

# SPENDING REVIEW 2020: DELIVERING THE BRITISH PEOPLE'S PRIORITIES

## GOVERNMENT BUDGETS FOR FINANCIAL YEAR 2021-22

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- While our health emergency is not yet over, the economic emergency has only just begun.
  - So, today's Spending Review delivers on the priorities of the British people:
    - Our immediate priority is to protect people's lives and livelihoods as we respond to coronavirus.
    - But we will also deliver stronger public services – more hospitals, better schools and safer streets.
    - And deliver a once-in-a-generation investment in infrastructure – creating jobs, growing the economy, and increasing pride in the places people call home.
  - This is a shared project – a common endeavour to build a better nation to which every person and business in our country has a contribution to make. That unfinished work – irrespective of coronavirus – continues at pace as we emerge stronger and more united from this pandemic.
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### Spending Review 2020 is set in a difficult and challenging economic context

- The OBR have forecast that the economy will contract this year by 11.3 per cent – **the largest fall in output for more than 300 years**. Even with growth returning, our economic output is not expected to return to pre-pandemic levels until the fourth quarter of 2022. Due to long-term scarring, the economy, by 2025, is forecast to be around 3 per cent smaller than expected in the March budget. Additionally, despite the extraordinary support we have provided, unemployment is expected to rise to a peak of 7.5 per cent (2.6 million people) in the second quarter of next year.
- The economic impact of coronavirus means there has been a **significant increase in borrowing and debt**. In the OBR's 'central' forecast, the UK is expected to borrow a total of £394 billion this year – equivalent to 19 per cent of GDP, the highest level of borrowing in our peacetime history. We are forecast to still be borrowing over £100 billion (4 per cent of GDP) even in 2025. Due to elevated borrowing levels, and a persistent current deficit, underlying debt is forecast to continue rising every year, reaching 97.5 per cent of GDP in 2025.
- Over time, we will need to return the government to **sustainable public finances**. High as these costs are, the costs of inaction would have been much higher. But this situation is clearly unsustainable over the medium term. We could only act in the way we have because we came into this pandemic with strong public finances. And we have a responsibility, once the economy recovers, to return to a sustainable fiscal position.

### Priority 1: Protecting people's lives and livelihoods as we respond to coronavirus

- This year, the government will spend over **£280 billion on its response**. Through the furlough scheme, support for the self-employed, loans, grants, tax cuts and tax deferrals, as well as extra funding for schools, local authorities, the NHS, charities, culture and sport, we are ensuring that we prioritise jobs, businesses and public services.
- The **IMF, OBR and Bank of England** have praised the UK response. In its recent assessment of the UK's economic response to coronavirus, the IMF praised it as 'one of the best examples of coordinated action globally which has helped mitigate the damage, holding down unemployment and insolvencies'.
- But this health pandemic is not over, so this Spending Review confirms an **additional £55 billion** for next year for departments to respond to coronavirus, including:
  - **£18 billion to fund our programmes on community testing, test and trace, PPE and vaccines.**
  - **£3 billion to support NHS recovery from the impacts of coronavirus**, allowing them to carry out up to 1 million checks, scans and operations, boost mental health services, invest in the workforce, and ease existing pressures.
  - **Over £2 billion to keep our transport arteries open**, with funding to subsidise rail and bus networks.
  - **Over £3 billion to local authorities**, on the frontline of supporting vulnerable people through coronavirus.
  - **£250 million to help end rough sleeping**, and get people into long-term accommodation.
  - **£2.6 billion to support the devolved administrations** respond to coronavirus.
- We are also doing more to build on our **Plan for Jobs**. Latest data shows the **UK's unemployment is lower than Italy, France, Spain, Canada and the United States**. But there is always more we can do, which is why

we are today announcing **nearly £3 billion for a new, three-year programme to help nearly 1 million people who have been unemployed for over a year, find work.**

- **But in such a difficult context, we need to ensure fairness between the private and public sectors.** In the six months to September, private sector wages fell by nearly 1 per cent – but public sector wages rose by nearly 4 per cent over the same period. And unlike those in the private sector who have lost jobs, been furloughed, and seen wages and hours cut, the public sector has not. That is why today **we are targeting our resources at those who need it most by:**
  - Providing a **pay rise to over 1 million nurses, doctors and others working in the NHS.**
  - Protecting jobs by **pausing pay rises in the rest of the public sector.**
  - **Guaranteeing a pay rise of at least £250** for the 2.1 million public sector workers who earn below the median UK wage of £24,000, protecting the lowest-paid.
- This means that the **majority of public sectors will still receive an increase in their pay next year.**
- **We also want to do more for the lowest paid in society.** That is why we are today accepting in full the recommendations of the Low Pay Commission to **increase the National Living Wage by 2.2 per cent to £8.91**, to extend this rate to those aged 23 or over, and to increase the National Minimum Wage as well. These increases will benefit around 2 million people – a full-time worker on the National Living Wage will see their **pay rise by £345 next year**, an effective increase of over £4,000 since the policy was introduced in 2016.

## **Priority 2: Delivering stronger public services – more hospitals, better schools, safer streets**

- **Next year, total day to day departmental spending will be £540 billion.** Over this year and next, core departmental spending (RDEL) will **rise, in real terms, by 3.8 per cent – the fastest growth rate in 15 years.** In cash terms, core day-to-day departmental budgets will **increase by £14.8 billion.**
- **We are boosting funding for the NHS.** Next year, the health budget will grow by £6.6 billion, allowing us to deliver 50,000 more nurses and 50 million more GP appointments. And we are increasing capital investment by £2.3 billion to invest in new technologies to modernise patient and staff experience, as well as building 40 new hospitals, upgrading 70 more and replace the vast majority of ageing diagnostic equipment.
- **We are investing more in social care.** Today's settlement allows Local Authorities to increase their core spending power by 4.5 per cent, which follows the largest real terms increase in core spending power for a decade last year's Spending Review. They will receive £300 million of new social care grant funding, and will have extra flexibility to increase council tax bills by 2 per cent and Adult Social Care Precept by 3 per cent. Taken together, this means an extra £1 billion to fund social care, which comes **on top of** the extra £1 billion social care grant we provided this year, which will be maintained into 2021-22.
- **We are getting on with our three-year investment plan for schools.** We are reaffirming our commitment to increase the schools budget by £7.1 billion by 2022-23, compared to 2019-20. That's the biggest school funding boost in a decade and includes an uplift of £2.2 billion for next year. Every pupil in the country will see a year-on-year funding increase of at least 2 per cent. We are also funding our commitment to rebuild 500 schools over the next decade.
- **We are committed to boosting skills.** We are committing £291 million to pay for more young people to go into further education, £1.5 billion to rebuild our colleges, and £375 million to deliver the Prime Minister's Lifetime Skills Guarantee. We are also delivering funding to extend traineeships, sector-based work academies and the national careers service, as well as improving the way the apprenticeship system works for businesses.
- **We are making our streets safer by cracking down on crime.** Next year, funding for the criminal justice system will increase by over £1 billion. We are providing more than £400 million to recruit 6,000 new police officers – meaning we are on track to meet our manifesto pledge to recruit 20,000 more police officers by 2023. We are also delivering £275 million for the criminal justice system to bring more offenders to justice, along with a four-year, £4 billion prison building programme to provide 18,000 new prison places across England and Wales.
- **We are strengthening the UK's place in the world.** This country has and always will be open and outward-looking, leading in solving the world's toughest problems. That is why we have announced more than £24 billion investment in defence – the biggest sustained increase in 30 years – allowing us to provide security not just for our country but around the world. We are also investing in our extensive diplomatic network, and providing more funding for new trade deals.
- **We also need to prioritise our domestic economic emergency.** During a time when we need to prioritise jobs and public services, sticking rigidly to spending 0.7 per cent of our national income on overseas aid is difficult to justify to the British people. We will continue to meet our commitment to the world's poorest, spending the equivalent of 0.5 per cent of GNI on overseas aid in 2021, allocating £10 billion in this Spending Review. Based

on the latest OECD data, this would make the UK the second highest aid donor in the G7 – higher than Italy, Japan, Canada and the US – and considerably higher than the average of the 29 countries on the OECD’s development assistance committee – which in 2019, was just 0.38 per cent. Our intention is to return to 0.7 per cent when the fiscal situation allows.

### **Priority 3: Delivering our record investment plans in infrastructure to drive growth, create jobs and level up**

- **Next year, total capital spending (CDEL) will be £100 billion – £27 billion more in real terms than last year.** Our plans deliver the highest sustained levels of public sector net investment since the late 1970s.
- **We are today providing a number of multi-year capital settlements for roads, rail, hospitals, schools, broadband and housing.** We are also publishing a National Infrastructure Strategy, outlining our long-term vision for infrastructure investment. This will go alongside a refreshed Green Book, to ensure that infrastructure projects deliver the government’s key priorities to level up the country.
  - A **£7.1 billion National Home Building Fund**, on top of our £12.2 billion Affordable Homes Programme.
  - **Better mobile connectivity** with 4G coverage across 95 per cent of the UK by 2025.
  - The **biggest investment in new roads, railways, cycle lanes and over 800 zero emission buses**.
  - £15 billion of new funding for **research and development** next year.
  - Delivering the PM’s **ten-point plan for climate change**, creating 250,000 new green jobs across the UK.
- **To help finance our plans, we will establish a new UK infrastructure bank.** Headquartered in the north of England, the Bank will work with the private sector to finance major new infrastructure projects across the United Kingdom, starting this spring.
- **We are launching a new Levelling Up Fund – worth £4 billion in England, which will attract £800 million in the usual way in Barnett for Scotland, Wales and Northern Ireland.** People want to be able to look at their towns and villages and see change in the places they call home. That is why our new fund will build the infrastructure of everyday life – such as new bypasses, upgraded railway stations, less traffic, more libraries, museums and galleries, and better high streets and town centres. Local areas in England will be able to bid directly to fund local projects of up to £20 million which must be delivered in this Parliament, and projects must command real support, including of their Member of Parliament. The Treasury, which will jointly run the fund with DfT and MHCLG, will set out more details in due course. This fund will replace previously disparate funding streams, enabling the Government to take a more effective, joined-up, place-based approach to local needs.

### **This Spending Review also unleashes the power of our union**

- **This is a Spending Review for the whole of the United Kingdom.** Through the Barnett formula, today’s decisions increase Scottish Government funding by £2.4 billion, Welsh Government funding by £1.3 billion, and £900 million for the Northern Ireland Executive.
- **The Spending Review takes advantages of our departure from the EU to benefit the UK union.** We will ramp up funding, so that total domestic UK-wide funding will **at least** match EU receipts, on average reaching around £1.5 billion a year. In addition, to help local areas prepare over 2021-22 for introduction of the UK Shared Prosperity Fund, we will provide additional UK funding to support our communities to pilot programmes and new approaches. We will also deliver £1.1 billion to support farmers in Scotland, Wales and Northern Ireland, £20 million to support fisheries – and we will build one freeport in each part of the UK.
- **We will also accelerate four City and Growth Deals in Scotland** – helping Moray, Tay Cities, Borderlands and the Scottish Islands create jobs and prosperity in their areas. These add to the total of twenty City and Growth Deals across our country, demonstrating the long-term commitment of the UK Government to strengthening the union.
- **The Treasury is a department for the whole of the United Kingdom.** In Scotland, Wales and Northern Ireland, over 1.4 million jobs have been protected under the furlough scheme, and almost £6 billion in business loans have been granted to 165,000 SMEs under Bounce Back Loans and the CBIL Scheme.
- **Furthermore, much of the funding we are confirming at this Spending Review is UK-wide,** including the UK Shared Prosperity Fund, Gigabit broadband rollout, Shared Rural Network, R&D funding, climate change pledges on Carbon Capture and Storage and hydrogen, increased investment in UK culture and sport, and our record-breaking defence settlement.

<b>DHSC</b>	<ul style="list-style-type: none"> <li>Delivering on our promise to give the <b>NHS its biggest ever cash boost</b> - a £156.4 billion day to day budget.</li> <li>Confirming a further <b>£3 billion next year to support the NHS's recovery from the impact of coronavirus</b>, including £500m to improve access to mental health services, alongside investing <b>£15 billion in NHS Test and Trace and £2.1 billion in PPE next year</b>.</li> <li>Spending <b>£260 million to educate and train our vital NHS workforce</b> as part of our commitment to deliver 50,000 more nurses and create an additional 50 million GP appointments a year.</li> <li>Providing £9.4 billion of capital funding for projects such as the <b>40 new hospital building programme</b>, over <b>70 hospital upgrades</b> and replacing the vast majority of ageing diagnostic equipment (CT, MRI etc.)</li> </ul>
<b>DfE</b>	<ul style="list-style-type: none"> <li>Increasing the <b>core schools budget</b> by £2.2 billion in 2021-22, delivering a <b>minimum 2% increase per pupil</b>.</li> <li>Investing £375 million in skills, delivering the <b>Lifetime Skills Guarantee</b> and reform of the apprenticeship system.</li> <li>Improving the education estate through <b>£1.8 billion to maintain and improve the condition of school buildings</b>, and £1.5 billion to improve the FE College estate, and funding for T-levels and Institutes of Technology (IOTs).</li> </ul>
<b>HO</b>	<ul style="list-style-type: none"> <li>Keeping our country safe by providing more than £400 million to continue the recruitment of <b>20,000 extra police officers (6,000 this year)</b>, alongside funding for a new <b>Counter Terrorism Operations Centre</b>.</li> <li>Investing an additional £217 million capital to deliver the new <b>points-based immigration system</b>.</li> </ul>
<b>MoJ</b>	<ul style="list-style-type: none"> <li>Investing an additional £337m to strengthen our justice system and reducing the court backlogs caused by C-19.</li> <li>Providing <b>£40m to support victims of crime, including victims of domestic violence</b>.</li> <li>Investing more than <b>£4 billion capital funding over the next four years</b> to help deliver 18,000 additional prison places by the mid-2020s – the <b>largest prison building programme in over a century</b>.</li> </ul>
<b>MHCLG</b>	<ul style="list-style-type: none"> <li>Launching a new <b>National Home Building Fund</b>, with initial funding of £7.1 billion over the next four years to unlock up to 860,000 homes as well as providing <b>£2.2 billion of new loan finance to support housebuilders</b>.</li> <li>Investing an additional <b>£100 million in unlocking brownfield</b>, regenerating estates, and releasing serviced plots.</li> <li>Announcing over £3 billion of additional support to our councils to deal with Covid-19 pressures next year.</li> <li>Providing <b>£254 million (a 60% cash increase) to support rough sleepers and those at risk of homelessness</b>.</li> </ul>
<b>DWP</b>	<ul style="list-style-type: none"> <li>Investing £3.6 billion of additional funding in 2021-22 to <b>double the number of work coaches</b> and deliver on the support announced in the Government's Plan for Jobs, including funding over <b>250,000 jobs via Kickstart</b>.</li> <li>Announcing a new <b>£2.9 billion 3-year Restart programme</b> to provide intensive and tailored support to over 1 million unemployed people and help them find work.</li> </ul>
<b>DfT</b>	<ul style="list-style-type: none"> <li>Confirming today <b>£58 billion of investment to build better local roads, improve our rail services and upgrade our buses and cycling infrastructure</b>.</li> <li>Providing <b>£2.1 billion of rail service funding</b>, to support the economy while passenger demand recovers.</li> <li>Doubling down on our <b>commitment to Net Zero by 2050</b>, investing £1.3 billion in <b>electric vehicle charging infrastructure</b> and £120 million for <b>500 net zero emissions buses</b> next year.</li> </ul>
<b>DEFRA</b>	<ul style="list-style-type: none"> <li><b>Ensuring total farm support</b> in England of £2.4 billion in 2021-22, in line with our manifesto commitment.</li> <li>Setting out our plans for the first four years of the <b>£5.2 billion six-year flood and coastal defence programme</b>.</li> <li>Investing more than <b>£90 million for the Nature for Climate Fund</b>, to keep us on track to restore more peatlands and <b>plant 30,000 hectares of trees</b> a year by the end of this Parliament.</li> <li>Maintaining <b>funding for fisheries across the UK's nations</b> with £13.5 million committed for England.</li> </ul>
<b>BEIS</b>	<ul style="list-style-type: none"> <li>Providing <b>£14.6 billion to invest in R&amp;D in 2021-22</b>, including an increase of almost £400m next year to <b>core funding for our world class universities and research institutions</b>.</li> <li>Allocating over £3 billion as part of the <b>wider £12 billion Net Zero agenda</b> from our Ten Point Plan.</li> <li>Investing in the British Business Bank and <b>boosting the Start-Up Loans scheme</b> by £56.5 million to help new entrepreneurship and stimulate the economic recovery post-Covid.</li> </ul>
<b>DCMS</b>	<ul style="list-style-type: none"> <li>Investing <b>£1.2 billion over the next 4 years to support the rollout of gigabit-capable broadband</b> as well as providing funding to improve 4G coverage in rural areas and roll out local full-fibre networks.</li> <li>Providing £320 million for our <b>world-leading museums and galleries and cultural institutions</b> and more than <b>£450 million for Arts Council England</b>.</li> <li>Funding a major programme of upcoming events, including £118.5m for the <b>Commonwealth Games</b>, £29m for <b>Festival UK</b>, and £5m to begin preparations for the Queen's Platinum Jubilee celebrations</li> </ul>
<b>MoD</b>	<ul style="list-style-type: none"> <li>Providing an <b>over £24 billion</b> of investment over four years – the biggest programme of investment in British defence since the end of the Cold War, and one that goes above and beyond our manifesto commitment to grow the defence budget by 0.5 per cent on top of inflation.</li> <li>This settlement will also provide <b>£6.6 billion of R&amp;D</b> to boost research into artificial intelligence, future combat air power and other battle-winning technologies, and create 10,000 jobs annually across the entire United Kingdom.</li> </ul>
<b>FCDO</b>	<ul style="list-style-type: none"> <li>Increasing the UK's <b>core funding to the WHO to £340 million</b> over the next four years, remaining the largest donor to the International Development Association (the World Bank's lending arm for the world's poorest countries) and supporting developing countries to 'build back greener.'</li> <li>Allocating <b>£821 million to the Conflict, Security and Stability Fund</b>, to support the UK's national security interests overseas, and improving access to education for girls, including by co-hosting a successful Global Partnership for Education summit in 2021.</li> </ul>
<b>DIT</b>	<ul style="list-style-type: none"> <li>Providing the resources needed to <b>negotiate ambitious trade deals</b> with countries across the world – <b>building on the 53 trade deals</b> the UK government has signed or agreed in principle in the last two years.</li> <li>Enhance services for inward investors through the <b>new Office for Investment</b>, to drive foreign investment into the UK and ensure such investment plays its part in levelling up across the UK.</li> </ul>
<b>CO</b>	<ul style="list-style-type: none"> <li>Investing £228m in the <b>Government Property Agency</b>, empowering departments to relocate 22,000 roles out of London and the South East by 2030 to drive forward the Levelling up agenda.</li> </ul>