National Audit Office

Report
by the Comptroller
and Auditor General

HM Treasury, HM Revenue & Customs

Implementing employment support schemes in response to the COVID-19 pandemic

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Implementing employment support schemes in response to the COVID-19 pandemic

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This report examines the role of HM Treasury and HM Revenue & Customs (HMRC) in implementing the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS). The report considers how well the schemes were implemented, recognising the need to deliver at speed in response to the COVID-19 pandemic.

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Contents

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Key facts

£52.7bn	£69.7bn	£3.9bn
Total costs reported for the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) up to 20 September 2020	Combined total forecast spend for CJRS and first two grants of SEISS	HM Revenue & Customs' (HMRC's) upper estimate of fraud and error on CJRS to 20 September, based on 5% to 10% fraud and error levels on £39.3 billion of payments. The 5% estimate equates to £2.0 billion

9.6 million	total jobs furloughed with 1.2 million employers (61% of those eligible) making at least one CJRS claim[1]
2 million	estimate of workforce (to nearest million) remaining furloughed based on employers surveyed, 7 to 20 September 2020
9%	proportion of furloughed employees in our survey telling us that they worked at their employer's request while furloughed
2.6 million	self-employed individuals made a first grant claim to the SEISS scheme (77% of those potentially eligible) to 31 July 2020
99.5%	CJRS claims paid within six working days
97.5%	SEISS claims paid within six working days
£278 million	amounts companies repaid voluntarily to HMRC for CJRS payments they did not need or took in error
£275 million	overpayments HMRC estimates it could recover on 10,000 CJRS payments it believes are at high-risk of fraud

Note

1 The latest HMRC COVID-19 statistics are available at: www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics

Summary

Introduction

1 On 20 March 2020 government announced the Coronavirus Job Retention Scheme (CJRS), followed on 26 March by the Self-Employment Income Support Scheme (SEISS) as part of its economic response to the COVID-19 pandemic. Our report refers to these as 'the schemes'.

2 Initially government's overriding ambition for both schemes was to provide financial support to businesses and individuals as quickly as possible in the wake of the COVID-19 pandemic to protect jobs. In summary:

- **CJRS:** The initial aim was to provide rapid financial support to help firms continue to keep people in employment. Employers could put workers on temporary leave and government would pay them cash grants of 80% of employees' salaries, up to £2,500 a month (CJRS 1). From July and under a 'flexible furlough' phase (CJRS 2), the objectives changed to give firms flexibility to support the recovery and in August, by introducing an employer contribution.
- **SEISS:** The aim was to provide fast grant payments to self-employed individuals whose businesses had been 'adversely affected' by the pandemic. The grant was intended to help support self-employed individuals with living costs, but they could also continue to work, start a new trade or take up a new employment. A second SEISS grant was available to claim from 17 August 2020.

3 The schemes were only open to existing taxpayers who met certain eligibility criteria. At 20 September 2020 CJRS had supported 1.2 million employers and 9.6 million jobs, with claims totalling £39.3 billion. The Office for Budget Responsibility (OBR) expects CJRS claims to reach £54.5 billion in total. By 20 September 2020 the SEISS scheme had at least 2.6 million claims, totalling £13.4 billion. OBR forecasts SEISS claims will total £15.2 billion, bringing total forecast spending for these schemes to nearly £70 billion. The CJRS scheme will end on 31 October. On 24 September 2020 government announced a new Job Support Scheme (JSS) intended to provide help for short-time working (reduced hours) and an extension to SEISS until April 2021. On 9 October government announced an extension to JSS (referred to as 'expanded JSS') to support companies whose businesses are legally required to close as a direct result of coronavirus restrictions.

4 HM Revenue & Customs (HMRC) and HM Treasury – collectively referred to as 'the Departments' – were responsible for advising ministers on the design of the schemes. HM Treasury led on policy design and HMRC led on administrative design and then the implementation and administration of the schemes.

Scope of this report

5 The scale and nature of the current COVID-19 pandemic, and government's response to it, is unprecedented in recent history. This report considers how well HM Treasury and HMRC have managed risks thus far in implementing these schemes. This report considers whether the Departments have:

- **managed design and delivery risks effectively in implementing the schemes. Part One** assesses the Departments' implementation of these schemes against evaluative criteria that draw upon our work analysing the government's response to other crises;
- **understood whether the schemes are reaching the people intended. Part Two** examines the Departments' approach to ensuring that the schemes were reaching their intended recipients, whether they had a good understanding of the consequences of their design decisions and what the impact of those decisions has been; and
- **managed fraud and error risks effectively. Part Three** considers how far fraud and error risks have been addressed.

6 This report does not consider HMRC's other COVID-19 interventions designed to support businesses, including the Coronavirus Job Retention Bonus and Eat Out to Help Out, or the relationship between the schemes and wider government support such as business loans and benefits. We have previously reported on the Bounce Back Loans Scheme.[1]

7 Our audit approach is described in Appendix One and the evidence base we used is in Appendix Two. Appendix Three provides international comparisons and Appendix Four shows how the schemes have evolved over time.

1 Comptroller and Auditor General, *Investigation into the Bounce Back Loan scheme*, Session 2019–2021, HC 860, National Audit Office, October 2020.

Key findings

Designing and implementing the employment support schemes

8 **The Departments implemented the schemes quickly and ahead of schedule.** Ministers set clear objectives that both schemes should be delivered quickly. Government announced the CJRS scheme on 20 March 2020. HMRC planned to make initial CJRS payments by the end of April 2020, but made it available to employers from 20 April, just a month after the government's announcement. Government announced the SEISS scheme on 26 March. HMRC intended to make SEISS payments by the beginning of June but made the scheme available from 13 May, two weeks early. HMRC accelerated the original timetable for the SEISS scheme, recognising the need to provide financial support to eligible customers as quickly as possible (paragraphs 1.1 to 1.4 and Figure 2).

9 **The scale of the challenge was potentially increased by the lack of pandemic contingency planning and existing employment support schemes the Departments could easily adapt.** Instead, HM Treasury told us it drew on economic contingency planning designed for financial rescues, developed following the credit crisis; and draft policy work on wage subsidy schemes and lessons learned from other countries, such as Germany, in implementing short-time working schemes (paragraph 1.7).

10 **Given the compressed timeframe to design each scheme, the Departments could not follow standard processes comprehensively.** In the circumstances, the Departments had insufficient time to produce detailed documentation – such as business cases, options appraisal and detailed cost-benefit analysis – that we would normally expect to be available to support key investment decisions. Instead, policy and operational officials worked closely together to rapidly develop employment support schemes that they could implement quickly. HMRC agreed clear principles for both schemes, including that the claim process should be simple and the grant calculation straightforward. HMRC used existing supplier relationships and contracts to develop the IT solution (paragraphs 1.5 to 1.6, 1.8, 1.9).

11 **HMRC implemented the schemes quickly through strong project management, risk management and service testing.** Detailed planning and project management were central to rapid delivery. The Departments took a structured approach to identify and manage risk, using government's *Orange Book* on risk management. HMRC's IT staff took four weeks to implement the CJRS scheme, compared with an average of around 18 months that they normally need to deliver major IT projects. HMRC tested customer journeys and developed guidance for customers and training for staff to enable the effective operation of the schemes (paragraphs 1.10 to 1.18 and Figure 3).

12 **Other countries, at the start of the pandemic, were able to adapt existing schemes to deliver support more quickly.** We contacted 20 national audit institutions to understand how their respective governments designed and implemented similar employment support schemes. Most countries implemented their schemes faster than CJRS, but almost all had pre-existing arrangements they could adapt. Countries such as Germany and France already had short-time work schemes in place to support companies with salary costs at times of economic crisis (paragraphs 1.19 to 1.23 and Figure 4).

Supporting the people intended

13 **The schemes have been largely successful in protecting jobs through the lockdown period, with at least 12.2 million people benefitting from support.** The CJRS scheme supported 9.6 million jobs and, at its peak in May, around 30% of the workforce eligible for the scheme across the UK were furloughed. The SEISS scheme supported at least 2.6 million self-employed people, around 77% of the 3.4 million people potentially eligible for the scheme. The number of jobs furloughed fell to around five million by the end of July, while unemployment levels remained broadly stable at around 4% of the workforce. This suggests the schemes provided an effective bridge during the early phases of the pandemic, allowing some people to return to work when the national lockdown eased. However, the number of people on payrolls fell by 0.5 million between March and April. We found one in five people we surveyed who were in paid employment were not furloughed but had their pay or hours reduced, presumably because they could continue to work in some capacity through lockdown without their employer drawing on CJRS (paragraphs 2.12 to 2.16, Figure 7 and Figure 9).

14 **A combination of policy decisions and constraints in the tax system meant that as many as 2.9 million people were not eligible for the schemes.** People were excluded from the schemes either because of ministerial decisions about how to target the schemes, or because HMRC did not have data needed to properly guard against the risk of fraud. The precise number of people needing help is uncertain because not everyone will have been sufficiently affected by the pandemic to need financial support. Groups ineligible for support were as follows:

- CJRS: an estimated 1.1 million people were ineligible because HMRC had limited data to verify claims. HMRC has not estimated the number affected but third-party estimates suggest around 0.4 million short-term contractors moving between jobs were ineligible. Additionally, 0.7 million limited company directors could not claim for company dividends paid instead of salaries. The tax system treats company dividends as investment income and HMRC cannot separately identify those payments from other investments. However, company directors could still claim for earnings registered with the Pay-As-You-Earn scheme and apply for bounce back loans.

- SEISS: HMRC estimated that around 1.6 million self-employed people did not meet the scheme's policy criteria. Of these, 1.4 million people had trading profit that was less than their non-trading income; 0.5 million people had a trading profit of £0 or made a loss; and 0.2 million people were ineligible because their trading profits exceeded £50,000.[2]

- SEISS: third-parties estimated a further 0.2 million people who were newly self-employed in 2019-20 were ineligible because they had not yet submitted a Self Assessment return. Therefore, HMRC did not have verified records on which to confirm their activity and estimate their income. This figure could have been greater had lockdown occurred further from the January 2020 deadline for annual tax Self Assessment returns. HMRC intends to introduce more frequent (quarterly) reporting for self-employed people under Making Tax Digital from April 2023 (paragraphs 2.6 to 2.11 and Figure 6).

15 **The Departments considered the equality implications of their design decisions.** The Departments carried out equality impact assessments for both schemes. They identified that 12% of self-employed workers had a Black, Asian or minority ethnic background and undertook work to raise awareness of the SEISS scheme with stakeholder groups. HMRC's monitoring data provide information on the age and gender profiles of people covered by the schemes but do not report on other protected characteristics, such as ethnicity, as these data are not necessary for the administration of taxes. The data show that a greater proportion of younger workers were furloughed. A greater proportion of men were furloughed initially, but this reduced over time and by September there was little difference between men and women. In August 2020 HMRC began tendering for survey and qualitative research to gain additional feedback on the schemes (paragraphs 2.17 to 2.22 and Figure 10).

16 **In the long-term the number of jobs protected will depend on wider government support.** Around two million (9%) workers remained furloughed in mid-September. Retail, accommodation and food services, manufacturing and construction have claimed the most financial support from the schemes to date. Many of these sectors have also utilised bounce back loans. The long-term impact of the schemes is likely to be difficult to disentangle from the effects of wider government support and the ongoing impact of COVID-19. The new JSS is intended to support short-time working between November 2020 and April 2021. Government has also announced an extension to SEISS over the period and further furlough support (expanded JSS) for businesses legally required to close due to lockdown restrictions (paragraphs 2.23 to 2.28 and Figure 11).

Managing fraud and error

17 **In implementing the schemes, the Departments accepted there may be a higher risk of fraud and error than normal, in order to provide rapid financial support and protect jobs.** Recognising the priority placed on speed, the Departments have tolerated greater risk than normal. Limiting the schemes only to taxpayers with current records has helped to reduce the risk of certain types of fraud significantly because applicants had to be known to HMRC and had to be paying tax. However, the aim to make payments within six working days limited HMRC's ability to carry out pre-payment checks. For example, HMRC did not validate some data upfront or require details of the amounts claimed for every employee before making payments. It made a systematic assessment of the risks and prospects of recovery from different groups and prioritised its response for the time constraints it faced. HMRC did not have the enforcement powers to recover overpayments by the time the schemes went live. It took a calculated risk that powers would be granted and received these in July 2020 (paragraphs 3.5 to 3.9 and Figure 15).

18 **There is evidence that significant levels of furlough fraud occurred, with limited controls over employers' arrangements with employees.** Employers committed furlough fraud if they claimed furlough payments but kept employees working for them against CJRS rules. HMRC's fraud hotline has received more than 10,000 reports, mainly of furlough fraud, but it has not yet carried out survey work or random sampling to estimate the scale of the issue. Of furloughed people responding to our survey, 9% admitted to working in lockdown at the request of their employer, and against the rules of the scheme. Other surveys indicate between 7% and 34% of furloughed employees surveyed worked at the request of their employer while furloughed. HMRC concluded it would tackle fraud through whistleblowing and retrospective compliance work. However, employees would not have known if their employer was part of the government furlough scheme unless their employer had informed them. Controls such as contacting employees directly or publicising which companies claimed furlough payments were considered but rejected. HMRC concluded it would have been unrealistic to contact employees because of the large numbers involved, and that publishing a list of employers risked deterring too many legitimate claims. HMRC intends to publish the names of employers claiming the JSS scheme and to notify employees through their personal tax accounts when an employer has claimed JSS (paragraphs 3.10 to 3.21 and Figure 18).

19 The scale of total fraud and error is likely to be considerable, particularly for CJRS, but HMRC will not know the actual levels for some time. HMRC's planning assumption was that total fraud and error could range from 5% to 10% on CJRS, which would equate to £2.0 billion to £3.9 billion based on payments made by mid-September. For the first SEISS grant, HMRC's planning assumption was that fraud and error could range from 1% to 2%. Both these estimates were largely assumption-based rather than evidence-based. At the end of September 2020, HMRC was developing a programme of work to understand the full scale of fraud and error. It aims to refine its provisional estimates again by the end of 2020 and in spring 2021 as it undertakes more compliance work and receives more operational intelligence. HMRC does not expect to have a complete assessment of the total fraud and error it needs to tackle until the end of 2021 at the earliest. HMRC is monitoring the levels of organised criminal activity including the stealing of taxpayer identities and coercion of taxpayers to make fraudulent claims. To date, HMRC has blocked only £10 million of CJRS claims. It intends to measure its effectiveness in mitigating the risk in due course (paragraphs 3.20 to 3.28 and Figure 16).

20 HMRC's initial assessment was that it must divert resources from tax compliance activities to tackle fraud on these schemes. HMRC estimates it could deploy around 500 staff to recover £275 million on 10,000 of the most high-risk CJRS grants awarded. While this offers a high rate of return, HMRC estimates that redeploying staff will come at a cost to tax revenue because HMRC's tax compliance work offers even higher rates of return. In June 2020 HMRC concluded that its only option to address grant fraud and error was to redeploy existing, trained staff. It concluded it could not bring in additional staff because they would take up to 18 months to recruit and train to undertake complex compliance work, and this would be too long. In October 2020 HMRC told us that with the announcement of new schemes, and better understanding from the operation of SEISS and CJRS, it was now planning to use private contractors to supplement its compliance capacity where necessary. HMRC does not yet know the scale of fraud and error it needs to tackle to any degree of certainty, and it is not yet clear for how long its compliance activity will be affected by the COVID-19 pandemic (paragraphs 3.29 to 3.31 and Figure 19).

Conclusion on value for money

21 HM Treasury and HMRC met their objective to rapidly implement the schemes and the Departments should be commended for making these available ahead of schedule. The schemes were relatively straightforward to apply for, and payments quickly reached those who applied. Indications are that this has helped to protect jobs in the short term and the numbers of people moving from furlough arrangements back to work are encouraging. However, many other people have lost earnings and have not been able to access support. The long-term impact of the schemes will also depend on wider financial support and the ongoing impact of COVID-19.

22 A key value-for-money test for these schemes will be how far the Departments can mitigate fraud and error. The pace at which the schemes were designed and implemented meant the Departments had to accept a greater risk than normal. As such, there are likely to be considerable amounts of fraud and error, particularly on the furlough scheme. Limiting applications to existing taxpayers should have reduced the fraud risk, but HMRC could have done more to make clear to employees whether their employer was part of the furlough scheme. In future, the Departments should do more while employment support schemes are running to protect employees and counter acts of fraud. The Departments will need to ensure sufficient resources are committed to recover money where it is cost-effective to do so.

Recommendations

23 To learn from their experience in implementing the employment support schemes, and to protect taxpayer interests **HM Treasury and HMRC should:**

a consider how to ensure that reliable data covering as many people as possible can be used to determine eligibility so that fewer people suffering loss of income are excluded from future similar schemes;

b monitor how far employment support schemes protect jobs, recognising that the approach may need to adapt rapidly in response to how the pandemic evolves over the coming months;

c increase the emphasis on using preventative controls for tackling fraud and error in the new schemes. Where appropriate for future schemes, carry out more direct work with employees to ensure employers treat them according to scheme rules, and increase visibility of which employers use employment support schemes;

d more quickly assess the total value of error and fraud; and explore the feasibility of commencing assessment activity earlier for future schemes so that some testing is undertaken while schemes are live;

e review whether a faster programme of recruitment and training can be provided for grant compliance staff, recognising that the activity may differ to tax compliance work; and

f review how to organise HMRC's compliance response to ensure that sufficient resources are committed to recover overpayments and fraudulent payments on both schemes where it is cost-effective to do so.

24 As the COVID-19 pandemic continues, leading to ongoing uncertainty, the Departments may need to develop longer-term plans to support businesses and jobs which will involve balancing speed of response with risks to value for money. This includes targeting support to those who need it, treating employees in accordance with the scheme rules, and reducing fraud and error. In balancing these, the Departments should:

g ensure that their consideration of options, including under the JSS and extended schemes, are sufficiently well-documented to demonstrate how risks to value for money have been considered and resultant risks are clearly understood and managed;

h specify how performance and value for money will be judged as the schemes progress, monitoring outcomes and adapting arrangements quickly if required; and

i consider how HMRC should organise its systems and capabilities to provide this targeted support, which may require different choices in digitising the tax system, more frequent filing of tax return data, better linking of customer records, and changes to customer services.

Part One

HM Revenue & Customs' implementation of the employment support schemes

1.1 In late March 2020 the government announced two UK-wide employment support schemes in response to the coronavirus crisis. The schemes, administered by HM Revenue & Customs (HMRC) following HM Treasury's direction, were:

- **The Coronavirus Job Retention Scheme (CJRS):** to provide grant payments to employers to help firms continue to keep people in employment. Employers could put workers on temporary leave and the government would pay them cash grants of 80% of employees' salaries, up to £2,500 a month. Phase 1 (CJRS 1) of the scheme operated to the end of June 2020. From July to October 2020 a modified, second phase (CJRS 2) allowed employers to bring employees back to work part-time.

- **The Self-Employment Income Support Scheme (SEISS):** to provide a grant payment to self-employed individuals whose business has been 'adversely affected' by the pandemic. The grant was intended to help support self-employed individuals with living costs, and they could continue to work, start a new trade or take up a new employment. A second SEISS grant was available to claim from 17 August 2020.

1.2 The schemes are part of a wider government response targeting businesses and individuals (**Figure 1**).[3]

3 Our May 2020 report on government's response to COVID-19 gives a fuller description of its crisis response. See Comptroller and Auditor General, *Overview of the UK government's response to the COVID-19 pandemic*, Session 2019-21, HC 366, National Audit Office, May 2020.

Figure 1

The schemes are part of a wider portfolio of government support

The schemes provided grant support for businesses and for individuals during the pandemic

Wider context of government support for businesses and individuals

Support for businesses

Loans and liquidity.

Grants and other funding support.

Additional reliefs.

Support for retaining jobs –
Coronavirus Job Retention Scheme (CJRS).

Support for individuals

Benefits and sick pay.

Direct support to individuals and households.

Deferring tax payments.

Support for self-employed people –
Self-Employment Income Support Scheme (SEISS).

HM Revenue & Customs employment and income support interventions announced March 2020

Coronavirus Job Retention Scheme

Phase One (CJRS 1) March to June 2020

Employers received grant payments for their furloughed employees up to 80% of their salary, capped at £2,500 per month. Employer can top up voluntarily.

Phase Two (CJRS 2) July to October 2020

Employers were expected to contribute an increasing proportion of costs:

- **July and August 2020:** 80% of salary, capped at £2,500 per month. From August, employer pays employers National Insurance and pension contributions.
- **September 2020:** 70% of salary, capped at £2,187.50 per month. Employer tops up to at least 80%.
- **October 2020:** 60% of salary, capped at £1,875 per month. Employer tops up to at least 80%.

Self-Employment Income Support Scheme

Two grants paid between April and October 2020 to eligible self-employed people who had:

- traded in the 2018-19 tax year;
- trading profits up to £50,000;
- at least half of their income from trading sources; and
- continued to trade in 2019-20 and expected to continue in 2020-21.

First grant was for 80% of three months of an individual's trading profits capped at £7,500.

Second grant was for 70% of three months of an individual's trading profits capped at £6,570.

Notes

1 For information on the government's initial response to the Coronavirus pandemic, see Comptroller and Auditor General, Overview of the UK government's response to the COVID-19 pandemic, Session 2019-21, HC 366, National Audit Office, May 2020.

2 CJRS 2 is also referred to as the Flexible Furlough scheme.

3 On 24 September 2020, the Government announced that it was creating the Job Support Scheme to replace the Coronavirus Job Retention Scheme and was extending the Self-Employment Income Support Scheme. Further information on these developments can be found at: www.gov.uk/government/publications/winter-economy-plan/winter-economy-plan

Source: National Audit Office analysis of HMRC and other government departments' information

The Departments implemented the schemes quickly and ahead of their schedule

1.3 Ministers asked HM Treasury and HMRC to develop schemes to protect jobs and for these to be operational very quickly. The Departments were set clear targets for each scheme:

- CJRS: to build and launch a claims service before the end of April 2020, with claims being processed and paid within six working days.
- SEISS: to build and launch a claims service by the beginning of June 2020, with at least 80% anticipated to claim, and claims processed and paid within six working days.

1.4 The Departments implemented both schemes ahead of schedule, with CJRS available to employers from 20 April and SEISS to the self-employed from 13 May. HMRC accelerated the original timetable for the SEISS scheme by almost two weeks, recognising the need to provide financial support to eligible taxpayers as quickly as possible. The two new digital services could be accessed from the GOV.UK website.

Developing the strategic response

1.5 Initial strategy work focused on CJRS. HMRC and HM Treasury officials worked collaboratively to develop the response under lockdown conditions, engaging regularly with senior ministers. Policy and operational staff in both Departments worked closely to ensure that policy choices were feasible, seeking to balance the need to implement support for people quickly with the need to guard against fraud.

1.6 HMRC agreed clear design principles for the schemes including that the claim process should be simple, that the data used to determine eligibility should be easy to obtain and the grant calculation straightforward. The Departments recommended that only people and businesses with an existing taxpayer record could apply for support to reduce the risk of fraud.

1.7 The Departments had little contingency planning for a pandemic and limited experience of designing schemes of this type and scale. Contingency planning for pandemics had focused on the public health response and not on the economic response. HM Treasury told us it drew instead on economic contingency planning for financial rescues, draft policy work on wage subsidy schemes and short-time working schemes, and lessons learned material provided by German counterparts.

Devising robust plans and governance

1.8 Given the compressed timeframe to design each scheme, the Departments could not follow standard processes comprehensively. In the circumstances, the Departments had insufficient time to produce the detailed documentation – such as business cases, options appraisal and detailed cost-benefit analysis – that we would normally expect to be available to support key investment decisions.[4] HMRC's Accounting Officer accepted the Department's responsibility for delivering CJRS grants following verbal advice on the legality, propriety, deliverability and value for money of the scheme from his officials on 20 March 2020, just prior to the Chancellor's announcement of the scheme. However, due to time constraints, HMRC's Accounting Officer did not receive formal written advice on the legality, propriety, deliverability and value for money of the scheme until after the Chancellor's announcement.

1.9 HMRC moved quickly to put effective governance arrangements in place, with core project teams set up to work on both schemes. It used its experience from EU Exit work and the Statutory Sick Pay Rebate scheme to inform its approach. HMRC deployed staff familiar with EU exit governance arrangements, with high levels of engagement from senior staff. HMRC appointed a senior responsible officer at director-general level and created a dedicated director-led COVID-19 response unit. There was a clear escalation route to HMRC's senior management with its Accounting Officer involved in decision-making. HM Treasury officials worked with HMRC programme leads and attended meetings. HMRC's Internal Audit function which provided support and assurance to the schemes noted no significant issues with the Departments' governance approach.

Implementing the schemes

1.10 HMRC implemented a structured approach to managing and recording project progress, risks, issues and decision-making for the schemes, making use of the government's *Orange Book* on risk management best practice. HMRC also consulted with other government departments familiar with good practice in administering grant programmes.

1.11 In challenging circumstances, HM Treasury and HMRC staff worked long hours, at weekends and through the Easter period to develop the schemes. HMRC made use of its existing supplier contract to build the digital systems for the schemes. The demands on the Departments' core project teams were considerable with its IT project team reporting it completed the work in just four weeks. HMRC's IT staff told us major IT projects normally take 18 months to 21 months to deliver, while small projects normally take between 8 months and 13 months.

4 See HM Treasury, *Guide to Developing the Business Case*, 2018 at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf

1.12 HMRC developed comprehensive customer journey mapping which it tested internally and with tax agents and developed guidance for customers and staff, providing additional online training.

1.13 HMRC identified that developing the schemes at pace had caused some difficulties. For example:

- Record-keeping of key documents such as process maps was not always controlled and internal reviewers found gaps in the logging of project risks, although HMRC told us these omissions were minor.
- Guidance to front-line staff was sometimes issued with little notice due to the delivery timescales and HMRC identified issues with staff compliance with the guidance. Changes to guidance were not always communicated clearly, meaning staff used it inconsistently, which increased the risk of fraud and miscommunication. Some staff failed to take customers through security processes or read out key statements to customers.
- The planned model for processing 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 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 believes that earlier involvement of front-line operations teams in the work of the project development teams would have improved implementation. It revised its three-tier model from June 2020 and told us that it became more efficient. HMRC has also since taken steps to clarify advisor roles and responsibilities.

Measuring and evaluating performance

1.14 HMRC developed performance dashboards for reporting CJRS and SEISS progress to support management decision-making, and it published statistics on the take-up of schemes. Dashboards were reported regularly to HMRC's executive management with information on scheme take-up, claim values, project risks and 'risk profiling' of fraudulent claims.

1.15 HMRC achieved most of its early 'ambition criteria' for the schemes (**Figure 2**). The vast majority of payments were processed within target timeframes, meeting the key objective to get financial support to claimants quickly. HMRC was able to maintain processing performance and meet payment targets despite, in the week of 11 May 2020, receiving over 2.5 million claims for support under the two schemes.

Figure 2
HMRC performance against its early performance criteria

HM Revenue & Customs (HMRC) achieved most of its early performance criteria

Coronavirus Job Retention Scheme (CJRS)	
Criteria	**Performance**
Build, test and launch a claims service by 20 April 2020.	CJRS launched on 20 April 2020.
Make vast majority of payments within six working days, ensuring a risking window of no more than 72 hours.[1]	99.5% of claims were processed within three working days.[3]
Deliver payments by 30 April 2020 for those who claimed by 23 April 2020.	99.8% of claims were paid.
Enable access for agents.[2]	Agents able to apply for CJRS on behalf of employers.
Self-Employment Income Support Scheme (SEISS)	
Criteria	**Performance**
Build and launch a claims service by early June.	SEISS was launched on 13 May, well ahead of schedule.
80% take-up from eligible customers.	77% claimed under SEISS 1 by 31 July.
Customers paid within six working days.	97.5% of SEISS payments were made within six working days.[3]

Notes

1 A 'risking window' is the period allowed for HMRC to assess the risk of fraud attached to a claim and decide whether to investigate the claim further.

2 HMRC permits agents to manage tax affairs on behalf of an individual or employer. An agent can be a professional accountant or tax adviser, a friend or relative, or someone from a voluntary organisation.

3 Payments made by bank transfer (BACS) have a 72-hour processing window which meant that most claimants would have received their payment up to six working days from application.

4 Performance data is for the period from scheme launch to August 2020.

Source: National Audit Office analysis of HM Revenue & Customs information

1.16 HMRC carried out surveys of employers, employees and self-employed people to understand levels of scheme awareness and understanding, and customer experience. Most (94%) respondents to HMRC's survey of just over 2,000 employers who had applied to the scheme said they were very or fairly satisfied with the time taken to receive their money and only 1% described their experience of applying for CJRS funds as very poor. HMRC's weekly customer satisfaction data for SEISS up to August 2020 found that 95% of claimants were satisfied or very satisfied with their experience, with only 2% being very dissatisfied.

Lessons learned

1.17 HMRC undertook lessons learned exercises for both schemes in late spring and used findings to inform its ongoing delivery. **Figure 3** uses our own analysis of learning from previous crisis responses to assess the Departments' approach to designing and implementing these schemes. We saw particular strengths in the following areas:

- close working between policy development and operational experts, enabling better understanding of design parameters and inclusion of operational aspects of policy in plans from the outset;
- clear governance structures, drawing on proven models;
- detailed control frameworks, used to assess and prioritise controls through the design and implementation of the schemes (albeit with some gaps);
- detailed project management plans, which had milestones specified to the hour at critical points; and
- early mapping of customer journeys and testing of the approach through process walkthroughs and beta-testing with customers.

1.18 HMRC is commissioning further research on its delivery of the schemes and expects to use these results to inform its design of future services. The Departments have not said whether they will commission an economic evaluation of the additional impact of the schemes. HM Treasury told us that it is conducting its own lessons learned exercises to identify how such employment support schemes could be delivered at speed in the future.

Figure 3

Assessing the Departments' implementation of the schemes using our core management cycle, adapted for a crisis scenario

The Departments achieved a lot in a short time, but lessons can still be learnt

Stage	Factors indicating an effective response in a crisis[2]	NAO assessment
Strategy	Contingency plans in place before crisis.	✗
	Clear objectives and success criteria.	✔
	Use evidence and work with others.	✔
	Develop exit strategy early.	✔
Planning and governance	Assure business plans where possible.	✔✔
	Establish clear ownership and governance.	✔✔
	Promote stability in, and manage demands on, the core response team.	✔
	Clear and consistent communications.	✔✔
Implementation	Robust project management.	✔✔
	Effective controls and risk management, document decisions.	✔
	Robust guidance for frontline staff and resources deployed responsively.	✔
Measurement	Appropriate indicators of performance.	✔
	Collect data, improve arrangements over time and use several sources.	✔
	Use data continuously in a crisis.	✔✔
Evaluation and feedback	Evaluate during and after the crisis, identify lessons learnt and use these to modify crisis intervention and planning for next time.	✔

Notes

1 Our classification of the Departments' performance uses a three-point scale: Two ticks = good evidence, one tick = partial evidence. A cross indicates that we have not seen clear evidence or have seen evidence of poor performance in relation to the evaluative criteria.

2 We have used the NAO's core management cycle to organise our evaluative criteria drawing from our past reviews of government responses to humanitarian and financial crises. The management cycle sets out the main stages that departments should consider in designing and implementing programmes and highlights the importance of using evaluation and feedback.

Source: National Audit Office analysis of HM Revenue & Customs information

Most other countries had existing employment support schemes, and were able to implement support more quickly

1.19 The Departments looked at the experience in other countries to inform the design of the schemes. The experience of other countries can also be used to assess how the schemes could have been implemented more quickly, and the types of support arrangements that enable a more rapid response.

1.20 In developing CJRS, the Departments referred to responses in other countries in their discussions with ministers. They looked at several schemes including Germany's short-time work scheme, schemes in France, Canada, Denmark, Sweden, New Zealand and Ireland but noted their direct application to the UK might be limited given the different labour market and welfare contexts.

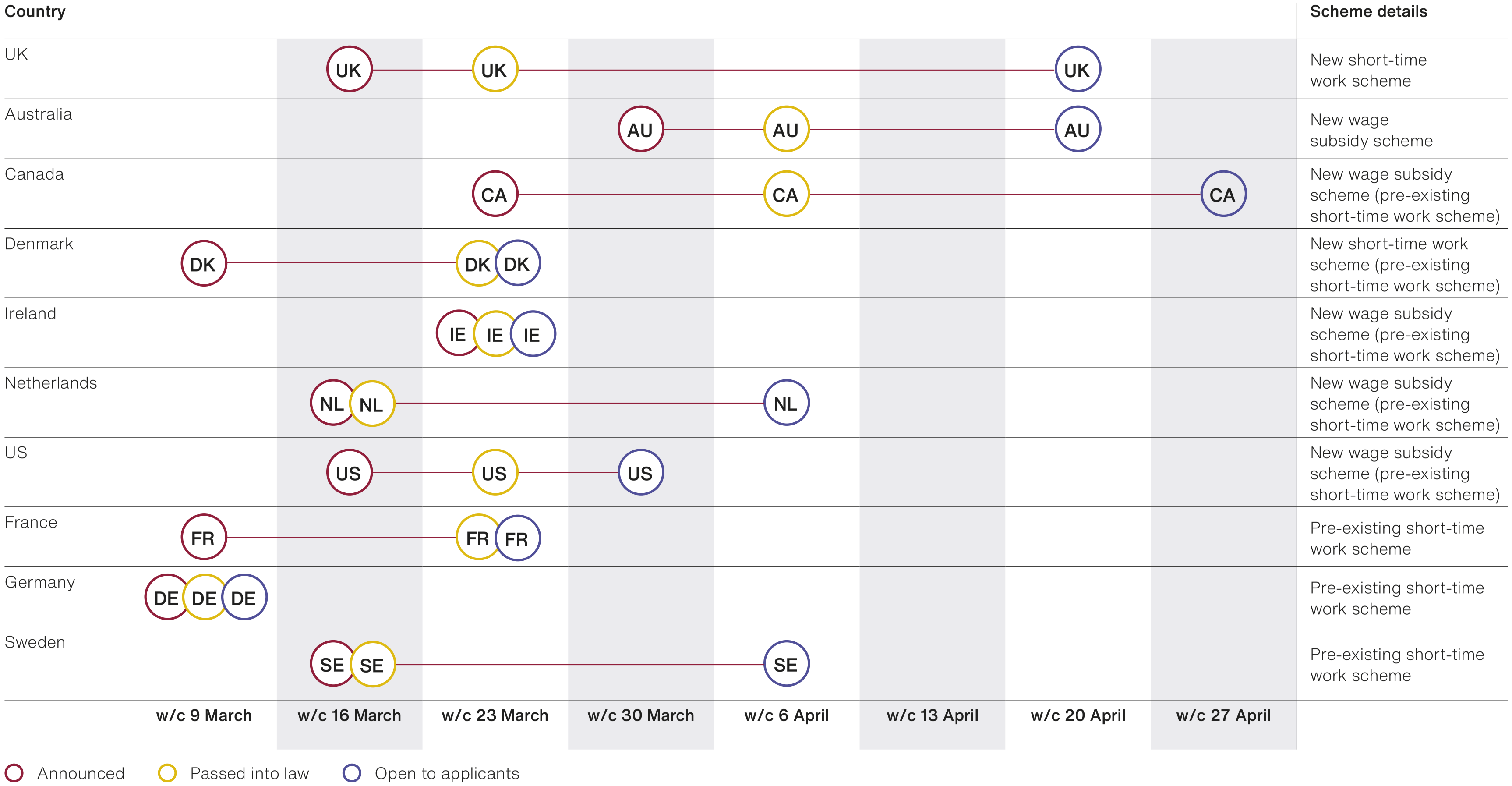
1.21 Many countries including Germany and France already had short-time work schemes in place that could be built on in response to the pandemic. These schemes allowed firms to temporarily furlough or reduce the hours of staff at times of economic difficulty, with governments providing income support for employees when not working. Based on correspondence with 20 international audit institutions and other supporting evidence, we looked at how quickly a sample of nine OECD countries with economies of comparable size to the UK had implemented their job retention schemes (**Figure 4**). We found that other countries implemented employment support schemes more quickly, but most of these already had an existing scheme in place. Eight of the nine had schemes they could adapt, while six reported setting up new schemes.

1.22 Our analysis suggested that the UK had relatively few eligibility criteria for CJRS compared with other countries. Most countries required employers to demonstrate a specified fall in turnover, and many required employers to top-up wages or prohibited redundancies while the scheme was active. The Netherlands prohibited executive bonuses, payment of dividends and repurchase of own shares. The UK CJRS scheme did not make any such requirements of employers (Appendix Three).

1.23 On 24 September 2020 the Chancellor announced a *Winter Economy Plan* which included a six-month Jobs Support Scheme (JSS), starting in November, to replace the CJRS scheme. The JSS scheme aims to provide help for short-time working to support 'viable jobs'. To qualify, employees must be working at least one-third of their usual hours. The government will pay one-third of hours not worked up to a cap, with the employer also contributing one-third. This will mean employees earn a minimum of 77% of their normal wages, where the government contribution has not been capped. The level of grant will be calculated based on employee's contracted salary, capped at £697.92 per month. The JSS will be open to businesses across the UK even if they have not previously used the furlough scheme.

Figure 4
International comparison: time to implement job retention schemes

Other countries implemented support more quickly, but most already had pre-existing schemes they could adapt



Notes

1 'Short-time work schemes' and 'wage subsidy schemes' are different types of job retention scheme, designed to mitigate unemployment increases. Short-time work schemes subsidise employers for hours not worked by employees, while wage subsidy schemes subsidise employers for hours that are worked by employees or top-up the earnings of employees on reduced hours.

2 Where a country has both new and existing schemes, the dates relate to the implementation speed of the new scheme.

3 For the UK, the Coronavirus Act 2020 was passed into law on 25 March 2020, which empowered the Chancellor to issue a Direction on 15 April 2020 from HM Treasury to HM Revenue & Customs to develop and implement the Coronavirus Job Retention Scheme.

Source: National Audit Office analysis of data provided by the Supreme Audit Institutions contacted. OECD (2020) report: *Job retention schemes during the COVID-19 lockdown and beyond*. Institute for Government report (2020): *Coronavirus and unemployment: a five nation comparison*. Government websites

1.24 On 9 October 2020, the government announced an expansion to the JSS to provide extra support to businesses legally required to close as a direct result of coronavirus restrictions set by one or more of the governments in the UK. Expanded JSS is broadly akin to the original CJRS with employers expected to fully furlough employees. Employers are not required to contribute to their employees' wages apart from national insurance and minimum pension contributions, where applicable. The government will pay up to two-thirds of employee wages, capped at £2,100 per month.

1.25 In September, the government also announced that it would provide a further taxable grant to self-employed people currently eligible for SEISS who continue to actively trade and face reduced demand due to coronavirus. The initial lump sum will cover three months' worth of profits for the period from November to the end of January 2021. The grant is worth 20% of average monthly profits, up to a total of £1,875. An additional second grant, which may be adjusted to respond to changing circumstances, will be available for self-employed individuals to cover the period from February 2021 to the end of April 2021. Appendix Four sets out the different levels of support for these schemes.

Part Two

Beneficiaries of the employment support schemes

2.1 This part considers how far the employment support schemes have supported businesses and people. It examines:

- how the schemes aimed to support business and individual taxpayers;
- why some existing taxpayers were ineligible for the schemes;
- the cost and impact of the schemes thus far;
- the extent to which the schemes have supported different demographic groups, regions and sectors; and
- the number remaining furloughed as the current schemes wind-down.

How the schemes aimed to support business and individual taxpayers

2.2 On 20 March, the Chancellor announced a package of economic support aimed at protecting jobs through the lockdown period, including the Coronavirus Job Retention Scheme (CJRS). This was followed on 26 March by his announcement of the Self-Employment Income Support Scheme (SEISS). The broad aim of the employment support schemes was to provide security for employers to retain employees and to protect the self-employed so that there would not be a large spike in unemployment and to give the UK the best chance of a rapid economic recovery.

2.3 **Figure 5** overleaf summarises the scope of the schemes. For the first phase of CJRS (CJRS 1), furloughed employees were not allowed to work, to avoid government supporting those employers not adversely affected by COVID-19. For CJRS 2, from July 2020, these aims shifted to allow furloughed workers back on a part-time basis, encouraging firms to increase production and, where necessary, make redundancies if jobs had become unsustainable. Employers not already in the CJRS 1 scheme were not allowed to claim CJRS grants during this second phase.

Figure 5

Policy objectives for CJRS and SEISS and their key eligibility criteria

Eligibility rules vary across the HM Revenue & Customs' (HMRC's) schemes

	Coronavirus Job Retention Scheme (CJRS)	Self-Employment Income Support Scheme (SEISS)
Policy objective	**CJRS 1:** Provide rapid financial support to help firms continue to keep people in employment. **CJRS 2:** Give firms flexibility to support the recovery and from August, introduce an employer contribution. Target private sector employers.	Income support for self-employed people adversely affected by the pandemic.
Cut-off date to be registered in HMRC tax records to be eligible	**19 March 2020** Real Time Information employer return including furloughed employees.	**23 April 2020** Extended deadline for 2018-19 Self Assessment tax return. Original deadline was 31 January 2020.
Permitted working	**CJRS 1 to 30 June 2020:** Furloughed employees should not work. **CJRS 2 from 1 July 2020:** Furloughed employees can work for any amount of time or shift pattern, with employers claiming CJRS grant for employee hours not worked. Employers only claim under CJRS 2 if there was a valid claim under CJRS 1.	Self-employed people can continue to work and claim a SEISS grant as long as their trade is adversely affected.
Income or trading profit	No limit on employee earnings but maximum employer grant is capped. Employee can receive multiple support across several employments.	Trading profits of up to £50,000 and maximum grant capped.
Excluded income	Discretionary elements of pay such as tips, bonuses and commission. Non-monetary benefits like benefits in kind or benefits received under salary sacrifice schemes that reduce taxable pay.	Trading profits only – excludes other income from earnings, property, dividends, savings, pension etc. Trading profits at least 50% of non-trading income.
Extensions to eligibility	Employee must have been furloughed under CJRS 1 to be furloughed under CJRS 2 from 1 July 2020. Deadline extended for employees to be registered on HMRC records from 28 February to 19 March 2020. Parents returning to work after extended leave and military reservists returning to their employment after 10 June 2020 (usual deadline for CJRS 1) allowed to be furloughed for first time under CJRS 2.	Can claim the second SEISS grant even if did not claim the first. Parents whose trading profits were affected in 2018-19 following recent birth or adoption. Military reservists carrying out reservist activities for at least 90 days in 2018-19 tax year. Individuals subject to the loan charge arrangement.

Notes

1 Example eligibility criteria shown only. Other eligibility rules apply for both schemes.

2 Taxpayers previously subject to the loan charge arrangement and who had been granted until 30 September to submit their 2018-19 tax return were allowed to apply for SEISS. Also see Gov.uk, *Update on the implementation of the loan charge*, August 2020 at: www.gov.uk/government/news/update-on-the-implementation-of-the-loan-charge

Source: National Audit Office analysis of HM Revenue & Customs' and other government departmental information

2.4 The SEISS scheme was open to the self-employed and members of a partnership who claimed to have been 'adversely affected' by coronavirus and:

- had submitted their Self Assessment tax return on or before 31 January 2020 for the 2018-19 tax year;[5]
- continued to trade in 2019-20; and
- intended to trade in 2020-21.

2.5 Those claiming the second grant had to confirm that their business had been adversely affected on or after 14 July 2020. Unlike the first phase of CJRS, SEISS recipients were allowed to continue working.

A combination of constraints in the tax system and policy decisions restricted eligibility for the schemes

2.6 Combined, the employment support schemes had supported at least 12.2 million jobs by 20 September 2020. HM Revenue & Customs' (HMRC's) data show that 1.2 million employers – 61% of those eligible – claimed a grant under CJRS. By 20 September 2020, CJRS had supported 9.6 million jobs. Of 3.4 million people potentially eligible for the SEISS scheme, 2.6 million (77%) claimed the first grant and 2.2 million had applied for the second grant by 20 September on the basis that the pandemic adversely affected their self-employed incomes.

2.7 HMRC has estimated that 1.6 million people were ineligible for SEISS because of the decisions ministers took to restrict support to people whose main income came from self-employment and who earned up to £50,000.[6] However, other groups of people were rendered ineligible for support because the way the tax system has been set up limited the data HMRC could use to help it guard against fraud (**Figure 6** overleaf). Third-party estimates suggest a further 1.3 million people were excluded, although some may not have been adversely affected by the pandemic.

2.8 To manage the risk of fraud, access to both schemes was restricted to taxpayers with current tax records, which meant that people who were between jobs or had recently become self-employed were not eligible. HMRC extended the cut-off date for CJRS to people being on an employer's payroll from 28 February to 19 March 2020 – the day before the details of the scheme were publicly announced. HMRC estimates this benefitted at least 0.2 million extra employees.

5 A self-employed person or partnership could be adversely affected by coronavirus for a variety of reasons such as illness or suspended trading, but no minimum level was specified. HMRC later extended the Self Assessment tax return deadline to 23 April 2020 – see paragraph 2.9.

6 £50,000 is the Higher rate income tax threshold and the threshold at which Child Benefit tapers take effect.

Figure 6
Groups excluded from the schemes

Significant numbers of people were potentially not able to access the schemes, many because of tax system constraints

Scheme	Ineligible - Policy[1]	Ineligible - tax system constraints[2]	Total
Self-Employment Income Support Scheme (SEISS)	1.4 million (less than 50% income from self-employment)	0.2 million (newly self-employed)	
	0.5 million (self-employment was loss making)		
	0.2 million (income more than £50,000)		
	1.6 million[3]	**0.2 million**	**1.8 million**
Coronavirus Job Retention Scheme (CJRS)		0.7 million (limited company directors paid by dividend)	
		0.4 million (short-term or freelancer workers missing payroll)	
		1.1 million	**1.1 million**
Total	**1.6 million**	**1.3 million**	**2.9 million**

Notes

1 Policy decisions are those taken by the Departments to meet scheme objectives, including to target those people most likely to have been adversely affected by the pandemic. For example, for SEISS the decision that eligible people should earn 50% or more of their income from self-employment.

2 The principle that HMRC should use existing data on taxpayers for administrative ease and to help manage fraud risk also meant that some people were not eligible for support because HMRC did not hold sufficient tax records to support a claim.

3 For SEISS: The 1.6 million customers ineligible for SEISS on policy grounds is an HMRC estimate. A self-employed person could have multiple reasons for not being eligible for SEISS and could be in more than one of the three categories identified by HMRC. The 0.2 million newly self-employed ineligible is based on Office for National Statistics (ONS) data on the number of individuals becoming self-employed in 2019-20.

4 For CJRS: The 0.7 million limited company directors is an estimate provided in evidence to the June 2020 Treasury Select Committee and incorporated into its report. However, company directors could still claim for Pay-As-You-Earn registered earnings and apply for bounce back loans. Meanwhile, in its June 2020 report the Treasury Select Committee estimated the population of short-term or freelancer workers to be 0.8 million. ExcludedUK estimated 0.4 million of these were excluded.

5 A proportion of the groups listed here would not have claimed because they were able to continue to work.

Source: National Audit Office analysis of HM Revenue & Customs, Office for National Statistics, Treasury Select Committee and ExcludedUK information

2.9 For SEISS, HMRC used self-assessment records up to and including the 2018-19 tax year, which meant that claims from around 0.2 million newly self-employed people were not allowed. Around 47,000 self-employed people who had not submitted their 2018-19 Self Assessment tax return on time were allowed to claim provided they submitted their return by 23 April 2020. However, people who had already submitted their Self Assessment returns were not allowed to amend them in order to increase their SEISS payment.[7] In addition, a significant number of limited company directors who were mainly remunerated through company dividends were excluded because this is not treated as earnings by the tax system and tax returns do not disaggregate these data from investment dividends. Very small (micro) businesses and private limited companies have taken up the majority of business bounce back loans, suggesting many company directors have been able to access alternative government support on behalf of their companies, albeit in the form of repayable loans rather than income.[8]

2.10 The number of self-employed people excluded could have been greater had lockdown occurred further from the annual tax return deadline. Lockdown occurred just two months after the deadline to submit a Self Assessment return, which meant the time period affecting the newly self-employed was relatively small. HMRC's Making Tax Digital programme should enable more frequent (quarterly) reporting of income and expenditure. However, modernising the tax system is an extremely complex undertaking. HMRC was originally due to implement the programme by April 2019 but it is now scheduled to be in place from April 2023 for the self-employed.

2.11 Given the speed of their initial response to the crisis, the Departments were not able to fully work through the implications of their design decisions on different groups of taxpayers. Subsequently, the Departments adjusted processes and eligibility criteria, including:

- updating the online 'eligibility checker' – used by the self-employed to determine whether they would be eligible for SEISS. The details of some people who were late in filing tax returns were not available when the tool went live, and the checker concluded, wrongly, that some people were ineligible;
- allowing people on parental leave and around 200 military reservists to apply for both SEISS grants, even if they had not submitted a tax return in 2018-19. HMRC estimated that 10,000 people on parental leave may potentially be newly entitled by this adjustment but by late September only around 500 had applied; and
- HMRC manually entered the trading profits of 800 self-employed people to avoid a known technical issue preventing submission of their tax returns.

7 Taxpayers could amend their returns for the calculation of tax due but amendments were disregarded for grant calculations to counter the risk of fraud.
8 Comptroller and Auditor General, *Investigation into the Bounce Back Loan Scheme*, Session 2019-2021, HC 860, National Audit Office, October 2020.

The cost and impact of the schemes

2.12 HMRC forecasts total grant spending for the CJRS and SEISS schemes to reach £69.7 billion by the end of October 2020. It paid a total of £39.3 billion in CJRS grants to 20 September 2020 and the Office for Budget Responsibility (OBR) expects this to reach £54.5 billion by the end of the scheme.[9] By 20 September 2020, SEISS claims had reached £13.4 billion. OBR forecasts total claims for the first two SEISS grants will reach £15.2 billion.

2.13 HMRC expects to spend around £98 million administering the schemes up to March 2021. The CJRS scheme will cost around £53 million to administer, and the SEISS scheme £45 million.

2.14 Data suggest the CJRS scheme has been successful in helping to protect jobs in the short term:

- The number of people in employment was broadly stable between April and August 2020 (**Figure 7**).
- The number of redundancies between April and June 2020 was far lower than in the last global financial crisis: around 134,000 people were made redundant between April and June 2020 compared with 311,000 people made redundant between February and April 2009.
- The number of furloughed jobs under the scheme has fallen steadily from a peak of 8.9 million in May 2020 to around five million by the end of July, while unemployment levels remained broadly stable at around 4% of the workforce. The absence of a significant deterioration in employment up to the end of July suggests that many furloughed employees returned to work (Figures 7 and **Figure 8** on page 32). The Office for National Statistics (ONS) data also show that the furlough rate had fallen from around 30% of the workforce of UK businesses in May 2020 to 9%, or around two million employees, by mid-September.[10]

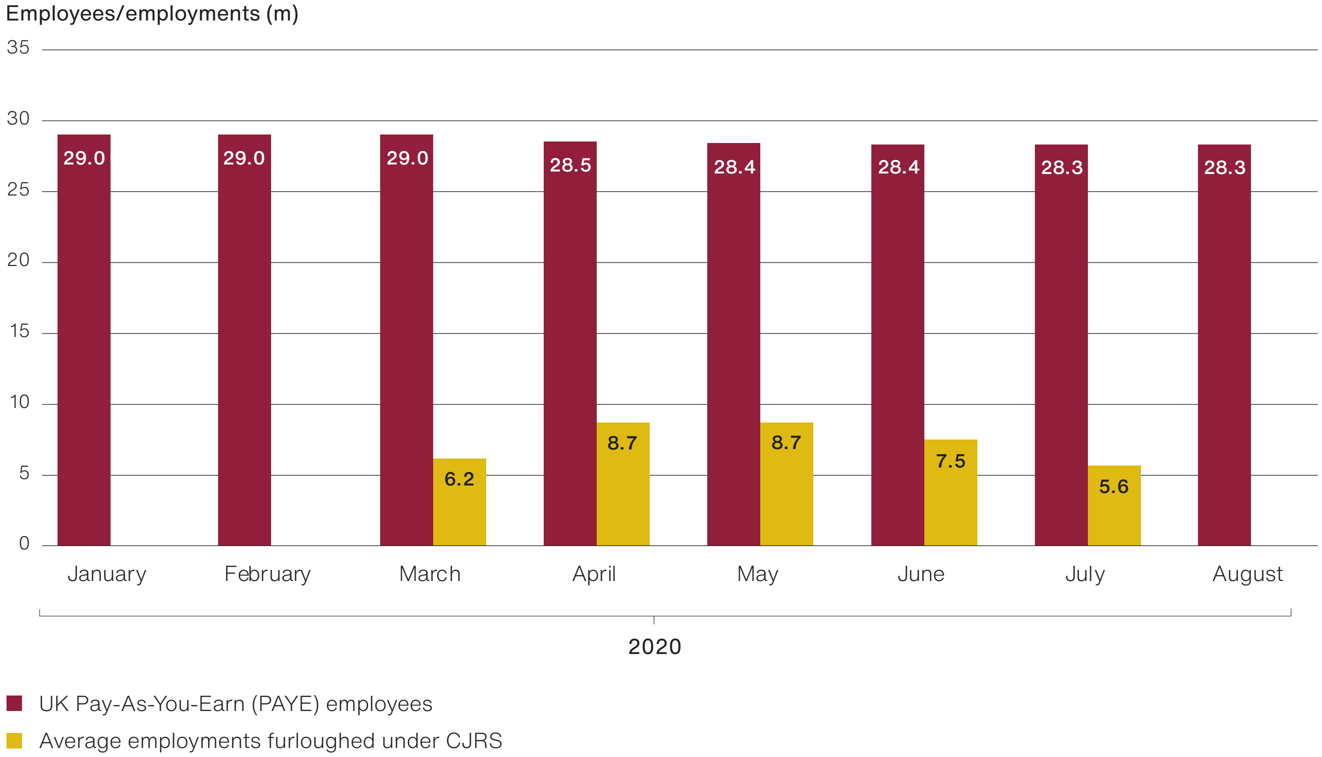
9 Grants paid under CJRS and SEISS are taxable so the net cost to the Exchequer will be lower. Table 3.4 in OBR's July 2020 central estimate shows tax receipts of £5.2 billion for CJRS: Office for Budget Responsibility, *Fiscal sustainability report*, July 2020, p58, available at: https://obr.uk/fsr/fiscal-sustainability-report-july-2020

10 Office for National Statistics, *Business impact of Coronavirus (COVID-19) Survey, Waves 6 and 14*, June and October 2020, available at: www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults. Based on businesses that had not permanently stopped trading. This survey source is different from HMRC's own data on CJRS scheme take-up.

Figure 7

People in employment and employments furloughed under the Coronavirus Job Retention Scheme (CJRS), January to August 2020

Following a drop early on, the number of people in employment was stable during lockdown while the number of furloughed jobs (employments) has since reduced from the April/May peak



Notes

1 The number of PAYE employees is based on experimental data from the Office for National Statistics (ONS), and HM Revenue & Customs (HMRC), using HMRC's Real Time Information (RTI). This shows the number of employees on employer payrolls in the UK.

2 The number of employees furloughed is based on publicly available HMRC CJRS statistics. We have calculated a monthly average of daily CJRS data for this figure between March and July 2020. Our average figure for March 2020 is only based on figures from 23 March 2020 (the first working day after the announcement of CJRS) to 31 March 2020. The July 2020 figure of 5.6 million is an estimate based on HMRC's latest published data which recorded an average 5.1 million cases across July but also estimated an uplift of around 10% in the final number for figures at 31 July.

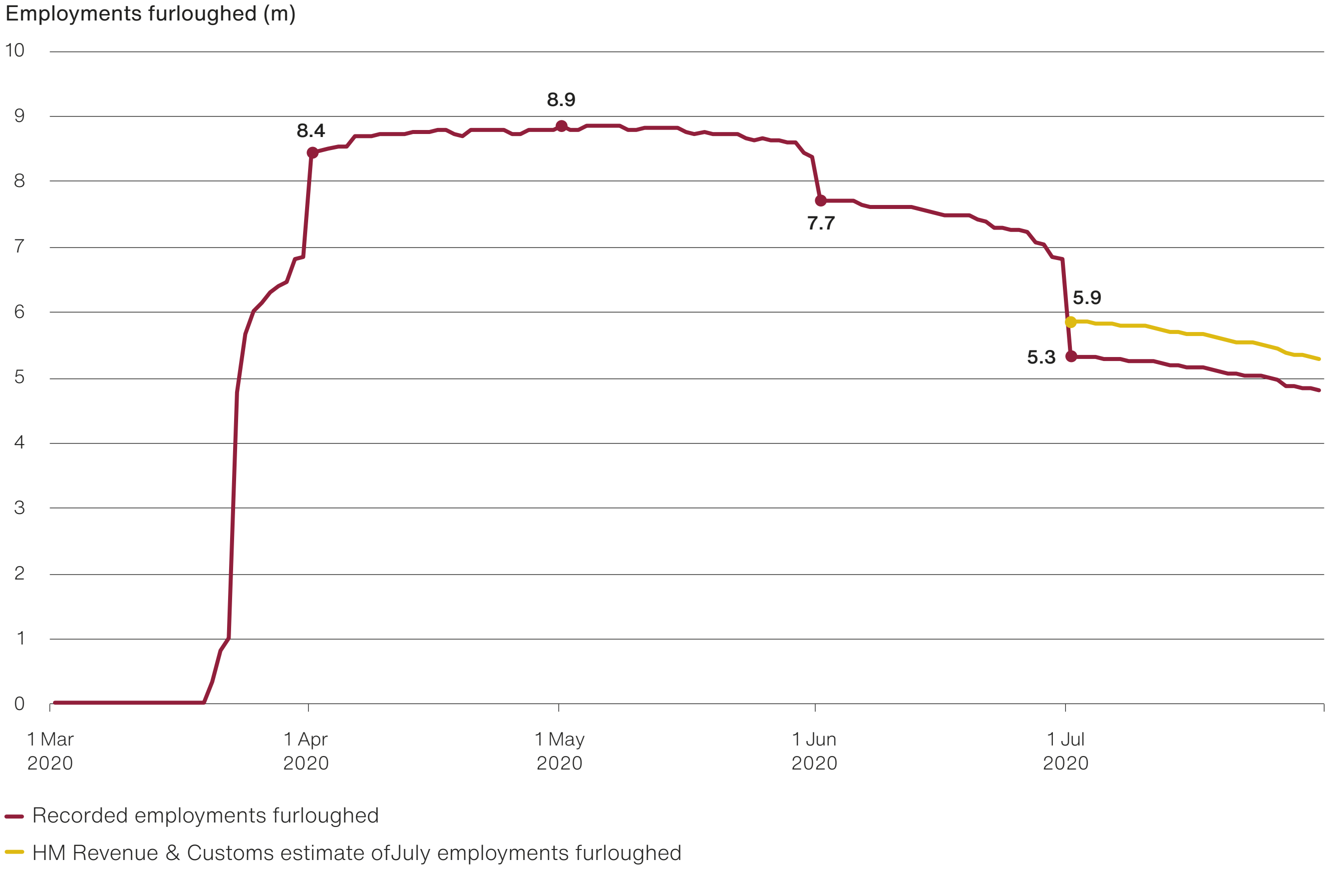
3 There is a distinction between the number of employees outlined in the PAYE data, and the number of employments furloughed under CJRS; an individual is counted once as a PAYE employee, but may work in two roles furloughed under CJRS.

4 Figures for the number of employees furloughed under CJRS in August 2020 were not available at the time of publication.

Source: National Audit Office analysis of Office for National Statistics' records of HM Revenue & Customs' Real Time Information employment data and HM Revenue & Customs' CJRS data

Figure 8
Employments placed on furlough during the Coronavirus Job Retention Scheme (CJRS)

The number of furloughed employments peaked at 8.9 million on 8 May 2020



Notes

1 This figure shows the number of employments or jobs placed on furlough each day during CJRS. In total 9.6 million individual employments were placed on furlough during CJRS 1, but the highest amount of employments or jobs on furlough on a single day was 8.9 million on 8 May 2020.

2 HM Revenue & Customs' (HMRC's) data for July 2020 are incomplete as not all claims and revisions have been submitted. HMRC estimates that the final level of claims for 31 July will be 10% higher than its current figure. Figures for the rest of July may also be incomplete. The secondary line in our chart inflates July's current HMRC figures by 10% to give an indicative upper estimate of the level of claims for that month.

3 CJRS was announced on 20 March 2020 and the first claims could be made on 20 April 2020. Claims could be backdated to 1 March 2020.

Source: National Audit Office analysis of HM Revenue & Customs' CJRS statistics, August 2020

2.15 However, a 0.5 million reduction in the number of people on employer payrolls in HMRC's Real Time Information tax reporting system between March and April 2020 does suggest that some people were not covered by the support provided by these schemes at the outset. Between March and May 2020, the number of people not in employment on Universal Credit also increased by nearly 1.5 million. We surveyed employees to better understand their experiences during the first months of the CJRS scheme (see Appendix Two on the limits on the quota sampling methodology). More than half of respondents to our questions said that their main job had been impacted by COVID-19, with more than one-quarter saying they had been placed on the furlough scheme and 4% saying that they had been made redundant between March and June (**Figure 9** overleaf).[11] Our survey also suggests that the initial requirement that furloughed employees should not work did help to keep costs down – around one-fifth of respondents were not placed on the furlough scheme, despite their hours of work or pay being reduced, presumably so they could keep working.

2.16 It is likely that the schemes will have supported some firms which would have otherwise failed, even without the pandemic. Data from the Insolvency Service shows that company insolvencies fell by around one-third between April and June 2020, compared with the previous year.[12] The long-term impact of the schemes to protect jobs is unlikely to be known for some time, as firms struggle with the ongoing impact from the COVID-19 pandemic.

HMRC is commissioning further research to better understand take-up of the schemes by different groups

2.17 HM Treasury considered the equality implications of the schemes as part of early work on their development. For CJRS, it noted that employers could discriminate between workers but concluded that furloughed workers would retain their employment rights. It also highlighted a risk that some women moving on to maternity leave could be affected if their reduced furloughed earnings were used in the calculation of maternity pay.

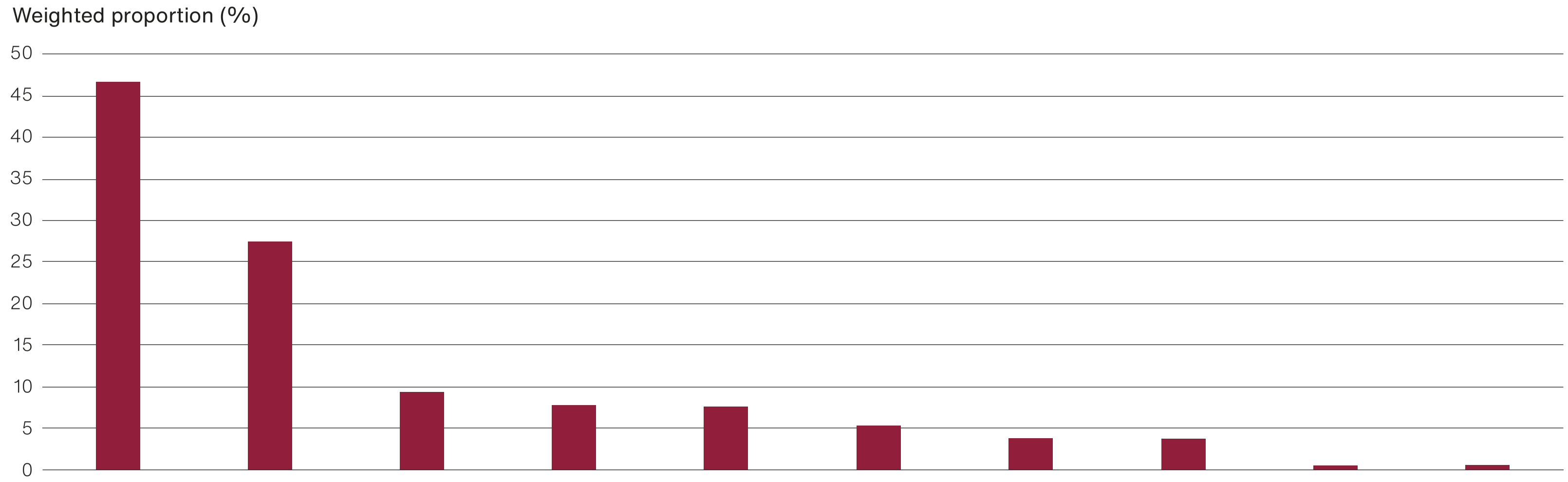
2.18 For SEISS, HM Treasury recognised that some young people might be disadvantaged by the requirement for self-employed people to have traded in the 2018-19 tax year. It also noted that people of Pakistani or Bangladeshi heritage are more likely to be self-employed than the general population.

11 Based on 4,498 responses. We asked our survey questions as part of Ipsos MORI's telephone and online omnibus surveys. The quota sampling methodology used and the limits of the approach in terms of how generalisable the results are to the wider population are set out in Appendix Two.

12 Some of this reduction will likely be because of reduced operational running of courts, temporary restrictions placed on the use of statutory demands and certain winding-up petitions during this time.

Figure 9
The impact of COVID-19 on employees

Just over one-quarter of people responding to our survey said they were placed on furlough



	No impact	I was put on furlough under the government scheme	I was working, but the hours I was expected to work were reduced to between 50% and 99% of the hours I typically worked	I was working my typical hours, but my rate of pay was reduced	I was still working, but the hours I was expected to work were reduced to less than 50% of the hours I typically work	I was asked/told to take unpaid holiday/annual leave (not furloughed)	I was made redundant	My other company benefits were reduced (eg pensions, medical, insurance etc)	Don't know	Refused
Proportion (weighted (%))	47	27	9	8	8	5	4	4	1	1

Notes

1 We commissioned Ipsos MORI to ask survey questions on our behalf as part of its telephone omnibus and an online survey. Graph based on 4,498 survey respondents who reported being in some form of paid employment (full or part-time) on 19 March 2020. The quota sampling methodology used and the limits of the approach in terms of how generalisable the results are to the wider population, together with the approach taken to weight results to ensure they are representative of the population is set out in Appendix Two.

2 Respondents were able to give multiple responses where, for example, their circumstances changed over time. The sum of the percentages shown is therefore greater than 100%.

3 Survey question: *Thinking specifically about the period between 19th March – 30th June 2020, in your main job, which, if any, of the following happened as a result of the impact of the coronavirus? Please say yes or no to each one as I go through them.*

Source: Data from omnibus survey questions commissioned by the National Audit Office and undertaken by Ipsos MORI

2.19 HMRC's further analysis to support its communication strategy showed that 12% of self-employed workers had a Black, Asian or minority ethnic background, with almost half based in London. HMRC developed a range of communication and engagement plans for the schemes and worked with ethnic minority and faith-based organisations to publicise the schemes.

2.20 For SEISS, HMRC has no data to monitor rates of take-up among different ethnic groups. Other than age and gender, protected characteristics' data are not needed to calculate income tax. HMRC has also monitored take-up of SEISS for "customers who may need extra support to claim" who it identified from people using its 'extra support' service over the past 18 months. It also monitored potential claim rates among the 'digitally excluded' using data on Self Assessment 'paper filers'.

2.21 HMRC is planning further survey work to understand customer experience of the schemes across different claimant groups but most results from this work will not be available until after the current schemes are closed. HMRC also intends to survey employers eligible for CJRS who did not use the scheme. No equivalent work is planned for those who did not claim SEISS.

2.22 HMRC has published extensive data on take-up for both schemes (**Figure 10** overleaf). This data shows that a greater proportion of younger workers were furloughed compared with older workers, and that a greater proportion of men were furloughed overall, but this has reduced over time and by September there was little difference between men and women. For SEISS, a greater proportion of potentially eligible men took up the grant than did women. ONS data show that younger people were also far more likely to lose their jobs; there was a 5.9% decrease in employment levels of people aged 16–24 in June to August 2020 against the previous quarter, compared with a 0.5% decrease in overall employment levels.

2.23 HMRC's data also include sectoral and regional information which enables an understanding of who has been using the schemes and in which locations. These data show that a greater proportion of employees from smaller employers were furloughed. Business sectors in retail, construction, accommodation and food services, manufacturing and transportation drew the largest amounts of financial support. There is close alignment between the sectors making greatest use of CJRS, SEISS and the Bounce Back Loan Scheme (**Figure 11** on page 37).

Figure 10

CJRS and SEISS: HM Revenue & Customs' (HMRC's) data on take-up of schemes, end July 2020

An uneven picture across industries, employers, individuals and geographies

	Coronavirus Job Retention Scheme (CJRS)	Self-Employment Income Support Scheme (SEISS)
Overall take-up	Some **1.2 million** employers (61%) received a grant covering **9.6 million** employments (32%).	Some **2.6 million** self-employed claimed (77% of HMRC's estimate of the potentially eligible population of 3.4 million, and around half the self-employed population).
Employers and sectors	Employees of small- and micro-sized employers more than twice as likely to be furloughed as those working for large employers. Employer take-up rates highest in Accommodation and Food Services; Arts Entertainment and Recreation; Construction and Manufacturing sectors.	Construction workers made 0.9 million claims for SEISS, one-third of all claims.
Employees and individuals	Looking across age categories, a higher percentage of young workers under 25, were furloughed. Overall, a greater proportion of employed men were furloughed than employed women. Around 20% of furloughed employments at the end of July 2020 were partially furloughed under CJRS 2.	Similar claim rates across age groups (though lower among 16–24 year olds and people over 65). Higher percentage of potentially eligible men claimed a SEISS grant, compared with the proportion of eligible women who claimed.
Geography	Highest furlough rates in parliamentary constituencies in North West Wales, Cornwall, the Lake District, North and West London and West Sussex.	Highest take-up rates in parliamentary constituencies in Northern Ireland, the Welsh Valleys and North West Wales, the Glasgow City Region in Scotland and in parts of Northern England and North and East London
Value of claims	**£39.3 billion** claims paid to 20 September 2020. Estimated value of claims to scheme end is **£54.5 billion.** Estimated average subsidy per job **per month** around **£1,200**.	**£13.4 billion** of claims paid to 20 September 2020. Estimated value of claims to end of SEISS 2 is **£15.2 billion.** Estimated average value of claim **per month** around **£970** (SEISS 1).

Notes

1 Taken from HMRC management information and published statistics on CJRS and SEISS. Estimates of value of claims to scheme end and average subsidy and grant values are taken from the Office for Budget Responsibility's (OBR's) *Fiscal Sustainability Report* (July 2020). Claims paid data is to 20 September 2020.

2 Average subsidy and grant values are based on CJRS 1 rules and SEISS 1 rules. Changes to CJRS from 1 July 2020 and amended terms for the SEISS 2 will likely reduce these values.

3 Take-up data for employers and sectors, employees and individuals, and geography is based on CJRS 1 and SEISS 1. Figure 11 presents sector take-up by value of claims.

Source: National Audit Office analysis of HM Revenue & Customs' and Office for Budget Responsibility information

Figure 11

Sectors accessing the most financial support from the CJRS, SEISS and Bounce Back Loans

There is overlap between the employment support schemes and the Bounce Back loans

Rank	Coronavirus Job Retention Scheme (CJRS) take-up by value	Self-Employment Income Support Scheme (SEISS) take-up by value	Bounce Back Loan market share
1	Wholesale and retail, repair of motor vehicles	Construction	Real estate, professional services and support activities
2	Accommodation and food services	Unknown and other	Wholesale and retail trade
3	Manufacturing	Transportation and storage	Construction

Notes

1 Bounce Back Loans support small businesses with loans of up to £50,000 or a maximum of 25% of turnover. The scheme was developed by HM Treasury, the Department for Business, Energy and Industrial Strategy, and the British Business Bank. It launched on 4 May 2020 and was expected to last for six months.

2 Office for National Statistics Standard Industrial Classification (SIC) 2007.

Source: National Audit office analysis of HM Revenue & Customs' data on CJRS and SEISS and National Audit Office analysis of British Business Bank and Bank of England data from our Investigation into the Bounce Back Loan Scheme report.

2.24 Figure 12 and **13** on pages 38 and 39 show the rates at which grants have been claimed, by parliamentary constituency. CJRS take-up has been high in areas popular with tourists and communities close to major south-east airports. SEISS take-up has been highest in Northern Ireland, parts of Wales, areas around Glasgow, parts of northern England and the West Midlands, and North and East London. We found that areas that had periods of local restrictions since the lifting of the national lockdown had only a marginally greater proportion of self-employed people making claims under the first phase of the scheme.

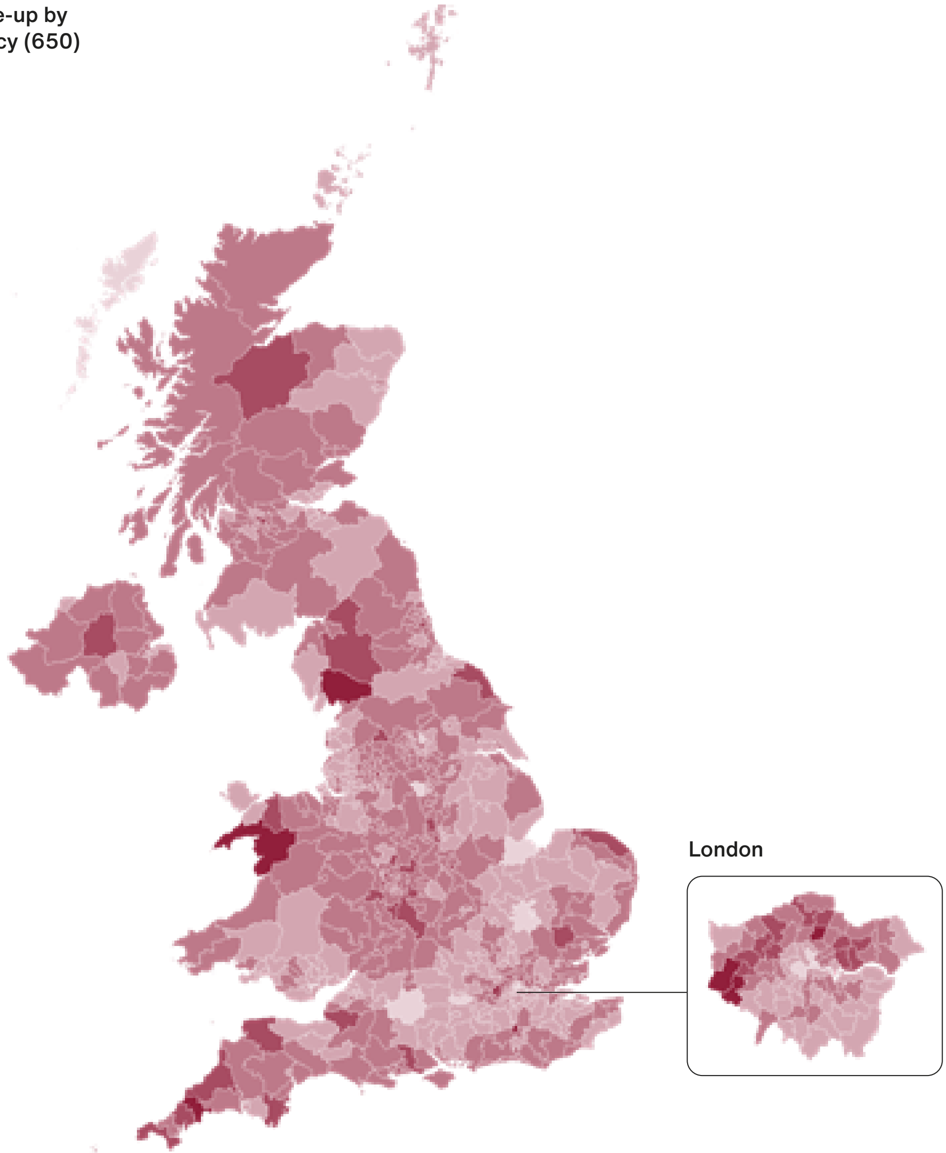
Figure 12

Furloughing rates under the Coronavirus Job Retention Scheme (CJRS), CJRS 1

Furlough rates vary by parliamentary constituency with some of the highest in areas popular with tourists and those close to major south-east airports

Employment furlough take-up by Parliamentary Constituency (650)

- 41%–45% (7)
- 36%–40% (52)
- 31%–35% (349)
- 26%–30% (231)
- 21%–25% (11)



Notes

1 Take-up rates were based on an employee's last known home address.

2 HM Revenue & Customs was unable to match the data (and so assign a location) for 104,100 furloughed employments and 201,200 eligible employments.

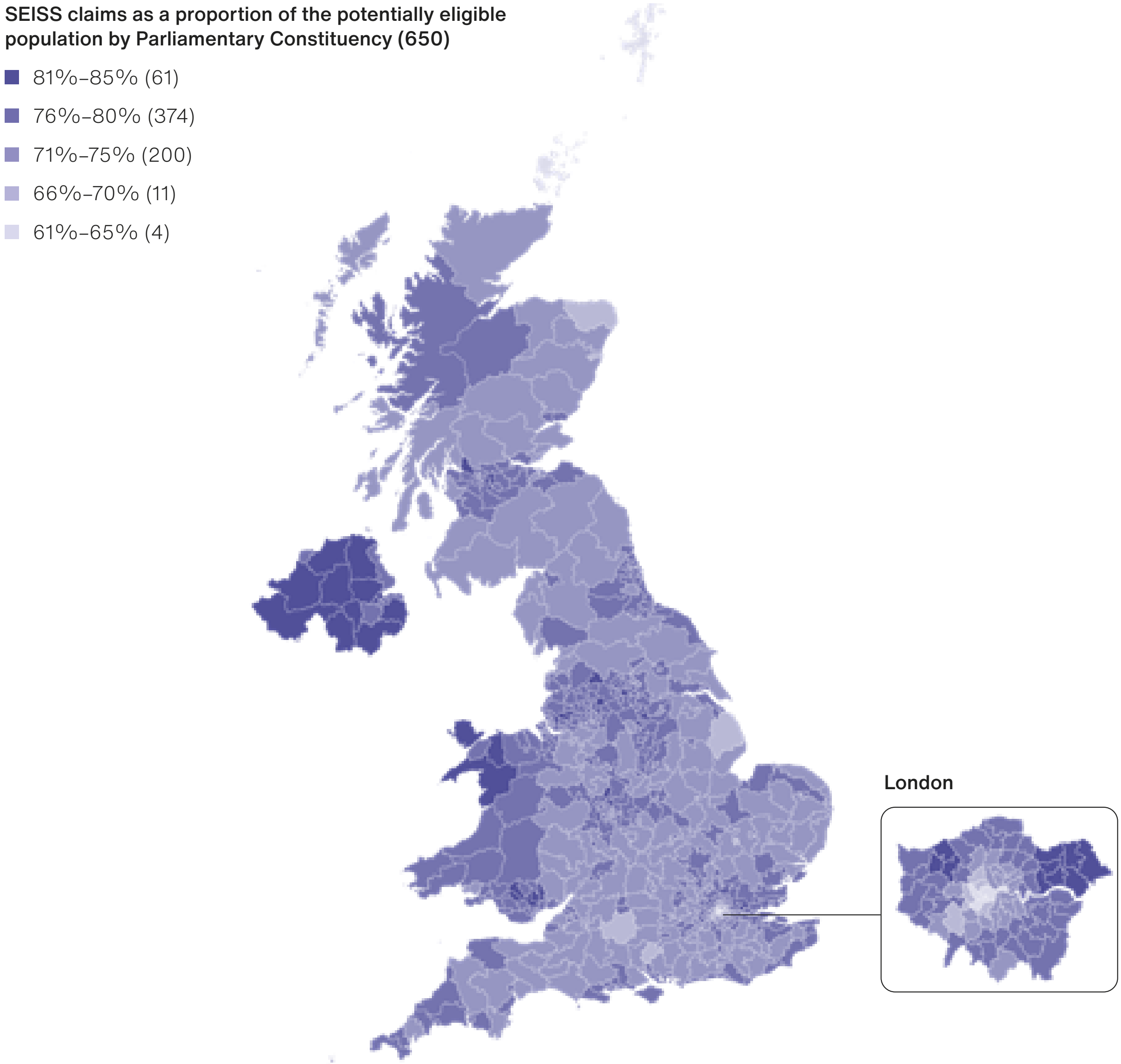
3 Map based on take-up data rounded to the nearest whole percent, using December 2019 parliamentary constituencies.

Source: National Audit Office analysis of HM Revenue & Customs' data

Figure 13

Self-Employment Income Support Scheme (SEISS) claims as a proportion of potentially eligible population, SEISS 1

Take-up rates of the first SEISS grant vary by parliamentary constituency with some of the highest rates in Northern Ireland, parts of Wales, areas around Glasgow in Scotland, parts of northern England and the West Midlands, and North and East London



Notes

1 Take-up rates show the proportion of the potentially eligible population (when the scheme opened) that have applied and been paid or are awaiting payment.

2 Take-up rates may have been higher than shown here since the potentially eligible population includes error and rejected cases, and some individuals whose businesses have not been adversely affected by Coronavirus.

3 We have excluded 7,000 claimants and 12,000 potentially eligible individuals where addresses are listed in the Channel Islands, Isle of Man, foreign addresses or missing and eligible Loan Charge cases who are yet to file their 2018-19 Self Assessment tax return.

4 Map based on take-up data rounded to the nearest whole percent, using December 2019 parliamentary constituencies.

Source: National Audit Office analysis of HM Revenue & Customs' data

Many people remain furloughed as the Departments' support moves to a new phase

2.25 Both schemes are due to end in their current form in October 2020. CJRS will be replaced by the Job Support Scheme (JSS). For the self-employed there is a modified SEISS scheme (see paragraphs 1.23 to 1.25 and Appendix Four). It is not yet certain how employers will respond to the JSS. The JSS scheme is intended to provide help for short-time working with government providing less support and employers expected to pay more. The expanded JSS is available for firms legally required to close. This will cover two-thirds of the wages of furloughed employees, without requiring an employer contribution.

2.26 With around two million people still furloughed at September 2020, there is a significant possibility of large-scale redundancies. Before the government's recent announcement of its *Winter Economy Plan* and the JSS,[13] HM Treasury published a summary of independent UK economy forecasts in September[14] which showed unemployment ranging from 6.2% to 12.7% (average 8.3%, around three million) by the final quarter of 2020. Analysis by the Institute for Employment Studies – published after the government's *Winter Economy Plan* and expanded JSS – estimated around 600,000 redundancies in the final two quarters of 2020, based on employer redundancy notifications to employees. The latest unemployment data, published on 13 October, reported unemployment had reached 4.5% of the labour force in the three months to August 2020, an increase from 4.1% in the previous three months.

2.27 The Departments will need to consider how the current schemes have operated to date, who has benefited and what this implies for the modified schemes going forward. For example, it is not yet clear how the government's revised schemes will address the issue that some people will continue to be excluded from support based on the tax information held by HMRC. The expanded JSS scheme adds further administrative complexity with eligibility criteria based on location and lockdown restrictions in place at particular points in time.

13 HM Treasury, *Policy Paper – Winter Economy Plan 2020*, CP 297, September 2020, available at: www.gov.uk/government/publications/winter-economy-plan/winter-economy-plan

14 HM Treasury, *Forecasts for the UK Economy: September*, September 2020, available at: www.gov.uk/government/statistics/forecasts-for-the-uk-economy-september-2020

2.28 It will be difficult to disentangle the specific impact of the existing schemes from other forms of government support (including the JSS and Bounce Back loans), as well as the ongoing impact of COVID-19. Recent analysis gives more insights into the range of effects of the schemes, finding that the average SEISS grant came close to fully compensating recipients for the effects of the crisis. However, furloughed employees under CJRS saw an average 13% decline in net income and new claimants of Universal Credit a 40% decline.[15] Stakeholders, including the Treasury Select Committee, have suggested careful consideration should be given to extending employment support on a targeted basis, recognising that some sectors and regions may have been more acutely affected by COVID-19 than others. The Confederation of British Industry and the Trades Union Congress have both supported the measures announced in the *Winter Economy Plan* and believe the JSS will help to support some people to stay in work. The Resolution Foundation and Institute for Employment Studies have, however, questioned the extent to which the original JSS will prevent significant job losses over the coming months.

15 I Delestre et al, *Income protection policy during COVID-19: evidence from bank account data, Briefing Note, 10 September 2020*, available at: www.ifs.org.uk/publications/15002

Part Three

Fraud and error affecting the employment support schemes

3.1 The Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) are both grant schemes administered by HM Revenue & Customs (HMRC). Inevitably grant schemes are at risk of fraud and error:

- **Fraud** occurs where the claimant (the employer for CJRS, the self-employed individual for SEISS) deliberately sets out to misrepresent their circumstances to get money to which they are not entitled.
- **Error** occurs where the claimant inadvertently receives the wrong amount due to incorrect information being provided, but with no deliberate intent to mislead, or incorrectly calculate the award.

3.2 This part of the report considers HMRC's:

- overall approach to compliance, including the control environment and its tolerance of risk;
- management of the fraud and error risks;
- understanding of the scale of fraud and error; and
- plans for recovering grant overpayments.

HMRC's compliance approach

The control environment

3.3 HMRC has a long-standing approach to tackling non-compliance. In administering the tax system and paying out tax credits, HMRC considers "the best way to tackle non-compliance is to prevent it happening in the first place, while cracking down on the minority who do break the rules".

3.4 In designing the schemes, HMRC recognised that it would need to make certain trade-offs in its normal approach of preventing as much fraud and error as possible and the need to ensure grants reached claimants quickly. HMRC drew up longlists of potential controls for both schemes. In total it identified 42 potential controls for CJRS, of which 24 were implemented by the go-live date and 57 for SEISS, of which 38 were delivered by the end of April. HMRC identified certain controls as critical to delivery and implemented all of these. It did not implement all possible controls because it viewed them either as unfeasible to deliver within the time available or not sufficiently effective. This was particularly the case for CJRS, which had to be implemented more quickly than SEISS (**Figure 14** overleaf). HMRC's COVID-19 compliance approach prioritised developing pre-payment checks to prevent risk of organised criminal attacks on the schemes over other types of risk such as opportunistic fraud, where there is a greater likelihood it can recover overpayments retrospectively.

3.5 HMRC has maintained strong oversight of its control framework for both schemes, which sets out in detail what all the controls do, the stage of the claims process they operate in and the risks they were seeking to mitigate against (**Figure 15** on page 45).

Figure 14

Examples of key controls for Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS)

HM Revenue & Customs (HMRC) had less time to develop controls for CJRS than for SEISS

		CJRS	SEISS	Why was control not implemented?
Promote	Honesty declaration	✔	✔	
	Online fraud reporting form	✔	✔	
	Promote threat of future compliance action	✔	✔	
	Public listing of claimants	✗	N/A	HMRC not convinced measure would be effective.
	Online guidance and calculator	✔	✔	
	HMRC invitation to apply	✗	✔	Up to employer to assess need for the scheme.
Prevent	Checking work status with furloughed employees	✗	N/A	Insufficient time/resources.
	Automated calculation of award	N/A	✔	
	Full verification of all input data and amounts claimed per employee	✗	N/A	Insufficient time/resources.
	Payments capped at maximum grant award value	✔	✔	
	Employee/self-employed person must already be in HMRC's tax systems to be eligible	✔	✔	
	Agents prevented from claiming	✗	✔	HMRC viewed CJRS risk as acceptable.
	Transaction monitoring	✔	✔	
	Bank account checks	✔	✔	
Respond	Data matching to detect potential non-compliance	✔	✔	
	Voluntary disclosure window	✔	✔	
	One-to-one enquiries	✔	✔	

✔ means that the control was implemented. ✗ indicates that the control was not implemented.

Notes

1 The controls listed above are not exhaustive lists.

2 An online fraud reporting form was in place for both schemes. The telephone hotline was not available until August 2020 due to home-working restrictions during the pandemic.

3 Online guidance was available for the SEISS as well as information about how the calculation was made. The calculation itself, however, was automated by HMRC.

4 HMRC sent out communications to registered Self Assessment taxpayers notifying them that they may be eligible to apply for the SEISS. For CJRS, no such communication was made but HMRC did contact some of the largest companies to check whether they intended to apply.

5 Furloughed employees were not able to do any work under the original rules of the CJRS. From 1 July 2020, however, they could work part-time.

6 An employee had to be registered on the employer's Pay-As-You-Earn scheme by 19 March and included on a Real Time Information submission made by the same date to be eligible for CJRS. Self-employed individuals had to be already registered on HMRC's Self Assessment system to be eligible for the SEISS.

Source: National Audit Office analysis of HM Revenue & Customs' control frameworks

Figure 15

HM Revenue & Customs' (HMRC's) control framework for the employment support schemes

HMRC's control framework enabled it to effectively document risks and the controls in place to tackle them

HMRC used its control framework for Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme. Through using it, HMRC aimed to properly understand and own the scheme risks across the organisation. The framework is influenced by the principles of the government's *Orange Book* guidance, designed to support departments to better manage risk.

A control listing sheet was used for each scheme to document controls around different phases of customer claims. Each control had a named owner responsible for monitoring it.

Pre-claim:

For example, controls around eligibility issues.

In-claim:

For example, controls around monetary limits.

Between claims:

For example, some applicants needed to be excluded.

Post-claim:

For example, controls to recover inappropriate payments.

Control sheets are used to show progress and to ensure that the control environment is operating as expected. The sheets were updated regularly as new controls were brought in and existing ones updated, thus ensuring HMRC had a comprehensive overview of the overall controls regime.

Control owners reported on progress weekly. A Control Board produced a weekly update on controls that was submitted to HMRC's Executive and Audit Committees.

Note

1 HMRC documented controls for manual claims using the same approach.

Source: National Audit Office analysis of HM Revenue & Customs' control framework

HMRC's assessment of risk

3.6 HMRC conducted a detailed initial risk assessment on both schemes to establish the key fraud and error risks. For example, HMRC was almost certain that organised criminals would target the system for weaknesses and viewed the likelihood of opportunistic fraud, where claimants exploit the rules of the scheme to their own advantage, as being very likely (**Figure 16**). As such, HMRC recommended limiting the schemes only to taxpayers with current records, a move that reduced the risk of fraud considerably because applicants had to be known to HMRC at the time the schemes were announced.

3.7 HMRC has assessed that the risk of fraud and error is greater for the CJRS scheme than for SEISS as it was able to put in place more preventative controls for SEISS (Figure 14). For SEISS, Self Assessment taxpayers were invited to apply, rather than for CJRS where taxpayers could make applications themselves. It also calculated the SEISS grant using existing tax return data. This reduced the scope for individuals to either erroneously or deliberately misstate their incomes to increase their claim award.

3.8 Under the CJRS scheme, employers were responsible for informing employees about whether they were being furloughed under the government scheme and for making payments to them. Employers retained the responsibility for calculating claims. The scheme allowed a degree of tolerance around the amounts employers applied for, up to a maximum of £2,500 a month per employee. HMRC did not ask small employers to state how much was being claimed for each employee because it concluded it was not feasible to build this into the new system in the time available. HMRC considered validating claim amounts for employees but rejected this because the range of variations seen in people's pay (for example, from promotions or performance-related pay) would have introduced too much complexity. HMRC's internal audit team warned before the scheme went live that checks on amounts claimed per employee were critical to effective and efficient compliance.

Figure 16

HM Revenue & Customs' (HMRC's) early assessment of the key fraud and error risks

HMRC identified the same key risks for both schemes but assessed the impacts to be potentially greater for the Coronavirus Job Retention Scheme (CJRS)

		Assessment of Risk	
Key risks	**Examples**	**Likelihood**	**Impact after mitigation (% of total grant expenditure)**
CJRS			
Organised crime	Pay-As-You-Earn schemes hijacked by organised criminal gangs.	Almost certain	2.5% to 5%
Opportunistic fraud	Employer gets furloughed employee to continue working. Employer doesn't pass on furlough payments to employee. Employer inflates claim for employee.	Highly likely	2% to 3%
Internal fraud	HMRC staff member colludes with employer.	Low	Low
Error	Employer claims incorrect amount per employee or HMRC processes award incorrectly.	Low	1% to 2%
		Total	**5% to 10%**
Self-Employment Income Support Scheme			
Organised crime	Hijacking of claimant details by organised criminal gangs.	Almost certain	0.3% to 1.5%
Opportunistic fraud	Claimant makes a late filing that deliberately inflates their profits.	Highly likely	0.3% to 0.7%
Internal fraud	HMRC staff member falsifies details to claim grant money.	Low	Low
Error	Wrong amount is awarded based on incorrect data.	Low	0.2% to 0.5%
		Total	**1% to 2%**

Notes

1 The likelihood assessments use a probability yardstick. An assessment of 'almost certain' indicates a probability in excess of 95%. A 'highly likely' assessment has a probability of 80% to 90%.

2 The estimates above were provisional as they were based on an early assessment of the risks and carried significant levels of uncertainty. HMRC has committed to further updates on the likely levels of fraud and error by the end of 2020.

3 The totals do not exactly match the sum of the individual components. This is because the total are calculated using Monte Carlo modelling. This is a good-practice approach that varies key inputs and risk factors to produce a range of estimated scenarios. This means, however, that the most likely values of total fraud and error are expected to sit within a much narrower range than is implied by simply aggregating the most extreme values from each scenario.

Source: National Audit Office analysis of HM Revenue & Customs' risk assessments of the schemes

Tolerance of risk

3.9 In order to get money to claimants quickly HMRC accepted some factors would contribute to significant fraud and error risks. These factors included:

- reducing the scope for preventative controls. HMRC gave itself a maximum of three days to validate CJRS and SEISS claims so it could make payments as quickly as possible. This is much faster than for Tax Credits and Child Benefit, where the target for both is 22 days;
- HMRC not initially having the powers to undertake compliance work for the grant schemes, as with tax investigations, and it could only investigate cases where it suspected criminal intent. This delayed its ability to commence compliance work until the 2020 Finance Act passed into law in July;
- processing large volumes of claims quickly, HMRC needed to prioritise preventative checks for the most high-risk cases. This meant concentrating on suspected cases of organised crime, where the potential to recover money is normally much more difficult than for opportunistic fraud committed by known taxpayers. HMRC's decision to send out invitations for SEISS over a four-day period further narrowed its window to perform preventative checks. The invitations to apply over a four-day period resulted in four times as many SEISS claims in the first week compared with CJRS; and
- HMRC concluding that it had limited control of the relationship between employers and employees. It recognised there were risks that employers claim furlough money while continuing to get their employees to work but decided that it would need to tackle this risk in post-payment checks. We consider HMRC's management of furlough fraud in paragraphs 3.11 to 3.19.

How HMRC has managed risks

3.10 We looked in more detail at three key risks which HMRC viewed as almost certain or highly likely. We considered: how HMRC assessed the risk; the mitigation controls it put in place; and the extent to which these controls operated effectively:

1. Employers claiming money while their **furloughed employees continue to work**.
2. Self-employed individuals inflating their claims in **late Self Assessment returns**.
3. **Organised criminals hijacking agents' details** to submit fraudulent claims.

1. Working while furloughed

3.11 Under CJRS an employer commits ‘furlough fraud’ if they claim furlough payments for an employee but continued to require them to work (in any capacity under the first phase of the scheme (CJRS 1), or on a full-time basis under the second phase of the scheme (CJRS 2)). Other forms of furlough fraud include employers falsely inflating the amount of grants they claim or failing to pass on the full amount of furlough payments due to their employees.[16]

3.12 HMRC recognised that there was a high risk that employers would exploit the initial CJRS rules and continue to get their employees to work for them while claiming support. It informed the Chancellor it could not establish strong preventative controls. The only specific controls in place for the risk were an honesty declaration in the online form, whistleblowing routes, other forms of intelligence and retrospective investigation. HMRC set up an online fraud reporting form in addition to its telephone hotline. The telephone hotline was not available for the duration of CJRS 1 because home-working restrictions meant staff could not take calls in a secure environment.

3.13 HMRC ruled out further checks which could have helped to mitigate the specific risk of furlough fraud. It considered that pre-payment checks were impractical in the timeframe. The potential to contact furloughed employees retrospectively to check whether they were working was considered but ruled out on the basis it would be too resource-intensive and require resources to be diverted away from helping employers make claims.

3.14 Employees did not know if their employer was part of the government furlough scheme unless their employer informed them. HMRC ruled out publishing the details of every company claiming furlough payments, which might have alerted some employees that their employer was acting fraudulently. HMRC concluded it would have been unrealistic to contact employees given the large numbers of recipients of the furlough scheme. It was also concerned that naming companies could deter too many legitimate claimants and be detrimental to the primary policy objective to get support to those who needed it. HMRC believed it had comprehensive and robust controls to mitigate the risk of fraud.

3.15 HMRC has announced additional controls for the Job Support Scheme (JSS) to deter fraud and to prompt employees to disclose fraud. It intends to publish the names of employers who have used the scheme and it will use personal tax accounts to inform employees that their employer has claimed JSS.

16 Under SEISS, self-employed individuals were free to continue trading while claiming the grant providing that they stated that their business had been ‘adversely affected’ by COVID-19.

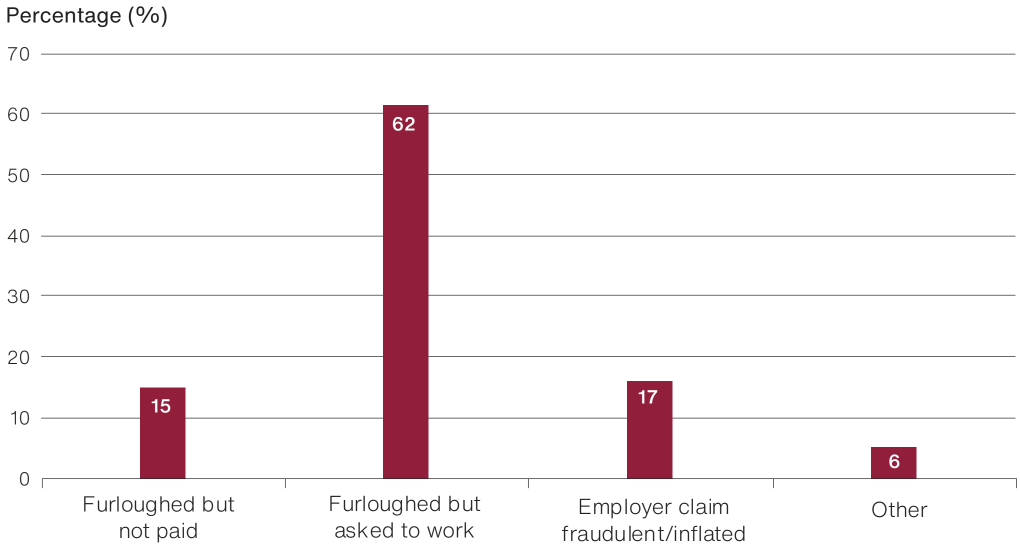
3.16 Up to 14 August, employees reported 8,600 potential fraud abuses through the online form, with 8,100 of these relating to CJRS. The telephone hotline received a further 1,600 reports, bringing total reported cases to more than 10,000.[17] The Department's experience, however, is that whistleblowing is only likely to identify 1% to 3% of fraud cases.

3.17 HMRC has investigated around one-quarter of CJRS fraud allegations reported online. Of those investigated, the majority of allegations relate to employers asking employees to work while furloughed (**Figure 17**). In around 8% of cases, the employer has admitted some form of error. Only one employer has accepted that they deliberately falsified their claim. In the remaining 92% of cases, the employer has either refused to engage with HMRC to date or denied any wrongdoing. HMRC continues to pursue these cases. HMRC has considered naming employers who are subsequently found to have committed fraud. Under its compliance powers received in July 2020 it can now do so but is yet to exercise these powers.

Figure 17

Allegations of Coronavirus Job Retention Scheme fraud received through online form

The majority (62%) of allegations of fraud concern employees being asked to work by their employer while furloughed



Note

1 Data are based off 2,205 calls made up to 7 August 2020. In some instances, multiple allegations are made in one call, so the total number of allegations (2,453) exceeds the number of calls.

Source: HM Revenue & Customs' analysis of post-payment calls

17 A very small number of these relate to potential fraud in the Statutory Sick Pay Rebate (SSPR) that HMRC administers. SSPR was the reason for 15 online notifications.

3.18 Our survey looked at the possible extent of employees working while on furlough (for full details of the survey see Appendix Two). This found that 9% of survey respondents who reported being furloughed had done some work at the request of their employer.[18] An additional 6% reported that they had chosen to do some work despite not being asked to by their employer.[19] In addition, we also found that a further 4% of respondents to our survey who had not worked while furloughed said that their employer had paid them less than 80% of their pay, the minimum amount under CJRS.[20]

3.19 Surveys by other organisations have different results, with the overall percentage of furloughed employees working at the request of their employer ranging from 7% to 34% (see **Figure 18** overleaf). Different sampling methodologies, question framings and time periods surveyed are likely to account for some of this variation. The survey commissioned by the National Audit Office covers CJRS 1 while the other surveys covered narrower periods in time. HMRC has not carried out its own survey of furlough fraud but it was considering this option in September 2020, when we were finalising our fieldwork.

18 Based on 1,178 survey responses. We asked our survey questions as part of Ipsos MORI's telephone omnibus and online surveys. The quota sampling methodology used and the limits of the approach in terms of how generalisable the results are to the population of furloughed workers are set out in Appendix Two.

19 Based on 1,178 survey responses.

20 Based on a sample of 503 computer-assisted telephone interviews. Due to an error in the online survey routing, the base size for this particular question is smaller than for our other survey questions.

Figure 18

Surveys looking at percentage of furloughed employees working

Furlough fraud could be in the range of 7% to 34% according to surveys

Organisation	Percentage of furloughed employees working at employer direction (%)	Percentage of furloughed employees voluntarily working (%)	Period of lockdown covered by survey
Academics at Oxford, Cambridge and Zurich universities	19	44	April 2020
Crossland Employment Solicitors	34	N/A	March to 11 June 2020
National Audit Office (NAO)	9	6	March to June 2020
Resolution Foundation	7	N/A	May 2020

Notes

1 The NAO survey was conducted by Ipsos MORI on our behalf. In our survey, 12% of employees who had been furloughed responded that their employer had asked them to work, 9% had done so and 3% had not done so.

2 The survey we commissioned from Ipsos MORI combined online and telephone surveying (weighted 50:50). While showing survey results for each method should be treated with caution because it results in smaller response samples, we found different results across the two methods: 4% of furloughed respondents who were contacted by telephone said that their employer had asked them to work and they had done so; 14% of furloughed respondents who were contacted online said that their employer had asked them to work and they had done so. These differences reflect variations between the populations from which the samples were drawn; as well as nuances in job sector, type of employment and the mode of interview (self-completion versus interview-led telephone interviewing).

3 Crossland Employment Solicitors, Resolution Foundation and the Academics at Oxford, Cambridge and Zurich universities all used online panels for their surveys.

4 The Resolution Foundation's survey, conducted by YouGov, found that 7% of employees had been asked to work by their employer. It did not ask whether these employees complied with the request.

5 The surveys by Crossland Employment Solicitors and Resolution Foundation did not ask employees whether they had voluntarily worked while placed on furlough.

6 Information about the polling methodologies used by other organisations can be seen in the source links below. For further information on the survey methodology adopted by Ipsos MORI on our behalf see Appendix Two. We did not directly validate the results of any of the other surveys listed here.

Sources: Crossland Employment Solicitors survey results are available at: www.crosslandsolicitors.com/site/media/coronavirus-hub/furlough-fraud-coronavirus-lockdown; The Resolution Foundation survey results are available at: www.resolutionfoundation.org/publications/the-effects-of-the-coronavirus-crisis-on-workers/; The Oxford, Cambridge and Zurich University paper is available at: www.econ.cam.ac.uk/research-files/repec/cam/pdf/cwpe2079.pdf

2. Late Self Assessment returns

3.20 SEISS was announced less than two months after the Self Assessment deadline meaning that many taxpayers had not yet filed their returns or still intended to submit amendments. HMRC identified significant risks for taxpayers to inflate the value of their returns in order to obtain larger grants under the SEISS scheme, although this would also have increased their future tax liability. To mitigate this risk it:

- did not allow amendments to already-filed returns to be included in calculating the grant because it assessed the fraud risk was too high. Any amendments to filed Self Assessment tax returns after SEISS was announced on 26 March 2020 were disregarded in calculating an individual's award. An individual may have had a legitimate reason for making such an amendment but HMRC was concerned about the potential for manipulation. Subsequent analysis of amended returns suggests HMRC's concerns were well founded; taxpayers filed 7,000 amendments the day after the policy was announced with 1,200 of these seeking to increase their trading income by an average of £7,000; and

- permitted late returns but sought to perform additional ID verification checks on these before receiving the SEISS claims. Between 26 March and 23 April 2020, 64,000 late returns were filed by self-employed individuals, with 47,000 of these deemed potentially eligible for the SEISS grant. HMRC performed ID verification checks on around 15% (7,000) of these high-risk late returns. Of those 7,000 returns, just over 40% failed these verification checks. Of those that passed the verification checks, 11% were flagged for post-payment compliance checks. While HMRC detected high levels of risk in the sample it checked, it did not carry out additional checks on the other 85% of late returns, instead relying on its standard risk rules applied to all SEISS claims. HMRC told us those standard risk rules were updated to recognise the fact that SEISS claims based on late returns should be viewed as high risk. However, this only allowed HMRC 72 hours to decide whether to accept or reject the claim.

3. Hijacked claims by organised crime

3.21 Organised criminals could exploit the schemes by stealing the identities of legitimate taxpayers or coercing them to make fraudulent claims. HMRC identified a risk that if agent details were stolen, fraudsters would potentially be able to make fraudulent claims on behalf of large numbers of employers or individuals. Agents or third parties submitted more than half (56%) of Self Assessment returns in 2018-19. HMRC research suggests around 50% of CJRS claims were made through agents.

3.22 Given the timescales for implementing SEISS, HMRC concluded it could not develop a claims service for agents that would also mitigate the risk of exploitation by organised crime. It therefore focused on developing a system that would be easy for customers to use directly and said it would not accept applications for SEISS from agents. It did not operate the same restriction for CJRS.

- For SEISS, HMRC stipulated that self-employed people must make an application themselves. It monitored activity and prevented some large-scale attempts to attack the system. Over a single weekend in May 2020, HMRC blocked around 87,000 claims worth £242 million due to suspicious activity. It did not have the capacity to assess all these claims within the three-day period and acted prudently to halt the applications. It recognised it could have denied some legitimate claims and subsequently contacted nearly all of these claimants to encourage them to claim themselves rather than through agents.

- HMRC did not take the same approach on the CJRS, allowing agents to continue to make applications on behalf of employers, even where the employer had not explicitly consented to this. It did alert businesses through their online business tax accounts that claims had been made in their name, but not until August 2020. This meant businesses may not have been aware that their details had been hijacked and used to make a claim during the first months of the scheme. HMRC also worked proactively to shut down a number of online scams that had been circulating that seek to trick individuals into passing on personal details.

- HMRC has detected relatively few CJRS claims where credentials may have been hijacked. It has rejected 224 CJRS claims to date worth £10 million. However, hijacked cases may have gone undetected. Until HMRC has carried out enquires into cases it cannot be sure it has not failed to prevent more attacks. HMRC continues to monitor organised criminal attacks but has yet to assess its effectiveness in mitigating the risk.

Understanding the scale of fraud and error

3.23 HMRC is unlikely to know the total level of fraud and error in each of the schemes for some time. Its planning assumptions were based on comparisons to Tax Credits, Universal Credit and Income Tax Self Assessment repayment fraud. Based on these it initially estimated potential fraud and error levels of 5% to 9% in CJRS and 1% in SEISS. At the time the assessments were made, HMRC's internal audit function concluded that the comparators were not sufficiently reliable to make conclusive assessments about the scale of the risk.

3.24 HMRC's most recent analysis predicts similar rates of 5% to 10% for CJRS and 1% to 2% for SEISS (see Figure 16). This would equate to around £2.0 billion to £3.9 billion on the CJRS and £130 million to £270 million on the SEISS based on spend to date. HMRC told us that while these estimates remained assumption-based, they were informed by expert opinion and it was continuing to update the estimates with information collected during the schemes. HMRC believes that the CJRS was less susceptible to organised crime than it initially forecast but also acknowledges that the greater flexibility in the rules that allowed part-time working from 1 July increased the risk of genuine error and more opportunistic fraud.

3.25 Survey data (see Figure 18) indicates that the true level of fraud and error in the CJRS could be considerable. Surveys suggest that furlough fraud due to employees working at the request of their employer could be in the range of 7% to 34%. We also found 4% of respondents to our survey who had not worked while furloughed said that their employer had paid them less than 80% of their pay, the minimum amount under CJRS (see paragraph 3.18).[21] Making a precise estimate is complicated because part-time working was allowed in CJRS 2, and the work employees carried out in CJRS 1 may have been on a part-time basis.[22] HMRC will need to consider whether the spirit of the rules have been broken and weigh this against the need to treat those who followed the rules fairly. Of those respondents to our survey who had said that they had worked while furloughed at the employer's request, almost two-thirds said they did so for less than half of their usual hours.[23]

21 Based on a sample of 503 computer-assisted telephone interviews. Due to an error in the online survey routing, the base size for this particular question is smaller than for our other survey questions.

22 There were some very limited circumstances in CJRS 1 where working while furloughed was allowed, such as a director carrying out director's duties.

23 Based on 1,178 survey responses, of which 117 indicated that they had worked while furloughed at the employer's request. These are raw respondent counts rather than the weighted ones used for calculation of proportions elsewhere in this report. See Appendix 2 for further detail.

3.26 HMRC intends to produce a final statistical estimate on both schemes for total levels of error and fraud. It aims to refine its provisional estimates again by the end of 2020 and in spring 2021 as it undertakes more compliance work and receives more operational intelligence. HMRC is monitoring the level of organised criminal attack. It does not expect to produce final estimates until the end of 2021 at the earliest. It intends to use similar methodologies to those used in estimating the tax gap. We recently reported on HMRC's assessment of the tax gap, noting that it is a comprehensive assessment but with some inevitable uncertainty attached.[24] There will also be parallels with the work that HMRC does in measuring error and fraud in Tax Credits and Child Benefit, as well as the work the Department for Work & Pensions does in measuring fraud and error in the benefits system.

3.27 HMRC has made some errors resulting in overpayments of grants worth £14 million. In the first tranche of SEISS payments, 26,000 were miscalculated due to not all tax return data being considered. Around 13,000 of these led to overpayments worth £12 million, equivalent to less than 1% of all SEISS grants. On CJRS, around £3 million was overpaid on 330 cases that were manually processed by HMRC staff. There are also likely to be cases where employers overclaimed CJRS because the HMRC online calculation tool was not accurate. HMRC made changes to the tool in May to rectify identified problems. HMRC does not intend to recover these overpayments despite having the legal powers to do so.

3.28 Up to 13 October, companies had paid back £278 million in grant money claimed under the CJRS. The amounts were claimed in error or were amounts that the company subsequently decided they did not need as they adapted to the pandemic.

24 Comptroller and Auditor General, *Tackling the tax gap*, Session 2019–2021, HC 372, National Audit Office, July 2020.

Post-payment compliance

3.29 HMRC has set out how it intends to deal with potential non-compliance post-payment. For CJRS, it has set up an approach which gives it multiple opportunities to recover overpayments (**Figure 19**). HMRC has already made three arrests in relation to suspected CJRS fraud. For SEISS, work commenced in October 2020 targeting the highest risk areas using a similar campaign approach to CJRS. Further SEISS risks will be considered as part of the compliance checks on the 2020-21 Self Assessment tax returns that will be due by January 2022.

Figure 19

HM Revenue & Customs' (HMRC's) post-payment compliance regime for Coronavirus Job Retention Scheme (CJRS)

HMRC's post-payment compliance regime has yet to produce tangible results in terms of recovery of overpayments

CJRS compliance campaign	What is it?	Results to date
Claims assurance checks	2,800 calls to employers during the scheme to understand more about their claims.	18% of calls have identified errors resulting in overpayments. 20% of calls have identified errors but with no net overpayment. 63% of calls either not answered, customer unable/unwilling to speak or no error identified.
90-day disclosure window to 20 October 2020	Amnesty period for employers to encourage them to disclose any overclaims during the disclosure window.	27,000 letters sent out. 136 notifications of overpayments received but too early to evaluate response rates.
One-to-one enquiries	For remaining high-risk claimants who have not corrected their claims.	10,000 enquiries anticipated, subject to the number of voluntary disclosures.
Protection against deliberate insolvency	To protect taxpayer money where companies look to deliberately enter insolvency.	

Notes

1 Percentages for claims assurance checks calls do not sum due to rounding.

2 Total number of claims assurance checks based on data as at 7 August 2020. HMRC made the decision to discontinue these calls from August onwards instead shifting its focus into other post-payment compliance activity.

Source: National Audit Office analysis of HM Revenue & Customs' documentation

3.30 HMRC plans to redeploy 500 full-time equivalent (FTE) staff to enable post-payment compliance work. Its assessment in June 2020 suggested that this work would bring in around £275 million. The work offers a positive return on investment (we estimate around 9:1) but HMRC estimates it would come with an opportunity cost to tax revenue of £100 million to £200 million as it would need to redeploy staff from tax compliance. HMRC does not believe it can recruit additional staff because there is an 18-month time-lag between starting recruitment and getting staff fully trained to start work. In June 2020 it considered outsourcing but concluded at that stage that there were no existing commercial mechanisms to recruit at the speed it needed. It was also concerned about the challenges experienced through outsourcing HMRC functions in the past (such as using Concentrix to administer Tax Credits' claims) and that this would not be worthwhile given furlough arrangements may not be extended, making this a one-off. In October 2020 HMRC informed us that with the announcement of new employment support schemes, and informed by learning from the operation of SEISS and CJRS, it was now planning to use private contractors to supplement its compliance capacity where necessary.

3.31 Until it has a robust estimate of the total levels of error and fraud, HMRC cannot reasonably know how much resource it should commit to recovery. Its provisional assessment of £275 million is based on investigating around 30% (10,000 claims) of the highest-risk CJRS cases. If total levels of error and fraud prove to be higher than initially forecast the work may take some time to complete. HMRC will also need to consider the long-term impact of the pandemic and the risks this poses to tax revenue and the ability of taxpayers to repay grants in the short-term.

Appendix One

Our audit approach

1 This report examines the role of HM Treasury and HM Revenue & Customs (HMRC) in implementing the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS). The report considers how well the schemes were implemented, recognising the need to deliver at speed in response to the COVID-19 pandemic. Our key audit questions were:

- Did HMRC and HM Treasury manage design and delivery risks effectively in implementing the schemes?
- Do HMRC and HM Treasury understand whether the schemes reached the people intended?
- Are HMRC and HM Treasury managing fraud and error risks effectively thus far?

2 This report does not consider HMRC's other COVID-19 interventions designed to support businesses, including the Coronavirus Job Retention Bonus and Eat Out to Help Out, or the relationship between the schemes and wider government support such as business loans and benefits. We have previously reported on the Bounce Back Loans Scheme.

3 Our audit approach is summarised in **Figure 20** overleaf.

Figure 20
Our audit approach

The objective of government

To provide support for businesses affected by the COVID-19 pandemic to enable them to retain employees and to provide support to self-employed individuals whose businesses were adversely affected by the pandemic.

How this will be achieved

HM Revenue & Customs (HMRC) and HM Treasury together designed two grant schemes: the Coronavirus Job Retention Scheme (CJRS) to support businesses; and, for self-employed individuals, the Self-Employment Income Support Scheme (SEISS).

Our study

We examined how HMRC and HM Treasury designed and delivered these two support schemes, recognising the need to deliver at speed in response to the COVID-19 pandemic.

Our evaluative criteria

Did HMRC and HM Treasury manage design and delivery risks effectively in implementing the schemes?

Do HMRC and HM Treasury understand whether the schemes reached the people intended?

Have HMRC and HM Treasury managed fraud and error risk effectively thus far?

Our evidence

(see Appendix Two for details)

Interviews with key HMRC and HM Treasury staff.

Document review, including ministerial submissions on scheme design.

International comparisons using data from other audit institutions.

Interviews with key HMRC and HM Treasury staff.

Document review, including ministerial submissions.

Interviews with relevant stakeholders.

Analysis of our survey data.

Review of key documents, including control frameworks.

Review and analysis of any emerging evidence on fraud and error levels.

Interviews with key HMRC and HM Treasury staff.

Analysis of our survey data.

Our conclusions

HM Treasury and HMRC met their objective to rapidly implement the schemes and the Departments should be commended for making these available ahead of schedule. The schemes were relatively straightforward to apply for, and payments quickly reached those who applied. Indications are that this has helped to protect jobs in the short-term and the numbers of people moving from furlough arrangements back to work are encouraging. However, many other people have lost earnings and have not been able to access support. The long-term impact of the schemes will also depend on wider financial support and the ongoing impact of COVID-19.

A key value-for-money test for these schemes will be how far the Departments can mitigate fraud and error. The pace at which the schemes were designed and implemented meant the Departments had to accept a greater risk than normal. As such, there are likely to be considerable amounts of fraud and error, particularly on the furlough scheme. Limiting applications to existing taxpayers should have reduced the fraud risk, but HMRC could have done more to make clear to employees whether their employer was part of the furlough scheme. In future, the Departments should do more while employment support schemes are running to protect employees and counter acts of fraud. The Departments will need to ensure sufficient resources are committed to recover money where it is cost-effective to do so.

Appendix Two

Our evidence base

1 Our conclusions on the two employment support schemes were reached based on our analysis of evidence collected between June and October 2020. Our overall audit approach is outlined in Appendix One.

Using our back catalogue

2 In designing and carrying out our work we took account of previous National Audit Office (NAO) analysis examining the Departments' responses to financial and humanitarian crises using the learning from this work to inform our evaluative criteria. We also deployed our framework for assessing the Departments' approaches to managing fraud and error, an audit method that builds on significant past experience of government interventions.

Departmental meetings and information

3 We met with key officials from both HM Treasury and HM Revenue & Customs (HMRC) involved in the design and delivery of the schemes. Specifically:

- the senior responsible owners for both the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS), and the key staff members supporting them;
- staff from HMRC's Customer Compliance Directorate who led on the compliance regime for both;
- HMRC's internal audit team, who offered initial advice to their Departmental colleagues on the appropriateness of the schemes' control environments;
- staff from HMRC's Knowledge, Analysis and Innovation Team to discuss the monitoring and evaluation of the schemes; and
- staff from HMRC's Behavioural Insights and Trials Team.

4 We reviewed relevant documents, including: options papers, ministerial submissions and strategy documents, accounting officer advice, controls frameworks, risk and decision logs, scheme overviews and customer journey maps, lessons-learned documents, performance dashboards and internal audit papers.

Stakeholders and experts

5 We reviewed key external reports and data sources including those published by the Office for National Statistics (ONS), the Organisation for Economic Co-operation and Development (OECD), and the Treasury Select Committee.

6 We engaged with experts from the Institute for Government, National Institute for Economic and Social Research, and the Resolution Foundation. We also discussed with the authors the results of findings from a survey conducted by Dr Abigail Adams-Prassl and colleagues from Oxford, Cambridge and Zurich universities. We corresponded with Crossland Employment Solicitors in relation to their survey work. For the surveys featured in Figure 18 in the report, we asked: who conducted the survey; what questions were asked about furloughed working; and over what time period the survey was carried out. We have not audited the underlying data.

Survey research

7 To gain feedback from employees furloughed as part of CJRS, we commissioned Ipsos MORI to carry out primary survey research on our behalf. Ipsos MORI interviewed a sample of 8,445 adults aged 18+ in the UK using a quota sampling method. Research was conducted using its telephone omnibus and online interviews. For both methodologies, quotas were set on age, gender, working status, education level, ethnicity and government office region to reflect the general population. The quotas were set based on the 2020 mid-year population estimates for UK adults 18+ published by the ONS. Quota sampling techniques provide accurate information about the responding sample, but findings derived from this approach cannot generally be used to make inferences about a wider population in the same way as having taken an entirely random sample of respondents from a defined population, where each potential participant has a known probability of being selected.

8 A total of 4,367 interviews were conducted via the telephone (CATI) omnibus between 14 August and 2 October 2020. The CATI omnibus is a nationally representative sample of adults (18+) using standard landline Random Digit Dialling (RDD), mobile RDD and targeted mobile samples. Interviewing took place over a four-week period, from a Friday to the following Wednesday and interviewing was conducted between 9am and 9pm on weekdays and 10am to 7pm on weekends.

9 A total of 4,078 interviews were conducted online between 26 August and 8 September 2020. For the online survey, a nationally representative sample of adults aged 18+ were interviewed online. The research was conducted by contacting respondents through Ipsos Interactive Services. The panel consists of individuals who have volunteered to take part in market research surveys. The respondent panel is continuously maintained and monitored on response rates, attrition, data quality and respondent engagement, as well as on demographic composition to ensure gender, age, regional and socio-economic representation. Panellists receive appropriate incentives to participate in surveys. Email invitations were sent out to the selected respondents, with a unique survey link for each respondent. Respondents participating in the study were actively monitored during fieldwork across a number of criteria, such as response time, multiple participation, and so forth, and this process was repeated at the end of fieldwork. Of the sample, 47 cases were removed as a result of noticeable primacy effect, speeding or odd answer profiles and are not included in the totals above.

10 Telephone and online data were weighted separately to the known offline population proportions for age within gender, social grade within gender, region within gender, working status within gender, ethnicity and education using rim weighting. The weight targets were based on the 2020 mid-year population estimates for UK adults aged 18+ published by ONS. An additional second stage rim weight was applied to both data sets to yield an even blend within the final combined weighted data.

11 We observed some variation in response between online and telephone survey methods on the key question "Still thinking specifically about the period between 19 March – 30 June 2020, did your employer of your main job ask you to work while you were furloughed, or not?" The figure of 9% of furloughed employees who worked following a request from their employer is an aggregated result; separate figures for respondents interviewed by telephone and for those undertaking the survey online were 4% and 14% respectively.

International comparison

12 We also engaged with our national audit counterparts in other countries to better understand the different ways in which their respective governments were implementing short-time working or wage subsidy schemes in response to the pandemic. See Appendix Three for more details.

Limitations

13 In reaching our independent views, we are aware of the following limitations to our review of HMRC's employment schemes and the value for money conclusion we draw:

- We conducted our audit at a relatively early stage and the full impact of the schemes is not yet clear.
- We conducted all our feedback remotely and, in the context of the pandemic, could not supplement our fieldwork with site visits.
- Survey research draws on quota sampling techniques which cannot generally be used to make inferences about a wider population (see above).
- The absence of a clear estimate of the nature and extent of fraud and error meant we were unable to definitively conclude on how well risks have been managed. HMRC expects to produce a more certain estimate, but not before the end of 2021, and we will need to consider that as part of any future work.

Appendix Three

International comparisons

Figure 21

International Comparison

Most countries we reviewed had pre-existing schemes

Country	Short-time work scheme?	Wage subsidy scheme?	Maximum monthly benefit[1]	Estimated total cost to date given	Initial period of support[2]
UK	Yes (New)	No	£2,500	£39.3 billion (20 September 2020)	1 March to 31 May 2020
Australia	No	Yes (New)	£1,791	£33.1 billion (6 October 2020)	30 March to 27 September 2020
Canada	Yes (Pre-existing)	Yes (New)	£2,144	£24.0 billion (4 October 2020)	15 March to 6 June 2020
Denmark	Yes (Pre-existing and new)	No	£3,637	£1.5 billion (12 October 2020)	9 March to 9 June 2020
France	Yes (Pre-existing)	No	£6,249	No data[3]	1 March to 31 December 2020
Germany	Yes (Pre-existing)	No	£3,385	£27.0 billion[4]	1 March to 31 December 2020
Ireland[5]	Yes (Pre-existing)	Yes (New)	£1,603	£2.6 billion (8 October 2020)	26 March to 17 June 2020
Netherlands[5]	Yes (Pre-existing)	Yes (New)	£8,603	£17.9 billion (6 October 2020)	1 March to 31 May 2020
Sweden	Yes (Pre-existing)	No	£3,827	£2.5 billion (14 October 2020)	16 March to 31 December 2020
USA[6]	Yes (Pre-existing)	Yes (New)	Employee Retention Credit (ERC): £3,831 (one-off) Paycheck Protection Program (PPP): £6,385 (benefit for four weeks, maximum eight weeks)	ERC: No data PPP: £402.0 billion (8 August 2020)	ERC: 12 March to 31 December 2020 PPP: 3 April to 30 June 2020

Notes

1 All maximum monthly benefits and estimated total costs have been converted to pound sterling based on the exchange rates as at 14 October 2020. Monthly benefit figures have been converted to the per-month equivalent where necessary.

2 Some countries have subsequently extended their support schemes beyond the initial period. For example, the UK Coronavirus Job Retention Scheme was initially due to run only to 31 May but was subsequently extended to 31 October 2020.

3 Total spend figures have not been confirmed for France.

4 The German Supreme Audit Institution told us in August that the Federal Employment Agency estimated €30 billion in spending would be attributable to increasing numbers of workers using the *Kurzarbeit* short-time work scheme throughout 2020.

5 In Ireland and the Netherlands, existing short-time work schemes were replaced by new wage subsidy schemes.

6 The ERC and PPP provide a benefit to employers with the intention of mitigating layoffs. The PPP scheme provides a loan which may convert into a grant if employee retention conditions are met. The CARES Act 2020 also provided funding for states to establish short-time work programmes, however the US Government Accountability Office told us that at 30 June 2020 no federal funding had been obligated for spending.

Sources: National Audit Office analysis of data from the Supreme Audit Institutions contacted; Institute for Government report (2020): *Coronavirus and unemployment: a five-nation comparison*; Organisation for Economic Co-operation and Development (OECD) report (2020): *Job retention schemes during the COVID-19 lockdown and beyond*; Governmental websites.

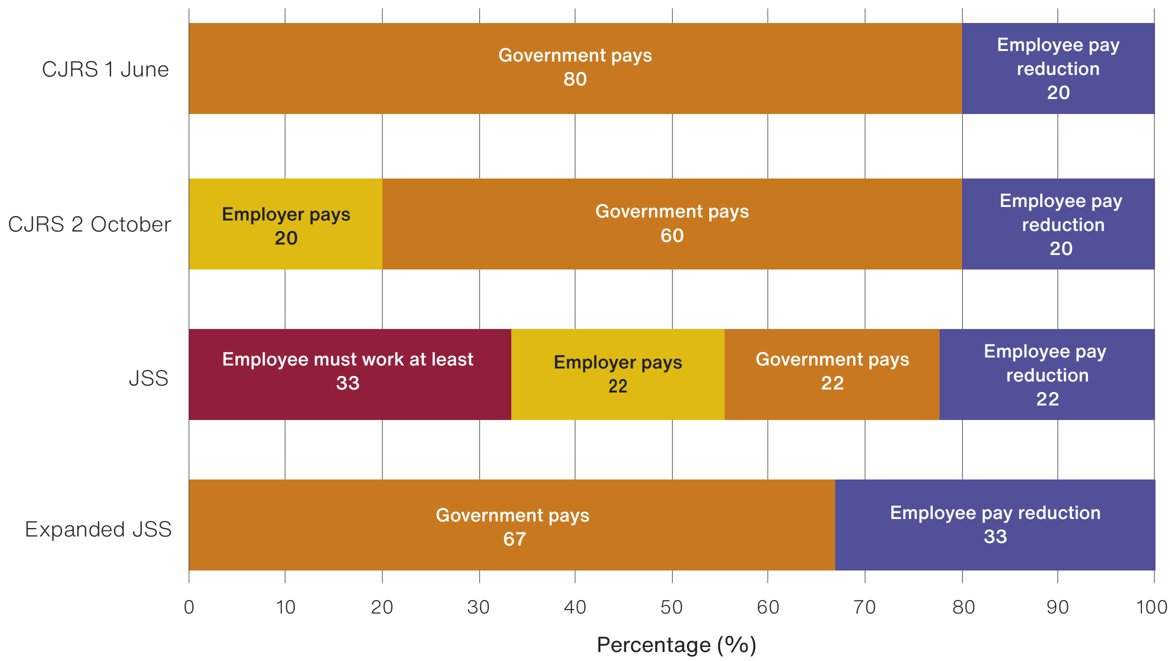
Appendix Four

Evolution of HM Revenue & Customs' employment support schemes

Figure 22

Comparison of Coronavirus Job Retention Scheme (CJRS) and Job Support Scheme (JSS)

Government support has changed over time



Notes

1 From August 2020, the employer has paid National Insurance Contributions and minimum pension contributions. Employers can top up employee salaries if they want. For all schemes, the government has capped the maximum level of support it provides.

2 For CJRS 2 and JSS, government support is based on the hours not worked by the employee. For CJRS 2, the level of support reduced over time to 60% in October, the final month of that scheme.

3 Percentages may not sum to 100 due to rounding.

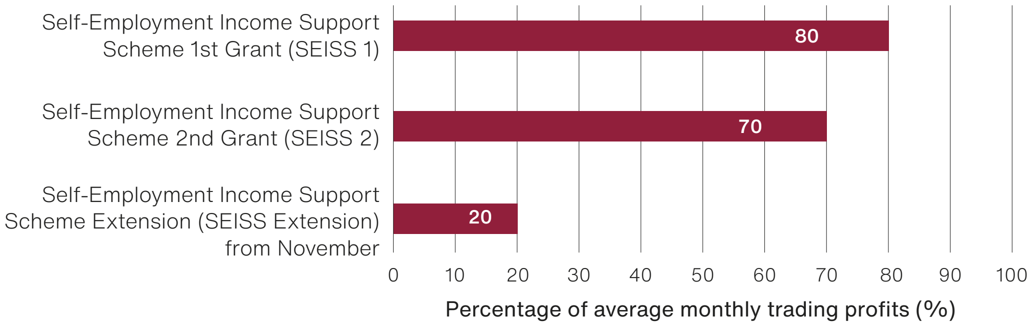
4 The Expanded JSS is for businesses legally required to close as a result of lockdown restrictions.

Source: National Audit Office analysis of government information

Figure 23

Comparison of Self-Employment Income Support Scheme (SEISS) and SEISS Extension

Government support has changed over time



Note

1 The maximum level of government support is also capped.

Source: National Audit Office analysis of government information

CORRECTION SLIP

Title: Implementing employment support schemes in response to the COVID-19 pandemic

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Correction One:

Paragraph 15 (page 9) of the report was produced in error, the second sentence referred to a 'high proportion', it should have been 12%.

The paragraph currently reads:

15 **The Departments considered the equality implications of their design decisions.** The Departments carried out equality impact assessments for both schemes. They identified that ~~a high proportion~~ of Black, Asian and minority ethnic people were self-employed and undertook additional work to raise awareness of SEISS with stakeholder groups. HMRC's monitoring data provide information on the age and gender profiles of people covered by the schemes but do not report on other protected characteristics, such as ethnicity, as these data are not necessary for the administration of taxes. The data show that a greater proportion of younger workers were furloughed. A greater proportion of men were furloughed initially, but this reduced over time and by September there was little difference between men and women. In August 2020 HMRC began tendering for survey and qualitative research to gain additional feedback on the schemes (paragraphs 2.17 to 2.22 and Figure 10).

The paragraph should read:

15 **The Departments considered the equality implications of their design decisions.** The Departments carried out equality impact assessments for both schemes. They identified that 12% of self-employed workers had a Black, Asian or minority ethnic background and undertook work to raise awareness of the SEISS scheme with stakeholder groups. HMRC's monitoring data provide information on the age and gender profiles of people covered by the schemes but do not report on other protected characteristics, such as ethnicity, as these data are not necessary for the administration of taxes. The data show that a greater proportion of younger workers were furloughed. A greater proportion of men were furloughed initially, but this reduced over time and by September there was little difference between men and women. In August 2020 HMRC began tendering for survey and qualitative research to gain additional feedback on the schemes (paragraphs 2.17 to 2.22 and Figure 10).

BACK

Correction Two:

Paragraph 2.19 (page 35) of the report was produced in error, '**one-third**' should have been 12%.

The paragraph currently reads:

2.19 HMRC's further analysis to support its communication strategy showed that ~~one-third~~ of self-employed workers had a Black, Asian or minority ethnic background, with almost half based in London. HMRC developed a range of communication and engagement plans for the schemes and worked with ethnic minority and faith-based organisations to publicise the schemes.

The paragraph should read:

2.19 HMRC's further analysis to support its communication strategy showed that 12% of self-employed workers had a Black, Asian or minority ethnic background, with almost half based in London. HMRC developed a range of communication and engagement plans for the schemes and worked with ethnic minority and faith-based organisations to publicise the schemes.

BACK

Date of correction: 12 October 2020

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