed more support to call HMRC and HMRC engaged with voluntary sector groups, trusted partners and agents to enable them to support their clients even though the customer needed to personally make the claim. HMRC processes and guidance created a supportive journey for these customers after they had made contact, with advisers being able to take customer claims over the telephone. This was all part of the work to ensure support was accessible for socially and economically disadvantaged groups.
819. A lessons learned review of the first SEISS grant showed these particular customer groups may not have claimed in the same numbers as those in the general population. HMRC considered why this was and what could be done to improve this for later versions of the scheme. This work included a “test and learn” approach to the second SEISS grant to try different methods to better reach this audience.
820. Identifying socially and economically disadvantaged customers was difficult as HMRC does not hold data on its customers’ vulnerabilities. HMRC identified potential claimants who had used the Extra Support Team service in the previous 18 months and who might be eligible for the SEISS.
821. HMRC trialled two different methods to contact this group of potential claimants. The first approach was targeted outbound calls from our Extra Support Team to potential claimants who had not claimed. The second approach was to send bespoke communications to those of this group that were ‘potentially eligible,’ inviting them to contact Extra Support Team for help if needed.

822. Only 22% of the outbound calls resulted in successful contact with the customers. Letters produced a better result and were less labour intensive for HMRC, so the Project Board agreed to use these going forward in preference to calls.
823. Other recommendations from the “test and learn” work included a review of internal processes; using real life customer journeys to optimise the application process; greater use of Behavioural Insight expertise for communications to maximise results, including updating HMRC Contact Centre scripts to encourage people to claim and to help triage vulnerable customers to the Extra Support Team to ensure they received the right support; and continued monitoring of Extra Support Team population uptake throughout the claims window, taking further action as needed to promote how to claim. In addition, work continued to consider identifying then utilising new ways to inform hard to reach groups. HMRC staff were given extra training to help them identify vulnerable customers when on telephone calls who might need extra support.
824. The actions following the “test and learn” work increased take-up rates for this group. For the first SEISS grant the take-up difference between the general population and the targeted group was 22%; by the fifth SEISS grant this gap had reduced to 3%.
825. Following the first SEISS grant, HMRC introduced processes to enable extra support customers to make late claims, where the reason for their late claim was due to a particular vulnerability.
826. For the second SEISS grant, communication teams engaged directly with ethnic minority media and regional outlets to promote the grant. Coverage included The Voice Online, BEN TV and Asian Trader as well as the Bradford Telegraph, Yorkshire Live and the Birmingham Mail.
827. HMRC’s direct engagement led to support promoting the SEISS from more than 15 organisations and networks in areas where there was a high proportion of ethnic minority individuals residing. The top three organisations which supported HMRC content had a combined following of approximately 155,000 people.

828. In addition to this, the SEISS messaging was also supported by the Hustle and Heels Instagram account (a network aimed at helping entrepreneurs) which had almost 10,000 followers, many of whom are from ethnic minority backgrounds.
829. Following the adjustments made in the second SEISS direction to allow new parents and reservists to claim grants, HMRC undertook targeted activity for new parents and reservists. This included bespoke letters and a YouTube video. HMRC also reached out to charities and other organisations, such as Bounty which gives advice and support to improve the experiences of pregnancy and early parenthood as well as everyday parenting, to ask for support in reaching their networks.

Data collection

830. The protected characteristics HMRC routinely collects data on are age and sex. Data on the take-up of SEISS grants based on these characteristics was regularly published online from June 2020 to December 2021, as I have explained in paragraphs 646 to 650. This data was included in the SEISS published statistics.
831. The SEISS final evaluation included analysis covering the take-up of SEISS grants from those with disabilities and different ethnic backgrounds. Additionally, take-up rates were examined in geographic areas ranked by income deprivation to understand how different communities accessed the scheme.
832. As explained above, analysis of disability status, based on the 2010 Equality Act definition, indicated no statistically significant differences in SEISS take-up between disabled and non-disabled individuals. The findings, drawn from the Family Resources Survey for 2020/21, show similar usage rates across both groups, with overlapping confidence intervals. This is a statistical technique suggesting that there is no evidence in this data that take-up rates were different from each other. Sample size limitations, however, prevent further breakdowns by additional protected characteristics such as ethnicity, necessitating an alternative approach to assess take-up rate in different demographic groups.

833. To analyse the SEISS take-up rates in geographic areas, the study used Lower Layer Super Output Areas (explained in paragraph 707) which contain around 1,500 residents each and are ranked by the Indices of Multiple Deprivation. The results indicated a positive correlation between the SEISS take-up and higher levels of income deprivation, with more deprived areas showing higher take-up rates and lower ineligibility rates. Over time, a larger proportion of the SEISS grants were distributed to deprived areas, suggesting improved targeting of the SEISS grants as eligibility criteria evolved.

834. Further analysis examined SEISS take-up in areas with higher proportions of ethnic minorities. A positive correlation was observed between the proportion of ethnic minorities in a Lower Layer Super Output Area and the take-up rate of the SEISS grants. However, the data, which is aggregated at a geographic level, does not capture individual behaviour or causation. While ethnic minority groups tend to live in lower-income areas, there is no evidence suggesting they faced barriers in accessing the SEISS grants. HMRC has committed to improving data collection on protected characteristics, in line with recommendations from the UK Statistics Authority's Inclusive Data Taskforce.

Payment targets

835. For the first grant, HMRC set up a performance target of paying eligible applicants their SEISS grant by 25 May 2020 or within six working days of making a claim. Between the scheme opening date and the final closing date, 10.4 million grants were claimed by 2.9 million individuals. 99.4% of claims were paid within six working days of receipt of application. A very small number of claims took slightly longer to be paid, largely due to the need for additional checks by banks and building societies, and further compliance checks. By 25 May 2020, 88% of the potential claims for the first SEISS grant had been paid.

Devolved Government messaging

836. HMRC is not aware of different messaging or approaches taken by the Devolved Governments which impacted upon the clarity of communication in relation to the SEISS. HMRC sent direct communications in a bilingual format to those potential claimants who had a Welsh speaker indicator on our records.

Monitoring

837. The SEISS was monitored in real-time in several ways. On the day the SEISS went live on 13 May 2020, there was an hour-by-hour timeline. This included information on the governance, IT, operations, guidance and communications for the scheme. An example of this information is at **JH/D-SEISS/062 – INQ000583331**.
838. The number of claims submitted, the amounts paid out and the number of manual claims processed were monitored daily throughout each claim period. Data was circulated to interested teams initially daily and later weekly. This data was then summarised for each grant and published in the scheme statistics on GOV.UK.
839. In addition to data on the claims themselves, wider quantitative inputs were monitored; for example, numbers of inbound calls relating to the SEISS, number of requests for reviews, claims rejected for compliance reasons. This enabled HMRC to respond to any emerging direct or indirect impacts caused by claims. Qualitative feedback, for example reasons for review requests, also helped HMRC manage the administration of the SEISS.
840. Given HMRC knew the details of the potentially eligible population and could monitor the claims being made, the opportunity was taken to identify those who had not claimed ahead of the claim window closing. These individuals were sent dedicated communications.
841. Alongside real-time monitoring of grant take-up, HMRC's Business Insight and Research team's quarterly evidence synthesis provided insight on customer impacts relevant to the SEISS. This work recommended addressing barriers to uptake through appropriately targeted communications, guidance, and customer support for those eligible customers facing barriers to claiming the grants.
842. Given the unprecedented nature of the scenario, straightforward quantitative measures of success were not readily available. For example, HMRC could not set a target for percentage claims made as it was unclear how many businesses had been adversely affected by

restrictions. Nevertheless, there were clear outcomes HMRC set out to achieve, and which informed our view of success:

- 842.1. Making funds available to customers who met the eligibility criteria within the timescales set by ministers;
 - 842.2. Making it easy for customers to understand their eligibility, and to make a claim if they were eligible – and paying that claim quickly;
 - 842.3. Making accurate decisions on eligibility, through accurate data; and
 - 842.4. Maintaining the security and integrity of the tax system, through robust pre- and post-claim compliance activity.
843. Monitoring performance across a range of metrics in real time enabled HMRC to understand the extent to which it was delivering against these ambitions, and to act where management information suggested any emerging risk to the successful deployment of the SEISS.
844. The newly built SEISS IT system coped well with the very high number of claims. According to HMRC research there were high levels of claimant satisfaction with the SEISS claim process, with 96% of claimants rating their overall experience of applying for the SEISS as either good or very good. Claimants were highly positive about the application process, with 90% feeling most aspects were clear. A lesson learned from the design and implementation of the SEISS is the benefit of simple scheme rules enabling fast and efficient delivery and simple scheme guidance that customers could understand that allowed them to understand the scheme, whether it applied to them and to make a claim online.
845. Among the small proportion of claimants who applied by telephone, the most common reason for doing so was due to issues with their online application. Qualitative research found that some customers reported issues with using their Government Gateway login when making a claim. This primarily occurred when an agent had previously used their own Government Gateway login for their clients (rather than the customer using their own), or when customers had not accessed the Government Gateway for some time and struggled to recall their login details. These issues were relatively straightforward to overcome, usually resolved via telephone support from HMRC.

846. Given that the SEISS was a new scheme, providing crucial financial help, HMRC quickly developed a customer support model that sat alongside existing customer helplines to deal with the anticipated increase in enquiries from the self-employed. HMRC recognised the importance of providing a level of support that would meet a diverse range of customers through the provision of clear guidance and processes. Preparing to support customers through the claims process was a priority for the department.

847. As the scheme progressed HMRC took the decision to introduce personal claim dates for the potentially eligible population. This was effective in reassuring customers that they would be able to make a claim from a particular date and in managing the high contact levels around the opening of the claim window experienced for the earlier grants. HMRC also learned from customer feedback to send claim messages by email, to make the messages short, and to include the claim date early in the text.

Adjustments and cessation of support

Adjustments

848. The SEISS iterated based on economic conditions and what could be delivered quickly and efficiently.

849. The generosity of the SEISS grants evolved over time to reflect changing economic conditions. For example, the value of the second grant was reduced to 70%, rather than 80%, of trading profits.

850. For the third SEISS grant the Chancellor originally announced that it would cover 20% of average monthly trading profits as economic conditions were improving. He then announced that the generosity of the grant would be doubled to 40%. Following the decision to impose a further national lockdown on 1 November 2020, and to reflect the changes to the CJRS, the Chancellor agreed to making the third SEISS grant more generous, with self-employed individuals receiving grants based on 80% of their average trading profits.

851. The scheme was adjusted from the second SEISS grant to allow new parents and reservists to claim grants where they had not filed a 2018/19 tax return or would have failed the 50% trading income rule due to reservist pay counting as employment income (despite it being a direct substitute for their trading profits in the reservist period).
852. As the scheme was extended beyond initial expectations the targeting rules were also adapted to ensure support continued to be targeted at self-employed individuals most affected by COVID-19. For example, the Reasonable Belief Test was introduced from the third grant and the turnover test via the Financial Impact Declaration for the fifth and final grant. These rules built on the requirement that the claimant's trade was "adversely affected" by COVID-19 that was included in the first SEISS direction.
853. In addition, to protect against fraud risks, for the first, second and third SEISS grants, only those who traded in the tax year 2018/19, were eligible to apply, which meant some self-employed were not eligible for these grants. When 2019/20 tax return data became available, the government was able to expand the potentially eligible population. Those who were newly self-employed from April 2019 and had filed the relevant tax return were brought into the scheme for the fourth and fifth grants. Eligibility for these later grants was based on information from those returns which they were required to file by 31 January 2021.
854. From the outset, measures to minimise error and fraud were incorporated into the design of the scheme. Controls were put in place to address concerns of potential organised crime attacks. Compliance activity to tackle abuse has continued after the scheme closed using the full range of HMRC powers, both civil and criminal. The use of the Reasonable Belief Test from the third grant onwards and introduction of the Financial Impact Declaration for the final grant meant that while the risk of error and fraud rates increased given the scheme rules were well known at this stage, the SEISS was better targeted, and so cost less, as a result.

Cessation of support

855. On 16 February 2021, a submission was made to the Chancellor regarding the fifth SEISS grant. This submission included a line to the effect that the scheme would close at the end of September 2021. Work to end support was led by HMT and was a decision for ministers. A

copy of the submission is at **JH/D-SEISS/063 – INQ000583447**. A copy of the email dated 17 February 2021 recording the Chancellor's agreement is at **JH/D-SEISS/064 – INQ000583778**.

856. On 3 March 2021, the Chancellor announced the fourth and fifth SEISS grants at the Budget. He made it clear that the fifth SEISS grant would be the final one. A copy of this speech is at **JH/D-SEISS/065 – INQ000583757**

857. The fifth and final SEISS grant covered COVID-19 impacts up to the end of September 2021 when the claim window closed. This timeline coincided with the easing of restrictions and the withdrawal of other COVID-19 support such as the CJRS.

858. In autumn 2021 the UK experienced a rise in the number of COVID-19 cases. HMRC and HMT officials worked on contingency options should further support be required, although it proved not to be needed.

Reflections on timing

859. There was some criticism that government-led COVID-19 support continued for too long. Policy decisions around the timing and generosity of support were a matter for ministers.

860. As part of the joint HMRC/HMT evaluations of the schemes, the SEISS final evaluation found that the scheme achieved its objectives by supporting those most in need and by stimulating the wider economy during a period of significant disruption. The evaluation also concluded that the SEISS was good value for money.

861. The SEISS final evaluation looked closely at the impact on business survival, analysing business cessations during the first year of the pandemic by identifying individuals who ceased trading and did not receive a notice to file a tax return in 2021/22.

862. The analysis of business survival indicates that individuals who claimed SEISS grants were more likely to continue trading than those who were potentially eligible but did not claim or those assessed as ineligible. This was apparent in 2020/21 and 2021/22, although it was necessary to use partial data for the second year because it was not possible to fully assess cessations in 2021/22 at the time. This extrapolation found there were further business

closures during 2021/22, but with eligible claimants still having a higher proportion of businesses continuing to trade. However, this analysis must be treated with caution as it is likely that business survival rates experienced during 2021/22 as restrictions were starting to ease will not be directly comparable to the first year of the pandemic.

863. A separate counterfactual analysis was conducted to determine the causal impact of the SEISS on business survival. This also found that the SEISS enabled claimants to sustain their self-employment trading activity, with fewer permanent business closures compared to a scenario without the SEISS. For the first three grants, eligible claimants were found to be 2.8 percentage points more likely to remain trading in 2020/21 than those assessed as ineligible at the scheme's income threshold of £50,000 average trading profits. The evidence is less clear cut for 2021/22, where this analysis suggests there is no clear longer-term effect in business survival from access to the first three SEISS grants, although this finding is not statistically significant. This analysis also suggests a small positive impact on business survivability in the short term from the last two SEISS grants with SEISS claimants being 1.0 percentage point more likely to remain trading in 2021/22 than non-claimants, but this finding was not statistically significant, which means that it cannot be ruled out that this difference occurred by chance.

864. The SEISS final evaluation acknowledges that there is a lack of robust evidence on longer-term business survival. This means there was a risk that, despite an initial short-term benefit from the SEISS, the scheme may not have led to long-lasting benefits to self-employed businesses. The evaluation also flags the possibility that some businesses may have remained open explicitly for the purpose of claiming the SEISS and then closed shortly after the end of the scheme. This could be interpreted as a negative outcome if the scheme prevented productive re-allocation of resources and supported those who left self-employment anyway.

865. However, the overall rate of business survival remained high, with 93.6% of claimants still trading in 2021/22, based on available data. Given the key objective of the SEISS was to support those most reliant on their trading income through the pandemic, the evidence suggests the scheme was generally successful at achieving this.

866. The number of claims made for each SEISS grant reduced over time, falling from 77% of the potentially eligible population for the first grant to 58% for the fourth grant and 38% for the fifth grant. As stated earlier, this is likely explained by increased targeting rules with the introduction of the Financial Impact Declaration for the fifth grant, and the improved economic outlook during 2021.

Balancing preventing unemployment and allowing market flexibility

867. Trade-off decisions between the level of support and impacts in the wider economy were a matter for HMT and ministers.

868. As part of the joint HMRC/HMT evaluations of the scheme, analysis suggested that had the SEISS not existed, there would have likely been an increase in individuals claiming welfare support from DWP through Universal Credit. In the case of the SEISS, this would occur both from individuals closing their business and becoming unemployed, and secondly from individuals keeping their business open but earning sufficiently low trading profits that they were eligible to also receive support from Universal Credit or receive more support if they were already claiming it.

869. Analysis produced by DWP was used in the SEISS final evaluation to provide an estimate of these savings. The estimate is that around 70,000 additional individuals remained in self-employment due to receiving SEISS grants. SEISS claimants who would have left self-employment or closed their business had they not received SEISS were likely to have become unemployed due to the economic restrictions in place. Using data provided by DWP on average claim amounts and take-up derived from a survey-based model, the welfare saving is estimated to be between £85 million and £320 million. The SEISS overall value for money calculation included in the final evaluation uses a central estimate for welfare savings of £130 million.

870. The SEISS final evaluation also flags additional Income Tax and National Insurance contributions receipts as a result of keeping these individuals in business. Without the SEISS these individuals were likely to have been unemployed or economically inactive and so would not have paid any tax on their business income. HMRC cannot identify for certain when within

the tax year individuals would have ceased trading, but assuming this is evenly distributed throughout the tax year, so that each business on average would not have traded for 6 months, the additional tax revenue from supporting these trades to continue is estimated at between £30 million and £45 million.

871. Additionally, DWP provided an estimate of how much more in benefits they may have paid out to new Universal Credit claimants who remained in self-employment, but who would have had lower incomes without the SEISS grants, and of those who were already claiming Universal Credit but who would have been eligible for a higher amount without the SEISS grants. This figure is estimated at around £1.46 billion for the first to third SEISS grants and £240 million for the fourth and fifth grants.

872. As well as the direct saving of reduced exchequer costs through less spending on UC, the government will also have benefited from reduced administrative costs due to having to process fewer Universal Credit claims as individuals were receiving support from the SEISS instead. However, there is not a robust method to quantify this, and this impact is expected to be small relative to the overall costs and benefits of the scheme.

873. The SEISS policy objectives were set at the outset and did not change throughout the iterations of the scheme. The purpose was to support those most reliant on their trading income through the pandemic. This purpose could be read as a desire to prevent unemployment and increasing benefit claims, but this is a by-product of the purpose of the scheme rather than a particular policy objective. The scheme rules permitted the self-employed to pause their trade, start a new trade, or take up employed or voluntary roles while still claiming the grants. This flexibility was designed to allow the self-employed to adapt to the new economic conditions, but also to adapt or temporarily pause their business and pick it up again once conditions improved. As stated already, the scheme was universally available to those who met the criteria, so HMRC had no role in deciding which businesses were viable and made no changes to the implementation of the scheme in that respect.

Fraud and error

874. In relation to error and fraud within the SEISS, HMRC had responsibility for:

- 874.1. Advising on approaches to mitigating the risks of error and fraud, including from organised crime; and
- 874.2. Tackling error and fraud in the scheme, through the design of the scheme and claim process, pre-claim and pre-payment checks, and post-payment compliance activity to recover incorrectly claimed grants.
875. From the beginning, it was expected that the SEISS would be a target for fraud and that customers claiming under pressure would make mistakes. Therefore, a range of measures to protect the scheme against organised crime, opportunistic fraud, and customer error were designed into the scheme, drawing on HMRC's extensive experience of tackling error and fraud in the tax system.
876. The compliance approach can be summarised as follows:
- 876.1. Promoting compliance – HMRC clearly defined the claimant population and the quantum of the first four SEISS grants. For the fifth SEISS grant, HMRC calculated the quantum based on the FID.
- 876.2. Preventing non-compliance – To limit incorrect or fraudulent claims being accepted, compliance controls were built into the scheme design and the claims process.
- 876.3. Post-payment compliance – Through powers granted to HMRC in the Finance Act 2020, meaning HMRC could apply existing powers to both investigation and recovery of overpaid grants, as well as developing automatic correction methods and the creation of a taskforce specifically designed to recover overpaid COVID-19 grants. Post-payment, HMRC's strategy was to focus on the most egregious and largest impact risks. To date, HMRC has taken action on the riskiest claims, and with COVID-19 government support schemes closed, HMRC expect to continue to see diminishing returns from compliance activity.

Assessing the estimated level of error and fraud

877. When designing and implementing the SEISS, the anticipated level of error and fraud in the scheme was between 1%-2% of the total grants awarded. This estimate took account of the fact that the scheme rules mitigated risk by identifying the potential population based on filed self-assessment returns. This estimate was updated as the scheme progressed, as set out in **JH/D-SEISS/065a – INQ000583779**, which sets out HMRC's methodology and estimates for error and fraud in the COVID-19 schemes. This information sets the SEISS estimate for 2020/21 at 2.8% to 3.5% with a most likely figure of 3.2%. This figure increased from the original estimates largely due to the slightly higher than expected number of grant recipients failing to submit their 2019/20 self-assessment returns so increasing the number who had ceased trading. The estimate for 2021/22 is 7.5% - 12.9% with a most likely estimate of 10.1%. This estimate is higher because it covers the fourth and fifth SEISS grants which were based on newly filed 2019/20 self-assessment returns. Information in these returns could potentially have been manipulated to maximise grants, given the scheme rules were well known by this time. Additionally, the fifth SEISS grant included an element of self-certification within the FID. As stated previously self-certification increases error and fraud risks. This report also includes the cumulative estimate which was reflected in the SEISS final evaluation.

878. The SEISS final evaluation found that the estimate of error and fraud for the SEISS (across all five grants) is between 4.2% to 6.3%, with a most likely value of 5.2%. In monetary terms that is an estimate of between £1.2 billion and £1.8 billion, with a most likely value of £1.5 billion.

879. The error and fraud estimates represent the likely level of error and fraud in the SEISS grants before HMRC's post-payment compliance activity, largely undertaken by the COVID-dedicated HMRC Taxpayer Protection Taskforce.

Error and fraud considerations in the implementation of SEISS

880. While designing the SEISS system and processes, HMRC considered the potential compliance risks from operating the scheme and the controls that could be put in place to protect public money, minimise error and deter criminal attack.

881. HMRC relied on its existing insight and experience of undertaking compliance activities in relation to the self-assessment population. As stated previously, schemes such as the SEISS would undoubtedly be subject to fraud and criminal attack from organised crime groups.

Experience shows that once money has been paid out it can be difficult to recover, particularly when paid as a result of criminal attacks.

882. To mitigate error and fraud risks, compliance controls were put in place prior to claim, during the claim process and after the claim had been made. These controls included blocking ineligible claims and investigating claims that were thought to have a higher element of risk before making payment. These controls were developed and strengthened over time in response to emerging operational insight and compliance performance. There were two key pre-payment controls:

882.1. The potentially eligible population, as identified from the income information on existing self-assessment records, were invited to consider making a claim for a SEISS grant. This reduced the risk that criminals could set up fake self-assessment accounts to game the system once the SEISS was announced; and

882.2. In common with CJRS, claims were risk assessed prior to payment. To ensure that payments were still made promptly, a 72-hour risking window was established.

883. As stated previously, the key control within the SEISS was identifying both the eligible population and the quantum of the SEISS grant from information that had already been included in self-assessment tax returns by the self-employed. Without the data HMRC already held, any scheme for the self-employed would have had to be quite different. Not using data already held by HMRC would have increased the risk of error and fraud in the scheme, especially for a scheme that had to be delivered so rapidly.

Pre-Payment Controls

884. HMRC built automated controls into the digital claims process. These automated controls included checking addresses, bank account details and IP addresses, as well as open compliance checks. This process prevented over 100,000 ineligible or mistaken claims being made across all HMRC-administered grant schemes. The process prevented identified suspect claims from progressing through the digital claims system.

885. The 72-hour risking window previously mentioned was designed to mitigate the risk of fraudulent claims and attacks by organised criminals. This window operated in the time between the individual submitting the claim and payment being authorised. The objective was to detect tax accounts compromised by criminals to validate the identity of the claimant where there was any doubt as to their being genuine. Pre-payment compliance activity was planned prior to the SEISS grants opening and a copy of the relevant paper sent to the Executive Committee is at **JH/D-SEISS/066 – INQ000583543**.

886. Those not included in the potentially eligible population, identified by HMRC from information on existing self-assessment records, but who tried to claim a grant, were unable to do so. Those who were invited to make a claim had to confirm they met the trading requirement and were adversely affected by COVID-19. Identifying the potentially eligible population in this way proved to be a strong compliance control, mitigating against the identified risks.

887. To guard against manipulation of the tax return to maximise SEISS grants, the scheme rules stated that no account would be taken of return amendments, for the purpose of the SEISS, after the scheme was announced on 26 March 2020. This rule was replicated for the fourth and fifth SEISS grants using the date those grants were announced at Budget on 3 March 2021.

888. The SEISS was designed to be an online claims service accessible via the Government Gateway which required identity authentication. A telephone claims service was available for those unable to claim online, with a similar identity verification process applied to those making telephone claims. Building identity checks into the claims process was another way of ensuring grants were paid only to those eligible to claim.

889. When a claim was made, in the first 24 hours HMRC risk engines interacted with claim data to identify patterns relating to potential criminal activity. High risk claims – such as an attempt to make a claim using someone else's details - were selected for further compliance checks. These checks included telephone verification and blocking of claims suspected of being linked to criminal activity.

890. To better target grants, a Financial Impact Declaration was introduced for the fifth SEISS grant. This included an element of self-certification, which introduced a new error and fraud risk into the claims process. Self-certification always carries a risk, especially where that information cannot easily be verified. HMRC would only be able to check the claimant's calculation of their pandemic year turnover when the claimant's 2020/21 tax return was filed. This meant that limited pre-payment risking could be undertaken for the fifth grant, although HMRC could still undertake the checks described above in the 72-hour risking window.

891. In addition, for all grant iterations, HMRC used the 72-hour risking window to detect and manage compliance risks ahead of paying out grants. Compliance teams used this time to ask certain claimants to upload relevant documents to a shared workspace to help confirm eligibility for the grants. This was a big undertaking for the compliance teams to manage at pace. The approach taken and structure of the teams in preparation for the third to fifth SEISS grants is set out in **JH/D-SEISS/067 – INQ000583603**.

892. HMRC identified and blocked payments linked to a range of criminal and suspicious behaviours during the lifecycle of the scheme. The main risks that emerged during the lifecycle of the scheme were:

- 892.1. Claimant error;
- 892.2. Opportunistic fraud - non-eligible claimants attempting to claim when they knew they were not eligible, and
- 892.3. Planned fraud - non-eligible claimants attempting to claim grants. This category includes attacks on the system by organised crime syndicates.

Checking late returns

893. Between announcement of the SEISS on 26 March 2020 and the extended filing date of 23 April 2020, 64,000 self-assessment returns for 2018-19 were filed by self-employed individuals. Of these, 47,000 led to an individual being deemed potentially eligible for the SEISS grant. Because these returns were submitted after the SEISS had been announced, they had a higher risk of being manipulated to fraudulently claim the grant. HMRC performed enhanced ID verification checks on around 15% (7,000) of these high-risk late returns. A 15%

check was considered to be a valid sample of claims and a proportionate amount that could be managed by the compliance resource available within HMRC at the time. Of those 7,000 returns, just over 40% failed these verification checks. Of those that passed the verification checks, a further 11% were flagged for post-payment compliance checks. Given these results, all claims from these customers were subject to post-payment risking as a way of further mitigating any remaining risk.

Prompts within the claims service

894. Once in the claims service, self-employed individuals were presented with several statements which they had to confirm they met to proceed with the claim. This included declarations to say they were continuing to trade, intended to continue to trade, and that their business had been adversely affected by COVID-19.

895. The service also included an advisory message that HMRC would check and may withhold or recover payments if they were found to be fraudulent or not made within the purpose of the scheme. By proceeding with the claim, self-employed individuals essentially confirmed that they understood these requirements. If they did not meet the criteria, they should have discontinued their claim.

Practicality when delivering at pace

896. There were some steps to mitigate fraud which were not practicable given the need to provide support quickly. A decision was taken to exclude agents from making claims on behalf of their clients. This was in part to secure rapid delivery of the scheme, as building in claims for agents would take time, as well as to ensure HMRC could check that only one claim per grant was made by and paid out to each customer. Agents and representative bodies, in feedback, suggested that if they had been more directly involved in the claims process, they could have ensured only those who were eligible claimed the grants and that receipt of the grants was recorded in the correct box on later tax returns.

897. A decision was taken to invite claims from those who had indicated on their 2018/19 tax return that they had ceased self-employment – even though the grant was only payable to those who were continuing self-employment into 2020/21 [see **Exhibits JH/D-SEISS/067a to JH/D-**

SEISS/067c – INQ000583822, INQ000583314, INQ000583319]. Claimants had to confirm when they made the claim that they were self-employed. The self-employed population is unpredictable with many pausing their trades, or ceasing one activity and commencing another a short time later. These individuals would still have been eligible for the grant. At the outset, the government was keen to ensure all those who might be eligible were invited to make a claim, at which point the claimant would then have to confirm whether they met the detailed scheme rules.

898. Individuals file their self-assessment returns annually and HMRC carries out checks as a routine part of the system. HMRC carried out two large scale post-payment compliance campaigns to check the trading position of claimants who had said they had ceased trading in 2018/19 and recover grants that were paid to those who, despite confirming that they were still trading in the claim, had in fact ceased their self-employment.

Post-Payment compliance activity

899. HMRC's approach to COVID-19 scheme post-payment compliance activity was based on taking a supportive approach with customers where they had made mistakes, giving them the opportunity to correct without fear of sanctions.

900. As mentioned above, the strategy for the SEISS focused heavily on reclaiming grants from individuals who had ceased trading and claimed SEISS grants in error. HMRC employs "one-to-many" written campaigns to address large scale risks such as this. This is where the same communication is sent to many customers, using prompting messaging aimed at encouraging customers to identify and correct simple errors or well-defined risks. For the SEISS, this campaign concentrated on individuals who had indicated on their self-assessment return that they had ceased trading or who failed to file their next self-assessment return as this was a strong indication that they had ceased trading.

901. For cases where the identified risk pointed to potentially deliberate non-compliance,, HMRC undertook "one-to-one" checks.

902. As the SEISS progressed and information and insight were used from later returns, new compliance risks emerged and were addressed. For example:

- 902.1. **Fourth and fifth SEISS grants only:** A customer might have amended their tax return, or it was amended following a tax enquiry, and as a result the customer was no longer eligible for the SEISS or eligible for a smaller grant amount. Specific compliance provisions within the later SEISS Directions, known as the Recovery of Overpaid Grants provisions, allowed these grants to be recovered. HMRC's systems automatically identified these cases and the amount to be recovered and raised a recovery assessment. This was part of HMRC's controls rather than specifically part of the SEISS post-payment compliance strategy, although the cases are worked by dedicated compliance teams.
- 902.2. **Fourth SEISS grant onwards:** A customer might not have been genuinely self-employed but might have submitted a 2019-20 tax return solely to gain access to government support. HMRC conducted pre-claim checks for both fourth and fifth SEISS grant claims, and risking identified cases for more in-depth post-payment compliance checks. A copy of the strategy is at **JH/D-SEISS/067d – INQ000583460**.
- 902.3. **Fifth SEISS grant only:** A customer manipulates turnover on their Financial Impact Declaration to claim a higher grant. HMRC ran a Random Enquiry Programme to better understand this risk and to improve our error and fraud estimate for the later grants. The Random Enquiry Programme selected self-employed individuals at random for a post-payment compliance check.

Introduction of a Voluntary Disclosure Portal

903. After the scheme was launched, requests were received from stakeholders and customers for a facility by which they could repay SEISS grants. In some cases, this was because the claimants had overclaimed or received a grant they were not entitled to. This could happen where the customer was no longer self-employed and therefore did not meet the eligibility criteria or where, upon reflection, they decided their business had not been adversely affected by the pandemic restrictions. There were also claimants who wished to repay their grants voluntarily on moral grounds – for example, a claimant might have felt the level of grant award

was inconsistent with the size of their trade by the time the pandemic hit, because it was calculated by reference to larger profits in earlier years.

904. HMRC initially used a manual process to enable customers to make grant repayments. HMRC then worked with internal and external stakeholders to develop a process to allow a charge to be raised so that overclaims could be repaid and accounted for correctly.

905. To facilitate overpayment reporting, the Voluntary Disclosure Portal was launched on 16 September 2020. This service allowed SEISS claimants to go online to pay overpayments back quickly and easily to HMRC with a clear audit trail.

906. Online declarations were monitored to ensure the payment was subsequently made and if it was not, a grant recovery assessment was raised to recover the money. Raising an assessment allows HMRC's formal recovery processes to be used, including charging penalties where appropriate.

Recovery of Overpaid Grants

907. Recovery of Overpaid Grants provisions were included in the fourth and fifth SEISS Directions to enable HMRC to recover overpayments resulting from amendments to 2019/20 tax returns. These provisions were needed as the statutory amendment window was open until 31 January 2022 for these returns, a date later than that used to determine the potentially eligible population and after the relevant grants were calculated and paid out. The risk was that self-employed individuals could have anticipated the eligibility criteria used for the first three grants would also apply to the fourth and fifth SEISS grants, and therefore deliberately manipulated their tax returns to maximise their SEISS grants, and once they had received those grants, they could amend the returns to minimise their tax liability.

908. The provisions included a de minimis amount below which the overpaid grant did not have to be repaid; this was set at £100 per grant. On 30 March 2021, a submission was made to the Chancellor on the de minimis threshold. A copy of that submission is at **JH/D-SEISS/068 – INQ000583439**. A copy of the email dated 1 April 2021 recording the Chancellor's agreement is at **JH/D-SEISS/069 – INQ000583407**.

909. Where the grants had to be repaid following an amendment to a relevant tax return and where the overpayment was more than £100, an assessment was generated to recover the overpaid amount. This process was automated and developed specifically for the SEISS to ensure the sums could be recovered quickly without the use of compliance resources (although customers had a right to ask for someone to review and check the automated calculation). This ensured value for money by allowing compliance resources to be deployed on higher-yielding priority work.

Taxpayer Protection Taskforce & Compliance Resourcing

910. Given the unprecedented nature of the pandemic and of the HMRC-led COVID-19 support schemes, it was inevitable that the self-employed would require dedicated support from HMRC staff to both understand the grants they might receive and when, and to help them navigate the claims service. HMRC quickly understood the need to deploy more staff to the helplines to manage this increased demand, during a time when their own staff were managing the impacts of COVID-19 in their work and personal lives.

911. HMRC's Customer Service Group, whose staff operate the helplines and webchat facility, needed temporary assistance from staff redeployed from compliance teams from April 2020 to help customers with queries. Ministers and HMRC accepted the compliance yield opportunity cost that this transfer of staff entailed.

912. HMRC had to divert resources onto COVID-19 support and this affected core compliance activity. Part A of this statement details the impact of the pandemic on compliance activity, including the diversion of staff, the change in approach and the resultant impact on compliance yield during the pandemic.

913. At Budget 2021, a two-year investment in the Taxpayer Protection Taskforce was announced to tackle non-compliance in the COVID-19 financial support schemes administered by HMRC.

914. HMRC prioritised transferring staff to COVID-19 work from business areas, accepting that the dedicated Taxpayer Protection Taskforce needed a skillset based on detailed knowledge of employers or the self-employed (in order to address CJRS and SEISS risks).
915. The rate of return achievable from the Taxpayer Protection Taskforce diminished over time. HMRC, and the taxpayer, could get a better rate of return from that resource by deploying it on wider compliance risks, including, but not restricted to, COVID-19 support scheme risks. From March 2023 to September 2023 the Taxpayer Protection Taskforce resources transitioned to business-as-usual tax compliance work. The submission to the then Financial Secretary to the Treasury and the Chancellor detailing the decision to transition from Taxpayer Protection Taskforce to business-as-usual is at **JH/D-SEISS/070 – INQ000583764**.
916. HMRC remains committed to recovering COVID-19 scheme error and fraud losses and will continue to prioritise and pursue the most serious cases of abuse. Following the dissolution of the Taxpayer Protection Taskforce, HMRC addresses COVID-19 scheme risks alongside risks of tax non-compliance, which allows us to deal holistically and efficiently with all aspects of a customer's potential non-compliance.

Penalties

917. Penalties are charged when HMRC compliance staff can demonstrate with evidence that the claimant claimed grants to which they knew they were not entitled.
918. New legislation included in the Finance Act 2020 gave HMRC the ability to raise assessments to recover COVID-19 grants, including those payable through the SEISS. The legislation linked to HMRC's existing penalty regimes, meaning that individuals who had deliberately overclaimed could be subject to a penalty of up to 100% of the amount of grant received where the person knew that they were not entitled to a grant. This was on top of having to repay the grant. The Finance Act 2020 legislation was amended by section 32 to Finance Act 2021 to ensure SEISS grants were taxable in the tax year they were received.

919. The new primary legislation, explained to Parliament by the Financial Secretary to the Treasury, was designed to recognise both that mistakes would be made by self-employed individuals given the new and changing obligations under the schemes, and the wider context of the pandemic in which people were claiming the grants. But it was also designed to ensure that HMRC would have sufficient powers to penalise those abusing the schemes. As stated above, the new legislation specified that penalties would only be charged where grants were deliberately overclaimed.
920. HMRC used behavioural prompts, based on customer insight, to design the claim process in a way that supported self-employed individuals get their claims right. It was made clear that overpaid grants should be paid back; however those who had made honest mistakes would not be penalised. In these situations, HMRC would recover the overpaid grant to put things right, without charging a penalty.
921. HMRC published factsheets on GOV.UK to communicate information about our compliance approach to self-employed individuals. An example is the factsheet explaining that penalties could be charged where an individual failed to notify HMRC that they had received a COVID-19 support payment they were not entitled to. A copy of this factsheet is at **JH/D-SEISS/071 – INQ000583544**.
922. The test for charging penalties in SEISS is for HMRC to show, on the balance of probability, that the person knew either at the point of claim that they were not entitled to the grant, or that they had ceased to be entitled to the grant. There was a relatively low number of penalties applied to grant overclaims as they can only be applied where there is sufficient evidence of deliberate behaviour that could be evidenced in a tribunal or in court. A copy of a factsheet is at **JH/D-SEISS/072 – INQ000583605**.
923. Of the overall £0.4 billion prevented from being paid out due to HMRC's pre-payment compliance controls, £0.2 billion relates to SEISS.

924. Of the overall £1.3 billion recovered from overpayments through HMRC's post-payment compliance activity, £0.4 billion relates to SEISS.
925. Given that the most likely SEISS error and fraud estimate is £1.5 billion, and that HMRC has recovered £0.4 billion up to the end of March 2024, then the most likely sum outstanding relating to error and fraud is £1.1 billion. This figure continues to reduce through HMRC's ongoing compliance work.
926. As at the end of March 2024 there have been fewer than 5 criminal cases and arrests where the main suspected COVID-19 scheme fraud related to the SEISS. There were 5 additional criminal investigations involving suspected fraud related to the SEISS where fraud against CJRS was the main suspected COVID-19 fraud.

Lessons Learned

927. HMRC gained valuable insight and learning from designing and delivering the SEISS. The lessons set out below are drawn from various sources, including the policy, operational and delivery teams, the evaluation, and from working with the SEISS Expert Panel. Some of the lessons have been mentioned earlier in this statement but are brought together here for ease.
928. The primary policy objective of the SEISS was to support self-employed individuals most in need whose businesses had been adversely affected by COVID-19 restrictions. SEISS was effective in meeting this objective. The scheme was operational within 8 weeks and supported 2.9 million eligible self-employed individuals. HMRC recognises that there were some self-employed individuals who were not able to access the scheme due to some hard edges which were inevitable in a scheme which was based on utilising data already held by HMRC.
929. The SEISS final evaluation found the impact and importance of this support varied across SEISS recipients, reflecting that the self-employed population is diverse and the impact of COVID-19 on their businesses varied. The SEISS succeeded in ensuring most self-employed people were protected from a significant drop in income that they may otherwise have experienced.

930. The analysis also shows that the SEISS helped support businesses to continue trading. The eligibility criteria for the scheme ensured that the SEISS supported lower income workers most reliant on self-employment trading profits. Some workers either side of the eligibility thresholds had contrasting outcomes due to constraints on the scheme's design.

931. The drawback of the scheme was that the need to get support to people quickly meant it was not possible for early grants to have an overly complex design, especially with the lack of real-time information. This meant that support could not be adjusted to closely match variations in business performance, and meant it was unlikely support would perfectly compensate individuals for lost trading profits.

932. Given the ongoing uncertainty over the path of the pandemic at the time, to support any future iteration of a SEISS scheme HMRC, in collaboration with HMT, produced a SEISS 'playbook' in April 2022. This set out key delivery partner activities, policy features of the scheme and suggested timelines for delivery, should a request to stand up another scheme be made.

933. Lessons Learned events were held following each iteration of the SEISS and a final one was held following closure of the scheme. A lessons learned document summarising all identified lessons and best practice from running this project to design and deliver the SEISS was produced as part of the Closure and Handover report in July 2022 and is at **JH/D-SEISS/073 – INQ000583459**.

Policy design: strategic

934. When initially designing the SEISS, it was not envisaged that there would be five iterations of the SEISS grants. For any future pandemic, it would be useful to scenario-plan, if time permits, to consider what support could or should be provided over a variety of potential timescales.

Governance

935. The HMT/HMRC joint labour market board was not formally part of the governance structure in place for the HMRC-delivered economic support schemes. This board allowed delivery

teams to directly hear the latest information about the path of the pandemic and wider government thinking about responses. This information really helped HMRC colleagues to understand what their roles were and what was needed to design and deliver the support. Quickly sharing information to a range of people was important, and something officials should make sure is in place in the future.

How deliverability drove the policy design

936. Deliverability was a key consideration and influenced the scheme design. In particular, the system for claiming, paying out and recording the grants had to be as simple as possible to ensure the SEISS could be delivered.

937. Other key elements that led to successful delivery of the SEISS included:

937.1. close involvement of HMRC IT, analytical, compliance, operational and project delivery colleagues from the outset, including at the policy design stage;

937.2. engagement with an external expert panel who supported the development of scheme legislation, guidance and customer communications, and constructively influenced the policy and process design and communications to customers;

937.3. engagement with government analysts and wider policy teams, including those who were involved in the development of the CJRS, to learn from their experience;

937.4. developing close and supportive relationships with other government departments, such as the DWP who were also delivering COVID-19 support measures.

Ways of working

938. Governance structures were created early in spring 2020 by HMRC to support strategic decision-making about the pandemic. The early formation of a close partnership involving HMRC IT, analytical, operational and project delivery colleagues, as well as a typical HMRC and HMT policy development team, was a significant contributor to launching the SEISS quickly.

939. In response to the pandemic, HMRC and HMT set up a new team for the SEISS to develop the scheme rules and underpinning legislation. Staff were brought together to work virtually on the SEISS in a variety of ways, including redeploying staff already working within the departments and recruiting new members of staff from outside the two departments.

SEISS claims system and associated guidance

940. The IT platform, online claims portal and supporting guidance were designed to be easy to understand and navigate as a digital service. A key source of information for self-employed individuals was a series of HMRC-produced YouTube videos and webinars explaining the scheme and the claims process. These webinars were popular among the self-employed population throughout the different iterations of the SEISS, especially with those individuals seeking help on how to claim the different grants. The webinar on the first SEISS grant, which ran from April to July 2020, was attended by 74,071 individuals. Support for self-employed individuals who were unable to claim online was available by telephone.

941. Feedback was received continuously via colleagues taking calls from customers, online feedback processes, via the SEISS expert panel and other HMRC customer forums. These feedback loops allowed HMRC to update and improve the online guidance and customer communications in real time, in direct response to customer feedback.

SEISS claim process

942. Agents were not able to claim on behalf of their clients, although they could assist them if necessary. Asking individuals to make their own claim meant time was saved by not having to introduce the additional technical and identity considerations that would have been required to enable agents to engage with the IT system. HMRC's best assessment of IT options with agent access was that it would take months to build, raise additional security and compliance challenges and still require direct customer interaction in many cases, in order to authorise their agent on the system. A paper covering this was agreed by ExCom C, a copy of this is at **JH/D-SEISS/074 – INQ000583318**.

943. Given the important role of agents in supporting the self-employed, and with more time to consider suitable controls, a future scheme could consider building a process to allow agents to claim on behalf of their clients.

Supporting customers

944. HMRC identified in late 2020 that take up of the first SEISS grant was nearly 30% lower among groups classed as requiring extra support, for example those with mental health issues or victims of domestic violence. Through experimentation, HMRC established that reaching out to these groups by letter was effective at increasing take up to levels similar to the rest of the population. A future scheme should ensure different methods of contact and publicity are used to ensure all potentially eligible claimants are aware of and able to make claims for support.

945. For the SEISS, HMRC put in place alternative arrangements for those unable to engage online (the “digitally excluded”) to enable them to access the scheme via a telephony-based manual claims service. Any future scheme should ensure suitable provision is made for the digitally excluded.

946. The introduction of ‘personal claim dates’ helped customers to understand when they were able to claim the grants and to plan for receipt of financial support. Moving to personal claim dates from a general claims opening date helped reduce the initial spike in demand following the opening of the claim window, leading to a more stable and sustainable service. Personal claim dates should be a feature of similar broad-reaching schemes in future.

Other lessons learned

947. The SEISS final evaluation set out the lessons learned in Chapter 6 and included the following reflections:

947.1. the overall success of the scheme represents a positive lesson learnt regarding delivery at pace to provide certainty in the early stages of COVID-19;

947.2. having more timely data on the self-employed population would be beneficial for any future policy interventions. Improved data could enable the government to assess

eligibility on more up to date information, allow support to be better targeted in proportion to need, and also improve access to future schemes;

947.3. securing higher quality data from existing third parties could improve the accuracy of data-matching and pave the way for wider use of pre-population, including where any future scheme pays taxable grants;

947.4. plans to introduce 'Making Tax Digital for Income Tax' from April 2026 are in place and will, in time, provide HMRC with a more up –to date picture of the trading and profit levels of self-employed individuals, which could help improve targeting of future policy measures;

947.5. more reliable and granular sector data could have helped with better targeting of support. Sector data is currently collected through self-assessment returns but is subject to limitations meaning it could not be used to better target the SEISS grants. For example, around 14% of SEISS claims were made by those whose sector cannot be identified.

948. The SEISS project team undertook an After Action Review after each SEISS grant had been delivered. This was an opportunity to understand what took place, why it happened the way it did and how to improve. Copies of the After Action Reviews are at **JH/D-SEISS/075 to JH/D-SEISS/079 [INQ000583387, INQ000583518, INQ000583547, INQ000583548, INQ000583549]**. The key findings and process changes made to improve the claims process through the grant iterations are set out below.

949. HMRC engaged with external stakeholders on the design and delivery of the scheme to understand the pressures individuals were facing at this time and how best to support them.

950. Behavioural insight reviews of the outbound communications, designed to ensure the self-employed would understand the messages, led to rebranding of the claims stagger as 'personal claim dates.' This was easier to understand. This information was placed more prominently at the top of customer letters and emails. This particularly helped individuals who read the emails on small screen devices and missed messages in the previous emails where they were placed towards the bottom of the content.

951. Moving the claims window to start on a Thursday instead of a Monday had a positive effect. Personal claim dates were issued for Thursday and Friday of the opening week. Those individuals had Saturday and Sunday in which to make claims with the next batch of personal claim dates running from the following Monday. These changes smoothed out telephone contact which reduced the pressure on HMRC helplines, which in turn improved the customer experience.
952. Flattening the peak of demand should be a key consideration in the blueprint for any possible new support scheme. Involving behavioural insight teams as early as possible is essential to the project being successfully delivered.

Appeal rights

953. There was no formal appeal process for the SEISS grants akin to that which exists for tax.
954. A very high volume of requests was received through the SEISS non-statutory review process asking HMRC to review customers' eligibility for the scheme. The process also entailed the development of a set of rules to deal with hardship cases and a Board to monitor their application. Some individuals have pursued late claims through HMRC's complaints process, with some cases still being considered by the Parliamentary & Health Service Ombudsman. With a formal appeal process the number of review requests and case considered by the Board may have been significantly smaller and individuals would have been assured that their case had been considered by an independent body. For a future similar scheme, the policy and delivery teams may want to reconsider their approach to customer eligibility reviews.

External Engagement

955. Through the partnership with the Expert Panel over the course of the pandemic, HMRC learnt a significant amount about effective external engagement during a time of national crisis.
956. HMRC learnt that regular communication was key. The panel fed back that the rhythm of regular communication on, for example, where the development of a particular aspect of the policy was up to, or an update on our plans for guidance, was really helpful.

957. HMRC also learnt that gaining stakeholder input into planned customer communications was extremely useful. The panel provided helpful, actionable feedback on social media posts, text messages and emails, that resulted in changes to the communications to make them easier to understand.
958. Involving the Expert Panel with the policy as it was developed and in reviewing draft products, for example GOV.UK guidance, was also very helpful. This meant that panel members had the opportunity to discuss the policy with the departments as it was developed, and created space where views could be shared, heard and challenged constructively.
959. HMRC learned that closing feedback loops was essential. The Expert Panel fed back that one of the key things that made this partnership so successful was the team's commitment to follow up on questions that had been asked, or to explain why HMRC were not making a particular change the panel had suggested.
960. HMRC also learnt that having the right internal HMRC colleagues in the room was highly beneficial to the working relationship. Panel members fed back that having the relevant HMRC attendees regularly attend meetings made a huge difference as decisions could be made more quickly.
961. The Expert Panel feedback was not exclusively positive, but their criticism was about limitations of the policy and process, for example agents being unable to claim SEISS on behalf of a client, rather than the way HMRC worked with them. Feedback from agents and representative bodies indicated that if they had been more directly involved in the claims process, they could have ensured only those who were eligible claimed the grants and that receipt of the grants was correctly recorded on later tax returns. Even when the Expert Panel were critical around a policy or process, they worked constructively with HMRC to enable sensible discussion on how issues could be navigated to find solutions for self-employed individuals. As already stated above, the role of agents should be carefully considered in any future scheme.

Inequalities, Impact Assessment and Vulnerable Groups

962. The SEISS was open to all those self-employed who met the eligibility criteria. HMRC worked hard to ensure the claims service was accessible to all, including undertaking equality screening assessments ahead of each grant. I produce, at **JH/D-SEISS/080 to JH/D-SEISS/084 – INQ000583440, INQ000583449, INQ000583451, INQ000583448, INQ000583450**, the best copies that HMRC holds of the equality screening assessments for each grant, although some of these are working copies. The equality screening assessments considered whether those with protected characteristics might face barriers to claiming, and noted the mitigations put in place to overcome these.
963. No new in-house guidance was produced by the SEISS policy team to assist HMRC with fulfilling its public sector equality duties in delivering the scheme. HMRC followed its usual processes. HMRC routinely screens new tax measures for equality impacts on groups sharing protected characteristics, and to identify any appropriate mitigations. This process identified that 12% of self-employed workers had a Black, Asian or minority ethnic background and noted that HMRC undertook work to raise awareness of the SEISS with its stakeholder groups. HMRC's routine monitoring provides information on the age and gender profiles of its customers, including those covered by the SEISS, but does not report on other protected characteristics, such as ethnicity, as this data is not necessary for the administration of the tax system. A full equality impact assessment was not recommended following the screening assessments. The summary SEISS equality impact assessment, based on the screening assessments, was published on 13 October 2022, a copy of which is at **JH/D-SEISS/085 – INQ000583700**.
964. Age and gender data was included in the SEISS official statistics publications available on GOV.UK. The SEISS final evaluation reviewed the impact of the SEISS on those with protected characteristics, focussing primarily on the protected characteristics of disability and ethnicity, as limitations on data quality prevented robust analysis of other characteristics.
965. The evidence suggested that there were no statistically significant differences in usage of the scheme by disability status. Based on the evidence in the final SEISS evaluation, there was no evidence of minority ethnic groups being less able to access support through the SEISS compared to other self-employed groups.

966. HMRC publish Tax Information and Impact Notes for tax policy changes when the measure is final or near final. Tax Information and Impact Notes are designed to explain the measure being legislated, its scope and intended effect. A Tax Information and Impact Note also includes a table of impacts. HMRC published three Tax Information and Impact Notes relating to the taxation and compliance powers for COVID-19 support payments included in the Finance Act 2020 and the Finance Act 2021. One was published on 25 June 2020 and is at **JH/D-SEISS/086 – INQ000583467**, and two were published on 3 March 2021 and are at **JH/D-SEISS/087 – INQ000583724** and **JH/D-SEISS/088 – INQ000583716**.

Long Covid

967. The economic impact of Long Covid was not considered by HMRC during the design and delivery of the SEISS. Long Covid was not fully understood when the scheme was first implemented. However, the SEISS was open to all eligible self-employed individuals, regardless of their health status and irrespective of whether they could continue working in their business or elsewhere. As HMRC accepted claims for SEISS grants both via telephone and online, customers who may have been in hospital for extended periods of time with COVID-19 would have been able to make their claims by telephone.
968. HMRC had no role in providing data or undertaking assessments as to the economic impact on those who suffered with long term effects of the virus, including those who became economically inactive or unable to work as a result.

Part E: Eat Out to Help Out

Design

969. EOHO was part of the government's Plan for Jobs announced on 8 July 2020 in response to the COVID-19 pandemic ("**Plan for Jobs**") [**JH/E/01 – INQ000235047**]. The overall objective of the Plan for Jobs was to protect, support and create jobs in the short and long term in response to COVID-19.

970. As stated in the Policy Intent Note of 30 June 2020 from HMT to HMRC, the rationale for supporting the hospitality sector was to encourage consumption in this sector resulting in a benefit to the wider economy [JH/E/02 – INQ000235018, JH/E/03 – INQ000235019]. According to the Policy Intent Note, private household consumption *'is a major driver of the economy, contributing around 60% of UK GDP'*. EOHO also sought to increase consumer confidence in returning to the hospitality sector and re-establish consumer behaviour in having sit-down meals by reducing the cost of consumption [JH/E/03 – INQ000235019].

971. The hospitality sector was a major employer, supporting c.2 million jobs (5.5% of UK's workers), with an employee profile *'disproportionately occupied by young, female, part-time workers, in the bottom half of incomes'* [JH/E/03 – INQ000235019].

972. Spending on restaurants and fast food significantly reduced during the period national restrictions were in place. Spending was down 64.8% in May 2020 compared to May 2019, and it was expected that demand would continue to be depressed because of nervousness among consumers about eating out [JH/E/03 – INQ000235019].

Early policy discussions: restaurant voucher scheme

973. From late May 2020, HMRC started to be included in conversations with HMT about a possible new COVID-19 scheme which would focus on the restaurant / hospitality sector. These discussions were exploratory and wide ranging in terms of possible options to support the sector and boost consumer confidence.

974. On 16 June 2020, HMT provided advice to the Chancellor on the delivery options for a voucher scheme to stimulate demand in the hospitality sector [JH/E/04 – INQ000583345]. On 17 June 2020, there was a meeting between the Chancellor and officials from HMT and HMRC to discuss the advice of 16 June 2020 [JH/E/04 – INQ000583345].

975. On 18 June 2020, HMT provided further advice to the Chancellor on the three delivery options of the voucher scheme discussed during the 17 June 2020 meeting [JH/E/05 – INQ000088068]. (HMRC was involved in discussions with HMT at the time, but did not directly

participate in contributing to the advice [JH/E/06 – INQ000583526, JH/E/07 – INQ000583521, JH/E/08 – INQ000583522, JH/E/09 – INQ000583520].)

976. The 18 June 2020 submission describes the three options as:

976.1. **Option 1:** The distribution of pre-paid Visa debit cards, in physical and digital form, to registered individuals that can be used to claim a reduction in the bill when used within participating restaurants identified through Visa's merchant ID data.

976.2. **Option 2:** The provision of a cash-back reward to individuals that use a registered debit card to spend within participating restaurants identified through Visa's merchant ID data, with that reward appearing after around 2 days.

976.3. **Option 3:** The distribution of watermarked letters to individuals or households, based on extant data, that can be used to claim a reduction in the bill when used within participating restaurants based on an HMRC definition [JH/E/05 – INQ000088068].

977. The submission considered that a scheme which offers individual-capped benefits/incentives could offer a number of important advantages over other measures, such as reducing the VAT rate.

“a. Capping benefits on a per individual basis allows for the scale of those benefits to be increased. This can result in a more significant proportionate reduction of an individual's bill compared to a VAT reduction, which is more likely to drive additional spend.

b. Capping benefits on a per individual basis reduces deadweight i.e. subsidising expenditure that would have taken place in the absence of the intervention.

c. The exceptional and time-limited nature of an individual-capped benefit scheme like a voucher scheme would not carry the risks of permanence that would come with a reduced rate of VAT for example. [JH/E/05 – INQ00088068]

978. The advice however noted that all options have “*significant delivery issues (some likely insurmountable) and would all come with hard edges e.g. some individuals not receiving benefits and some eligible businesses being wrongly omitted from the scope of the scheme*”. For these reasons, the advice noted that while work would continue on the three options, it would be important to continue considering alternative measures that do not have the delivery challenges.

979. The advice illustrated the challenges by summarising the potential difficulties with the three options being considered. For example:

979.1. **Option 1** faced insurmountable delivery hurdles linked to the need to print a huge number of physical cards and the need for the involvement of multiple issuing banks which could complicate the procurement process and the ability to fully outsource this to Visa.

979.2. **Option 2** was considered suboptimal, in that it would be an ex-post reward for those that spend in a restaurant rather than an upfront voucher. It also required solutions for those who are unbanked or have a non-Visa debit card, which could mean physical issuance of pre-paid cards.

979.3. **Option 3** was considered unviable given the challenges in distributing a watermarked letter to the target population that would be based on highly imperfect data, and the challenges that would exist in policing the eligibility criteria of the scheme and whether the number of vouchers a business claims for is valid.

980. Also on 18 June 2020, HMRC’s Behavioural Insight and Research Team provided high-level analysis to Jo Rowland, then the Director of HMRC’s COVID-19 Response Unit, on the behavioural impacts of the voucher scheme under consideration [JH/E/10 – INQ000583377].

Jo Rowland shared this analysis with HMT officials [**JH/E/06 – INQ000583526**]. The analysis concluded that:-

- 980.1. *"A physical 'lump sum' voucher or letter will drive the largest 'feel-good' factor for those able to use it.*
- 980.2. *Any scheme that, in practice, benefits some but excludes others (due to shielding, for example) is likely to engender resentment from those unable to benefit, who will feel it adds to existing deprivations.*
- 980.3. *A scheme that provides a percentage discount has less up-front appeal and will motivate fewer consumers to eat-out.*
- 980.4. *A discount reclaim scheme can be attractive and motivating if the marketing is right, 'sludge' or friction for consumers is both minimised and incurred at the start of the user journey rather than the end.*
- 980.5. *Scarcity of opportunity to take advantage of the offer will increase its attractiveness. To be effective the incentive will need to be large enough to break inertia and stand out compared to offers that consumers see as 'normal' discounts.*
- 980.6. *Consumers habits will be more rapidly re-adopted if the scheme incentivises more than one restaurant visit."* [**JH/E/10 – INQ000583377**].

981. On 19 June 2020, there was a further meeting between the Chancellor and officials from HMT and HMRC to discuss the voucher scheme. As could be seen from the readout of the meeting, three options were shortlisted, namely:

- 981.1. Option 1 (pre-paid Visa debit cards), which the Chancellor thought was the best option, but acknowledged it may be difficult to deliver,
- 981.2. Option 3 (watermarked letter from the government, redeemable as a voucher), and
- 981.3. Other alternative options such as VAT cuts and business rate grants [**JH/E/04 – INQ000583345**].

Moving away from a voucher scheme

982. In response to the Chancellor's readout of the 18 June 2020 submissions, HMT and HMRC officials continued to engage with each other on 19 June 2020 to set out next steps to further develop the options in line with the Chancellor's steer. This included initial discussions on an alternative option of a business rebate that built on aspects of some of the options already outlined and that addressed some of the delivery difficulties associated with them [JH/E/08 – INQ000583522, JH/E/11 – INQ000583523, JH/E/12 – INQ000583524, JH/E/13 – INQ000583525].
983. Following a meeting with HMT and HMRC officials on 23 June 2020, the Chancellor decided that 'full policy focus' was to turn to Option 3 (i.e. government-issued watermarked letters redeemable as a voucher), and that it would be delivered by HMRC [JH/E/04 – INQ000583345]. Delivery considerations continued to inform scheme design. The advantages this option had over the Visa Card option included avoiding the environmental impact of printing a large number of Visa cards, as well as the unresolved challenges around population targeting and distribution of the Visa cards. Over the course of successive meetings on 25, 27 and 29 June 2020, the voucher model shifted towards restaurants offering discounts and applying for reimbursements [JH/E/04 – INQ000583345].
984. These early discussions also considered the compliance risks associated with the scheme. In an initial risk assessment dated 25 June 2020, HMRC's Risk and Intelligence Service concluded that "*It is highly likely that singleton fraud committed by non-compliant businesses will be the highest risk resulting from the introduction of the current proposal*" but that "*Whilst there are ways in which organised crime could exploit this scheme, it is unlikely that there will be widespread abuse by Organised Crime Groups (OCGs)*" [JH/E/14 – INQ000583556]. (The risk assessment was updated on 24 July 2020 but with little change in the overall findings [JH/E/15 – INQ000583558]). While these risk assessments were not presented to the Chancellor directly, they informed the policy advice given to him by HMRC (such as HMRC's delivery advice of 1 July 2020 as further explained at paragraph 990 below).

Policy design of Eat Out to Help Out

985. On 30 June 2020, HMT provided HMRC with a Policy Intent Note, summarising the overall structure of the scheme [JH/E/03 – INQ000235019]. In brief, from Monday to Wednesday or Thursday in each week in August 2020, the government would subsidise food and non-alcoholic drinks consumed immediately on the premises of registered businesses. A discount (the exact rate of which had yet to be determined) would be applied to the overall bill, capped at £10 per person.

986. The Policy Intent Note also makes clear that EOHO's policy intent was:

- "1. To support the economic recovery by stimulating consumption in the hospitality sector, with focus on businesses that sell food for immediate consumption on the premises, including restaurants, cafes, pubs and bars.*
- "2. To incentivise consumers to return to the hospitality industry and consume sit-down meals out by reassuring people that is once again safe to consume and altering social behaviours that have become entrenched."*

987. Also on 30 June 2020, the Chancellor received advice on the scheme from HMT (to which HMRC contributed), which outlined a range of decisions to be made on policy design [JH/E/16 – INQ000583586] including:

- 987.1. Whether alcohol should be excluded from the scheme
- 987.2. Whether the discounts should be 33% or 40%
- 987.3. Whether there should be a minimum spend
- 987.4. Whether service charges would not be included in the qualifying spend amount
- 987.5. Whether businesses own discounts should be applied to a customer's spend first to reduce admin burdens on businesses and reduce the scheme costs for HMG
- 987.6. Whether both card and cash payments would be accepted
- 987.7. Whether the discounts should be shown on the bill
- 987.8. Whether new businesses would be eligible for the scheme while acknowledging this may come with compliance risks
- 987.9. For the Chancellor to note the equalities impact assessment of the scheme

- 987.10. Whether the scheme would operate UK wide.
988. Included in HMT's submission of 30 June 2020 was advice on the Public Sector Equality Duty to have due regard to the need to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people who share a protected characteristic and those who do not, and (iii) foster good relations between people who share a protected characteristic and those who do not.
- 988.1. The advice noted that the scheme may be disproportionately under-used by disabled people, those who have been shielding, pregnant people, BAME people, men and those with caring responsibilities. It also noted that employees in the sector are disproportionately young, female, part-time workers and in the bottom half of incomes.
- 988.2. However, the advice also noted that the scheme's '*intention is to encourage a return to eating out. The specificity and time-limited nature of the measure make it a weak vehicle for addressing wider equalities issues highlighted in this assessment.*' The submission concluded on balance it was not necessary to significantly alter the scheme (or not proceed with it at all) on the basis of these equalities considerations [JH/E/16 – INQ000583586].
- 988.3. HMRC did not contribute to the drafting of HMT's advice on the Public Sector Equality Duty, but did cover equalities impact of the scheme in its delivery advice (see paragraph 990 below) and conducted its own Equality Impact Assessment dated 9 July 2020 (see paragraph 1029 below).
989. The Chancellor responded on 2 July 2020, agreeing with most of the recommendations, but reserved a decision on the discount amount [JH/E/17 – INQ00088081].
990. Later on 2 July 2020, HMRC sent the Chancellor advice on the delivery of the what was by now being referred to as the 'Restaurant Incentive Scheme' [JH/E/18 – INQ000583589]. (This advice was originally sent on 1 July 2020, but re-sent on 2 July 2020 to ensure the appropriate HMT officials were copied in [JH/E/19 – INQ000583351].) The delivery advice covered the following:-

- 990.1. The recommendation that the scheme be named 'Eat Out to Help Out',
 - 990.2. The activities HMRC will commence under the authority of a Coronavirus Act 2020 s76 Direction,
 - 990.3. A delivery timetable,
 - 990.4. Delivery risks,
 - 990.5. HMRCs legal authority to operate the scheme, and
 - 990.6. Compliance issues and risks.
991. On 3 July 2020, the Chancellor responded to HMRC's delivery advice, broadly agreeing with HMRC's recommendations, but the Chancellor was '*unequivocal*' that the claims service must be up and running from Friday 7 August 2020 and payment must be made in 5 working days of a claim being made [JH/E/19 – INQ000583351]. This commitment to paying all eligible claims within 5 working days was reiterated by HMT Special Advisors to Jo Rowland verbally on 5 July 2020.
992. The final details on percentage of discount to be applied and the days EOHO would operate were settled in early July 2020. On 7 July 2020, HMT sent two notes to the Chancellor: one to confirm the Chancellor's decision the scheme would run Monday to Wednesday throughout August with an updated costing based on a scheme discount of 50%, and the second on implications on the eligibility criteria based on the draft direction received by the Chancellor from HMRC. This outlined the types of businesses that would be eligible for the scheme and examples of circumstances when food sales would not be eligible [JH/E/20 – INQ000583354, JH/E/21 – INQ000583355, JH/E/22 – INQ00088087]. The advice notes that '*[i]t is inevitable that the approach to drawing eligibility will give rise to what are perceived to be difficult cases and areas of dispute. For example, there will be food stalls and mobile burger vans that provide customers with informal seating, but seating which is not considered to be their premises in line with the definition set out in the [EOHO Direction (see paragraph 1000 below)] and used within the VAT framework*' [JH/E/21 – INQ000583355].

Written ministerial direction

993. On 3 July 2020, HMT provided the Chancellor with its Value for Money assessment of EOHO [JH/E/23 – INQ000583347, JH/E/24 – INQ00088084]. The advice stated that HMT was *'unable to undertake a robust quantitative assessment'* of EOHO for two main reasons: first, they lacked the strong data to quantify behavioural impact of the scheme due to the novel circumstances, and second, the significant compliance and fraud risks meant HMT's costs were *'highly uncertain'*. The advice also noted that I as HMRC's First Permanent Secretary (and in consequence the department's Principal Accounting Officer) would also be considering this advice and that it was likely I would be asking for a ministerial direction in order to proceed with delivery of the scheme.

994. Also on 3 July 2020, Justin Holliday, the Chief Finance Officer of HMRC, recommended to me that I request a written ministerial direction from the Chancellor in respect of EOHO, due to the difficulty in determining evidence in support of the scheme's Value for Money [JH/E/25 – INQ000583349, JH/E/26 – INQ000583506].

995. At the same time, Justin Holliday also provided me with detailed advice from HMRC's Strategic Finance directorate as to why a request for ministerial direction had been recommended [JH/E/25 – INQ000583349, JH/E/26 – INQ000583506]. In summary, the reasons were as follows:-

995.1. **Regularity**: Marketing the scheme and incurring costs to deliver it was not within HMRC's existing functions and powers. However, HMT was able to instruct HMRC to undertake the work using the provision in the Coronavirus Act 2020 and HMT would issue a detailed direction to give HMRC the necessary powers to make the payments and incur expenditure on the associated IT services.

995.2. **Propriety**: While it was noted there was a clear policy intent and rationale to target help at a specific part of the economy, there was a risk of judicial review on the rationality of the eligibility criteria or if not extended to other sectors. The advice also covered the risks of legal challenge if the scheme was not extended in areas impacted by local lockdown measures.

- 995.3. **Risks:** There would be inherent difficulties for HMRC in enforcing parts of the scheme and the potential of non-compliance from businesses, and while there were mitigations available there would remain residual risks leading to revenue loss as a result of error and fraud. The advice also covered the risks of legal challenge on the basis that the scheme represented state aid.
- 995.4. **Feasibility:** It was noted that the scheme was '*a novel and largely unprecedented intervention by government, meeting a very novel economic and public challenge. There [was], therefore, limited experience within the department, and wider government, of this type of delivery.*' The delivery timetable would be challenging and fast paced and therefore at considerable risk. There may also be capacity issues for HMRC due to delivering the scheme alongside other "*flagship CJRS and SEISS schemes*".
- 995.5. **Value for Money:** The advice noted that HMT had been unable to undertake a robust quantitative assessment of this policy due to a lack of strong data to assess demand and that it was recognised that there were significant compliance and fraud risks. It was acknowledged that there was some evidence to suggest there would be an increase in consumption, but the extent of behaviour change was uncertain and so there was no quantifiable sense of how the incentive would impact demand or the scheme achieve its policy objective.
996. On 6 July 2020, in response to HMT's Value for Money assessment of 3 July 2020, the Chancellor confirmed that he wanted to pursue the scheme as planned [JH/E/27 – INQ000583350].
997. On 7 July 2020, I wrote to the Chancellor, requesting a written ministerial direction to proceed with the scheme [JH/E/28 – INQ000235020]. I also wrote a short letter to Sir Mark Sedwill, the then Cabinet Secretary, informing him that I had requested a direction [JH/E/29 – INQ000583352, JH/E/30 – INQ000583353]. This was acknowledged by Sir Mark Sedwill on 8 July 2020 [JH/E/31 – INQ000583357].

998. In his letter of 7 July 2020 to the Chancellor, I observed that there was '*uncertainty surrounding the value for money*' of EOHO, with particular uncertainty in '*establish[ing] a counterfactual for this scheme, which depends on the future demand for eating out in the absence of this scheme, which is currently highly uncertain*' and in assessing the '*efficiency of the measure*' [JH/E/28 – INQ000235020]. However, I emphasised that it was '*entirely appropriate for [the Chancellor] to make a judgement to proceed in the light of the COVID-19 emergency*' [JH/E/28 – INQ000235020].

999. The Chancellor responded on the same day, recognising the Managing Public Money issues I faced as the Principal Accounting Officer. He stated there were broader issues that he could consider in his decision making that I was not able to and therefore formally directed me to take the scheme forward with immediate effect [JH/E/32 – INQ000235021].

Public announcement of the scheme

1000. On 8 July 2020, the Chancellor announced the government's Plan for Jobs in response to the COVID-19 pandemic [JH/E/01 – INQ000235047]. As stated at paragraph 969 above, EOHO was a part of the Plan for Jobs.

1001. Also on 8 July 2020, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Eat Out to Help Out Scheme) Direction (the "**EOHO Direction**") was made public [JH/E/33 – INQ000235022]. The EOHO Direction was issued by the Chancellor in exercise of the power conferred by the Coronavirus Act 2020 ss71 and 76 on 7 July 2020. As set out in the EOHO Direction, HMRC was responsible for the payment and management of amounts to be paid under the scheme.

1002. HMRC did not consult with businesses and representative bodies from the hospitality sector before the scheme was announced. This is because there remained a high degree of uncertainty on whether the scheme would be launched until the moment it was announced to the public. The lessons learnt in consequence of this is set out at paragraph 1143. (Stakeholder engagement during the scheme is elaborated on in paragraphs 1050 to 1053 below). It may be the case that HMT officials/Special Advisors reached out to a small number of businesses

in the hospitality sector to discuss the scheme (see readout of 25 June 2020 meeting [**JH/E/04 – INQ000583345**]); however, HMRC did not participate in any such discussions.

Parameters of EOHO

1003. The EOHO Direction issued by the Chancellor determined and set out the overall structure of the scheme.

Qualifying restaurant & qualifying person

1004. A restaurant could be registered to participate in EOHO if it was a qualifying restaurant. As defined by paragraph 5 of the EOHO Direction, a qualifying restaurant was one that had been registered with the relevant local authority on or before 7 July 2020 by a qualifying person as a place from which a food business is carried on. A qualifying person was a person who carries on a business in relation to a qualifying restaurant; put another way, a qualifying person was a person running a food business.

1005. The requirement that a qualifying restaurant must be registered with the relevant local authority on or before 7 July 2020 as a place from which a food business was carried on was designed as an anti-abuse measure to prevent criminals taking advantage of the scheme by registering bogus food businesses after the scheme's announcement with the intention of making false claims. Details of registered food businesses are maintained by the Food Standards Agency on a public register and HMRC could check registrations for the scheme against this.

1006. This requirement had the unintended consequence of barring legitimate food businesses from being eligible for the scheme if the current qualifying person (i.e. the business's owner) was not the one who had registered it as a food business before 7 July 2020 (such as when a business changed owners after this date).

1007. The strict application of this criterion would have resulted in such businesses being ineligible to participate in the scheme when, if it was not for the 7 July 2020 cut-off date, they were

exactly the sort of business the scheme was intended to support. In light of this, in mid-August 2020, the Commissioners decided they could use their payment and management powers to allow businesses in these circumstances to participate in the scheme.

1008. One such application to the Commissioners was made during the operation of the scheme.

Qualifying sale

1009. A restaurant registered under the scheme could only claim for payment under EOHO in respect of sales which were qualifying sales, as defined under the EOHO Direction.

1010. The scheme was deliberately targeted to support businesses that could not open during the lockdown. This was consistent with the objective of providing short term financial assistance to the sector by encouraging confidence to attend hospitality settings in person. Because takeaway sales were permitted during the lockdown, these were deliberately excluded from the scheme with qualifying sales defined as the '*sale of food and non-alcoholic drink for immediate consumption on the restaurant premises*' on Monday to Wednesday from 3 to 31 August 2020. Sales for consumption at a private party, reception or other similar function were also non-qualifying sales.

1011. Guidance was provided to businesses to provide clarity on what would constitute an eligible sale and covering specific points including what counts as 'on premises'. [**JH/E/34 – INQ000583593**]. For example, in respect of take-aways or mobile vans, the guidance states that businesses '*must have the facility to offer dining on the premises*' and '*[e]stablishments with only informal outside seating in an area that does not belong to the establishment and/or is not shared with other estimates, will not be eligible to participate in the scheme*'. This is consistent with the advice given to the Chancellor prior to EOHO being made public as set out in paragraph 990 above.

1012. By definition, food not intended to be consumed immediately on the premises in a dining area, i.e., takeaway food, was excluded from the scheme. However, many businesses (such as

coffee shops) provided both takeaway and eat-in services. So long as the business had a reasonable expectation the meal would be consumed on premises, HMRC's EOHO Policy Team decided that businesses would not be expected to make an adjustment for sales where the customer chose to take the food or drink away. Businesses that continued to offer takeaway services during the lockdown were eligible for the scheme but, as with all other businesses, only for sales of food and drink intended to be consumed on the premises. The restriction to sales of meals and drinks to be consumed on the premises was in recognition of the impact of the lockdown by preventing such sales, rather than penalising takeaway sales.

1013. HMRC's EOHO Policy Team was aware that the concept of a restaurant premises weighed heavily on whether a sale was a qualifying sale or not. The EOHO Direction defined restaurant premises to include '*any area set aside for the consumption of food or non-alcoholic drink by that restaurant's customers, whether or not the area may also be used by the customers of other restaurants*'. This is consistent with the approach taken in VAT and so would be familiar to many businesses and agents.

1014. In the week commencing 29 June 2020 (i.e. prior to the scheme being publicly announced on 8 July 2020), HMRC's EOHO Policy Team had drawn up an internal, non-exhaustive list of various types of establishments and categorised whether sales from those premises could be qualifying sales [JH/E/35 – INQ000583763]. The list assisted the Policy Team when they were asked to advise whether a type of business would qualify or not, and in ensuring that such advice was consistent.

Scheme discount & claims

1015. As stated in paragraph 991 above, the Chancellor decided that the scheme discount of 50% would be applied to the overall bill (excluding any other discount offered by the restaurant and any restaurant service charge), with the value of the discount capped at £10 per diner. A restaurant could then claim for payment under the scheme for an amount equal to the scheme discount given by the restaurant to its customers.

1016. The EOHO Direction further provided that a claim for payment under the scheme must be made on or before 30 September 2020. (HMRC later developed a process for late claims made after that date; see paragraphs 1072 to 1079 below).

Lessons learned

1017. Internal evaluations and reviews on lessons learnt were conducted by HMRC and HMT regarding EOHO, including on the deficiencies and limitations in scheme design. This is discussed in Part (d) 'Lessons Learnt (paragraphs 1132 to 1178) below.

Implementation and Delivery
Governance of the scheme

1018. The governance of the scheme adopted similar structures to those used for other COVID-19 schemes. Jo Rowland was Senior Responsible Officer for EOHO within HMRC with overall responsibility for the design and delivery of the scheme. Supporting Jo Rowland was a Project Management Team, made up of a Delivery Director (Carolyn Parmeter) and three Senior Project Managers (Sue Hunt, Leigh Fish de Buisseret and Harjinder Randhawa).

1019. In turn, the three Senior Project Managers were themselves assisted by Project Managers each taking a lead in the oversight of the key areas involved in the delivery of the scheme. The Accountable Owners were responsible for the design and delivery of specific operational and corporate functions such as policy, IT Services, communications, risking and compliance. The Project Managers were the Single Points of Contact for the accountable owners into the overall project. Their role was to ensure that the actions of individual teams (each handling a key area) aligned with each other. **JH/E/36 – INQ000583550** provides the full list of Project Managers and the Accountable Owners for each key team involved in EOHO. Together, these teams and named individuals formed the EOHO Project Board.

1020. With the receipt of the Policy Intent Note from HMT on 30 June 2020 as mentioned in paragraph 985 above, the EOHO Policy Team was set up at the end of June 2020 to develop

the scheme in areas such as scope, registration and claims. The Policy Team was one of the Accountable Owner Teams of the Project Board, and comprised of 6 officers from HMRC – Eileen Patching, Samantha Whittaker, Richard Lay, Darren Boodhoo, Paul Grimwood and Neil Hedger. It was also responsible for producing and maintaining the scheme's guidance, providing advice to ministers, responding to internal and external queries about the operation of the scheme, making decisions and recommendations on late claims and working with all other Accountable Owner teams to ensure the scheme intent and conditions were properly reflected in their specific services and products.

1021. Each day during the development and delivery of EOHO, the Project Management Team and members of the Accountable Owner teams met to discuss how the scheme build was progressing and how the scheme was operating; HMT officials were invited and attended as appropriate.

1022. Where necessary, particularly in July 2020 / early August 2020 when the scheme was being implemented at pace, the daily project meetings took place twice a day. Aggregate progress was reported through the EOHO Project Board meetings called 'PB Lite', which were held weekly from early July until late September 2020. The daily project meetings were no longer required at the same frequency when the scheme concluded at the end of August 2020, with progress transitioned to review by the weekly EOHO Project Board.

1023. Throughout the delivery stage, to the end of July 2020, the daily project meetings were regularly supported with reports that listed the current risks or issues that required resolution. When the scheme went live in August 2020, there was a live dashboard of data drawn directly from the EOHO IT service produced by the Service Management & Operations directorate in HMRC's Chief Digital and Information Officer's Group. The data presented about the scheme via the live dashboard of data included:-

- 1023.1. Number of business registrations,
- 1023.2. Number of restaurants registered,
- 1023.3. Breakdown of types of businesses registered,

- 1023.4. Breakdown of geographical location of registrations,
- 1023.5. Number of application rejections and de-registrations,
- 1023.6. Cumulative total using the restaurant finder, and
- 1023.7. Customer satisfaction rating.

1024. The data from the live dashboard were summarised in the weekly reports presented to the EOHO Project Board.

1025. As stated at paragraph 1022 above, the EOHO Project Board met on a weekly basis at 'PB Lite' meetings for more detailed discussions about the scheme. As with the daily meetings, HMT officials were invited and attended as appropriate. The PB Lite meetings started on 8 July and ran until 23 September 2020. The EOHO Project Board reported into the CPSG at the inception of the scheme until the creation of the CRB, which took over governance of the scheme from September 2020 (see paragraphs 191 to 194 and 216 to 222).

1026. The Project Management Team maintained a log of key decisions taken in respect of the scheme, a copy of which is exhibited as **JH/E/37 – INQ000583552**.

1027. In addition to the above, real-time monitoring of EOHO, especially regarding fraud and error, are set out in paragraphs 1083 to 1092 below. 'Lessons Learnt' below, especially paragraphs 1169 to 1170, also reflect on lessons learnt regarding management data and statistics.

Implementing the scheme

1028. As stated above, EOHO was formally announced to the public by the Chancellor on 8 July 2020. The next day, on 9 July 2020, HMRC published guidance to explain which businesses were eligible to participate in EOHO and how businesses could register for the scheme ahead of EOHO's registration service going live on 13 July 2020.

1029. As part of its planning for the scheme, HMRC conducted its own Equalities Impact Assessment of EOHO dated 9 July 2020 [**JH/E/38 – INQ000583824**]. The Equalities Impact Assessment's conclusions were in line with HMT's Public Sector Equality Duty Assessment (see paragraph 988 above); HMRC's Equalities Impact Assessment emphasised advertising the scheme widely to maximise, not restrict, take-up of EOHO as an opportunity to promote equality.

1030. Prior to the scheme's registration service going live on 13 July 2020, HMRC received a range of questions from representative bodies and individual businesses on whether or not they qualified for the scheme (see paragraphs 1045 to 1049 on how HMRC dealt with queries). In response, the EOHO Policy Team prepared additional guidance – *Get More Information about Eat Out to Help Out Scheme* [**JH/E/34 – INQ000583593**] – covering a wide range of scenarios to assist businesses.

1031. On 13 July 2020, the registration service went live and businesses were able to register through an online portal, which could be accessed via the registration guidance [**JH/E/39 – INQ000583587**]. Businesses that were not able to register using the online portal (such as the digitally excluded) were able to register by calling a helpline and being registered manually.

1032. The novelty of the scheme and the fact it was developed and delivered within a very short period of time posed a number of challenges. These are reflected upon in sub-part (d) 'Lessons Learnt' below, particularly at paragraphs 1144 to 1147.

Registering for EOHO

1033. As set out in the guidance, to register for the scheme, eligible businesses were required to have:

1033.1. a Government Gateway ID and password (if they did not have one, they could create one when they registered),

1033.2. the name and address of each establishment to be registered, unless they were registering more than 25 establishments,

- 1033.3. the business's UK bank account number and sort code (and such bank account must be able to accept BACS payments),
- 1033.4. the address of the business per its bank account (i.e. the address on their bank statements), and
- 1033.5. the date the business started trading.

1034. Businesses with more than 25 establishments that were part of the same business, were not required to register each establishment individually. However, they were required to provide a link to a website which contained details of each establishment participating in the scheme, including the trading name and address of each such establishment.

1035. Businesses were also asked to provide their VAT registration number, Unique Taxpayer Reference and employer PAYE scheme reference number to the extent they had them, but the absence of such information did not preclude eligibility as such. Businesses that did not provide a tax reference number were flagged for further checks by dedicated HMRC teams tasked with checking the validity of EOHO registrations that failed to provide all the information asked for. The purpose of the checks was to ensure the registration related to an eligible business.

1036. Upon submitting the registration details, businesses were required to read an eligibility disclaimer and accept a declaration confirming their eligibility and agree for their details to be added to a restaurant finder on GOV.UK [JH/E/40 - INQ000583595]. Upon accepting the declaration, businesses were instantly registered and provided with a registration reference number. The GOV.UK restaurant finder developed by HMRC allowed customers to search which businesses were operating the scheme near to their location and could be accessed from the guidance page [JH/E/41 – INQ000583608].

1037. Registration verification checks were carried out by HMRC. These checks included online searches and phone calls to verify that a genuine business had made the registration [JH/E/42 – INQ000583358, JH/E/43 – INQ000583609]. JH/E/44 – INQ000583598 shows the full process map that applied to registration verification.

Record-keeping

1038. For each day that a business used the scheme, they were required to keep records of the:

- 1038.1. total number of diners (covers) who used the scheme in their establishment,
- 1038.2. total value of all eat in food and non-alcoholic drink sold where the scheme discounts were given, and
- 1038.3. total value of scheme discounts given and claimed for.

1039. Where a business had more than one establishment, records had to be kept for each one.

Making a claim

1040. On 27 July 2020, HMRC published guidance to help business prepare to make a claim, in advance of the claims service going live. On 7 August 2020, the claims service went live, and businesses were able to make a claim through an online portal, which could be accessed via the claims guidance [JH/E/45 – INQ000583588]. Businesses used the same Government Gateway log in details that were used when registering for the scheme. This allowed the claims to automatically be linked to the registration. The claims service closed on midnight of 30 September 2020.

1041. To balance the burden on businesses and HMRC, the claims service was designed so that businesses could only make up to 5 claims for the following periods:

- 1041.1. 3 to 5 August,
- 1041.2. 10 to 12 August,
- 1041.3. 17 to 19 August,
- 1041.4. 24 to 26 August, and
- 1041.5. 31 August.

1042. Businesses could not make a claim until after 7 days from the date they registered for the scheme. When a business made a claim, they were required to enter the total number of covers and claim value for each establishment that has offered the scheme discount.

1043. Once the claims details were entered, the system carried out verification checks and rejected claims where the value exceeded the maximum amount of £10 per cover that could be claimed. **JH/E/44 – INQ000583598** provides a full process map for the claims service and claims verification.

1044. Upon submitting the claim, businesses were required to read a disclaimer and accept a declaration, which included confirming their claim was true and accurate, that the discount was applied on the dates the scheme ran and provided on eligible food and drink [**JH/E/40 - INQ000583595**].

Communications regarding the scheme: Dealing with queries

1045. As with other policy announcements, HMRC's Communications team prepared the EOHO Key Messages document exhibited as **JH/E/46 – INQ000583594** to anticipate questions which the press and general public may have about the scheme. This included questions which HMRC may not necessarily be the department with the remit to determine the answer to. It covered various aspects and stages of the scheme and the messages and lines to take for use by the HMRC's Communications team, call centres and other HMRC teams dealing with external queries.

1046. **JH/E/46 – INQ000583594** was a live document and could be updated as and when required where there might have been a need to change the messaging. Work on the document started on 30 June 2020, with the first version of the document finalised on 9 July 2020 in preparation for the scheme opening for registration on 13 July 2020. The document continued to develop and be amended until October 2020.

1047. A query tracker (the “**Tracker**”) was set up by the EOHO Policy Team to log and track all policy queries that came to the EOHO Policy Team during the operation of EOHO [**JH/E/47 – INQ000583601**]. The Tracker was recorded using Microsoft Notebook and this has been converted into an Excel spreadsheet to be exhibited.

1048. The EOHO Policy Team received, logged and answered 118 queries from businesses, trade bodies, the press, internally within HMRC and from other government departments. Three of the logged queries were received before registration for EOHO opened on 13 July 2020, with the first one logged on 9 July 2020. Queries continued to be logged throughout the operation of EOHO and beyond with the final query logged as received on 7 October 2020. Given the number of participating restaurants operating the scheme and the number of diners participating in it, the number of queries is low. This could be put down to the fact that the scheme was easy to operate and take part in and that the guidance and publicity for businesses and diners was accessible and easy to understand.

1049. Members of Parliament also asked about EOHO. This was either by way of writing to ministers or HMRC (“**ministerial correspondence**”) or by asking a question in Parliament. These were usually queries on behalf of constituents and HMRC provided answers to these queries. Some freedom of information requests were also made. A ministerial correspondence and freedom of information request log was set up by the EOHO Policy Team to log and track these queries [**JH/E/48 – INQ000583602**]. The log was developed and maintained using Microsoft Notebook and this has been converted to an Excel spreadsheet to be exhibited. There are separate tabs for ministerial correspondence, parliamentary questions and freedom of information requests.

Stakeholder engagement

1050. External stakeholder forums were arranged with sector representatives such as UK Hospitality, Federation of Small Businesses, and the Institute of Chartered Accountants in England and Wales. Meetings were held on 7 August 2020, 14 August 2020 and 28 August 2020. The purpose of the meetings was to:

- 1050.1. *“socialise feedback on the implementation of policy and processes relating to the scheme and how it has been received by industry experts.*
- 1050.2. *Discuss effectiveness of guidance to ensure clarity for businesses and consumers using the scheme.*
- 1050.3. *Feedback on operating the scheme.*
- 1050.4. *Feedback on user experience for claims process.*
- 1050.5. *Opportunity to explore whether scheme objectives have been met.” [JH/E/49 – INQ000583596].*

1051. Notes of the meeting held on 7 August 2020 are exhibited as **JH/E/50 – INQ000583590**. The feedback received from the meeting held on 7 August was generally positive with UK Hospitality reporting that businesses started to see an increase in footfall. Stakeholders found the guidance to be clear, helpful and useful. However, some stakeholders reported that the restaurant finder provided limited functionality.

1052. Notes of the meeting with stakeholders held on 14 August 2020 are exhibited as **JH/E/51 – INQ000583597**. At the meeting, HMRC provided statistics on the number of claimed and amounts paid out. Feedback from stakeholders on the claims process was generally positive. Some businesses suggested that that the scheme may have impacted footfall on the days that the discount did not apply (i.e. Thursdays to Sundays).

1053. No notes were taken of the meeting held on 28 August 2020. By then, the scheme was nearing a close with no extension being implemented. The meeting was to express HMRC’s thanks to the panel for their contributions and to solicit any final comments from them in respect of the scheme.

1054. When considering lessons learnt, HMRC noted in its internal Closure Report of the scheme that by *“the close of the [s]cheme YouGov polling showed that HMRC achieved 85% public awareness and 70% public understanding”* (see paragraphs 1167 to 1168 below) **[JH/E/75 – INQ000583416]**.

Consideration of extending the scheme

1055. Consideration was given to the possibility of extending EOHO even before the scheme started on 3 August 2020.

1056. On 17 July 2020, HMT provided advice to the Chancellor on a number of outstanding policy questions regarding the scheme [**JH/E/52 – INQ000235024**, **JH/E/53 – INQ000088094**]; the advice was dated 16 July 2020. HMRC was involved in the development of the advice. One of the policy issues was about how to respond to local lockdowns to ensure that customers and eligible businesses in these areas were able to benefit from the scheme. For example, on 4 July 2020, Leicester had been placed into a local lockdown which meant that hospitality businesses were not able to open (by the time the scheme started on 3 August 2020, hospitality businesses within Leicester were permitted to open).

1057. As an extension would present technical and policy issues, the Chancellor's agreement was sought to continue to work on regional extensions plans, while recommending that no pre-emptive announcement be made that restaurants in locked-down areas would be able to access the scheme in September 2020. On 21 July 2020, the Chancellor responded to the advice and agreed to the recommendations outlined above [**JH/E/52 – INQ000235024**].

1058. On 5 August 2020, the Scottish Government announced that Aberdeen would be placed under a local lockdown, with hospitality businesses being ordered to close from 5pm on that day. As a result, they would not be participating in the scheme from that point.

1059. In response, on 6 August 2020, HMRC provided the Chancellor with a short piece of advice by email [**JH/E/54 – INQ000235026**], recommending that "*no decisions on an extension [be] made until late August when the UK impact of the scheme and local lockdowns are better understood*", with detailed advice and options to be provided in the second half of August 2020.

1060. On 17 August 2020, after discussions between HMT and HMRC officials, HMRC followed up by writing to the Chancellor with an update on potential extensions of the scheme [**JH/E/54 –**

INQ000235026], recommending again to defer any decision on extension until there was a more mature understanding of the impact of the scheme UK-wide, with further advice to be provided later in the month.

1061. However, in order to give the Chancellor maximum choice regarding the future of the scheme a decision was needed from him on whether to build, on a contingency basis, a postcode-specific functionality within the claims process. This would be necessary to implement geographically specific extensions of the scheme and would take two to three weeks to build. The development of the functionality was estimated to cost between £240,000 and £360,000.

1062. On 18 August 2020, the Chancellor responded and confirmed his decision for HMRC to build the functionality for possible geographically specific scheme extensions, should this be required in the future [**JH/E/54 – INQ000235026**].

1063. On 21 August 2020, the Chancellor commissioned urgent advice from HMRC on extending the scheme in Aberdeen [**JH/E/54 – INQ000235026**]. The advice was provided later that day [**JH/E/55 – INQ000235027**], while envisaging that broader advice on possible extensions to the scheme generally would be provided the following week. This was followed by further discussions between HMT and HMRC officials on the development of the advice on potential extensions of the scheme [**JH/E/56 – INQ000235025**].

1064. On 26 August 2020, HMRC submitted advice to the Chancellor recommending not to have any extensions of the scheme where businesses had been able to stay open and not to extend the scheme into September on a national basis [**JH/E/57 – INQ000584227**]. These recommendations were based on an assessment that the scheme had been successful in its two policy objectives of restoring consumer confidence and providing support to the hospitality sector.

1065. While there were additional restrictions imposed in various areas during August 2020 (e.g., Greater Manchester, East Lancashire, West Yorkshire and Leicester), hospitality businesses could remain open and operate the scheme in those areas (Aberdeen was the only area where

hospitality businesses were mandated to close). On that basis HMRC did not consider there was a case to extend the scheme in areas subject to regional restrictions but where restaurants, cafes and pubs were able to remain open.

1066. HMRC also recommended against a national extension of EOHO, as reporting in the media suggested that the scheme had been successful at restoring consumer confidence and providing support to the hospitality sector. Furthermore, the sector would continue to benefit from additional support in the form of a temporary VAT Reduced Rate; this was a measure announced by the Chancellor on 8 July 2020 which reduced the VAT rate applied to hospitality and certain other sectors severely affected by forced closures and social distancing measures from 20% to 5% (for supplies made from 15 July 2020 to 30 September 2021) and to 12.5% (for supplies made from 1 October 2021 to 31 March 2022).

1067. The Chancellor responded on 27 August 2020, agreeing with the recommendation not to extend the scheme, while maintaining the infrastructure so the scheme could be repeated if needed in the future [JH/E/58 – INQ000235028]. The Chancellor questioned the need for a 4-week lead-in time to resurrect the scheme in the future. On 4 September 2020, HMRC provided further advice on the lead-in time, advising that '*risk to service delivery, compliance and policy are significantly reduced*' if lead-in time was not less than 4 weeks [JH/E/59 – INQ000583368].

1068. No formal response was received from the Chancellor in respect of the advice dated 21 August 2020 on extending EOHO for Aberdeen only. However, on 4 September 2020, Mr Paul Marsh, Head of Tax Transparency in HMT advised Mr Neil Hedger of HMRC's EOHO Policy Team by email that the Chancellor had indicated at a meeting on another matter that he was not minded extending EOHO for Aberdeen [JH/E/60 – INQ000235029]. In the end, no request for an extension to the Scheme was requested by HMT or implemented.

Closure of the scheme

1069. As stated above, the scheme ran from the 3 August 2020 to the 31 August 2020. On 1 September 2020, HMRC's guidance on registering for EOHO ("*Register your establishment for the Eat Out to Help Out Scheme*" [JH/E/39 – INQ000583587]) and scheme eligibility ("*Get more information about the Eat Out to Help Out Scheme*" [JH/E/34 – INQ000583593]) were withdrawn, with a banner added stating "*This guidance was withdrawn on 1 September 2020, The Eat Out to Help Out Scheme closed on 31 August 2020*".

1070. After the scheme ended on 31 August 2020, participating businesses had until the end of 30 September 2020 to submit their claims. When businesses made their last claim for 31 August 2020, they were invited to complete a voluntary exit survey; this functionality was requested by the Chancellor [JH/E/54 – INQ000235026]. A summary of the results was compiled by Knowledge, Analysis and Intelligence and is exhibited as **JH/E/61 – INQ000583607**.

1071. From midnight 1 October 2020 onwards, the claims service on GOV.UK used for submitting claims no longer accepted new claims. Also on 1 October 2020, HMRC's guidance on claims for payment under EOHO ("*Claim money back through the Eat Out to Help Out Scheme*" [JH/E/45 – INQ000583588]) was withdrawn with a banner saying "*This guidance was withdrawn on 1 October 2020, The Eat Out to Help Out service closed on 30 September 2020. You can contact HMRC if you want to talk about your claim.*" The guidance could still be accessed but all links to services were disabled when withdrawn.

Late claims policy

1072. After the closure of the scheme on 30 September 2020, HMRC received 44 queries regarding late claims from participating businesses. These late claims were logged on a separate tab of the queries tracker maintained by HMRC's EOHO Policy Team as outlined in paragraph 1047 above [JH/E/47 – INQ000583601].

1073. Paragraph 3.5 of the EOHO Direction had required claims for payment under the scheme to be made by 30 September 2020. The Commissioners have discretionary payment and

management powers that allowed it to pay a claim after 30 September 2020, but such powers could only be used in exceptional circumstances.

1074. In October 2020, HMRC's EOHO Policy Team developed a late claims policy [**JH/E/62 – INQ000583373**], which was approved by the Commissioners on 28 October 2020. Given that the online literature made the deadline for submitting claims clear, it was agreed that a high bar should be set for allowing a late claim.

1075. Under the late claims policy, HMRC would consider paying a late claim where:-

1. *“there is an HMRC error or process put in place for HMRC’s administrative convenience which was causative (in the sense that the customer would have submitted the claim on time but for the HMRC error or process) and demonstrable by evidence; or*

 2. *all the following criteria were met:*
 - i. *the business was registered for the Eat Out To Help Out Scheme for the relevant claim period; and*
 - ii. *has made attempts to be compliant; and*
 - iii. *Has been unable to comply with the requirement to submit the claim by the relevant date because of a particular vulnerability or exceptional event; and*
 - iv. *it would not be reasonable to have expected it to have made provision to comply; and*
 - v. *the consequences of not paying the claim would be unconscionably harsh.”*
- [**JH/E/62 – INQ000583373**]

1076. Where the late claim was not due to an error by HMRC, the main consideration for whether to accept such a claim was whether there was anything else the claimant could have done to make sure that the claim was submitted on time, or whether it was beyond their power, due to an unforeseen circumstance, to submit the claim. The legitimacy of the claim was also considered, for example, the size of the claim in reference to the size of the establishment. As

the scheme was set up to assist struggling businesses, consideration was made to the impact on the business should the late claim be rejected, not just whether the narrow criteria for accepting a late claim had been met. The general level of vulnerability of the individual involved was also taken into account.

1077. Where it was accepted by the Policy Team that a late claim fell within the late claims policy, the Policy Team would advise operations to pay that claim. Where the Policy Team was of the view that the late claim did not fall within the policy, these were rejected and operations were advised not to pay out the claim. Most late claims were rejected by the Policy Team.

1078. In the rare scenario where the EOHO Policy Team agreed that the late claims policy was not met, but it would be unconscionably harsh to disallow the claim, the claim was submitted to the Commissioners for their decision. In a very limited number of cases, exceptions were made to the late claims policy and sums were paid out as it was considered unconscionably harsh to refuse them.

1079. On 31 October 2020, the window for late claims for the scheme was closed; this was in line with the closure of the EOHO Helpline. No further late claims were accepted from that date. Businesses trying to raise a claim would be met with an automated message setting out that the scheme closed for new claims on 30 September 2020, and if contact had not been made prior to that date then businesses can no longer amend a claim nor request a review of a decision to reject that claim. This ensured a controlled closure of the scheme, which had operated for 13 days in August 2020 and with businesses having the benefit of a claims window of two months after the scheme closed.

EOHO 'Playbook'

1080. In case HMRC is asked to run the scheme again, a 'Playbook' was produced for future reference [JH/E/63 – INQ000583452]. The Playbook is a high-level document that outlines the plan and approach to be adopted to re-run the scheme. The Playbook for EOHO provides a description of the scheme aims and objectives, a summary of the scheme digital and telephony

design requirements, key people / business areas required to deliver the scheme, lessons learned, and records of key decisions. The purpose of the Playbook is to enable the organisation to effectively re-run the scheme with the benefit of the organisational experience from the first time the scheme was ran in 2020.

Long Covid

1081. The economic impact of Long Covid was not considered by HMRC during the design and delivery of EOHO. Long Covid was not fully understood during the currency of the scheme. The Witness Statement of Eileen Patching OBE dated 12 September 2023 [INQ000272980] discusses the matter of EOHO and COVID-19 infections in greater detail.

Fraud and Error

Managing risks of fraud and error during the scheme's operation

1082. Prior to the scheme starting on 3 August 2020, HMRC's Risk and Intelligence Service had done two Intelligence Assessments on the potential compliance risk of the scheme: one on 25 June 2020 [JH/E/14 – INQ000583556] and another on 24 July 2020 [JH/E/15 – INQ000583558]. These assessments identified three types of fraud and error risk: (1) fraud risks posed by singleton/opportunistic fraud, (2) fraud risks posed by organised crime groups and (3) business error risks.

EOHO Controls Dashboard

1083. In order to establish, resolve and iterate potential risks and mitigations, a document called the EOHO Controls Dashboard [JH/E/64 – INQ000583591] was developed. Chris Hoare, the lead for Compliance and Controls and for Corporate Finance [JH/E/36 – INQ000583550] and the various Accountable Owner teams which worked on the scheme contributed to the Controls Dashboard as appropriate. Created at the start of the design phase of the scheme, the Dashboard enabled HMRC to track risks, note progress on risk mitigation (controls), note the resolution of the risk and how controls operated in a live environment. Whenever a risk was identified to the design or operation of the scheme, the risk was entered onto the Controls

Dashboard. Emerging insight and discussions between stakeholders enabled the development of appropriate risk mitigation. Without appropriate controls in place to mitigate against risk to the Exchequer (for example to stop unregistered food service businesses from obtaining a payment), HMRC would not be able to assure stakeholders (including HMT) that we were effectively protecting public money. The Dashboard was therefore an essential document during the lifecycle of the scheme.

1084. Controls to mitigate risks were established via workshops and meetings with all key players during the design stage, using the experience and insight of colleagues across and outside HMRC. This involved the rapid identification of all relevant stakeholders to enable conversations and resulting actions to take place at pace. This activity ensured that risks were identified, and all controls put in place to mitigate these risks were fully discussed.

1085. The Controls Dashboard was consulted at each stage of the design process and at the daily Project Management Team / weekly PB lite meetings after EOHO went live. Any new risks that were identified following the start of the scheme were entered onto the Dashboard. Discussion then took place at those daily Project Management Team/weekly PB lite meeting, mitigating risks and resolving issues that arose.

Organised crime

1086. HMRC's approach to organised crime risks included "designing out" as much as possible the opportunity for organised crime attack in the design of the scheme, using HMRC's insight and experience to establish appropriate compliance controls to mitigate risk.

1087. An example of the result of this activity was the requirement that restaurants register with HMRC prior to making any claims, allowing HMRC to carry out basic checks and mitigating against organised criminal attack by non-registered entities. As mentioned in paragraph 1004 above, the EOHO Direction included an anti-fraud measure by requiring eligible businesses to be registered with the appropriate local authority as a food business on or before 7 July 2020. This detail could be checked against a publicly available list maintained by the Food Standards

Agency, mitigating the risk that criminals would attempt to create fake food businesses following the announcement of the scheme.

1088. Furthermore, within the operation of the scheme, the IT services provided for businesses to register for the scheme (i.e. the registration service on GOV.UK) and make claims for payment under the scheme (i.e. the claims service on GOV.UK). Those IT services had the capability (via the application of “risk rules”) to identify those businesses whose registration or repayment claims presented the highest potential fraud risk. These businesses and claims were then further assessed by a dedicated team, who would seek further information from the business to establish their eligibility to be registered or before making payment.

1089. **JH/E/44 – INQ000583598** sets out the process maps for checks done for registration and claims. In respect of the claims process, once a claim was made digitally via the GOV.UK claims service, it underwent transaction monitoring (which reviewed the claimant’s IP address among other identifiers) to make sure the claimant was genuine. If a potential fraud or other compliance risks were identified at this stage, the claim was passed to the Fraud Investigation Service (FIS) for further review, potentially to be discussed at the FIS Covid Response Oversight Group (CROG). A decision would then be made either to let the claim progress or to open a formal compliance check into the claim.

1090. If the claim passed Transaction Monitoring, then, as described in paragraph 1088, the claim was automatically checked using risk rules. For example:

1090.1. All claims involving more than 25 venues are automatically reviewed (other than claims made by businesses which fall within the purview of HMRC’s Large Business directorate, as different risk rules applied to such businesses),

1090.2. Claims of value over £25,000 are assigned a risk score of 10, and

1090.3. Claims of value between £10,000 to £25,000 per site are assigned a risk score of 9 and might undergo a desk-based check that included reviewing the number of diners

and days claimed to calculate the overall total spend per head, and a search for open-source information on the establishment (e.g. Online search for interior photos, Trip Advisor, valid website URL that lists every site, Google Street View).

1091. If the claim passed through the risking process, then it was accepted, and the payment was made to the claimant via BACS. If rejected, then a rejection email was sent to the claimant outlining the reasons why their claim failed. For claims that were more than simple errors (for example claimants making claims which were not eligible by scheme rules), the restaurant was also then deregistered from the scheme and removed from HMRC's Restaurant Finder.

1092. Data on EOHO blocked and rejected claims are set out in the table below:

	Number	Value of claims
Registrations removed from EOHO as a result of claim being rejected	92	£97.74m
Claims rejected without resulting in claimant's deregistration from EOHO	521	£13.6m
Total	613	£111.34m

Singleton/opportunistic fraud

1093. HMRC considered opportunistic fraud – where legitimate businesses seek to abuse the scheme by inflating the numbers of diners and / or claim values – to be the greatest risk. This was considered to be relatively easy for a motivated business to do.

1094. An option to manage this risk was the development of detailed claims process requiring substantial information from businesses and risk-based rules that would hold claims until a detailed analysis could be conducted.

1095. However, there was a high degree of uncertainty about the number of businesses that would register for the scheme, making resource planning equally uncertain. Estimating the number of businesses eligible for the scheme proved difficult to determine because of the lack of a data set that matched the scheme criteria. If the number of registrations outstripped HMRC's risk assessment resource, then the reputational risk of delaying registrations could be high. The pace at which the scheme needed to be delivered meant that it could not be guaranteed it would be possible to make changes once the GOV.UK registration service went live, meaning HMRC would not have the flexibility to amend the numbers requiring checking according to resource.

1096. There was a similar concern in respect of the claims process. If insufficient resources were available to assess claims flagged by risk rules then valid claims could be delayed and put at risk the objective to pay valid claims within 5 working days, and negatively impact the cash flow of businesses the scheme was specifically designed to support.

1097. The time available to develop a claims process was tight, with a registration service and finder service required before the IT design team could focus on the claims process. This meant the time available to develop any claims process was very limited and a functioning claims process was critical to the purpose of the scheme – to support the economic recovery of the hospitality sector.

1098. A detailed claim process would also run counter to the desire to make the scheme as simple as possible for businesses to operate and diners to use. The businesses were already under considerable strain having to train staff in new COVID-19 compliant systems, assure customers it was safe to eat out and re-establish supply chains. If EOHO was to support businesses, HMRC did not wish to burden businesses further than was necessary to operate the EOHO.

1099. For the reasons set out above, HMRC decided that opportunistic fraud would be addressed in post scheme compliance activity.

Error

1100. As with organised crime risks, HMRC sought to 'design out' as much as possible the opportunity for error in the design of the scheme.

1101. Wherever possible, existing government process were utilised, for example businesses could rely on the existing Government Gateway process and use their existing credentials, or create one, in order to register for the scheme.

1102. The scheme was specifically designed to look and feel like any other commercial discount scheme. For that reason, the published EOHO guidance sought to mirror the customer journey from awareness of the scheme to eligibility [JH/E/34 – INQ000583593], registration [JH/E/39 – INQ000583587], and then claims [JH/E/45 – INQ000583588]. The guidance also provides sufficient detail for businesses that had not previously engaged with other discount schemes.

1103. At the same time the data businesses needed to include with the EOHO claim and the business records to be retained were kept to a minimum to limit any additional burdens on businesses. For this reason, as stated in paragraph 1038 and 1041 above, the information needed for making a claim (and that needed to be retained) was limited to, in respect of each establishment, the total number of diners who used the scheme, the total amount of discount given and the period being claimed for.

1104. As with opportunistic fraud, HMRC also addressed the risk of error in post-scheme compliance activity.

Error and fraud estimates

1105. On 25 August 2020, Knowledge, Analysis and Intelligence undertook analysis to estimate the quantum of error and fraud in EOHO [JH/E/65 – INQ000583579].

1106. Under the 25 August 2020 planning assumption, Knowledge, Analysis and Intelligence estimated 'residual error and fraud' to account for 5% to 10% of the overall cost for EOHO, with 'residual error and fraud' defined to refer to error and fraud risks after mitigations from pre-payment risking, but before taking into account any clawback from future compliance activity.

1107. On 14 December 2020, Knowledge, Analysis and Intelligence provided an updated error and fraud planning assumption [**JH/E/66 – INQ000583403**], with the estimate for residual error and fraud of EOHO remaining at 5% to 10% of the scheme's overall cost.

1108. A provisional estimate of error and fraud was later published in the Annual Report and Accounts 2020/21 in November 2021, and was estimated to be 8.5%, and within the original 5%-10% planning assumption [**JH/E/67 – INQ000583462**]. Most losses were thought to come from opportunistic fraud and error, while there was estimated to be very little loss to organised crime. No revision to this provisional estimate has been made because there is no significant new data or evidence to indicate it to be incorrect.

Post-scheme compliance

Post-scheme risk assessments

1109. As stated in paragraph 1082, HMRC's Risk and Intelligence Service had done two assessments of risks prior to the scheme's start on 3 August 2020. After EOHO ended, HMRC's Risk and Intelligence Service continued to assess error and fraud threats to COVID-19 schemes administered by HMRC (including EOHO) by way of COVID-19 Schemes Threat Assessments. Two editions of COVID-19 Schemes Threat Assessments were issued: one in February 2021 [**JH/E/68 – INQ000583600**] and the other in September 2021 [**JH/E/69 – INQ000583592**].

1110. In respect of EOHO, HMRC's Risk and Intelligence Service continued to assess that the threat to EOHO was substantial, with singleton and opportunistic fraud posing the greatest threat. HMRC's Risk and Intelligence Service continued to assess that EOHO was not as attractive

to organised crime groups as some other COVID-19 support schemes, such as the CJRS or the SEISS, as the short duration of the scheme only allowed for minimal profits, and it was only available to one sector. However, HMRC's Risk and Intelligence Service assessed it was likely that pressures on the hospitality sector due to COVID-19, such as requiring closures during lockdowns, increased the singleton and opportunistic threat.

1111.HMRC's Risk and Intelligence Service identified three modus operandi which posed the greatest risks.

1111.1. The largest risk was from claims for ineligible orders (e.g., for ineligible items, such as alcohol, or for days other than Mondays to Wednesday). It was easy to conduct as it only required businesses to include additional orders in their claim, with numerous reported instances in both organised crime cases and within post-payment compliance efforts. As HMRC's ability to do comprehensive risking upfront (such as requiring receipts or invoices, which was limited for the reasons explained above), this risk was not possible to stop before payment of the claim. Further, the prevalence of illegal sales suppression software within the sector could also inhibit HMRC's ability to identify this in compliance activity. Combined, these factors exacerbated the error and fraud risk.

1111.2. The second largest risk was from inflation of diner numbers. As with claims for ineligible orders, this is relatively easy to conduct as it simply required an increase in the numbers on the claim. Whilst gross inflation can be identified with further investigation of the feasibility of the claim, businesses that only marginally inflated diner numbers would have been difficult for HMRC to identify. This is because such identification requires more detailed investigation into the size of the premises and reasonableness of turnover of tables.

1111.3. The third main risk was inflation of transaction prices. As with the other two top risks, this was easy to conduct, simply requiring the claim value to be increased before submission. HMRC is able to identify some instances where transaction prices were inflated (such as where the full £10 was claimed for every diner), however it is more difficult to identify claims that were inflated but not to the maximum amount. Whilst

there were instances where this was identified, this also requires further investigation into the menu prices at the restaurant and a judgement on how much a customer would be reasonably expected to spend. Intelligence via the Covid Hotline suggest that businesses were masking this by putting new menus online with fake, inflated prices to prevent identification by HMRC.

1112. While the overall error and fraud threat to EOHO was substantial, HMRC's Risk and Intelligence Service continued to assess the organised crime threat to EOHO as moderate. HMRC's Risk and Intelligence Service considered that it was highly likely pre-payment risking was mostly successful at identifying and blocking the risks associated with organised crime abuse on EOHO as the modus operandi HMRC's Risk and Intelligence Service most associate with organised crime were the easiest to identify in pre-payment risking.

1113. The three largest organised crime risks HMRC's Risk and Intelligence Service identified are as follows:-

1113.1. The largest organised crime risk is claims from ineligible businesses, likely due to the ease of submitting claims for EOHO due to the limited details required.

1113.2. The second largest threat is the use of fabricated businesses to submit claims, due to the ease of registering for EOHO. Whilst fabricated businesses are relatively easy for HMRC to identify, this modus operandi appears to be prevalent with cases that are suspect to be organised crime related. Further, it can be difficult to identify who is behind the fraud in these cases, due to the minimal details required for registration, and therefore difficult to recover any funds that were wrongfully paid out.

1113.3. The third largest threat is from hijacked business information. This includes illegal hijacking of an existing Government Gateway account or creation of a fictitious account for a genuine business. Due to limited information required about the business, it is almost certain that this was a relatively easy fraud to conduct and has been identified within organised crime cases. Where the genuine business went on

to also claim EOHO, this fraud would have been relatively easy to identify. However, where the genuine business did not, it would be more difficult to detect, unless the fraudsters input unreasonable claim figures that HMRC might flag.

Compliance risking

1114. As set out in paragraph 1099 above, HMRC decided that opportunistic fraud would primarily be addressed in post-scheme compliance activity.

1115. Schedule 16 of Finance Act 2020 empowered HMRC to undertake compliance checks and recover payments made under the scheme by way of an Income Tax assessment for an amount equal to so much of the scheme payment the claimant was not entitled to. Finance Act 2020 enabled HMRC to develop and deliver a risk-based compliance strategy.

1116. HMRC compared the information which businesses filed to HMRC when making a claim for payment under the scheme with the following datasets:

1116.1. VAT,

1116.2. Merchant Acquirer (i.e. the financial institution that processes card payments on behalf of a merchant),

1116.3. Average Transaction Value of each business,

1116.4. Corporation Tax,

1116.5. Self-Assessment,

1116.6. Online Intermediaries – for example, Just Eat, Deliveroo etc,

1116.7. There being current open inquiries,

1116.8. Anonymous Claims – where HMRC cannot determine precisely who is claiming for what,

1116.9. Exclusions/Non-Risking Flags – to ensure HMRC does not include these in the post-payment compliance population, for example if they were already under investigation for other matters, bankruptcy etc.

1117. We assessed the risk attached to any claims made by a business by testing the claims against a range of internal HMRC and third-party data sets, as set out in paragraph 1116. The results of this process were pulled together into one data set and each business was assigned an overall risk score.

1118. High-level risks (with a risk score of 10) included circumstances where:-

- 1118.1. the claim was over 10 times the turnover compared to that in August 2019 or August 2020 per the business's VAT returns,
- 1118.2. the business filed a nil VAT return or did not file any return for the VAT period covering August 2020,
- 1118.3. for sole traders, the claim was over 10 times the turnover compared to the most recent turnover per the business's Self-Assessment return, where the business was a sole trader,
- 1118.4. the claim was over 10 times the turnover compared to the business's most recent Company Tax return, where the business was a company,
- 1118.5. the claim was over 10 times the turnover compared to that in August 2019, based on merchant acquirer's information, or
- 1118.6. the case was previously marked for further downstream action.

1119. Medium-level risks (with a risk score of 5) included circumstances where:-

- 1119.1. the claim was between 5 and 10 times the turnover compared to that in August 2019 or August 2020 per the business's VAT returns,
- 1119.2. for sole traders, the claim was between 5 and 10 times the turnover compared to the most recent turnover per the business's Self-Assessment return, where the business was a sole trader,
- 1119.3. the claim was between 5 and 10 times the turnover compared to the business's most recent Company Tax return, where the business was a company,
- 1119.4. the claim was between 5 and 10 times the turnover compared to that in August 2019, based on merchant acquirer's information,
- 1119.5. the business was flagged as having a Just Eat account earning over £5,000 in March 2019, or

1119.6. the business was flagged as having at least one claim that appeared higher than the average of that particular business.

1120. Low-level risks (with a risk score of 2) included circumstances where:-

- 1120.1. the claim was between 2 and 5 times the turnover compared to that in August 2019 or August 2020 per the business's VAT returns,
- 1120.2. for sole traders, the claim was between 2 and 5 times the turnover compared to the most recent turnover per the business's Self-Assessment return, where the business was a sole trader,
- 1120.3. the claim was between 2 and 5 times the turnover compared to the business's most recent Company Tax return, where the business was a company,
- 1120.4. the claim was between 2 and 5 times the turnover compared to that in August 2019, based on merchant acquirer's information, or
- 1120.5. the claim had a higher transaction value than expected.

Compliance activity

1121. There were four main categories where HMRC had evidence to suggest claimants may have abused the system or made significant errors in their EOHO claims, namely:-

- 1121.1. where the claimant appeared to have claimed for more EOHO payments than they were entitled to (based on the risk scoring outlined in paragraphs 1117 to 1120 above),
- 1121.2. where there were additional factors that show an increased risk of an ineligible claim having been made, namely:-
- 1121.3. where one or more EOHO claims appear to be at odds with other EOHO claims made,
- 1121.4. where the claimant had not met the eligibility conditions to claim or receive EOHO payments, or
- 1121.5. where other compliance risks were noted when a manual claim for EOHO was made.

1122. During the week commencing 2 November 2020, HMRC undertook One-to-Many compliance activity by issuing approximately 4,000 nudge letters to potentially risky EOHO claimants (i.e. with risk scores above 10, up to 20), advising them to check their records and claims within a 30-day deadline; a copy of these nudge letters is exhibited as **JH/E/70 –INQ000583606**. As stated in paragraph 1118 above, declaring a claim that was over 10 times the turnover compared to that in August 2019 or August 2020 per the business's VAT return attracted a risk score of 10, so the businesses subject to One-to-Many compliance activity were potentially significant compliance risks.

1123. HMRC invited the claimants to make a voluntary disclosure via GOV.UK to repay any payment received to which they were not entitled to. Disclosures of any overpayments were free of statutory interest and penalties, encouraging claimants to come forward and correct their claims without being penalised.

1124. Claimants who reviewed their claims but still felt their claims were correct were invited to call us to discuss their claim in more detail. Some claimants were asked to provide evidence of eligibility and their EOHO calculations. Claimants who could not satisfy HMRC that their claim was correct/valid were instructed to repay their payment.

1125. Claimants who did not respond to this letter, or who did not make suitable disclosure after errors were found in their claims were considered for more formal One-to-One enquiries that could result in statutory interest and penalty charges.

1126. In parallel, HMRC also carried out formal One-to-One enquiries into more complex and riskier claims (including those with risk scores above 20), making sure risks were properly and proportionately policed.

Compliance results

1127. Across the three HMRC-administered COVID-19 support schemes (CJRS, SEISS and EOHO), up to the end of March 2024, HMRC has prevented the payment of or recovered the overpayment of over £1.7 billion worth of grants and payments. This is made up of £0.4 billion

prevented from being paid out and £1.3 billion recovered from overpayments. This takes us to having recovered over a quarter of the most likely estimated error and fraud losses to end of March 2024.

1128. Of the overall £0.4 billion prevented from being paid out due to HMRC's pre-payment compliance controls, £0.11 billion relates to EOHO.

1129. Of the overall £1.3 billion recovered from overpayments through HMRC's post-payment compliance activity, £0.02 billion relates to EOHO.

1130. Considering that the value of EOHO error and fraud is estimated to be between £0.04 billion and £0.10 billion (with a most likely estimate of £0.07 billion), HMRC's best estimate is that we have recovered £0.02 of the most likely estimated EOHO error and fraud losses to the end of March 2024. The most likely error and fraud estimate minus COVID-19 yield (to end of March 2024) is £0.05 billion.

1131. Up to the end of March 2024 HMRC opened 7 criminal investigations into suspected fraud against EOHO, with 16 arrests related to these cases. Out of those 7 criminal investigations, two relate to EOHO exclusively and there have been two convictions so far. The remaining 5 criminal investigations involve suspected fraud against both EOHO and CJRS, and where fraud against CJRS was the main suspected COVID-19 fraud.

Lessons Learned

EOHO Policy Team's evaluation of EOHO policy objectives

1132. On 17 December 2020, the EOHO Policy Team submitted an evaluation of the EOHO policy objectives to Jo Rowland [JH/E/71 – INQ000583390]. Jo Rowland signed this off on 4 January 2021. The evaluation was based on an analysis of internal data and external published analysis, statistics and comment and considered to what extent the policy objectives for EOHO had been met.

1133. The report was not an economic assessment but instead a review of soft data combined with the official statistics. HMRC did consider the merits of whether to publish the evaluation or conduct further evaluation on the impact of the scheme, which led to advice being provided to me. This advice recommended that the Evaluation Report should not be published on the grounds that a further process evaluation would not add to HMRC's insight and that it would still not be possible to assess whether the scheme provided Value For Money [**JH/E/72 – INQ000583456**].

1134. As mentioned in paragraph 985 above, the policy aims of EOHO were (1) provide support to businesses in the hospitality sector whose trading had been impacted by COVID-19, and (2) encourage and build confidence of consumers to return to hospitality settings by re-assuring them that it was safe to do so. The report concluded that these objectives had been achieved.

1135. The report included the following findings:

- 1135.1. Over 52,000 businesses registered for EOHO and over 49,000 of these had made a claim by 30 September 2020.
- 1135.2. More than 223,000 claims were received from businesses which represented over 161 million covers (diners).
- 1135.3. Claims totalled £849m, with 2/3 of this figure going to small businesses with fewer than 25 restaurants.
- 1135.4. Take-up was widespread across all regions of the UK.
- 1135.5. 93% of claims and 52% of the total discount claimed was for businesses with just one participating outlet.
- 1135.6. The average discount claimed per meal was £5.24.
- 1135.7. Dining numbers increased on all scheme days when compared to the same period the year before.
- 1135.8. As the scheme progressed so did the numbers of people dining out, exceeding by 100% of the previous year on 25 and 26 August and 216% on the last day of the scheme.
- 1135.9. Across the 5000 exit survey responses received (see paragraph 1070 above), over 90% of restaurant owners participating in EOHO said that the scheme had protected

jobs in the UK hospitality industry and had encouraged customers to return to restaurants sooner.

1135.10. The scheme allowed business to reduce the numbers of staff on furlough and maintain job levels with over 50% of survey respondents stating the scheme had enabled them to keep all or most of their jobs and a third had taken on extra staff because of the scheme.

Covid Response Programme Board's Closure and Handover Report

1136. On 27 May 2021, following best practice, a Closure and Handover Report for EOHO produced by the three Senior Project Managers (the '**Closure Report**') was signed off by the Covid Response Programme Board [JH/E/73 – INQ000583418, JH/E/74 – INQ000583415, JH/E/75 – INQ000583416, JH/E/76 – INQ000583412, JH/E/77 – INQ000583390, JH/E/78 – INQ000583417].

1137. The Closure Report breaks down the key lessons learned. The following sections summarise those key lessons.

Costs and benefits

1138. With regards to costs and benefits, the Closure Report says "*The Scheme was delivered at pace while the policy was still developing. Consequently, some of the products normally available during project start-up, such as a policy starter, were not available. The project was governed using 'Project Lite' arrangements, a Business Case and Benefits Realisation Plan were not required*" and the Chief Digital and Information Officer Group's Finance directorate kept "*a detailed record of all costs apportioned to the delivery and running of EOHO*".

Planning and milestone management

1139. Under planning and milestone management, the Closure Report stated that *“During the initial stages of the delivery, project plans were developed using MS Project. The pace of delivery and need for real-time updating of plans and progress reporting meant that MS Project was replaced by PowerPoint and Excel. These products had the advantage of being more familiar to stakeholders and supported co-creation of documents. Milestone deliveries were tracked on daily project calls and records updated in real-time. On-screen updating via Teams promoted good communications and visibility of delivery risks”*.

1140. The Closure report noted that the format, content and granularity of plans, for example IT service delivery plans and communication plans *“flexed throughout the project, and while this created additional overheads for the Project Management Office (PMO) team, the changes provided confidence that appropriate activities were being progressed, e.g., hour-by-hour plans in the run up to IT releases”*.

Policy

1141. The scheme was the first of its kind and was a part of the government’s Plan for Jobs to spur the country’s economic recovery from COVID-19. An analysis of external data suggested footfall in high streets increased by a fifth while the scheme was operating and around four in ten citizens made use of the scheme, thereby supporting jobs in the hospitality sector.

1142. The Closure Report made reference to the findings in the EOHO Policy Team’s Evaluation of EOHO Policy Objectives [JH/E/71 – INQ000583390], which concluded that both of the scheme’s policy objectives – to support the economic recovery of the hospitality sector by incentivising consumers to return to the sector and give them confidence as we emerged from the lockdown – were achieved.

1143. However, the pace of design and delivery meant that some decisions were made before we could consult with businesses and representative bodies from the hospitality sector, with three notable examples set out below. It was considered that early engagement with external stakeholders would have surfaced these issues and concerns earlier.

1143.1. The first related to the days on which EOHO ran (Monday – Wednesday). The objective was to maximise the support for businesses by encouraging diners out on the less busy days. However, feedback from sector representative bodies suggested this could be a challenge for some businesses who, as they emerged from lockdown, would have planned their staffing levels based on traditional trading patterns when Monday – Wednesday would have been less busy. We did not receive any feedback that this did prove to be a problem, but it was nonetheless a concern in the run up to the scheme launch.

1143.2. The second was a concern expressed by businesses that re-establishing reliable supply chains may take longer than the time they had before the scheme started.

1143.3. The third related to an assumption when devising the scheme that businesses would be able to operate EOHO on existing Electronic Point of Sale (EPOS) software. This was not necessarily the case, and businesses were concerned they would not be able to correctly account for VAT as a result. We worked with stakeholders and agreed a workaround, which was included in the guidance on how to claim money under the scheme [JH/E/45 – INQ000583588] (see content under the heading Paying Tax).

Mobilisation

1144. As mentioned above, the speed at which the scheme was developed and delivered posed a number of challenges. With regards to mobilisation, the Closure Report commented “*there was no head of duty for EOHO within HMRC*”. The Closure Report observed that, with no experience of a comparable scheme to call upon, mobilization was “*more challenging than some other COVID schemes where HMRC had greater familiarity with the subject*”.

1145. HMRC took practical steps to minimise delay and make the best use of existing knowledge and experience. It redeployed an existing Project Management Office team with experience of

delivering other COVID-19 schemes at zero notice. It also stood up from existing personnel a dedicated new EOHO policy team from the VAT policy area, where HMRC did have experience in developing policy that would apply at a transactional (individual sales) level within a business, as such experience could be directly applied to EOHO, which also operated at a transactional level.

1146. However, the lack of counterfactual evidence meant that HMRC was unable to demonstrate the policy delivered Value for Money, one of the four tests under Managing Public Money. With no comparable scheme it was not possible to determine how EOHO would perform, and with no similar experience of an economy emerging from a lockdown it was not possible to determine how the hospitality sector would fare with or without EOHO. As a result, HMRC sought a Ministerial Direction to ensure the right process was followed by the Accounting Officer [JH/E/28– INQ000235020, JH/E/32 – INQ000235021].

1147. In addition to the novelty of EOHO, it was highly unusual for policy design, legislation, IT development and work on processes to run in parallel. Ordinarily the policy intent and design, and then legislation would be consulted on before developing the relevant IT service over a much longer period. However, lessons were learned from earlier COVID-19 schemes, in particular in relation to the delivery of IT services at pace. As a result, HMRC identified what was deliverable in the time available from an IT perspective and worked backwards through the policy and scheme design. This enabled us to work at a faster pace than usual and adopt deliverable goals.

IT design and build

1148. The IT challenge was to create a service that matched the policy intent, that included developing a digital registration, finder and claims service, incrementally (as individual services rather than an integrated package) and at pace. We also wanted to provide a positive customer experience, while including as many compliance validation steps as possible to avoid fraud whilst balancing against the objective to get payments out to valid claims within 5 working days.

1149. The pace of delivery meant that the services that were delivered had, by necessity, limited functionality. Had more time been available we would have designed a more sophisticated registration service for large businesses and built a link between the registration and claims services instead of operating them separately. As well as improving the customer journey, this would have offered improved risking capabilities, for example using existing data to assess the eligibility of registrations.

Compliance, risking and controls

1150. Due to the challenging timescales, risks were signed off in stages when it would have been usual for risks and controls to be identified after the policy intent was determined and before starting design work on the scheme's services (such as the online registration and claims services). Nonetheless, this compressed timeframe meant all delivery teams contributing to the EOHO Controls Dashboard, aiding the identification of risks and appropriate counter measures.

1151. The rapid pace of delivery meant that pragmatic decisions had to be made on how much risk to tolerate, for example focusing on preventing fraud during the registration and claims processes with error to be a greater feature of the post-compliance activity.

1152. As the scheme ran for only one month, there was no opportunity to iterate or refine our compliance approach.

1153. On the whole, HMRC was able to prevent issues rather than take action after problems had arisen. The Controls Dashboard framework supported communications and decision-making on risk tolerances with HMT and the Chancellor.

1154. As learnt from other schemes, compliance controls were continually reviewed and refined where necessary. A list of potential compliance controls set out in the EOHO Controls Dashboard was pulled together from daily meetings during scheme design. A controls meeting considered compliance controls in detail.

1155. Work could be signed off in stages rather than in one go, due to challenging delivery timescales.

1156. Given appropriate guidance and support, compliance caseworkers switched seamlessly between EOHO and CJRS compliance roles.

1157. While HMRC's usual tax compliance work is governed by existing tax and legislative frameworks, the COVID-19 support schemes were different as we had more influence around eligibility, manual claims, handling fraud attempts etc to make pragmatic decisions to reflect the balance decided by the Chancellor between managing risks and acting at speed. HMRC was also upfront with ministers about risks which could not be controlled if EOHO was delivered to different timelines.

1158. Insight gained from other support schemes (e.g., CJRS and SEISS) was invaluable – the ability to duplicate some controls from those schemes enabled HMRC to reduce waste. Similarly, the controls identified for EOHO were also applied to similar other COVID-19 support schemes where appropriate.

1159. HMRC made some pragmatic decisions on tolerating risk (and targeting only the most egregious offenders during post-payment) that allowed the best possible customer experience, in line with the expectations set by HMT and the Chancellor.

1160. Value-stream maps (such as **JH/E/44 – INQ000583598** which set out HMRC's process for handling registration applications and payment claims) could have been improved to show the customer journey in greater detail. Had more granular value-stream maps been done and done before EOHO went live, this may have exposed pinch points earlier so stakeholders were aware of them.

1161. The approach we developed for the COVID-19 support schemes (combining systems, people, policy, controls etc all working closely together) is something we should do normally to manage implementation, not just for COVID-19 or special projects.

Governance

1162. The key role of governance was to manage risks appropriately, ensure take up of the scheme and prevent fraud. The governance and project structure is shown in **JH/E/36 – INQ000583550** which lists all of the key teams involved in the delivery of the scheme and hierarchy of decision making.

1163. Governance was provided through a daily Project Board meeting held at 5pm. This allowed all delivery teams to provide updates, identify problems and for key decisions to be made quickly.

1164. At times however the volume of issues meant prioritising what could be discussed on any given call. From this we learned not to be afraid to adapt Governance arrangements to match the volume of decisions needed from stakeholders, for example arranging separate calls to discuss issues that did not need all teams to be involved.

1165. Overall, the governance process proved flexible and responsive. Like other COVID-19 schemes, EOHO used the hub and spoke model with dedicated a Project Management Office, project managers and delegated authority granted to subject matter experts and delivery leads. The closely coordinated approach meant that digital design and policy design achieved a great deal at pace by working closely together. The Governance structure also provided clear leadership and the daily Project Management Board calls allowed for quick, informed decision making. These calls, organised by the Project Management Team, were attended by all officials who led on areas linked with the development and delivery of the scheme, as well as other members of the Accountable Teams [see **JH/E/36 – INQ000583550**] These in turn supported and encouraged effective communications across all teams involved. Morale was high, individuals and teams were invested in the project, and shared a sense of common purpose.

1166. However, it was also clear that the pace of delivery was not sustainable over the medium to long term. Burnout was a risk. Had the scheme been more complex, or run over a longer period, this could have posed a problem.

Communications

1167. The Closure Report states the role of Communications was to emphasise how “EOHO was about protecting nearly 2 million jobs in the hospitality sector, encourage people to return to eating out as part of the Enjoy Summer Safely campaign” and that by “the close of the Scheme YouGov polling showed that HMRC achieved 85% public awareness and 70% public understanding”.

1168. Empowering businesses to market EOHO in their own way to their own clientele was key, leading to quicker advocacy than we would normally see. It was also key that we aligned the scheme's communications with those of central government. For example, ensuring communications reflected that restaurants were working to become COVID-19 secure.

Management information and statistics

1169. At the start of the scheme design there was considerable uncertainty as to what Management Information would be required, how frequently data would be needed and to what level of detail. Certain metrics stood out more clearly than others, such as the number of businesses registering for the scheme, the number of diners using the scheme and the value of discounts given. However, what was less certain was what else would be useful when reporting on the scheme and how often. In response, our ambition was to develop a detailed dashboard of management information, being - performance data relating to the delivery and use of the scheme, that could be available hourly if necessary. The quantity of data soon proved to be invaluable by enabling teams to spot issues early, and especially unexpected issues. For example, the data highlighted an unusual spike in the number of establishments registered for

the scheme, which turned out to be an error made by a business by entering a date in the box asking for the number of establishments linked to the business.

1170. An important lesson was to consult before making changes to management information reporting arrangements. The frequency of reports reduced during the life of the scheme, which caused some temporary issues for Corporate Finance at one stage because of the reliance placed on this data by them in reporting to HMT of the potential costs of the scheme. The issue was resolved quickly but underscored the value in consulting first, even when working at pace.

HMT Public Value Unit's analysis of EOHO

1171. HMT Public Value Unit conducted an analysis of the scheme and held a workshop in April 2021. The Public Value Unit finalised and produced a workshop report in July 2021 [**JH/E/79 – INQ000583422, JH/E/80 – INQ000583421**]. This was shared with HMRC and widely across HM Treasury but was not published to the public.

1172. The Public Value Unit apply a methodology called the Public Value Framework to test 4 areas of a public service and rates each area as Green, Amber-green, Amber-red, Red. The results for EOHO were:

1172.1. Pursuing Goals:	Amber-Green
1172.2. Managing Inputs:	Green
1172.3. User and Citizen Capacity:	Amber-Green
1172.4. Developing System Capacity:	Amber-Green

1173. Green represents **strong value** which means there is significant activity taking place and that the process is as effective as it can be and represents absolute best practice.

1174. Amber-Green represents **moderate value** which means there is significant activity taking place, but it may not be very rigorous and can be further improved.

1175. The EOHO strengths identified by the Public Value Units analysis included:

- 1175.1. *“Simplicity and accessibility of scheme encouraged customer uptake.*
- 1175.2. *Efficient scheme rollout supported by rapid decision-making.*
- 1175.3. *Scheme’s visibility and attractiveness supported by a strong comms strategy.*
- 1175.4. *Achieved its goal of protecting jobs in the hospitality sector and lowering furlough payments.*
- 1175.5. *Good stakeholder engagement with industry bodies prior to scheme rollout.*
- 1175.6. *Access to empirical evidence and behavioural insights.*
- 1175.7. *Effective collaboration with other teams & use of a wide range of technologies.”*

1176. The analysis also highlighted challenges that could provide lessons learned for other public services:

- 1176.1. *“The lack of reliable datasets made it difficult to predict scheme uptake by restaurants and to model user activity.*
- 1176.2. *Susceptible to fraud risks: due to the limited time available for scheme rollout and the policy requirement to pay restaurants quickly after they had claimed, the majority of compliance checking was undertaken post-payment.*
- 1176.3. *Possibly lacked the bigger picture in terms of consideration for wider government objectives (i.e., public health). Although policymakers believed customers could dine safely (per the then public health guidelines), the scheme’s popularity might have led to an upsurge in C-19 cases and ultimately contributed to poorer outcomes all round due to further lockdowns/GDP declines. The inconclusive link between the scheme and infection rates is reflected by conflicting academic and official standpoints. Whilst the University of Warwick found that the scheme was closely linked to an increase in C-19 cases during the summer of 2020, HMT rejected these claims, stating that the correlation between the scheme and case numbers was negative.*

1176.4. *Online registration system could have been simpler, and its design better informed by user feedback.*

1176.5. *Lack of a clear baseline due to the difficulty in distinguishing true Scheme-induced additional consumer spend from deadweight spend (i.e., did the Scheme displace spend from Thurs-Sun)."*

Policy Partnership

1177. In respect of communication between HMRC and other government departments, the Policy Partnership is how HMRC and HMT work together to deliver effective tax and welfare policy. In broad terms, the Treasury is responsible and accountable for strategic direction setting and leading tax policy development. HMRC leads on policy maintenance and delivery. While EOHO was not a tax or welfare scheme, it was devised and delivered under the same policy partnership principles. In practice, this included HMRC submissions being circulated in draft to HMT for comment before they were submitted to ministers, and vice-versa where HMRC has been engaged with a matter.

1178. Regular engagement with HMT, particularly by the HMRC EOHO Policy Team, ensured delivery remained aligned with the scheme's original aims. It also allowed for issues to be shared and resolved quickly, adding to the overall capability to deliver the scheme at pace.

Part F: Other Key Economic Interventions in Module 9's Investigation

1179. CJRS, SEISS and Eat Out to Help Out, as explained in the preceding sections of this statement, were three of the most significant economic support measures put in place by the government during the pandemic. However, while HMRC played a substantial role in these interventions, its involvement was more limited or absent in others. This part of the statement articulates the role of HMRC within various other schemes.

The role of HMRC in other key economic Interventions in Module 9's Investigations

Statutory Sick Pay (“SSP”)

1180. SSP is the minimum amount of sick pay the government requires employers to pay their employees. It provides qualifying employees with income for a sickness absence and can be paid for up to 28 weeks. The payment of SSP is income provided by employers via their payroll and subject to tax and National Insurance in the normal way.

1181. The Department for Work and Pensions is responsible for SSP, both the policy and legislation. As all statutory payments are employment income paid through employer payroll; HMRC supports them by providing guidance and reporting requirements where necessary. However, unlike other statutory payments, employers no longer report SSP information to HMRC because employers have been required to fund it themselves since 2014.

1182. HMRC is responsible for publishing and maintaining SSP guidance as it forms part of the information HMRC provides to businesses who employ staff. In that capacity HMRC checks and updates the SSP guidance to ensure it reflects any changes introduced by DWP.

Statutory Sick Pay Rebate Scheme (“SSPR”)

1183. HMRC did play a role in the design, implementation, and delivery of the Statutory Sick Pay Rebate Scheme. The following section provides an account of HMRC’s role in the scheme.

Background to Policy Design and Intent

1184. The Statutory Sick Pay Rebate scheme was announced by the Chancellor during the Budget 2020 on 11 March 2020 (“**Budget 2020**”) [JH/F/01 - INQ000236913] as part of the Government’s “plan to support public services, individuals and businesses that may be affected by COVID-19”. The Budget recognised that some businesses may experience increased costs or disruptions to their cash flow as a result of COVID-19. Through the SSPR measure, the government agreed to support small and medium-sized business and employers to cope with the extra costs of paying COVID-19 related Statutory Sick Pay (“**SSP**”) by refunding eligible SSP costs.

1185. SSPR policy was jointly owned by DWP and HMT. HMT had policy oversight of COVID-19 financial support schemes; DWP is the policy owner of SSP and, by extension, SSPR.

1186. While HMRC provided advice regarding how SSPR could be set up and operated, policy decisions were ultimately made by DWP and HMT.

1187. HMRC was responsible for the design, development and ongoing operation of the Information Technology and administrative systems regarding SSPR. In addition, HMRC was responsible for drafting, making, and laying the necessary secondary legislation before Parliament to operationalise the scheme.

1188. HMRC officials were first approached by HMT to consider the feasibility of delivering a new scheme for Government to reimburse employers for SSP via the tax system on 28 February 2020. It was considered by HMT that any SSP rebate scheme could work in a similar way to an existing scheme through which HMRC repays Statutory Maternity Pay to employers **[JH/F/02 - INQ000583620]**.

1189. The approach from HMT was followed by a formal commission from the Prime Minister and Chancellor, sent to HMRC's Permanent Secretaries on the afternoon of 2 March 2020. The commission confirmed that the SSP refund would be limited to Small and Medium Enterprises **[JH/F/03 - INQ000583621]**.

1190. Work took place over the weekend of 29 February 2020 and 1 March 2020 to work out the feasibility and potential deliverability of an SSP rebate policy via HMRC's Real Time Information computer system for employers. HMRC delivery advice was provided to officials within DWP and HMT on 2-3 March 2020 **[JH/F/04 - INQ000583659 and JH/F/05 – INQ000583660]**.

1191. HMT submitted advice, shared and agreed with HMRC, to the Chancellor on 4 March 2020 providing further information on the COVID-19 SSP package **[JH/F/06 - INQ000583658]**. The advice raised four options on how HMRC could deliver an SSP refund to Small and Medium Enterprises:

1191.1. Provide a rebate through the existing Statutory Maternity Pay system using National Insurance contributions and Income Tax PAYE liabilities.

1191.2. Provide a rebate through a new SSP system.

1191.3. Provide a rebate or repayment through a new online form.

- 1191.4. Send a £200 payment per employee to every business classed as an SME for the purposes of the rebate.
1192. An email from HMT on 6 March 2020 stated that the Chancellor noted the advice on the four options, but he did not give a firm steer on preferences **[JH/F/07 - INQ000583619]**. The email stated that HMT was working with HMRC on follow-up advice for the Chancellor to reach an agreed view on the best delivery option, with a firm understanding of the delivery timeframe and what operational features this would include. The provisional HMT view was that to 'Provide a rebate or repayment through a new online form' was the preferred option.
1193. HMT submitted further advice, shared and agreed with HMRC, to the Chancellor on 8 March 2020 seeking decisions on the SSP package for Budget announcement **[JH/F/08 - INQ000583617]**.
1194. On 9 March 2020, HMT confirmed that the Chancellor's preference was for the option that would deliver rebates as soon as possible **[JH/F/09 - INQ000583610]**. The quickest way to deliver a rebate of SSP was for HMRC to create a new, standalone online form that Small and Medium Enterprises could fill in to claim back SSP; the system would create a repayment sent directly to Small and Medium Enterprises' bank account. The Chancellor acknowledged the substantial fraud risk this could entail because this option would not link into HMRC's Real Time Information system to verify claims against taxpayer and PAYE scheme data (further detail on managing risks of fraud and error relevant to SSPR is provided below).
1195. However, the Chancellor was advised that this risk could be mitigated through HMRC taking a 'snapshot' of data from PAYE scheme records in Real Time Information as of 28 February 2020. This snapshot could allow for HMRC to reject single and aggregate claims under the following three circumstances, (with Small and Medium Enterprises rejected from the online form process invited to make a new claim via a manual process):
- 1195.1. From PAYE schemes with too many employees (more than 250).
 - 1195.2. From PAYE schemes that were not in the tax system prior to the snapshot date.
 - 1195.3. Where the cumulative SSPR claim would exceed the total claim available to the PAYE scheme based on the number of employees registered to the PAYE scheme at the point of the snapshot **[JH/F/09 - INQ000583610]**.

1196. Following further engagement between HMRC and HMT, advice on operational design and delivery that confirmed the potential fraud risk and safeguards of the preferred option was sent by HMT to the Chancellor on 9 March 2020 for approval for HMRC to begin building the system. The HMT advice was shared and agreed with HMRC **[JH/F/10 - INQ000583614]**.

1197. Accounting Officer advice was sent to me as HMRC's First Permanent Secretary and Chief Executive, on 11 March 2020, seeking agreement for HMRC to build and deliver an IT solution for Small and Medium Enterprises to claim back SSP payments, noting the Chancellor's strong preference for a scheme that was deliverable within three to four months **[JH/F/11 - INQ000583611]**. I indicated the same morning that I was content for HMRC to proceed with building, delivering, and incurring spend on the proposed IT solution **[JH/F/12 - INQ000583613]**.

1198. SSPR was announced by the Chancellor at Budget 2020 on 11 March 2020, together with its eligibility criteria **[JH/F/13 - INQ000583625]**.

1199. SSPR was GB-wide, with mirroring NI legislation, to align with the SSP position.

Scheme Eligibility and Equality Impacts

1200. Eligibility for SSPR was announced at Budget 2020, as follows:

1200.1. The refund would be limited to two weeks per employee, in line with the recommended isolation period.

1200.2. Employers with fewer than 250 employees would be eligible. The size of an employer would be determined by the number of people they employed as of 28 February 2020.

1200.3. Employers were able to reclaim expenditure for any employee who had claimed SSP as a result of being either ill or having been told to self-isolate because of COVID-19.

1200.4. Employers should maintain records of staff absences but should not require employees to provide a GP fit note.

1200.5. The eligible period for SSPR would begin on 13 March 2020.

1201. The equality impact assessment for SSPR was covered within the public sector equalities duty impact assessment for the Coronavirus Act 2020. This was produced by the Department of Health and Social Care and published on 28 July 2020 [JH/F/14 - INQ000187670]. The consideration of any equality impact regarding SSPR, and mitigating measures was considered by the Department of Health and Social Care in paragraphs 216 to 227 of that document. HMRC also published the Equality Impact Assessment for SSPR on 13 October 2022 [JH/F/15 - INQ000583661]. HMRC published all Equalities Impact Assessments retrospectively, after the support schemes had closed, due to the need to prioritise delivery of the schemes and ensuring vital financial support reached those impacted by the pandemic. The assessments were conducted prior to the schemes being implemented, and mitigations were in place during the lifetime of the schemes.

1202. The HMRC Equalities Impact Assessment related to the operational delivery of SSPR and stated that, before SSPR started, HMRC assessed the equality impacts on all the protected characteristic groups in line with the Equality Act 2010 and Public Sector Equality Duty (section 149 of the Equality Act 2010) and section 75 of the Northern Ireland Act 1998. Amongst other things, it was assessed that there was no evidence to suggest any specific impacts on those customers within any of the following protected characteristic groups:

- 1202.1. Racial groups
- 1202.2. Sex
- 1202.3. Gender reassignment
- 1202.4. Sexual orientation
- 1202.5. Pregnancy and maternity
- 1202.6. Marriage and civil partnership
- 1202.7. People with dependents and those without
- 1202.8. Political opinion (for Northern Ireland only)

Setting Up the First SSPR Scheme (Referred to as ('SSPR1'))

1203. A decision-making tree highlighting people (including other Government departments) and HMRC business areas responsible for implementing and delivering SSPR was developed [JH/F/16 - INQ000583751]. HMRC Policy/Technical were primarily involved in 'Ministerial

Decision and Legislation' activity and 'HMRC Project' were primarily involved in 'Implementation and Delivery' activity, including engagement and coordination of activity with the other Government departments and HMRC business areas shown on the decision-making tree.

Ministerial Decision and Legislation

1204. The Coronavirus Act 2020 received Royal Assent on 25 March 2020. Section 39 of that Act **[JH/F/17 - INQ000583783]** inserted Section 159B into the Social Security Contributions and Benefits Act 1992 **[JH/F/18 - INQ000583789]**, enabling HMRC (with the concurrence of the Secretary of State for Work and Pensions) to make regulations regarding the recovery from HMRC of payments of SSP by certain employers for absences related to coronavirus. The policy rationale for this power was provided in paragraph 83 of the Explanatory Notes to the Coronavirus Act 2020 **[JH/F/19 - INQ000583782]**, to support employers in a period when their payments of SSP were likely to escalate (the policy objective stated at Budget 2020), and additionally, to ensure that employees were incentivised not to attend work when advised not to do so for reasons of health security.

1205. Equivalent provision was made for Northern Ireland by section 42 of the Coronavirus Act 2020 **[JH/F/20 - INQ000583785]**, which inserted section 155B into the Social Security Contributions and Benefits (Northern Ireland) Act 1992 **[JH/F/21 - INQ000583792]**. In addition, section 41 of the Coronavirus Act 2020 **[JH/F/22 - INQ000583784]** modified section 151 of the Social Security Contributions and Benefits Act 1992 **[JH/F/23 - INQ000583788]** to include a regulation making power to make provision about deeming an employee incapable of work by reason of COVID-19 by reference to guidance issued by public health authorities. Section 44 of the Coronavirus Act 2020 **[JH/F/24 - INQ000583786]** amended section 147 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 **[JH/F/25 - INQ000583791]** to make equivalent provision.

1206. As a result of the Chancellor's announcement in the Budget (on 11 March 2020), HMRC made regulations under sections 159B and 175(3), (4) and (5A) of the Social Security Contributions and Benefits Act 1992 **[JH/F/26 - INQ000583790]** and sections 155B and 171(3), (4), (5A) and (10) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 **[JH/F/27 -**

INQ000583793] to provide for certain Small and Medium Enterprises to apply to HMRC for a refund of the cost of paying SSP to their employees **[JH/F/28 - INQ000583663, J/HF/29 - INQ000583665, JH/F/30 - INQ000583664 and JH/F/31 - INQ000583666]**. On 5 May 2020, the Financial Secretary to the Treasury agreed to make and lay the regulations **[JH/F/32 - INQ000583667]**. The regulations came into force on 26 May 2020 and had retrospective effect in relation to a day of incapacity for work that fell on or after 13 March 2020, aligning with the DWP changes to SSP regulations for absences related to coronavirus **[JH/F/33 - INQ000583787 and JH/F/34 - INQ000583794]**

1207. SSPR was implemented under the UK's Temporary State Aid Framework **[JH/F/35 - INQ000583323]** that was agreed with the European Commission **[JH/F/36 - INQ000563880]**. This meant employers would not be eligible to claim for a rebate if they were not able to receive this type of State Aid under the State Aid Framework.

Implementation and Delivery

1208. As a result of the Accounting Officer's approval to build, deliver, and incur spend on the proposed IT solution on 11 March 2020 **[JH/F/12 - INQ000583613]**, HMRC started the project to develop a method to claim for SSP rebates. The process had to be as easy as possible in getting money to employers in the shortest possible time, whilst ensuring fraud and error was kept to a minimum. The project started within a week of the Chancellor's announcement and had a claims service built, and in place, by 26 May 2020 with full guidance for customers developed and published. Guidance and training for HMRC staff was in place allowing them to support customers who required extra help with the service.

1209. The core project team came from HMRC's change delivery area but were supported at a working level by a multi-functional team made up of stakeholders from all relevant areas in HMRC (as noted on the decision-making tree referred to above). This group also included representation from HMT and DWP. The team initially met daily (moving to weekly meetings as the delivery progressed) and reported into the wider HMRC Covid Response Unit ("CRU"). The CRU was used for information, escalation and for making decisions that the working group were unable to make.

1210. Customer Journeys anticipating likely questions and issues, including potential touch points between HMRC and the customer during all possible interactions in regards of any claim, were

mapped out to inform the IT build and customer service support structure [**JH/F/37 - INQ000583623**].

1211. HMRC devised a simple claims portal. It required only basic designatory details regarding the employer, the period they were claiming for and number of employees they were claiming for. By comparing this with HMRC's back-end PAYE systems, HMRC could automatically check eligibility and maximum claim level removing potential error from claims.

1212. The Portal was shared with trusted employers and front-line staff for testing and review. Comments were taken on board and the portal amended and then taken back to the same group for further review and testing. This iteration process continued over a ten-week period until the portal was deemed acceptable by all testers. Safeguards were built into the system to ensure claims did not exceed the amount set out in the policy for SSPR.

1213. Whilst claims were due for absences from 13 March 2020, as the system needed to be built, HMRC advised HMT/DWP that the claims service would not be live for customers to submit claims until late May 2020 [**JH/F/38 - INQ000583328 and JH/F/39 - INQ000583329**]. The service would allow claims to be backdated until 13 March 2020.

1214. Due to the subsequent announcement of the Coronavirus Job Retention Scheme on 20 March 2020 and the Self-Employment Income Support Scheme on 26 March 2020, and the requirement for technical resource to be allocated to these schemes, development of the SSPR claim portal was re-prioritised. However, the portal was ready for go live on 26 May 2020. This still met promised deadlines.

1215. It is HMRC policy to identify customers who cannot interact with HMRC digitally ('digitally excluded' employers) and to provide alternative methods of communication. An internal portal was developed to allow these customers to telephone HMRC and for an HMRC adviser to submit the claim on their behalf.

1216. Letters were sent to all customers who were registered as digitally excluded/digitally exempt with HMRC in advance of 26 May 2020, to advise them of the claims service and what they needed to provide to make a claim [**JH/F/40 - INQ000583668**].

1217. To support digitally excluded/digitally exempt employers, HMRC staff would complete the process for them via a phone call using an internal version of the portal. However, it was not possible to develop this internal claim portal to the same timeline due to the technical resource being required for CJRS and SEISS. The earliest that this could be delivered by HMRC's IT teams was 10 June 2020, meaning HMRC could not pay these customers until then. This meant that these customers would be treated differently to other HMRC customers impacting a vulnerable group.

1218. HMRC applied standard project management methodology in respect of risks and issues. Risks, such as resource availability, technical capability, subject matter expert availability etc., were identified with stakeholders and given a status based on probability and impact. Mitigations against these risks were identified and managed by the project team on daily 'stand up calls' with any risks that materialised being moved to an issues log and proactively managed. The risk of the internal portal not being developed in time was the only risk escalated to an issue. All other risks were mitigated or did not materialise.

1219. To deal with this issue, options were analysed with three possible outcomes. These was shared and discussed at the Covid Response Unit Board meeting [JH/F/41 - INQ000583335]:

1219.1. Go live without a service for digitally excluded customers.

1219.2. Delay 'go live' date for the scheme as a whole.

1219.3. Utilise an interim manual process that had been developed by CJRS which involved taking details and recording them on spreadsheets and making manual payments to the employer.

1220. The first option was discounted as this would have unfairly impacted a specific set of customers who, in the main, were digitally excluded for proscribed characteristics.

1221. The second option was not favoured as the Chancellor had already cleared the go live date.

1222. The third option was adopted. Whilst this was resource intensive, it provided the best customer service and was only required for a two-week period whilst the manual claims portal was completed. All data on these claims were stored and fully ingested into the main claims service after the internal portal went live on 10 June 2020.

1223. Whilst developing the claims portal, HMRC prepared guidance and training for its staff on how to support customers with claims. The guidance and learning were developed and deployed in a system called Ocelot. This system provides an interactive guidance tree for front-line advisers taking them through customer answers providing the next question based on these answers. This allows for a seamless journey for the customer and the adviser.

1224. An operating model to ensure support for customers was developed, based on historical call data, by HMRC's internal Forecasting and Planning teams. A decision to primarily use staff from the 'Employers' Helpline' was made as these staff had a working knowledge of SSP and dealt with employers, rather than general customers, daily [JH/F/42 - INQ000583669].

1225. Forecasts in the operating model were revised in early May 2020 reducing the estimated number of staff needed to support the scheme from over 500 staff to 55 staff. This was based upon the announcement of CJRS and the anticipation that employers would more likely furlough staff than pay SSPR as this was more beneficial in financial terms. To claim SSPR an employee must have been working and therefore an employer could not claim both CJRS and SSPR for the same employee for the same period.

1226. Following the Chancellor's announcement of SSPR on 11 March 2020, a full communications plan was developed where the announcement of the go live date and details of how SSPR was to operate were shared. Numerous avenues of communication were already available, and these were used to disseminate the message and comprised of:

1226.1. The HMT Budget factsheet.

1226.2. A 'HMRC story' product about the new COVID-19 helpline.

1226.3. A news story guidance on Public Health England's employers and Business COVID-19 page where initial details of the helpline were shared.

1226.4. An email to HMRC's top 100 stakeholders (including Federation of Small Businesses).

1226.5. Calls to HMRC's top 12 stakeholders (including Federation of Small Businesses).

1226.6. Retweeting HMT information about SSPR.

1226.7. A Budget Employer bulletin issued and sent to over 1 million employers and Budget Agent blog published and emailed to over 80,000 agents on 14 March 2020.

- 1226.8. Guidance on GOV.UK (which was also linked to from the main Department for Business, Energy, and Industry Strategy campaign pages) about what employers needed to do to get ready for SSPR's launch [**JH/F/43 INQ000583670**].
1227. The portal was opened on 26 May 2020 with the first claim being submitted and processed as soon as this happened. A steady stream of customers used the portal (and made claims through the digitally excluded route) with the system receiving Customer Satisfaction scores of over 95%. The service received 3,026 claims covering 8,934 employees on the first day, paying out over £1.3m.
1228. No major technical issues occurred during the running of the service. Customer contact for assistance was minimal, meaning a reduction to front line support advisers was possible. Fewer than 20 advisers were allocated to support customers daily with this being their primary support work. However, due to a further reduction in support required, they flexed onto other support work for large parts of the day. Anecdotal feedback from customers was that the ease of the system meant they did not require support. Due to the limited requests for support and high customer satisfaction scores no further analysis was undertaken.
1229. Payments were received within 10 days of claims being made. A process to cover any BACs rejections (payments not accepted by Banks and returned to HMRC) that mirrored the CJRS process was put in place on 18 May 2020, BACs rejections only arose where a customer claimed on the SSPR system and for some reason the bank account used was closed or not available by the time the payment was made 10 days later.
1230. As SSPR was implemented under the UK's Temporary State Aid Framework that was agreed with the European Commission [**JH/F/36 - INQ000563880**]. Employers had to confirm as part of their application process that they were not already in difficulty on 31 December 2019 and that receipt of the amount claimed would not result in the amount of State Aid received by the employer exceeding the maximum State Aid amount that an employer was permitted to receive. Full details of this Framework were included in the claims service and the letter to digitally excluded customers. Claim amounts should not have been above the maximum €800,000 of State Aid allowed under this Framework.

1231. The first iteration of the SSPR scheme later came to be referred to as 'SSPR1'. A joint Memorandum of Understanding between HMRC and DWP was required to set out arrangements, including respective and shared responsibilities in relation to the implementation of SSPR1. Due to other priorities and significant work pressures arising from the pandemic response, such as the delivery of CJRS and SEISS, the Memorandum of Understanding was only formally agreed and signed by HMRC and DWP on 4 March 2021 **[JH/F/44 - INQ000583401 and JH/F/45 - INQ000583742]**.

How SSPR Worked in Practice

1232. Eligible employers submitted claims through an online portal, or through the HMRC support lines if they were registered as digitally excluded.

1233. SSP must have been paid prior to the claim being made. This was verified by a 'self-declaration' by the employer making the claim.

1234. An employer must have had under 250 employees on the qualifying date. There was a process in place for customers to dispute HMRC records. When considering how many employees were enrolled on their PAYE scheme, an employer had to consider all the PAYE schemes it operated, if more than one, and the total number of employees on schemes operated by connected companies or charities. To ensure employer familiarity, the definition of connected companies or charities for the purposes of the Employment Allowance was adopted for SSPR **[JH/F/29 - INQ000583665 and JH/F/31 - INQ000583666]**.

1235. The claims service could 'block' a claim where a customer took over or merged with another employer making the combined size of the new employer in breach of the 250-employee threshold when in fact they should have been treated as two employers with less than 250 employees. These cases were covered by the Transfer of Undertakings Protection of Employment rights – TUPE. This is the law that protects employees, and their benefits, when their employer is taken over. Therefore, a manual override process was put in place allowing HMRC support advisers to 'unblock' a claim allowing a customer to complete their claim digitally.

1236. The SSPR design was deliberately kept simple to ensure it could be launched quickly, supporting the Chancellor's desire to ensure support was available as soon as possible for businesses facing cost pressures from high level of potential sickness or required isolation. As a result, customers were only required to provide numbers of employees they were claiming for rather than submitting specific employee details. However, employers were required to keep full records for any later inspection required by HMRC.

1237. Before the claim was processed, simple validation was undertaken by matching the total number of employees claimed for against HMRC's records. This ensured that claims never exceeded the maximum number of employees employed by that employer.

1238. Employers were required to keep records of (and retain these for 3 years):

- 1238.1. The dates the employee was off sick.
- 1238.2. Which of those dates were qualifying days.
- 1238.3. The reason for being off work.
- 1238.4. The employee's National Insurance number.

1239. The project delivery team was closed and moved to other work handing the product over to 'business as usual' on 29 June 2020 due to the smooth running of the portal. This meant that the product was then managed in line with other day to day HMRC activities by operational colleagues rather than being managed by a separate project team.

Compliance: Managing Risks of Fraud and Error

1240. HMRC's overall approach to delivering this support scheme was a delicate balance between protecting public money and getting payments to claimants as quickly as possible. SSPR, whilst commissioned first, went live after both CJRS and SEISS. The compliance approach learned from, adopted, and aligned to methodologies developed for the wider schemes (CJRS and SEISS).

1241. Claims progressed through an automated process which involved a series of checks that identified and routed claims meeting specific criteria for secondary risking which involved a manual check of the claim. Patterns of payments were monitored to identify suspicious activity. The risk factors built into the automated process built on the knowledge gleaned from the wider

schemes. Existing governance, oversight and review structures involving members of HMRC with the specialist knowledge were established to oversee the clearance of suspect claims for CJRS and SEISS. These were expanded to incorporate SSPR cases.

1242. Pre-payment clearance and identity checking processes had been developed under CJRS. These processes were repurposed for SSPR to protect against false employers being created. The qualifying criteria meant that PAYE schemes had to be in existence prior 28 February 2020. This prevented the mass creation of false employers solely for the purpose of exploiting SSPR. HMRC maintained a list of employers who had claimed for other COVID-19 support schemes (e.g. CJRS) and had that claim paused or refused. If that claimant, then made a claim for another scheme (e.g. SSPR) that claim was automatically paused for manual compliance checking.

1243. An explanatory document setting out how SSPR claims would be risk assessed was presented to HMRC's Alpha board and to DWP colleagues on 6 May 2020. The conclusion – which was accepted by both HMRC and DWP - was that with the inbuilt protections design in, the scheme was very low risk. The SSPR scheme preceded the others in concept, but came last in terms of delivery, and many of the risks then mitigated especially with CJRS which reduced the numbers of in work employment **[JH/F/46 - INQ000583330]**.

In built Compliance Controls

1244. SSPR had a series of inbuilt compliance controls that limited the opportunities for large fraud or errors to occur and significantly reduced the overall risk:

1244.1. The claims were limited to 2 weeks SSP per employee.

1244.2. 1 claim per employee per PAYE scheme.

1244.3. The eligible employers were limited to those with fewer than 250 employees.

1244.4. The claim was via existing PAYE online accounts.

1244.5. The maximum pay-out per claim £47,000 figure. Making this the maximum per employer.

1244.6. Limited to schemes on HMRC's Real Time Information system on 28 February 2020. Real Time Information is the pay as you earn system used by employers as part of their regular interactions. Being already registered on this system was strong

evidence of the validity of the employer. This limitation prevented the creation of bogus companies for the purpose of exploiting the scheme.

Compliance Strategy

1245. The agreed compliance strategy was to put sufficient controls in place in the system to automatically identify errors, and potential attacks in the system. The main risks were seen as:

1245.1. Newly set up entities, which could be set up en masse by organised criminals to claim payments.

1245.2. Existing entities who could deliberately overstate the size of their workforce to claim maximum levels of support, either by reference to real individuals or invented individuals.

1245.3. Existing entities who might manipulate employee numbers to come into the scope of the scheme.

1246. The automated checks against data held on HMRC systems at the qualifying date of 28 February 2020 would identify attempts to make false claims under these risk categories leading to a rejection of the claim prior to payment.

1247. These risks were the same in principle for the SSPR scheme as CJRS, but for CJRS the magnitude of the financial risk was greater. Unlike SSPR, CJRS was not limited by number of employees and could give rise to greater sums of support per employee for any given period. The Real Time Information system is used by employers to report data on employee starts, cessations, earnings, and other data in close-to-real time, this provided HMRC with a strong data set with which these risks could be mitigated. For example, HMRC identified any employer with more than 250 employees registered and excluded their claims.

1248. The cut-off date of 28 February 2020 was a key compliance control. HMRC could not allow exceptions to this control as that would inevitably weaken our controls against fraud. Therefore, the design of SSPR was based on the Real Time Information system to:

- 1248.1. Only permit claims from entities of whose existence as employers HMRC was already aware, before the announcement of the scheme was made, removing the opportunity to create new entities for the purpose of claiming. A crosscheck took place automatically to match the information on the claim to the information held on RTI. This established that this was a bone fide employer with an established relationship with HMRC.
- 1248.2. Permit HMRC to use data it had on the number of employees an employer had before the scheme cut-off date, limiting the maximum employees claimed for and preventing manipulation of employee numbers to meet the fewer than 250 employee's requirements. This SSP interface did not let an employer make a claim if the information on HMRC systems indicated they had over 250 employees.
- 1248.3. A check took place automatically between the number of employees SSPR was being claimed for and the number of employees HMRC has recorded for that employer, the claim did not proceed if the numbers did not match up. This prevented the inflation of claims or the addition of bogus employees.
- 1248.4. There were four levels of Bank Account Reputation Service checks applied. This was to ensure that valid employer account details were not hijacked by a third party:
- i. To confirm the bank account & sort code combination existed.
 - ii. To check that the account was able to receive BACs payments.
 - iii. To identify if there was a mismatch between HMRC customer account details and bank details provided as part of the claim (failure at this point moved the claim into a manual process to verify identity).
 - iv. To identify if employer/bank details had been accepted for CJRS, then they could be accepted for SSPR with no further checking.
1249. While SSPR only related to COVID-19-related illnesses, HMRC considered the underlying illness requirement as "out of scope" for compliance purposes. This raised a risk that employers could falsely claim an SSP rebate for a non-COVID-19 related illness for an employee, payable from the first day of sickness leave rather than the 3-day waiting period for regular sick pay. However, it was assessed that the risk of there being no illness was minimal; HMRC considered that the overall fraud and error risks for SSPR, especially in context of other support schemes available, were low. An additional mitigating factor was that employers could only make a claim for an employee once, meaning employers couldn't make multiple false

claims per employee and couldn't make a later claim for that employee if they were subsequently absent due to a COVID-19-related illness. Further, HMRC was not able to confirm reasons for sickness absence, so enforcing this requirement would have been disproportionate based on the assessment of minimal risk. However, a record keeping requirement was in place on employers which included the reasons for the sickness absence.

1250. HMRC carried out a full review of the compliance risks to the scheme and agreed the approach through HMRC governance and in agreement with the funding department (DWP). The strategy was to focus on preventing attacks on the system and erroneous claims in the prepayment phase. Given the limitations of the scheme in terms of average size of the workforce for qualifying employers and the maximum amount that could be claimed per employee, the amounts at risk on individual claims were of low monetary values. The level of exposure therefore only required a minimal level of post payment coverage by investigations into individual claimants [JH/F/47 - INQ000583672].

Scale of the risk

1251. The original forecast for SSPR payments was £1bn. Actual claim numbers show that for SSPR1 there were 227k claims with a value of £87.9m. Therefore, as claim numbers and the quantum of support was much lower than estimated, the error and fraud risk was also materially lower than forecast.

1252. SSPR error and fraud estimates were based on tax credit fraud and error levels. This data set was identified to be the closest to the type of behaviour that was likely to happen in the SSPR scheme. The estimated maximum exposure was £40m.

Prepayment compliance risking

1253. The system had been designed with a limited risking window of 24 hours to conduct checks. During this initial limited window automated checks using identifiable risk factors triggered a pause in repayment of 72 hours if a potential concern was flagged. During this 72-hour window multifactor advanced risking took place and appropriate payments could be blocked.

1254. These checks included:

- 1254.1. Payroll scheme verification, using HMRC systems to make sure the PAYE scheme is valid and that it has not been amended after the cut-off date.
- 1254.2. An eligibility headcount check, in each PAYE scheme to make sure the schemes have not been amended to add “employees” to gain additional grants.
- 1254.3. Verification of payee details and bank accounts, assuring HMRC that it is not sending grants to risky or blocked accounts.
- 1254.4. Checks across a list of potentially risky PAYE schemes, flagged as potentially of concern through other sources (such as intelligence received, other compliance flags etc.).

Post payment compliance checks

1255. There were no new compliance powers attached to the scheme, although existing HMRC enquiry powers and penalties could have been used. SSP is a responsibility of DWP and therefore any compliance activity would have fallen to DWP to have funded. The risk strategy was discussed and developed with DWP oversight. The size and nature of the residual risk meant that the funding of any stand-alone post payment compliance activity was not considered as a value for money proposal.

1256. HMRC judged that SSPR risks of error and fraud were low based on analogous data in DWP (specifically Tax Credits). Compliance resource was therefore targeted at larger schemes (CJRS, SEISS and EOHO), while residual SPPR risk was combined with wider COVID-19 scheme compliance. Information on SSPR claims were provided to compliance officers working on these wider COVID-19 scheme cases to identify if there were any instances of incorrect SSPR claims.

Policy or Operational Changes Made During the Scheme

First Change - Amendment Regulations – 24 September 2020

1257. The first set of amendment regulations regarding SSPR1 were made and laid on 24 September 2020 **[JH/F/48 - INQ000583675]** under sections 159B and 175(3) and (5A) of the Social

Security Contributions and Benefits Act 1992 and sections 155B and 171(3), (5A) and (10) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

1258. There were three separate reasons for the amendments **[JH/F/49 - INQ000583676]**.
1259. The first reason was in relation to an amendment in DWP legislation **[JH/F/50 - INQ000583674]** that allowed individuals who were 'shielding' as a result of COVID-19 to be deemed incapacitated for work in relation to eligibility to claim SSP. The amendment regulations subsequently allowed employers to claim a rebate for individuals unable to work due to 'shielding'.
1260. The second reason was to change the process for employers to correct an SSPR claim that had been mistakenly overstated. The amendment regulations provided for employers to contact HMRC directly rather than report through an online application.
1261. The third reason was due to an expansion **[JH/F/51 - INQ000583673]** of the State Aid Temporary Framework by the European Commission. Following its introduction, the European Commission amended its definition of when an SME was in difficulty and eligible to claim State Aid under the Framework. The amendment regulations ensured that the SSPR scheme remained aligned with the details agreed by the UK with the Commission for the UK Government's support and intervention relating to COVID-19. This change meant that some Small and Medium Enterprises who were previously ineligible to claim because they were already in difficulty on 31 December 2019 may have been able to claim for eligible costs from 29 June 2020.
1262. On 23 September 2020, the Financial Secretary to the Treasury agreed to make and lay the regulations **[JH/F/52 - INQ000583677]**.

Second Change - Uprating Regulations – March 2021

1263. The second set of amendment regulations regarding SSPR1 were made on 9 March 2021 and laid on 10 March 2021 under sections 159B of the Social Security Contributions and Benefits Act 1992 and sections 155B of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 **[JH/F/53 - INQ000583678]**.

1264. The amendment was related to DWP's benefits up-rating exercise, which increased the weekly rate of SSP from £95.85 to £96.35, effective from 6 April 2021. To reflect this increase, the amendment regulations increased the maximum SSP costs related to coronavirus that an employer could claim from £191.70 to £192.70. It also increased the total maximum amount that an employer could claim to £192.70 multiplied by the number of employees enrolled in PAYE schemes by the employer on 28 February 2020 **[JH/F/54 - INQ000583681]**.

1265. On 5 March 2021, the Secretary of State for Work and Pensions approved the approach to increase the maximum amount of SSP that employers could claim **[JH/F/55 -INQ000583679]**. Also on 5 March 2021, the Financial Secretary to the Treasury agreed to make and lay the regulations **[JH/F/56 -INQ000583680]**.

1266. In line with this uprating, the HMRC claims portal was amended to reflect the new claims figure.

Closure of The Scheme (SSPR1)

Ministerial Decision and Legislation

1267. The SSPR1 regulations did not specify when the scheme would close to employer claims. However, the Explanatory Memorandum for the regulations setting up the scheme explained that the Coronavirus Act 2020 was due to expire on 24 March 2022 and that HMRC would consider whether further legislation was needed to bring the scheme to a conclusion **[JH/F/29 - INQ000583665 and JH/F/31- INQ000583666]**. Expiry of the Coronavirus Act 2020 would have the effect of expiring the SSPR1 scheme on that date too. Closing the scheme before 24 March 2022 would require further secondary legislation.

1268. On 16 August 2021, the Chancellor agreed for SSPR1 to end on 30 September 2021 **[JH/F/57 - INQ000583615]**.

1269. On 18 August 2021, HMT advised the Chancellor, on the back of discussion with HMRC **[JH/F/57 - INQ000583615]**, of three reasons for a longer SSPR1 claims period than for the CJRS:

1269.1. Unlike CJRS, SSPR1 was a purely retrospective scheme; employers wouldn't plan to claim it unless their employee had to take a sickness absence due to COVID-19.

This meant employers may have taken longer to make a SSPR claim, with a greater impact on employers if the period of sickness absence occurred immediately before the deadline for new claims.

1269.2. Employers had been informed of the cessation date of CJRS support throughout the operation of the scheme, whereas they would have only had one month notice of the closure of SSPR1. HMRC considered that a longer SSPR1 claims window for employers would be favoured by employers and employer representative bodies.

1269.3. The regulations that opened SSPR provided that employers had up to one year to make a claim. HMRC considered that reducing this to a 3-months claim window, as opposed to 2-weeks or 1-month, would reduce the likelihood of legal challenge.

1270. On 24 August 2021, the Chancellor agreed to proceed with a three-month claim administration window (to 31 December 2021) for employers to submit or revise their claims **[JH/F/57 - INQ000583615 PI-00012103]**.

1271. On 25 August 2021, DWP confirmed that the Minister for Disabled People provided their agreement with the Chancellor's decision **[JH/F/58 - INQ000583682]**, and on 6 September 2021, the Financial Secretary to the Treasury agreed to lay the regulations on 9 September 2021 **[JH/F/59 - INQ000583622]**.

1272. Under sections 159B of the Social Security Contributions and Benefits Act 1992 and sections 155B of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, regulations were made on 8 September 2021 and laid on 9 September 2021 to bring SSPR1 to a close from 30 September 2021 so that any absence related to coronavirus occurring after 30 September 2021 would not be eligible for the rebate. It also provided a 3-month administration period for businesses to make any remaining claims for eligible SSP costs incurred up to 30 September 2021; this administration period was to end on 31 December 2021. The regulations came into force on 30 September 2021 **[JH/F/60 - INQ000583683 and JH/F/61 - INQ000583684]**.

Implementation and Delivery

1273. Following the ministerial decision, HMRC began the process to close SSPR1 as per the Chancellor's instructions.

1274. The Chancellor agreed to announce the closure of SSPR1 via HMRC communication channels [**JH/F/57 - INQ000583615** and **JH/F/62 - INQ000583694**]. HMRC considered and agreed the approach through the SSPR Scheme project team (which included HMT and DWP colleagues). The announcement was confirmed to be via updating the guidance on GOV.UK on 9 September 2021. HMRC kept to factual updates to customers and stakeholders via our trusted communication routes:

External communications:

- a) Bulk emails to employers and agents.
- b) Update to GOV.UK guidance.
- c) Letter to 372 digitally excluded employers.

Which were followed by:

- d) HMRC bulletins to MP's and stakeholders.
- e) Email to employer representative bodies.
- f) Social media posts.

1275. Final claims were made with the claim's portal shuttered at midnight on 31 December 2021.

1276. Final claims figures for SSPR1 were £87.9m. These were made up of 227k individual employer claims covering a total of 677K employees.

1277. A decision was made to keep the service open for a limited number of internal users to allow claims to be made to customers who had submitted their claim in time but that had not been paid due to complaints/compliance activity.

Setting Up the Second SSPR Scheme (Referred to as 'SSPR2')
Ministerial Decision and Legislation

1278. On 21 December 2021, following the spread of the Omicron variant in the UK, the Chancellor announced the reintroduction of the SSPR scheme [**JH/F/63 - INQ000114445**]. The second scheme is referred to as ("SSPR2").

1279. On 4 January 2022, the Financial Secretary to the Treasury agreed to lay the regulations on 5 January 2022 **[JH/F/64 - INQ000583685]**.

1280. Under sections 159B and 175(3), (4) and (5A) of the Social Security Contributions and Benefits Act 1992, regulations were made and laid on 5 January 2022 to reintroduce the SSPR scheme, coming into force on 14 January 2022 **[JH/F/65 - INQ000583689 and JH/F/66 - INQ000583686]**. Equivalent provisions for Northern Ireland were made in separate regulations in sections 155B and 171(3), (4), (5A) and (10) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 **[JH/F/67 - INQ000583688 and JH/F/68 - INQ000583687]**.

1281. Due to the uncertainty that existed at the time about the Omicron variant, the legislation did not specify an end date of SSPR2. As was the case with SSPR1, it was decided that further instructions for additional legislation would be provided as and when a decision is made about closing the scheme. However, the regulations provided that a claim may not have been made after the end of 24 March 2022, when the powers granted by the Coronavirus Act 2020 would expire.

Implementation and Delivery

1282. The opening of SSPR2 crossed over with the closure of SSPR1; however, HMRC needed to reset the background data in the scheme. This was required to allow for employers to claim for employees under SSPR2 that they had already claimed for under SSPR1.

1283. HMRC still closed SSPR1 and undertook the work required to reset the claims process with the new qualifying dates. The service opened on 19 January 2022.

1284. Claims could have been made in relation to a day of incapacity for work that fell on or after 21 December 2021 with the same qualifying criteria except that:

1284.1. Employers had to have a valid PAYE scheme in place on 30 November 2021.

1284.2. The two-week cap per employee would be reset from the previous scheme. This would allow employers to claim for employees that had claimed for in SSPR1, which was allowed in the new scheme.

1285. A full communications plan was prepared **[JH/F/69 - INQ000583624]**.

1286. HMRC deployed the same support plan and processes as it deployed for SSPR1.

1287. No issues were identified during the period SSPR2 was open with Customer Satisfaction scores continuing to be high – in excess of 95%.

1288. A joint Memorandum of Understanding setting out arrangements, including respective and shared responsibilities in relation to the implementation of SSPR2 was agreed and signed by HMRC and DWP on 31 March 2022 **[JH/F/70 - INQ000583454 and JH/F/71 - INQ000583743]**.

Closure of The Scheme (SSPR2)
Ministerial Decision and Legislation

1289. On 17 February 2022, the Chancellor confirmed he was content to let the powers within the Coronavirus Act 2020 that underpin the scheme to lapse. He also decided that SSPR2 would close on the 17 March 2022, with one week, until 24 March 2022, for employers to make any outstanding claims **[JH/F/72 - INQ000583616]**.

1290. On 22 February 2022, the Financial Secretary to the Treasury agreed to lay the regulations **[JH/F/73 - INQ000583690]**.

1291. Under sections 159B(1) and 2(a) of the Social Security Contributions and Benefits Act 1992 and sections 155B(1) and 2(a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, regulations were made and laid on 24 February 2022. They brought the scheme to a close by ending employer eligibility with effect from 17 March 2022, although employers were able to submit claims until 24 March 2022. The regulations came into force on 17 March 2022 **[JH/F/74 - INQ000583693 and JH/F/75 - INQ000583692]**.

Implementation and Delivery

1292. Following the ministerial decision, HMRC began the process to close SSPR2 as per the Chancellor's instructions.

1293. A full communication plan was deployed **[JH/F/76 - INQ000583612]**.

1294. Last claims were submitted by employers on 24 March 2022.

1295. A decision was made to keep the service open for a limited number of internal users to allow claims to be paid to customers who had submitted their claim in time but that had not been paid due to complaints/compliance activity. The final payment was made in July 2022.

1296. Final claims figures for SSPR2 were £40.6m. These were made up of 88k individual employer claims covering a total of 353K employees.

Lessons Learned and post-scheme activity

1297. Lessons learned sessions were held for both schemes on 12 June 2020 and 4 May 2022 respectively to help understand how to improve the delivery of any similar schemes in the future **[JH/F/77 - INQ000583618 and JH/F/78 - INQ000583691]**. Highlights of the important lessons are detailed below. These were made public to colleagues across HMRC after the session's outputs were signed off to help improve project deliveries going forward in line with standard HMRC processes.

1298. Bringing operational colleagues into the design of the claims service at an early stage along with guidance writers and trainers helped to produce a user-friendly service for HMRC advisers and customers. It also allowed HMRC to draw on the considerable knowledge of these staff on how employers (the customers of this service) worked so HMRC could tailor its product to make it easy for them.

1299. The delivery of the scheme was moved from the budget delivery team to a change delivery team once it became apparent the impact COVID-19 was going to have. The two areas had different governance process with different decision-making boards. By moving the delivery

area HMRC moved the governance routes and doing this part way through the delivery was a hinderance. With hindsight HMRC would not have done this. Whilst it did not slow down delivery it did add confusion to stakeholders at a time when there was already a lot of ambiguity, due to the changing understanding and reaction to the COVID-19 pandemic.

1300. Involving colleagues from the Welsh Language Unit from the outset saved valuable time in translation services later in delivery.
1301. Work with employers to ensure they were prepared for the scheme was not started early enough and fully engaging earlier may have reduced some of the, albeit limited, customer contact. It was assumed that as this was more of an extension of the already in place Statutory Sick Scheme rather than a brand-new scheme less engagement would be required. However, with hindsight this should have been considered from the outset of the delivery rather than part way through.
1302. Ensuring clear roles and responsibilities in respect to all documentation was essential in managing stakeholder contact, especially with colleagues from HMT and DWP. This was achieved by creating a RACI (Responsible, Accountable, Consult and Inform) document that clearly setting this out for all stakeholders.
1303. At times obtaining the information from HMRC areas that was required to allow the issuing of both internal and external communications was difficult to obtain in a timely fashion. SSPR was seen as the 'smaller scheme' in relation to CJRS and SEISS meaning that requests were not always prioritised.
1304. There was excellent collaboration and commitment from all areas in HMRC, as well as colleagues from DWP and HMT, via daily checkpoint calls to a common aim of ensuring that the process was straightforward for employers to use and that payments were made as quickly as possible. This approach enabled the scheme to be delivered to a high standard in a short period of time.
1305. Specifically, HMRC prepared COVID-19 playbooks which covered all schemes. These playbooks detailed how the schemes had been set up, listed full decisions taken and suggestions of how to approach any similar requirements for the future.

1306. The SSPR playbook for SSPR1 was used extensively in the setting up and running of the SSPR2 scheme which allowed for a relatively smooth process to be followed. HMRC then created a playbook for SSPR2 after this scheme ceased.

The Role of the Valuation Office Agency in other Key Economic Interventions in Module 9's investigation

1307. Neither HMRC nor the Valuation Office Agency, which is an executive agency of HMRC, provided COVID-19 economic support via business rates relief or grants.

1308. The Valuation Office Agency is responsible for setting and maintaining Rateable Values of non-domestic property across England and Wales and Billing Authorities within local councils use those values for the billing and collection of rates, a tax used to fund local services, from ratepayers. Reliefs and grants were therefore administered directly by Billing Authorities.

1309. However, the Valuation Office Agency did receive contact from customers who were challenging the assessments made under these grants. Because the grants had parameters that were defined by rateable value (for example the Retail, Hospitality and Leisure Grant Fund had an upper limit of £51,000 Rateable Value to qualify), some ratepayers did challenge their Rateable Value to enable them to fall within the parameters of the grants and therefore be eligible.

1310. More than 55,000 ratepayers also challenged their Rateable Values due to the impacts of COVID-19 on their business. Restrictions imposed by lockdowns prevented or limited the use of property (such as preventing use of many shops, pubs, etc.) and it was argued by ratepayers that this reduced the rateable values applicable to them.

1311. As part of the normal functions of the Valuation Office Agency they provided advice on valuation effects to the Department for Levelling Up, Housing and Communities, previously, and again subsequently, called the Ministry of Housing, Communities and Local Government, Welsh Government and HMT, on whether COVID-19 and the lockdowns were matters that could be taken into account in the existing legislation as a basis for ratepayers to challenge their Rateable Values [JH/F/79 - INQ000583844, JH/F/80- INQ000583836 and JH/F/81 -

INQ000583837]. Giving such advice is business as usual for the Valuation Office Agency and similar advice was given during the Foot and Mouth Disease outbreak and the terrorist attack on the World Trade Centre in 2001.

1312. Processing and giving consideration to ratepayers' valuation challenges was stayed by the Valuation Office Agency pending the government's decision on how COVID-19 support for businesses was to be administered more broadly. In due course COVID-19 impacts were addressed from a separate fund, rather than through reductions in Rateable Value. That decision by the Department for Levelling Up, Housing and Communities was the basis of The Valuation for Rating (Coronavirus) (England) Regulations 2021 SI 398 [**JH/F/82 - INQ000583840**], and subsequently, the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 [**JH/F/83 INQ000583842**], which removed COVID-19 impacts as a reason why Rateable Values could be challenged and potentially reduced. Valuation Office Agency Officers have statutory responsibility for administering the rating system and have practical experience in applying the legislation affecting changes to rateable values. Consequently, Valuation Office Agency gave advice to the Department for Levelling Up, Housing and Communities during drafting on the efficacy of the legislation referred to above in achieving their policy objective [**JH/F/84 - INQ000583295**].

1313. Analysis of data about numbers of challenges by ratepayers and changes to rateable values is routinely published by the Valuation Office Agency as part of their Official Statistics datasets. Significant changes to Valuation Office Agency workloads and emerging issues in the rating system are regularly escalated to the Department for Levelling Up, Housing and Communities and HMT for information. As part of those routine briefings the Valuation Office Agency provided data on the amount of rateable value attributable to different property types, e.g. shops, offices, warehouses, etc., and broad estimates of potential reductions in rateable value arising from the COVID Non-Pharmaceutical Interventions to teams at HMT and the Department for Levelling Up, Housing and Communities [**JH/F/85 - INQ000583339 and JH/F/86 - INQ000583340**].

The Role of HMRC in other Key Economic Interventions in Module 9's investigation

1314. Subject to what I have set out in paragraphs 70-73 (data sharing in relation to the Bounce Back Loan Scheme) HMRC played no role in the design, implementation, or delivery of the following schemes:

- 1314.1. Loans to businesses including the Bounce Back Loan Scheme. This was delivered by the Insolvency Service.
- 1314.2. The Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme. These were delivered by the Department for Business, Energy, and Industrial Strategy.
- 1314.3. The Covid Corporate Financing Facility. This was delivered by the Department for Business, Energy, and Industrial Strategy.
- 1314.4. Grants to businesses. These were delivered by the Department for Business, Energy, and Industrial Strategy.
- 1314.5. The Universal Credit uplift. This was a policy of the Department for Work and Pensions and delivered by them.
- 1314.6. Changes to the insolvency rules (including but not limited to changes to directors' duties and the moratorium on statutory demands and winding-up petitions). These were delivered and implemented by the Insolvency Service.

Part G: Lessons Learned and Reflections

1315. I set out below a table listing internal and external reviews, lessons learned exercises or similar, produced or commissioned by HMRC relating to any of the matters in the Provisional Outline of Scope for Module 9.

Date	Report	Exhibit
11 June 2020	SEISS 1: After Action Review	JH/D-SEISS/075 INQ000583387
12 June 2020	SSPR After Action Review	JH/F/077 INQ000583618
15 June 2020	SEISS 2: After Action Review	JH/D-SEISS/076 INQ000583518

Witness Name: Sir James Alan Harra
Statement Number: Second
Exhibits: JH/ABC/01 – JH/G/014
Dated: 7 May 2025

5 August 2020	Post COVID 19 Organisational implications: Stage 1 Report	JH/G/001 INQ000583362
15 October 2020	Post COVID 19 Organisational implications: Interim Report (Stages 1 & 2)	JH/G/002 INQ000583376
17 December 2020	Evaluation of EOHO Policy Objectives	JH/E/077 INQ000583390
20 January 2021	SEISS 3: After Action Review	JH/D-SEISS/077 INQ000583547
24 March 2021	Roadmap for Spring 2021: policy and operational strategy impacts	JH/G/003 INQ000583404
4 May 2021	Building Future Resilience for Future Pandemic/Crisis	JH/G/004 INQ000583411
14 May 2021	EOHO Scheme: Public Value Workshop	JH/E/076 INQ000583412
27 May 2021	EOHO Closure: Covid Response Programme Board	JH/E/074 INQ000583415
27 May 2021	EOHO Covid 19 Case Closure and Handover Report	JH/E/075 INQ00583416
28 May 2021	SEISS 4: After Action Review	JH/D-SEISS/078 INQ000583548
11 October 2021	SEISS 5: After Action Review	JH/D-SEISS/079 INQ000583549
25 February 2022	SEISS Lessons Learned Closure and Handover Report	JH/D-SEISS-073 INQ000583459
4 May 2022	SSPR Lessons Learned	JH/F/078 INQ000583691
13 October 2022	CJRS Interim Evaluation	JH/D-CJRS/255 INQ000583639
13 October 2022	SEISS Interim Evaluation	JH/D-SEISS/002 INQ000583509
17 July 2023	CJRS Final Evaluation	JH/D-CJRS/256 INQ000583638

17 July 2023	SEISS Final Evaluation	JH/D-SEISS/003 INQ000583534
10 October 2023	Managing Debt in a Crisis Playbook	JH/G/011 INQ000583738

1316. The conclusions and reflections concerning scheme specific internal or external reviews, lessons learned exercises or similar in the above chronology are set out in the relevant scheme specific areas of this witness statement. What follows below are those internal or external reviews, lessons learned exercises or similar which relate to the wider HMRC COVID-19 response.

1317. By way of a general observation and reflection, HMRC is committed to continually ensuring that it learns lessons from how it operates in carrying out its functions and serves its customers. In the context of the response to the pandemic, HMRC sought to learn lessons and implement changes in real time as we were dealing with the emergency response. In general I consider the overall response to the pandemic tended to build on existing HMRC strengths such that we were able to deliver broadly positive results. HMRC undertook a range of reviews during and after the pandemic to consider what the department could learn or do differently. In most cases, the lessons were positive ones and were embedded into standard ways of working – very few lessons emerged which resulted in a significant change to how HMRC operates.

Post COVID 19 Organisational Implications: Stage 1 Report and Post COVID 19 Organisational Implications: Interim Report (Stages 1 & 2) [JH/G/001 – INQ000583362 and JH/G/002 – INQ000583376]

1318. The report was considered at the CRB on 9 December 2020.

1319. In summary, the report:

1319.1. identified the capabilities that enabled HMRC to succeed in responding to the pandemic and identified what opportunities HMRC had to leverage those capabilities for the future;

1319.2. identified the gaps in capability that impeded HMRC and considered where HMRC

might wish to invest in future improvements; and

1319.3. considered how crisis situations speed up, improve or undermine how HMRC operates, and how HMRC could use that in both preparing for future crises and improving 'business as usual' activities.

1320. The report suggested immediate actions to address specific issues in the form of:

- 1320.1. working together from the start;
- 1320.2. maintaining focus on the desired outcomes;
- 1320.3. taking a proportionate approach to managing risk;
- 1320.4. delegating decision making whenever possible;
- 1320.5. determining data owners and agreeing their responsibilities; and
- 1320.6. reviewing business continuity plans.

1321. HMRC has acted on these recommendations. Recognising that these are not 'one-off' actions, HMRC keeps these suggestions under review as part of its 'business as usual' delivery.

1322. To enable outcomes in line with HMRC's future directions, the report also suggested:

- 1322.1. deciding on the future of tech solutions developed for HMRC's COVID-19 response;
- 1322.2. identifying, developing and rapidly deploying people with the right skills to respond to future crises; and
- 1322.3. using horizon scanning to identify ways to bolster HMRC's future resilience.

1323. HMRC has used the feedback and suggestions from this report, as well as the other lessons learned activity captured above, to inform thinking on future crisis planning. It has also embedded the learning in its business as usual activity; this speaks to the value of the lessons learned, and their utility beyond crisis planning and response. It also reflects the reality that an organisation's ability to respond effectively in crisis is informed by its 'business as usual' strategic planning, resilience, capability and performance, all of which is drawn on when dealing with unforeseen events. Specific examples of HMRC embedding COVID-19 learning into its activity include:

- 1323.1. The Customer Experience Committee, which was already in existence and useful during the pandemic, has been retained to continue to look at how customers' needs and concerns are being addressed. Better understanding of our customers enables us to target support and tailor interventions more effectively, both in 'business as usual' and crisis contexts.
- 1323.2. HMRC's Communications invested in its communications strategy, optimising the use of communication channels to deliver key messages to ensure the public are more aware of HMRC activity and the offers of help and support that are available. This is relevant for both 'business as usual' activity and crisis contexts where novel or different approaches may be deployed which require rapid customer awareness and education.
- 1323.3. HMRC's HR teams learned from the experience of the pandemic hybrid working model that was rolled out across HMRC as part of the wider strategic HR objectives.
- 1323.4. The C3 model, which was set up and used to coordinate HMRC's readiness for a potential no-deal EU exit, was successfully transitioned to respond to COVID-19. As set out above at the start of this statement HMRC has since recognised the value of having a central team that can coordinate a response to unforeseen events and to improve resilience. C3 has since become embedded as business as usual and is a permanent team known as Departmental Operations Centre.

Roadmap for Spring 2021: Policy and operational strategy impacts [JH/G/003 – INQ000583404]

1324. This review considered how HMRC's plans for removing temporary policy easements – put in place during the 2020 and 2021 lockdowns – matched a new government roadmap showing a path away from the high-level restrictions in place in early 2021.
1325. The conclusion of the review was that the plans were aligned to the new government strategy and HMRC had the right processes in place to enable HMRC to respond to the overarching government approach.
1326. No changes were needed as a result of the roadmap being published.

Building Future Resilience for Future Pandemic / Crisis [JH/G/004 – INQ000583411]

1327. This document was a note for the then departmental minister – Jesse Norman, Financial Secretary to the Treasury – ahead of a discussion in early 2021 with Dame Jayne-Anne Gadhia – the lead non-executive director for HMRC – and me.
1328. It outlined four key areas of thinking about how HMRC could learn from the experience of delivering COVID-19 economic support schemes, adapting to the pandemic and how HMRC could build future resilience. It outlined work to cover two of the areas – HMRC’s resilience as a tax administration agency to cope in a future emergency, and HMRC’s capability to act as a national economic resilience agency.
1329. This marked the start of an ongoing discussion with ministers about how HMRC could be better prepared for future crises. Much of this learning was built into existing programmes, for example HMRC’s strategy for digital transformation [JH/G/005 – INQ000583827] and its tax administration strategy [JH/G/006 – INQ000583826].
1330. Specific new work strands outlined in the review, which were taken forward, focused on what data HMRC could collect (either additionally or in a different way) to allow the department to target economic support more flexibly if that were required in the future.
1331. HMRC concluded that the focus should be on collecting data that was also beneficial for tax administration purposes so there was some immediate benefit to tax collection, as well as potentially being able to assist with future policy development and supporting the delivery of a future crisis response.
1332. HMRC published a consultation document in July 2022 about improving the data HMRC collects from its customers [JH/G/007 – INQ000583733]. This included six types of data to improve or start collecting for the first time:

1332.1. Data about the business sector of the self-employed;

1332.2. Data about the occupations of employees and the self-employed;

- 1332.3. Data about the location(s) of an employment or a business;
- 1332.4. Data about the hours employees work;
- 1332.5. Data about dividends paid to shareholders in owner-managed businesses; and
- 1332.6. Data about the start and end dates of self-employment.

1333. In April 2023, a summary of responses was published setting out HMRC's next steps on three of the data types: employee hours worked, dividends paid to shareholders in owner-managed businesses, and self-employed start and end dates [JH/G/008 – INQ000583825].
1334. Draft legislation in July 2024 led to new powers being included in the Finance Act 2024, and draft secondary legislation was published for consultation in early 2024. In January 2025, the secondary legislation was laid to implement the Income Tax Self-Assessment changes regarding data collected about dividend income and the start and end dates of trade, and it was decided that the collection of employee hours worked would no longer be taken forward [JH/G/009 – INQ000583841].
1335. The changes relating to this data collection activity are due to come into effect in April 2025. Alongside the wider development of HMRC's digital transformation program, including Making Tax Digital for Income Tax Self-Assessment and the Unique Customer Record programme, the new data collected should give HMRC a better view of customers' circumstances and in doing so I hope improve policy insight and options for future ministerial decisions on any economic response in a crisis.
1336. Through the work on data, and an exploration of potential changes to HMRC's functions and powers, ministers concluded that they did not wish to make HMRC a national resilience agency but that HMRC should focus on building its flexibility and resilience as a tax administration agency so as to support wider government resilience [JH/G/010 – INQ000583424].
1337. Beyond the data collection changes outlined above no changes to HMRC's functions have been introduced.

Managing Debt in a Crisis Playbook [JH/G/011 – INQ000583738]

1338. This document is a result of critical learnings from Debt Management's approach to debt collection during the pandemic and covers lessons learned and what went well. It also highlights issues and risks to consider and is intended to inform future responses and support day-to-day decisions at speed.

1339. HMRC recognised that the support and easements introduced during COVID-19 significantly affected the data used by Debt Management for predictive analytic models and customer segmentation about the ability and propensity to pay of different groups of taxpayers. As part of its review and using HMRC data, Debt Management has developed new data products to segment debtors based on their ability and propensity to pay. This approach provides a more accurate analysis than broad categorisation by business size or industry, enabling targeted communication campaigns that improve customer experience and maximise collections.

1340. The paper provided the following conclusions:

1340.1. Data Changes – The support and easement measures during COVID-19 fundamentally altered the data available for existing predictive analytic models and customer segmentation;

1340.2. New Segmentation Approach – Using HMRC data to segment debtors based on their ability and propensity to pay provided better analysis than broad categorisation by size or industry; and

1340.3. Targeted Campaigns – This new segmentation enabled more effective and targeted communication campaigns, improving customer experience and maximising collections.

1341. The paper provided the following recommendations, which have been implemented:

1341.1. Stress Testing Models – Debt Management has implemented stress testing for models to ensure they are resilient, flexible, and capable of quickly adapting to major changes in customer circumstances;

1341.2. Campaign Design – Communication campaign designs have been streamlined by revising segmentation rather than overhauling existing designs, making the process more efficient; and

1341.3. Resource Allocation – Dedicated resources have been allocated to maintain, refine, and update crisis solution models throughout and after a crisis.

1342. Debt Management has made the following changes to relevant systems and processes, as a result of this document, and improved readiness for future pandemics by:

1342.1. Communications – Debt Management will ensure quick and clear communications both internally and externally to avoid confusion and maintain direction;

1342.2. Policy Design – Debt Management will align with wider government strategy to prevent debt and reduce financial losses, setting strategic principles for returning to collections, enforcement, and insolvency;

1342.3. Governance Framework – Debt Management will establish a governance framework ensuring consistency and oversight in decision-making with clear escalation routes and regular governance groups;

1342.4. Resourcing and Productivity – Debt Management developed performance metrics and dynamic resource planning to improve productivity and maximise return on investment, as well as providing support for new and returning collectors; and

1342.5. Customer Support – Debt Management will provide training for colleagues on handling customer interactions with empathy and understanding, embedding a culture of support in communications and guidance, ensuring customers receive the right level of support and empathy during crises.

1343. These measures have collectively enhanced Debt Management's ability to respond effectively to future crises, ensuring both operational efficiency and customer support.

Recommendations

1344. HMRC's economic response to the COVID-19 pandemic was aided through the use of data to make policy decisions and deliver our interventions. HMRC continues to take opportunities to improve the data we collect and hold in order to improve UK citizens' experience of public services and to strengthen government resilience, as well as the resilience of the tax system, to future economic crises. HMRC is building 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 strategic importance of this goal has been highlighted by the COVID-19 pandemic [**JH/G/005 – INQ000583827, JH/G/006 – INQ000583826 and JH/G/012 – INQ000583834**]

1345. Following the pandemic, HMRC has identified gaps and lags in data, which may have contributed to fewer targeted policy interventions, and barriers to data sharing and use, which reduce the flexibility and resilience HMRC needs to provide support during future economic crises.

1346. HMRC is exploring approaches and tools to make the provision of additional data by taxpayers simple and straightforward. We are driving forward improvements in our data collection and use by, for example:

1346.1. making fundamental changes to the way the tax system works through Making Tax Digital for income tax – Making Tax Digital will enable submission of close to real-time data by businesses, allowing us to provide better targeted support quickly to those who need it [**JH/G/013 – INQ000583839**];

1346.2. requiring improved information regarding start and end dates of self-employment and sources of dividend income as part of the Income Tax Self Assessment Returns – this will take effect from April 2025 [**JH/G/008 – INQ000583825**]; and

1346.3. modernising the business rates system and improving the data available to central and local government through the Digitalising Business Rates programme, which will connect the business rates information held locally by billing authorities in England and Wales with HMRC tax data [**JH/G/014 – INQ000583835**].

1347. HMRC is enhancing the value of its current data as a public asset to provide improved government resilience and reduce duplication and waste. The administrative data collected by HMRC can generate valuable insights and lead to better policy and operation decision-making across government, including in times of crises. HMRC is supporting the Department for Science, Innovation and Technology with the creation of the National Data Library, making it easier to find and reuse data across public sector organisations – the National Data Library aims to support better prevention, intervention, and detection, enhancing the resilience and use of public data in times of crises.

1348. These approaches by HMRC are helping to bridge gaps and lags in data and remove barriers to the sharing and use of data. For example:

1348.1. by obtaining more accurate information on trading activity, HMRC could improve its understanding of the characteristics of traders and better target policy interventions in a future crisis;

1348.2. by obtaining improved location data, HMRC should have a more detailed understanding of where economic activity is based and ultimately have the option to provide better support options where economic support of a localised nature is needed during a crisis; and

1348.3. by obtaining data that we did not previously hold – such as the total package or remuneration received by a Company Owner Manager from their company – HMRC will have the flexibility to formulate more targeted policies that could support specific taxpayer groups.

1349. HMRC is investing in its data infrastructure. However, we recognise that we are still improving our data quality, management, and accessibility to ensure that we can deliver resilient data in future crises.

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by Personal Data in its truth.

Signed:

Dated: 7 May 2025