

HM Revenue and Customs

Introduction

1. This Supplementary Estimate is required for the following purposes:

		Amount (£)	
		<u>Increases</u>	<u>Reductions</u>
<u>Changes in resources</u>			
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements			
<u>Section</u>	<u>Reason for change</u>		
<u>Changes related to movements in budgets</u>			
<u>Increases</u>			
	<u>Draw down of Modernisation Fund</u>		
A1	£44,500,000 administration costs, as agreed by Chief Secretary to modernise and transform HMRC made up of £28,260,000 non-cash and £16,240,000 near cash	44,500,000	
	<u>DEL Reserve claims</u>		
A1	£30,000,000 administration near cash costs, as agreed as part of the CSR settlement to expand call centre capacity	30,000,000	
	<u>Take up of Departmental Unallocated Provision</u>		
A1	£15,000,000 administration near cash costs draw down from the non voted Departmental Unallocated Provision relating to funding for Spend to Raise	15,000,000	
	<u>End Year Flexibility (EYF) Take up</u>		
A1	£1,400,000 administration near cash costs in accordance with the Public Expenditure Outturn White Paper (CM 7156).	1,400,000	
	<u>Transfers from Other Government Departments</u>		
A1	£1,587,000 administration near cash costs transferred from Cabinet Office in respect of Parliamentary Counsel Office funding	1,587,000	
<u>Decreases</u>			
	<u>Transfers to Other Government Departments</u>		
A2	£1,000,000 programme near cash expenditure to the Serious Organised Crime Agency		-1,000,000
		<u>Total</u>	
Total change in resources for RfR1		92,487,000	-1,000,000
			91,487,000

RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
<u>Changes related to movements in budgets</u>			
<u>Increases</u>			
<u>Transfers of budgetary cover to other government departments</u>			
A5	£2,059,000 programme income relating to a Machinery of Government transfer to the Ministry of Defence in respect of CILOR costs	2,059,000	
<u>Decreases</u>			
<u>Transfers of budgetary cover to other government departments</u>			
A2	£2,059,000 programme expenditure relating to a Machinery of Government transfer to the Ministry of Defence in respect of CILOR costs		-2,058,000
		<u>Total</u>	<u>2,059,000</u>
Total change in resources for RfR4			1,000
Total change in resources for Estimate			91,488,000

2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £63,228,000
3. Symbols are explained in the Introduction to this booklet.

HM Revenue and Customs

Part I

£

RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements		91,487,000
RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies	†	1,000
Total additional net resource requirement		91,488,000
Additional net cash requirement		63,228,000

SUPPLEMENTARY amounts required in the year ending 31 March 2008 for expenditure by HM Revenue and Customs on:

RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements

administration and the associated non-cash items incurred in the management and collection of the direct and indirect taxes, duties and levies, Shipbuilders' Relief, new tax credits, National Insurance Contributions, Child Benefit and the Child Trust Fund, Money Laundering regulatory regime, the National Insurance Funds for Great Britain and Northern Ireland; OPG and government banking services; the operation of customs controls including prohibitions and restrictions; the provision of trade information; the provision of Capital Grants for Excise Tax Stamps; the provision of resources to independent investigatory bodies (including the HMIC, IPCC and the police authorities) to facilitate the independent inspection of professional standards within the Department, the investigation of allegations of mis-conduct or criminal activities by Departmental staff and fulfilment of reciprocal complaints investigation arrangements with police authorities; the provision of incentive payments for e-filing; payments in respect of the Customs National Museum; grants to the voluntary and community sector; providing the business link portal; air travel carbon-offsetting; and for services provided to the department's information technology and wider markets' partners, other departments and public bodies including any assistance with investigations into terrorist incidents, and overseas tax administration.

Part I (continued)

RfR 2: Growing a contribution to the good management of property where the public interest is involved

administration and the associated non-cash items incurred in the provision of valuation and other services for government departments and other public bodies by the Valuation Office Agency.

RfR 3: Providing payments in lieu of tax relief to certain bodies

transitional payments to charities, supplements on payroll giving, donations to charities and on personal and stakeholder pension schemes, life assurance premium relief, stamp duty relief and residual payments for mortgage interest relief, vocational training relief and private medical insurance; and associated non-cash items.

RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies

rates paid by Her Majesty's Revenue and Customs in respect of non-domestic property occupied by accredited representatives of Commonwealth and foreign countries and certain international organisations and associated non-cash items.

RfR 5: Payments of Child Benefit and Child Trust Fund endowments

payments of Child Benefit, Child Trust Funds and associated non-cash items.

HM Revenue and Customs will account for this Estimate.

† An element within RfR4 relating to contributions in lieu of rates (CILOR) was transferred to the Ministry of Defence (MoD) on 1st April 2007. Within the changes sought in this Estimate, the specific changes relating to this machinery of government transfer, which are cost neutral and have no effect on the net resource requirement or net cash requirement, are:

a) operating appropriations in aid are reduced by £2,059,000

Part II: Changes proposed

Resources	£'000				
	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	New Net Provision
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements					
Spending in Departmental Expenditure Limits (DEL)					
<i>Central Government spending</i>					
RfR 1 - A Administration	4,055,422	91,487	-	91,487	4,146,909
Total RfR 1		91,487	-	91,487	
RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies					
Spending in Annually Managed Expenditure (AME)					
<i>Central Government spending</i>					
RfR 4 - A Payments of Local Authority rates	38,385	-2,058	-2,059	1	38,386
Total RfR 4		-2,058	-2,059	1	
Total Changes to RfRs		89,429	-2,059	91,488	

	£000		
	Present Provision	Change in Provision	New Provision
Capital and Cash			
Total Capital Expenditure	267,951	-	267,951
Non-Operating A in A	3,980	-	3,980
Net cash requirement	15,122,469	63,228	15,185,697

Part II: Revised subhead detail including additional provision

Resources						Capital		£'000
1	2	3	4	5	6	7	8	
Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements								
4,444,606	125,374	200,435	4,770,415	423,505	4,346,910	258,780	3,818	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Administration								
4,444,606	121,874	435	4,566,915	420,006	4,146,909	258,780	3,818	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
B e-filing incentive payments								
-	-	200,000	200,000	-	200,000	-	-	
Non-budget								
C Operational local clearance procedures								
-	3,500	-	3,500	3,499	1	-	-	
RfR 2: Growing a contribution to the good management of property where the public interest is involved								
214,975	265	-	215,240	215,239	1	9,171	162	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Administration								
214,975	-	-	214,975	215,239	-264	9,171	162	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
B Revaluations								
-	265	-	265	-	265	-	-	
RfR 3: Providing payments in lieu of tax relief to certain bodies								
-	-	86,000	86,000	-	86,000	-	-	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
A Payments in lieu of tax relief								
-	-	86,000	86,000	-	86,000	-	-	
RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies								
-	40,625	-	40,625	2,239	38,386	-	-	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
A Payments of Local Authority rates								
-	40,625	-	40,625	2,239	38,386	-	-	
RfR 5: Payments of Child Benefit and Child Trust Fund endowments								
-	-9,574	10,760,036	10,750,462	-	10,750,462	-	-	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
A Children's benefits								
-	-9,574	10,520,036	10,510,462	-	10,510,462	-	-	
B Child Trust Fund Endowments								
-	-	240,000	240,000	-	240,000	-	-	
Total for Estimate:								
4,659,581	156,690	11,046,471	15,862,742	640,983	15,221,759	267,951	3,980	

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000 Revised</u>
Net Resource Requirement	15,130,271	91,488	15,221,759
Voted capital items			
Capital	267,951	-	267,951
<i>Less:</i> Non-operating A in A	3,980	-	3,980
Total net voted capital	263,971	-	263,971
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-34,305	-	-34,305
Depreciation	-183,516	-	-183,516
New provisions and adjustments to previous provisions	-119,791	-28,260	-148,051
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-520	-	-520
Increase(+)/decrease (-) in stock	-500	-	-500
Increase(+)/decrease (-) in debtors	34,530	-	34,530
Increase(-)/decrease (+) in creditors	-1,819	-	-1,819
Use of provisions	34,148	-	34,148
Total accruals to cash adjustments	-271,773	-28,260	-300,033
Excess cash to be CFERd	-	-	-
Net Cash Requirement	15,122,469	63,228	15,185,697

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

	£'000
	2007-08 provision
Net Administration Costs	
RfR1	4,396,797
RfR2	-264
RfR3	-
RfR4	-
RfR5	-
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Total Net Administration Costs	4,396,533
Net Programme Costs	
RfR1	-49,887
RfR2	265
RfR3	86,000
RfR4	38,386
RfR5	10,750,462
Non-voted	-
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Total Net Programme costs	10,825,226
Total Net Operating Cost	15,221,759
<i>of which:</i>	
Net Resource Requirement	15,221,759
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
Resource Budget	30,228,774

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2007-08 Provision
Net Resource Requirement (Estimates)	15,221,759
<i>Adjustments to remove:</i>	
provision voted for earlier years	
<i>Adjustments to additionally include:</i>	
non-voted expenditure in the OCS	-
Consolidated Fund extra receipts in the OCS	-
Other adjustments	-
Net Operating Costs (Accounts)	15,221,759
<i>Adjustments to remove:</i>	
Gains/losses from sale of capital assets	-
Capital grants	-240,000
European Union income related to capital grants	-
voted expenditure outside the budget	-1
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	-
unallocated resource provision	45,074
Other adjustments	15,201,942
Resource Budget (Budget)	30,228,774
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	4,539,658
Annually Managed Expenditure (AME)	25,689,116

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2007-08 Provision
Net Voted Capital (Estimates)	263,971
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
capital spending by non departmental public bodies	-
capital grants	240,000
European Union income related to capital grants	-
supported capital expenditure (revenue)	-
capital spending by levy funded bodies	-
unallocated capital provision	3,739
Other adjustments	-
Capital Budget (Budget)	507,710
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	267,710
Annually Managed Expenditure (AME)	240,000

Notes to the Estimate (*continued*)

Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointments for the Requests for Resources within this Estimate.

Request for Resources 1	Mike Eland, Director General, HM Revenue and Customs
Request for Resources 2	Andrew Hudson, Chief Executive of the Valuation Office Agency
Request for Resources 3	David Hartnett, Director General, HM Revenue and Customs
Request for Resources 4	Andrew Hudson, Chief Executive of the Valuation Office Agency
Request for Resources 5	Mike Eland, Director General, HM Revenue and Customs

Paul Gray as the Principal Accounting Officer of HM Revenue and Customs has personal responsibility for the proper presentation of the department's resource accounts as prescribed in legislation, or by the Treasury, and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, remains in general overall charge of HM Revenue and Customs.

The responsibilities of an Accounting Officer are set out in chapter 3 of Managing Public Money. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the organisation's policies, aims, and objectives and should regularly review the effectiveness of that system.

In accordance with Government Accounting requirements, the relationship between the PAO and the Additional Accounting Officers and with their Ministers, together with their respective responsibilities, is set out in writing.

Notes to the Estimate (*continued*)

Analysis of operating appropriations in aid (A in A)

£'000

2007-08

RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements

Administration	47,809
<i>of which:</i>	
Sale of goods and services	29,050
Regulatory licences, fines, penalties and taxes	18,759
Programme	375,696
<i>of which:</i>	
Sale of goods and services	375,561
Regulatory licences, fines, penalties and taxes	135
Total RfR1	423,505 †

† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: the recovery of law costs; recovery of costs of administering the National Insurance Funds and collection of National Insurance contributions; subsidies for New Deal jobseekers employed; receipts for services provided to the Valuation Office Agency, government departments and other bodies; recovery of costs in respect of the Aggregates levy and of seconded and loan staff; charges for the special attendance of officers; and for international commitments; student loan receipts;

receipts from the sale of publications; from the sale of statistical services and certificates; and from estate management services, including rent receipts from other government departments and private tenants; receipts from the use of certain official cars; receipts from certain tax penalties; EC travelling expenses and receipts from the EC; receipts in respect of Shipbuilders' Relief and local clearance procedures under Single European Authorisations; receipts from insurance and compensation claims; receipts from the Asset Recovery Incentivisation Scheme; and marine fuel relief; fees received for the money laundering regulatory regime; recoveries of overpayments in prior years; excess cash receipts; subscription fees relating to Business Link; and other miscellaneous administration and programme cost receipts.

RfR 2: Growing a contribution to the good management of property where the public interest is involved

Administration	215,239
<i>of which:</i>	
Sale of goods and services	215,239
Total RfR2	215,239 †

† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: the recovery of costs of valuation and other services; receipts from the use of certain official cars; receipts from the sale of information and publications; recovery of law costs; rent receipts from other government departments and private tenants; other administration cost receipts.

RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies

Programme	2,239
<i>of which:</i>	
Sale of goods and services	2,239
Total RfR4	2,239 †

† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: payment of rates by accredited Commonwealth and foreign countries and certain international organisations; refunds from local authorities.

Total Operating A in A	640,983
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Analysis of non - operating appropriations in aid (A in A)

RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements

Administration	-
<i>of which:</i>	
Sale of assets	
Programme	3,818
<i>of which:</i>	
Sale of assets	3,818
Total RfR1	3,818 †

† Amount that may be applied as non-operating appropriations in aid arising from: the recovery of income from the sale of fixed assets and from the sale of land and buildings.

RfR 2: Growing a contribution to the good management of property where the public interest is involved

Administration	-
<i>of which:</i>	
Sale of assets	-
Programme	162
<i>of which:</i>	
Sale of assets	162
Total RfR2	162 †

† Amount that may be applied as non-operating appropriations in aid arising from: the recovery of income from the sale of assets.

Total Non-Operating A in A	3,980
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Notes to the Estimate (*continued*)

Departmental Expenditure Limits and Administration Budgets

	Change		New DEL		£'000
	Voted	Non-voted	Voted	Non-voted	Total
Resource DEL	91,487	-15,000	4,146,645	393,013	4,539,658
<i>of which:</i>					
<i>Administration budget †</i>	92,487	-15,000	4,396,533	45,074	4,441,607
<i>Near-cash in RDEL</i>	63,227	-15,000	3,770,975	427,161	4,198,136
Capital DEL ††	-	-	263,971	3,739	267,710
Less Depreciation †††	-	-	-183,251	-	-183,251
Total DEL	91,487	-15,000	4,227,365	396,752	4,624,117

† The total of 'Administration budget' and 'Near-cash in Resource DEL' figures may well be greater than total resource DEL, due to the definitions overlapping.

†† Capital DEL includes items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

††† Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

Cash which may be retained to offset expenditure

	£'000
Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid	644,963

Expenditure resting on the sole authority of the Appropriation Act

The following subheads contain provision sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act:

RfR/Section	Service	£'000
RfR1/ A2	Capital Grants for Tax Stamps	353

