

2020-21 Main Estimates: Overview of spending plans for Government Departments

Impartial briefing from House of Commons specialists



SCRUTINY UNIT

Strengthening scrutiny through specialist support

For any questions, comments or feedback, please contact Larry Honeysett in the **Scrutiny Unit** at honeysett1@parliament.uk

What can you learn from this document?



Overview:

- ✓ How government sets out its spending plans
- ✓ Parliament's role in considering those plans
- ✓ How government spending plans for 2020-21 differ from spending last year, including where additional spending arises because of the coronavirus pandemic.

For each department:

- ✓ Spending trends
- ✓ Changes in spending compared to last year as a result of coronavirus and other changes
- ✓ Where the money goes

For more detailed spending information, use the Scrutiny Unit's interactive [government spending chart](#)

How government seeks funding

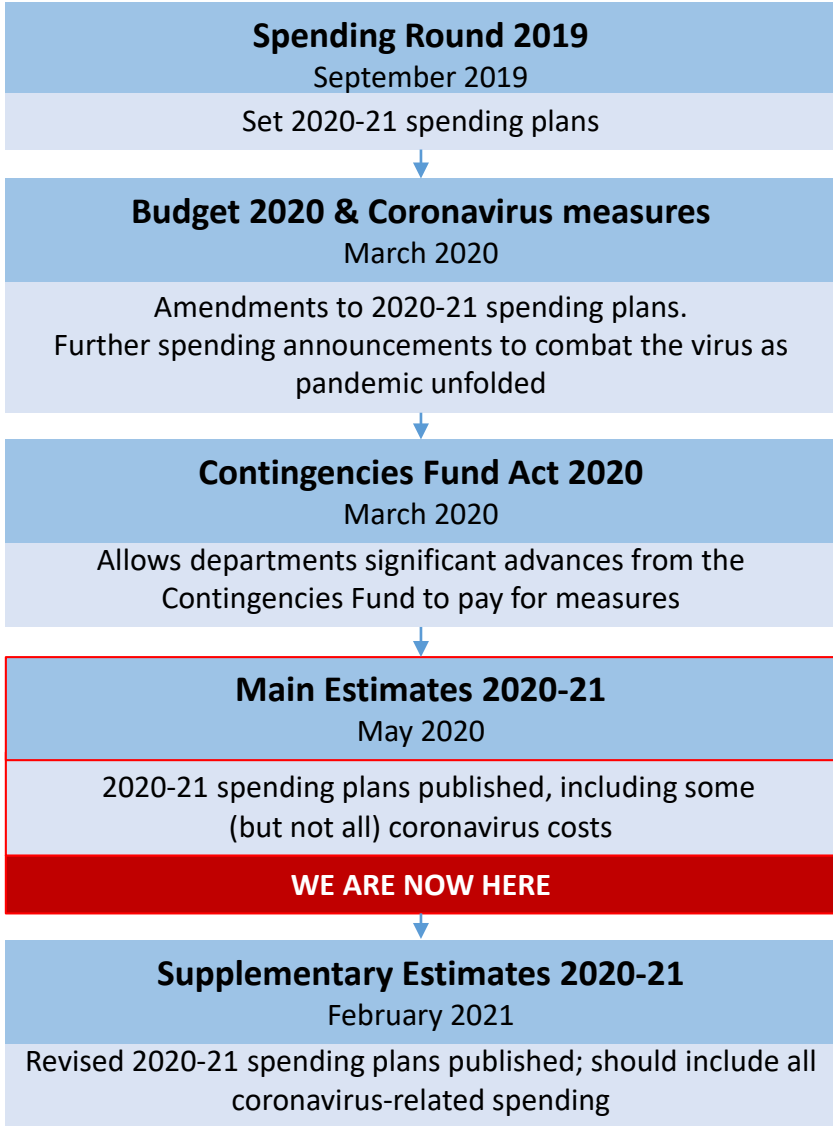
- **Main Estimates**, published in May, are where the government sets out its **spending plans** at the start of each financial year. Each department has a separate Main Estimate.
- This year the Main Estimates include large amounts of additional spending in the light of the **coronavirus** pandemic
- The Office for Budget Responsibility has estimated that measures taken in response to the pandemic have pushed up public spending overall by at least **£118 billion** in 2020-21, compared to previous plans (source OBR policy analysis 14 May)
- **Main Estimates** do not include all the additional expenditure likely to be needed in 2020-21; expect further changes in **Supplementary Estimates**, published in February 2021.

Parliament's role

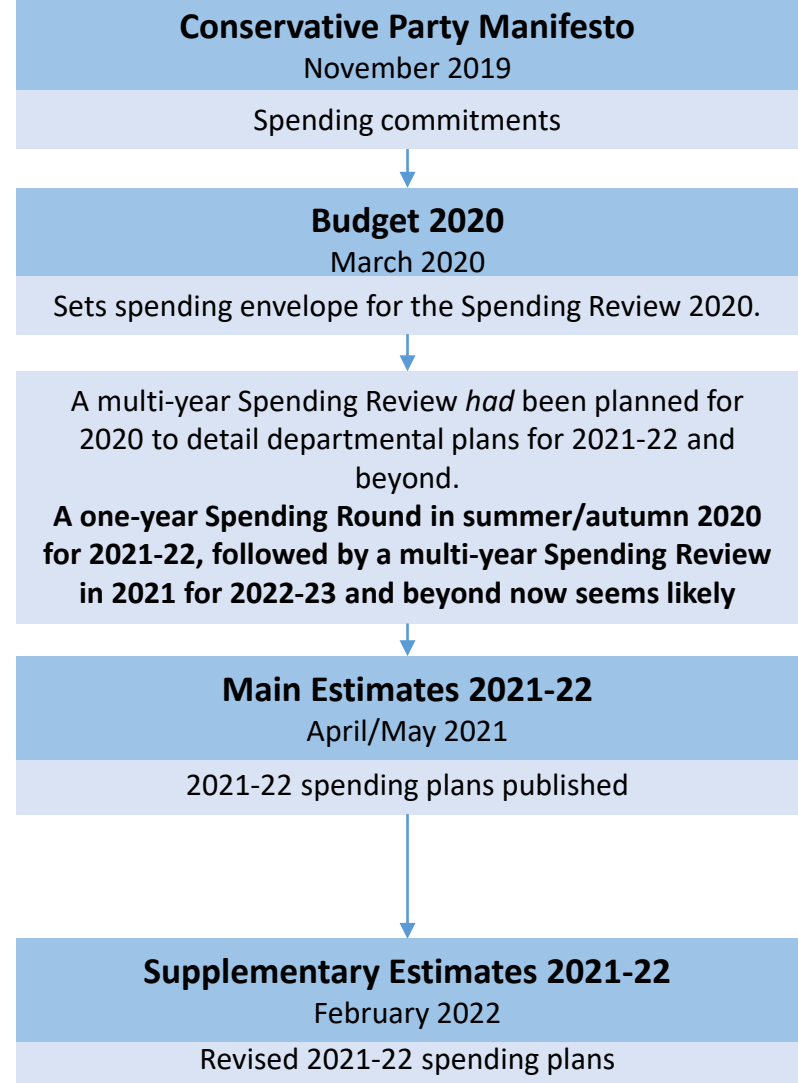
- Parliament debates selected Estimates on “**Estimates days**”. Members may bid to the Backbench Business committee **to hold a debate** on one of those days
- Parliament must authorise spending plans before they can come into effect
- Urgent spending may be funded by advances (a “Vote on Account”, and from the Contingencies Fund)

Budget timeline

Spending in 2020-21



Spending in 2021-22 and beyond



The different spending limits and what they include

Most government spending is contained in Estimates and is known as **departmental spending**. It is divided in to:

- **Departmental Expenditure Limits (DELs)**: spending planned through spending reviews
- **Annually Managed Expenditure (AME)**: spending which is demand-led and reforecast annually

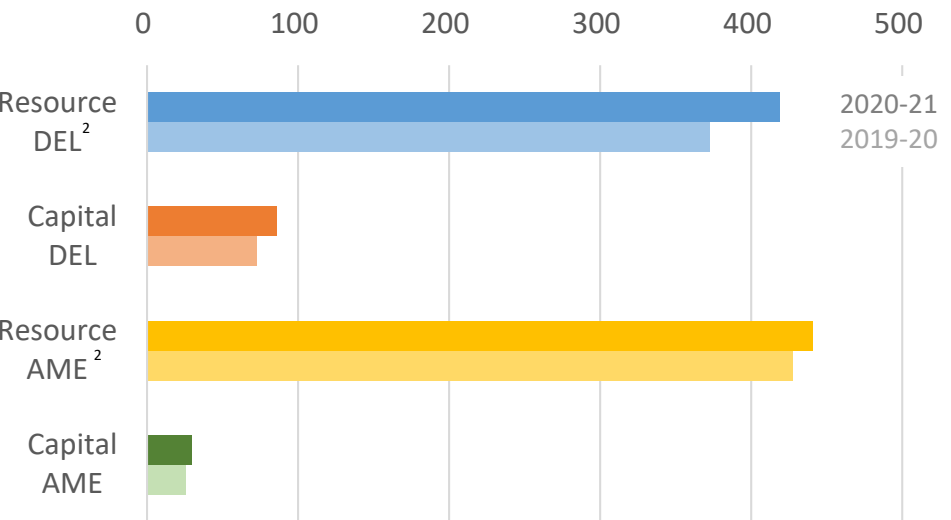
Both types are further subdivided into :

- **Day-to-day** spending (known as *Resource*)
- **Investment** spending (known as *Capital*)

Some further spending is not included in Estimates. This is known as **non-departmental spending**.

Departmental Spending included in Main Estimates 2020-21 : £974 billion This is an increase of £77 billion (9%) since last year

Departmental Spending this year (and last year) by category (£ billion) ¹



Spending includes:

- Staff costs
- Goods & services
- Current grants
- Investment and loans
- Research & development
- Benefits
- State Pensions
- Nuclear decommissioning
- Student Loans

Coronavirus measures include:

- Increased NHS budget
- Business support grants
- NHS spending on equipment
- Increased Universal Credit and Housing Benefit
- Business interruption loans
- Universal Credit advances

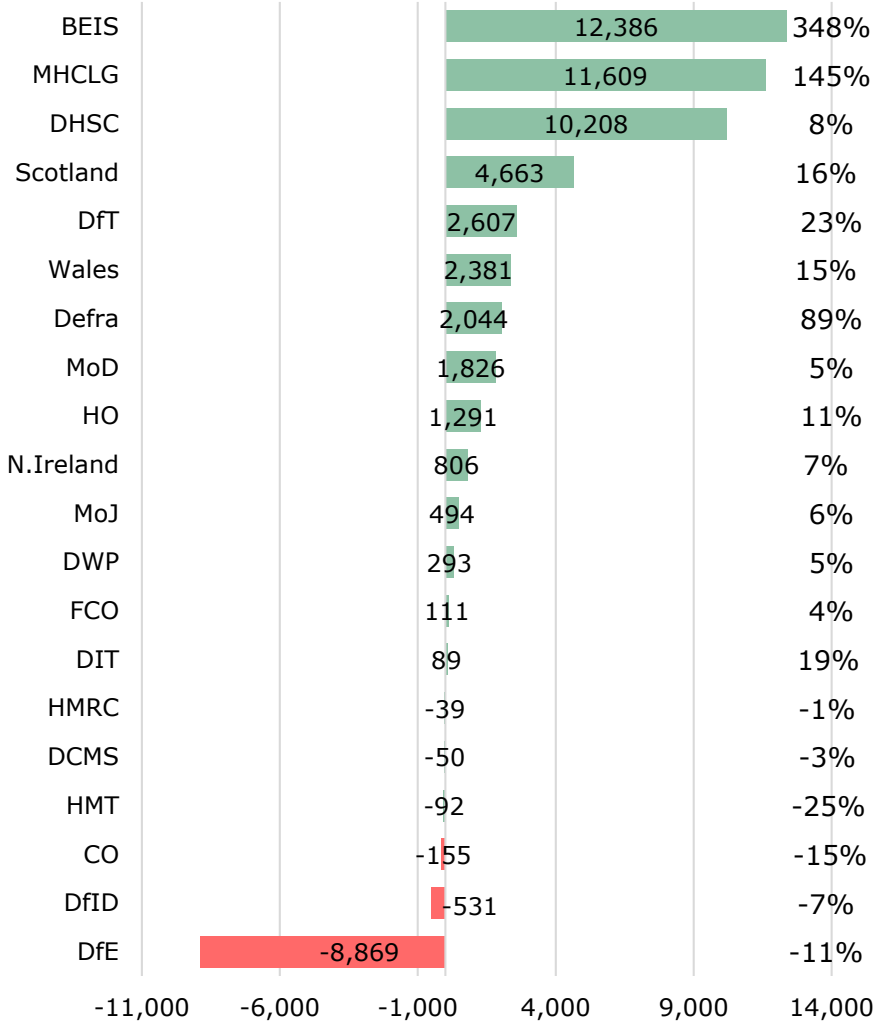
Notes:
¹ 2020-21 departmental spending as published in Main Estimates 2020-21; 2019-20 departmental spending as published in Supplementary Estimates 2019-20 (does not include additional spending on coronavirus measures that may subsequently score in that year). AME spending supplied by HM Treasury; excludes non-departmental spending such as debt interest and local authority self-financed expenditure.
² Resource spending includes depreciation



2020-21 Departmental Expenditure Limits are mostly **much higher** than those in 2019-20 (£ millions)

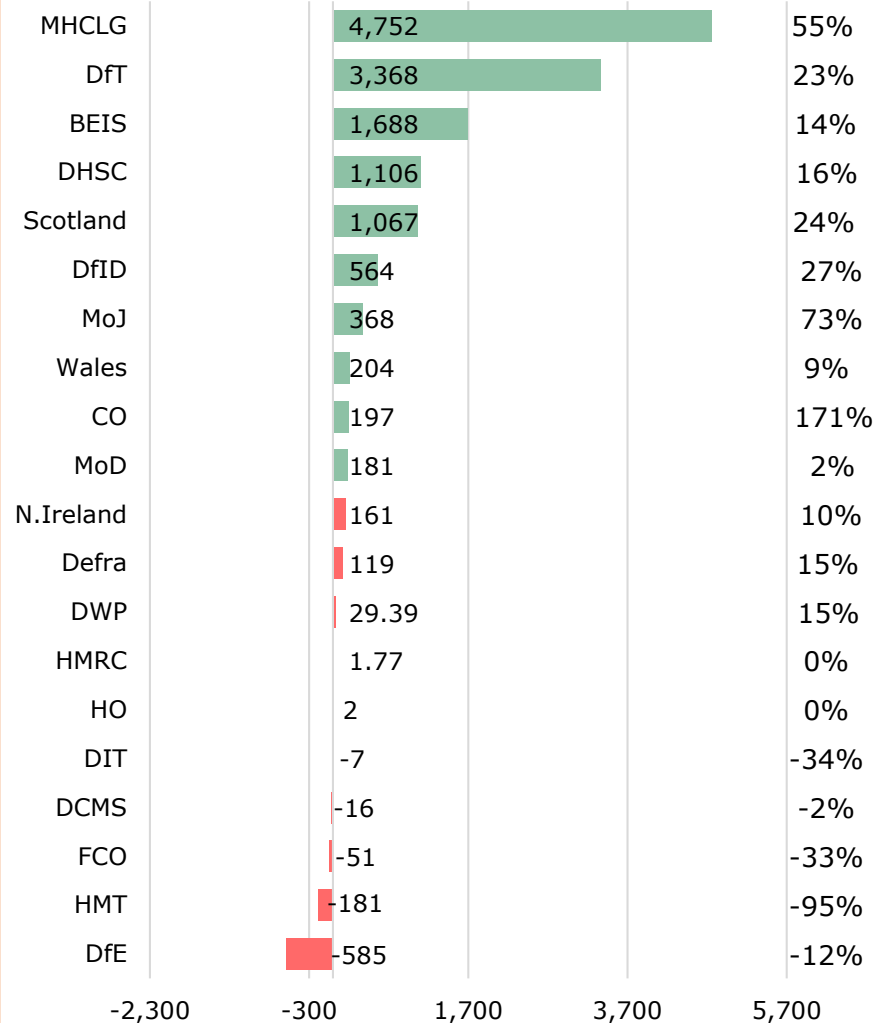
Day-to-Day Spending (Resource DEL):

% change from
2019-20 Supplementary
Estimates



Investment Spending (Capital DEL):

% change from
2019-20 Supplementary
Estimates



Selected departments and devolved authority grants.

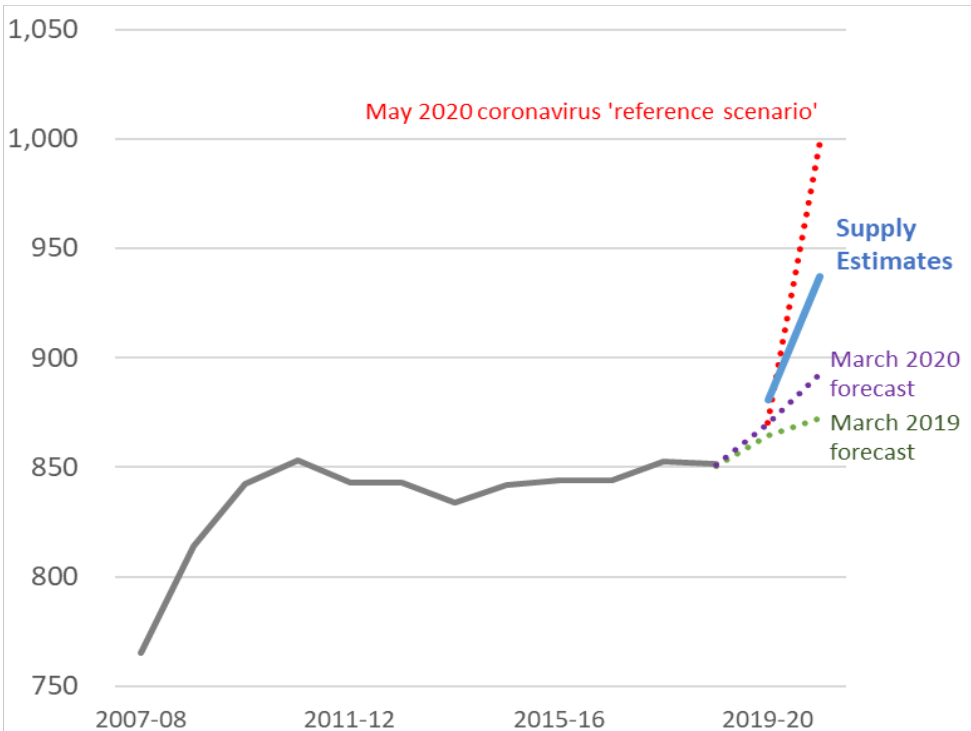


How the government's spending plans are affected by coronavirus

Since the March 2020 Budget significant additional spending measures and other policies have been introduced to combat the effects of the coronavirus and lockdown. The Main Estimates identify around **£129 billion** in increased spending, but subsequent announcements (such as the extension of the Job Retention Scheme) can be expected to add to this and be detailed in the Supplementary Estimates in early 2021

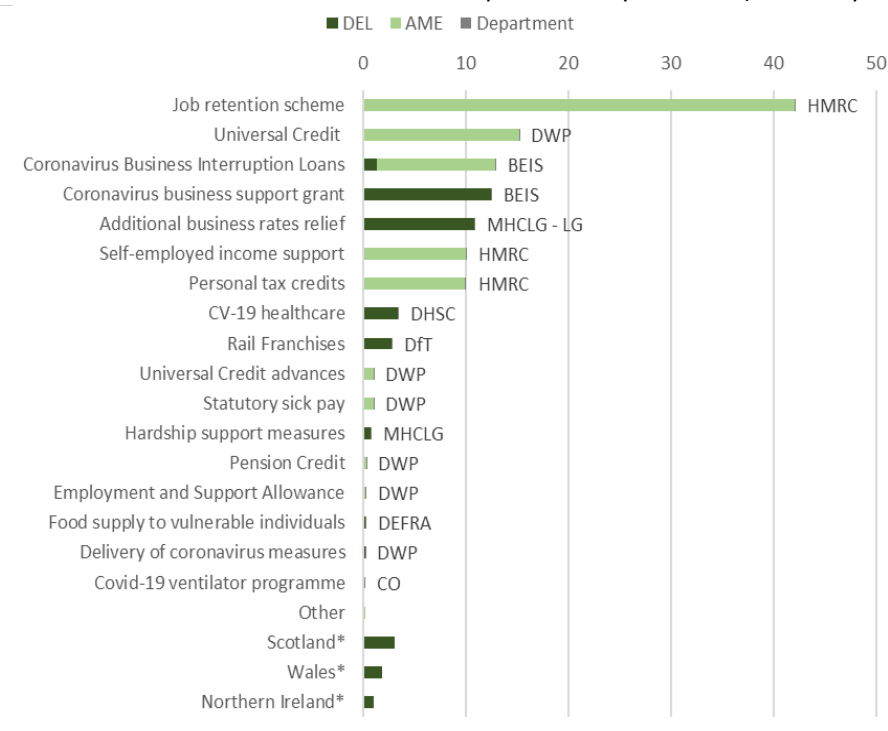
Coronavirus measures have greatly increased spending on top of substantial spending growth already planned by government

Total Spending (£ billion, 2018-19 prices) ¹



The job retention scheme is expected to be the most expensive measure introduced

Coronavirus measures and responsible department (£ billion) ²



Notes:

¹ Forecasts and 'reference scenario' produced by OBR and show Total Managed Expenditure; excludes depreciation and includes assumed departmental underspends and non-departmental spending (e.g. debt interest, local authority self-financed expenditure). Supply Estimates show Supplementary Estimate 2019-20 and Main Estimate 2020-21; includes depreciation and excludes non-departmental spending

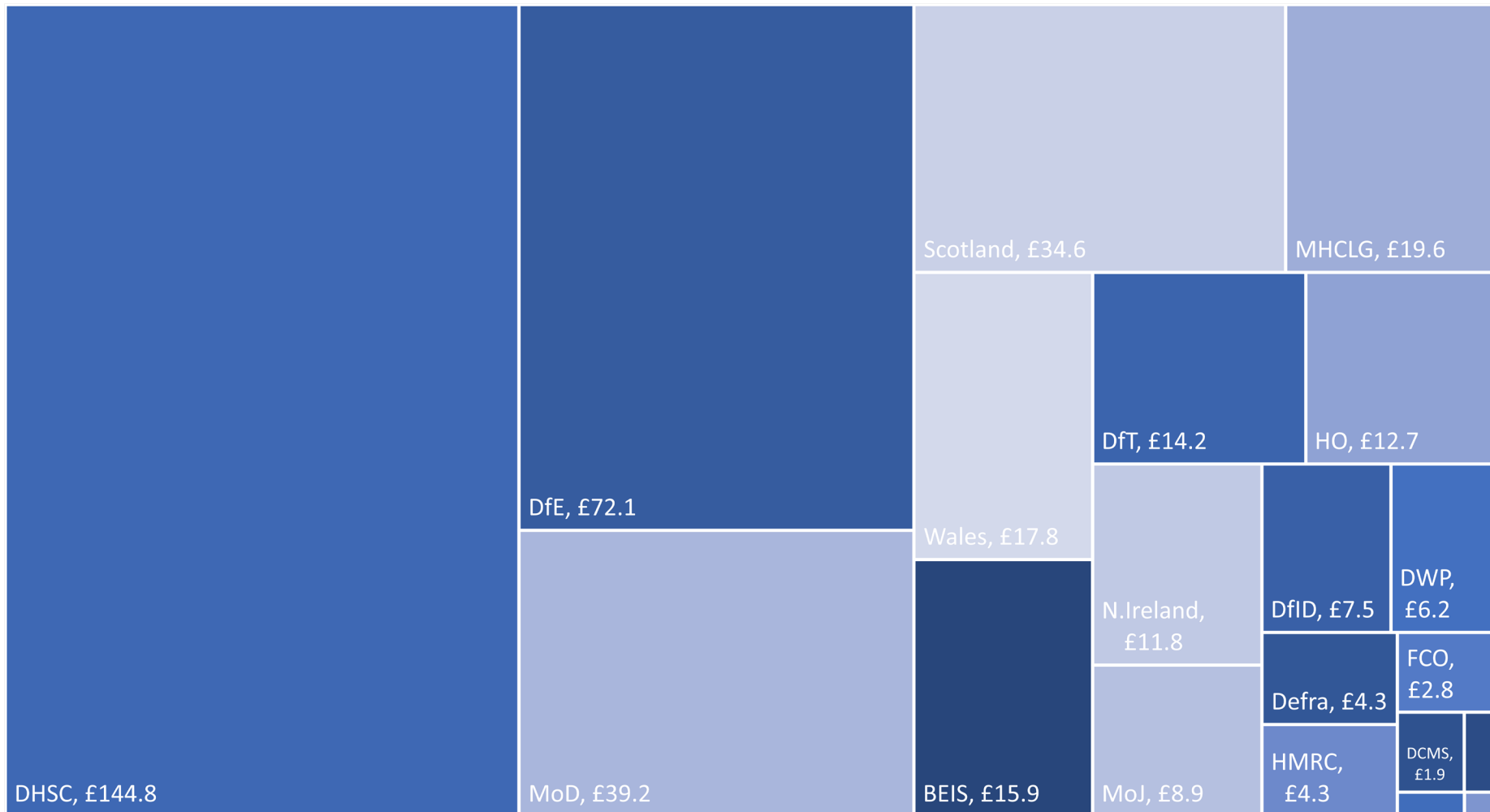
² Spending measures show £129 billion included in Main Estimates (including £6 billion of Barnett consequentials for devolved spending). As of 4 June 2020, the [OBR](#) estimate coronavirus spending measures of £121 billion. As of 15 May 2020 the [NAO](#) estimate spending of £124 billion.

Health, education and defence make up more than half of all day-to-day spending within 2020-21

Resource Departmental Expenditure Limits

Total Resource DEL budget: **£419 billion** (12% increase from last year)

All figures in £ billion



Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Day-to-day spending following Main Estimate 2020-21

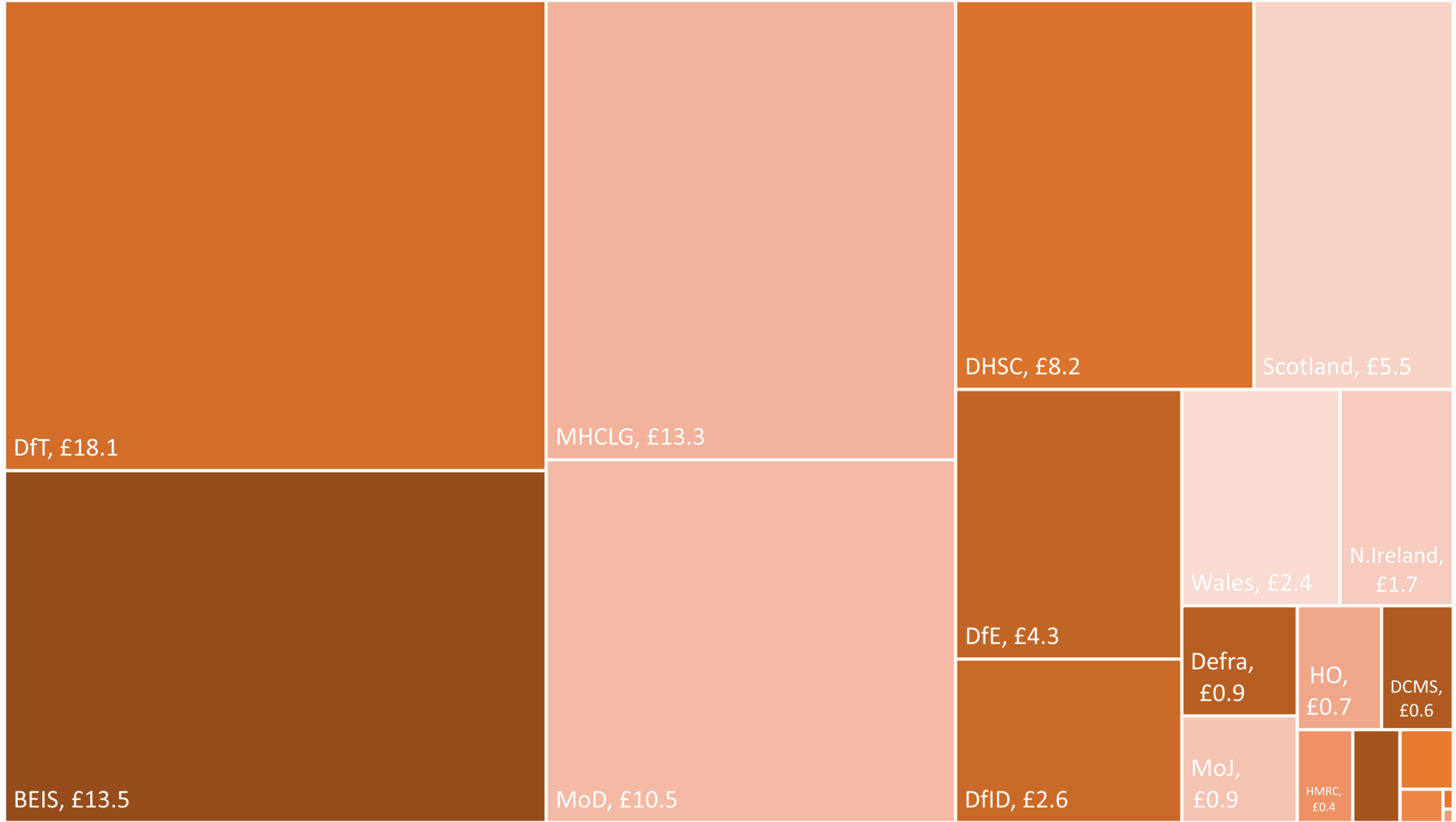


Transport, research, housing and defence, make up over half of planned Investment spending in 2020-21

Capital Departmental Expenditure Limits

Total Capital DEL budget: **£85 billion** (18% increase from last year)

All figures in £ billion



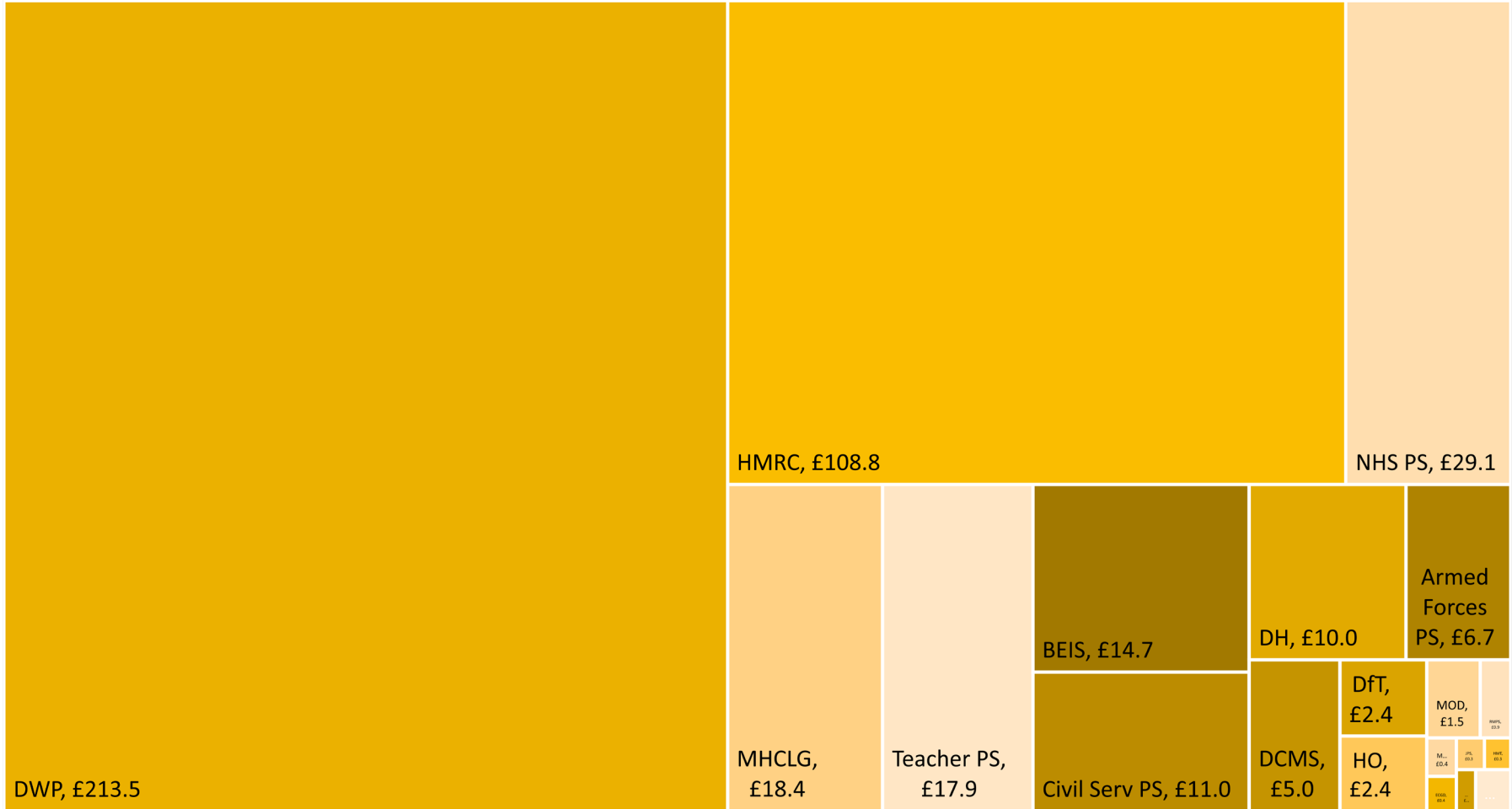
Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Investment spending following Main Estimate 2020-21



Benefits, state pensions and Coronavirus support from DWP and HMRC account for nearly three-quarters of planned Resource Annually Managed Expenditure in 2020-21

Total Resource AME budget: **£441 billion** (3% increase from last year)

All figures in £ billion



Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Investment spending following Main Estimate 2020-21 'PS' represent government pensions schemes, showing the annual increase in pension liability less employer and employee contributions; these are included in AME as the drivers of the change in liability (e.g. demographics, salaries) are not within the control of scheme administrators



Departmental Spending – click on links below to view each Departments’ spending plans

[BEIS](#)

[Cabinet Office](#)

[MOD](#)

[DCMS](#)

[DFE](#)

[DEFRA](#)

[FCO](#)

[DHSC](#)

[Home Office](#)

[MHCLG](#)

[DFID](#)

[DIT](#)

[MOJ](#)

[HMRC](#)

[HMT](#)

[DFT](#)

[DWP](#)

[Scotland](#)

[Wales](#)

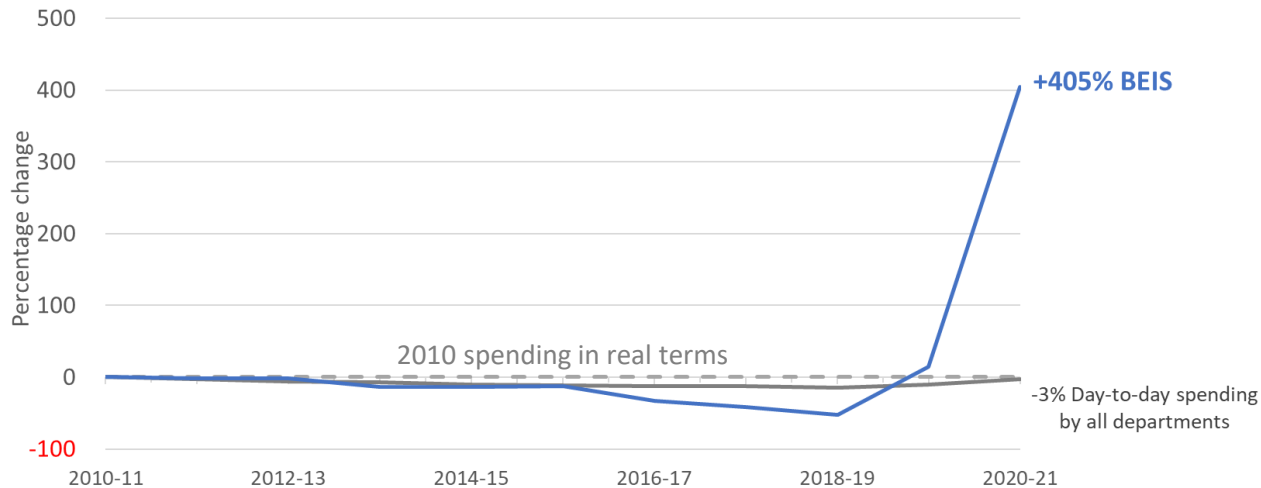
[Northern Ireland](#)



Department for Business, Energy and Industrial Strategy

Long term trends in BEIS' spending (in real terms)

Percentage change in day-to-day spending compared to 2010 (*Resource DEL*):



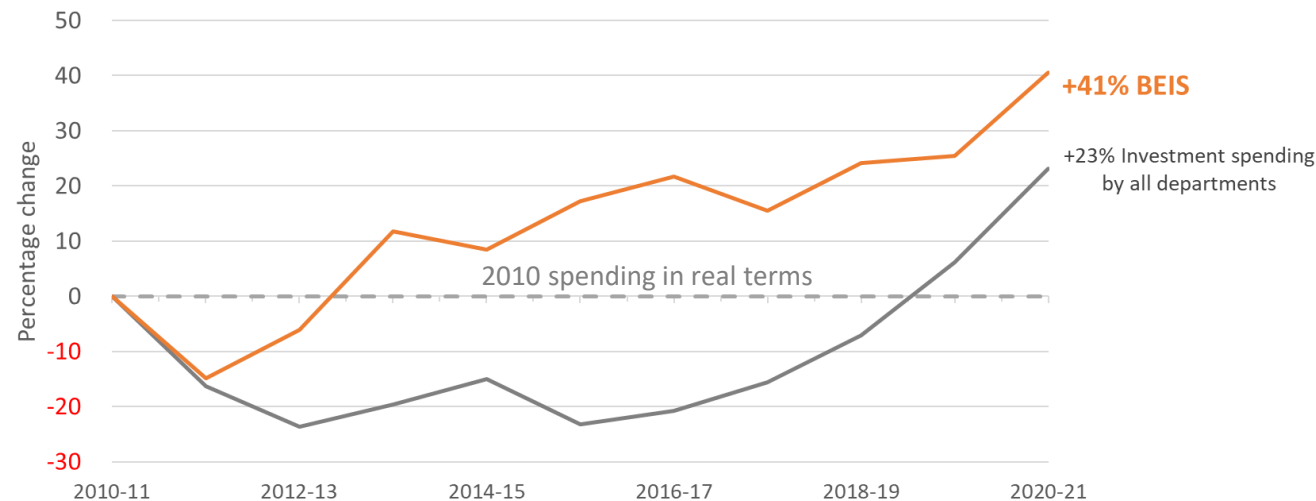
Day-to-day spending trends:

- A big rise in 2020-21 spending is caused by £12.4 bn on coronavirus business support schemes, and £1 billion for business loans
- In 2019-20 there was one off extra spend of £1.2 bn on British Steel receiver costs prior to sale to Jingye Group.
- Before that, spending had reduced in recent years with lower spending since 2010

Investment spending trends:

- Most of the growth in BEIS's capital DEL budget has been in **Science and research** spending which has grown from £5.5 bn in 2012-13 to £9.9 bn in 2020-21 and now accounts for over 70% of BEIS' investment budget.
- Other capital spending includes **nuclear decommissioning**, which has remained relatively stable at around £2bn pa; and climate change, which has grown to £440 million in 20-21.
- This year, an additional £324 million has also been added for coronavirus business loans.

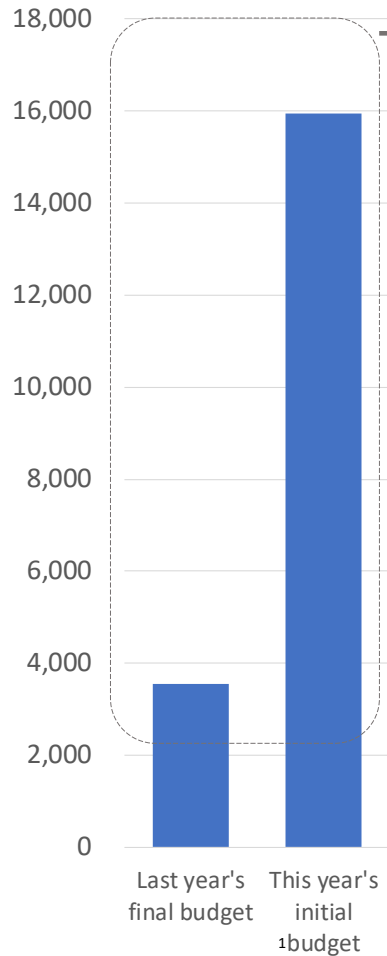
Percentage change in investment spending compared to 2010 (*Capital DEL*):



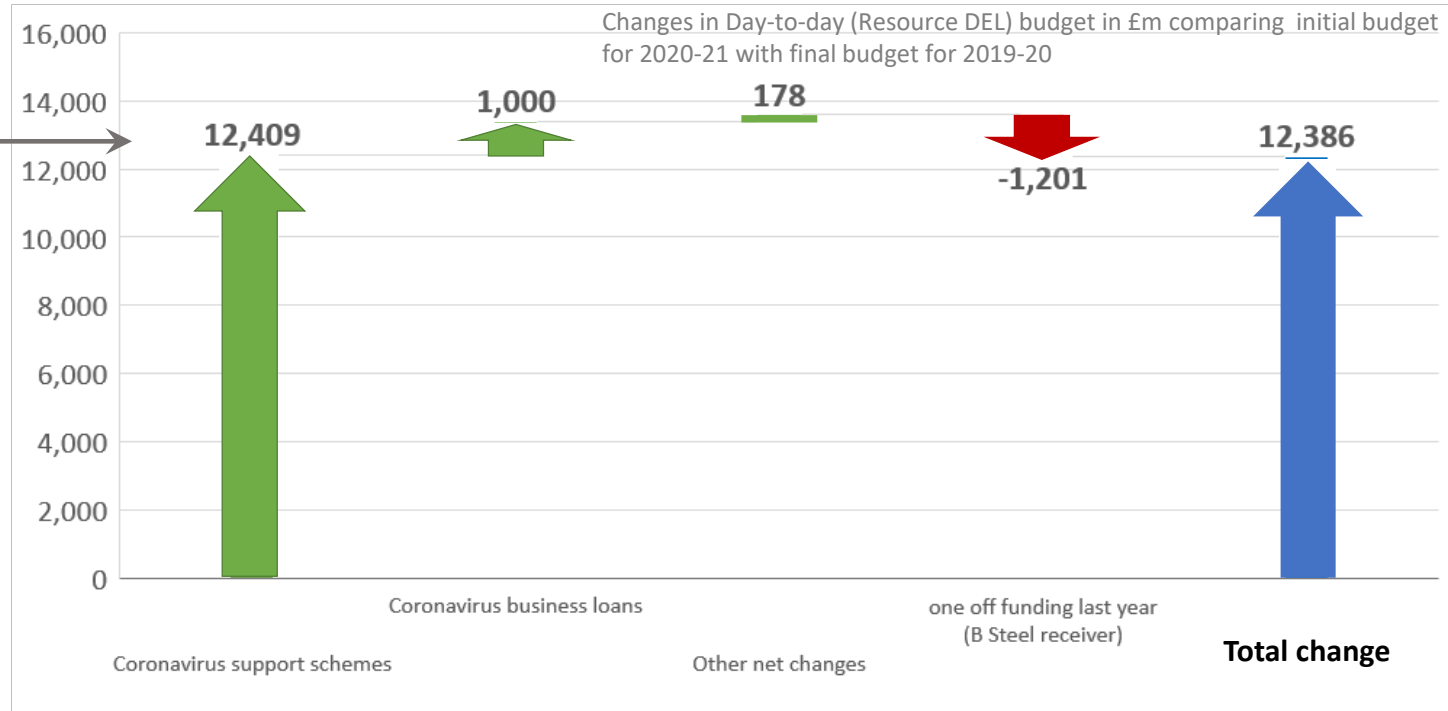
How is BEIS' day-to-day spending changing in 2020-21?

BEIS' day-to-day budget increases by **£12,386 million (+348%)**

(Resource DEL budget in £m)



BEIS plans to spend over £13 billion on Coronavirus support, quadrupling its day-to-day budget from £4 bn to over £16 bn



Notable changes in 2020-21, compared to last year are:

- **£12,409 million** extra for Coronavirus business support schemes (England only)
- **£1,000 million** extra for costs of Coronavirus Business Interruption Loans (CBIL) as announced on 17 March. Other changes for later announcements on loan schemes have not yet been included. (England only)
- **£1201 million less**, as last year BEIS paid costs incurred by the British Steel receiver prior to the company's sale. This funding was a one off from the Treasury Reserve.

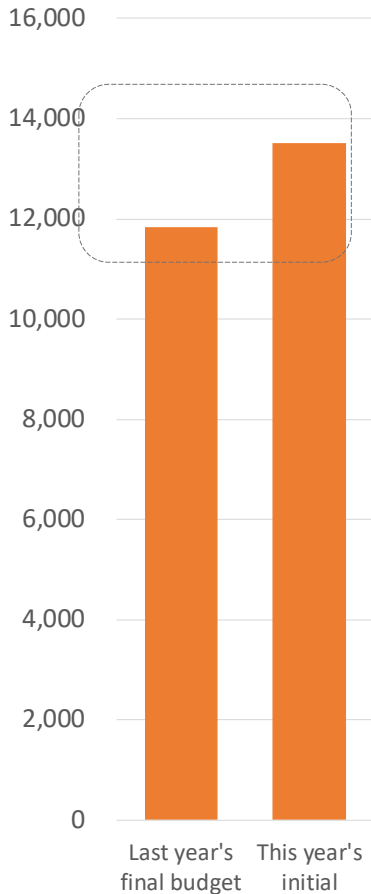
Other changes: BEIS received an overall day to day spending increase of 2.1% (excluding nuclear) in last year's Spending Round. NDA funding in 2020-21 will be moved between resource and capital budgets and vice versa dependent on work required.

How is BEIS' investment spending changing in 2020-21?

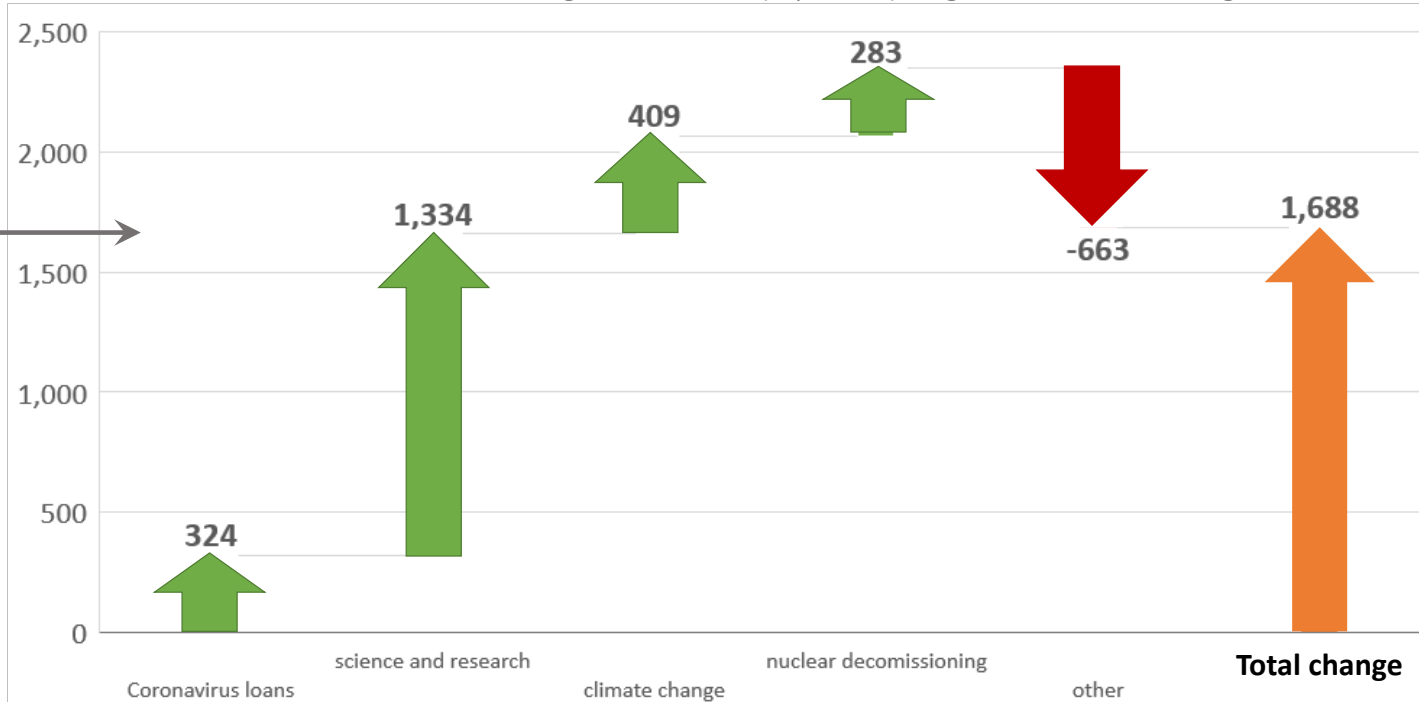
BEIS' investment budget increases by £1688 m (+14%)

BEIS' Science and research spending grows by £1.3 billion to nearly £10 billion in 2020-21

(Capital DEL budget in £m)



Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



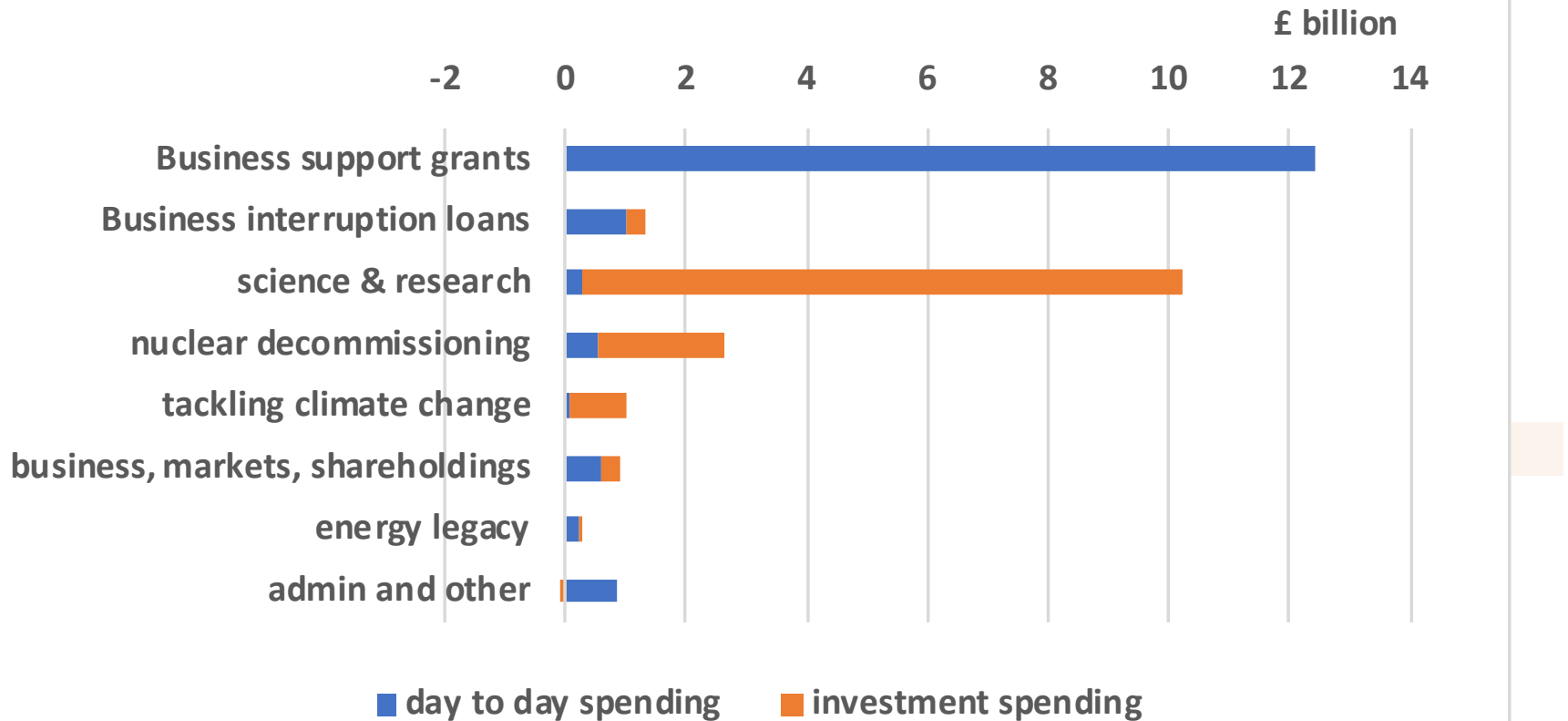
Changes in 2020-21

- An extra **£1,334 million** for science and research, making a total of £9,921 million in 2020-21, of which at least 80% will be channelled through UK Research and Innovation. BEIS has held back some £1,129 m of science and research funding as a central contingency
- **£409 million** extra for climate change consisting of £220.5 m extra for International Climate finance ; £121.1 m extra for energy innovation; and £68 m extra for heat projects
- £324 million extra covers potential losses on coronavirus business interruption loans
- Other changes include £530 m less for British Business Bank and £159 million added last year from the Reserve for British Steel, not required this year

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

Where BEIS's money will go this year



BEIS's usual day to day spending is dwarfed by costs of business support loans in 2020-21

BEIS' investment spending is increasingly dominated by science and research funding

BEIS' Coronavirus support measures :

Cost included in BEIS' Main Estimate:

Business Support Grant funds:

- **Small Business Grants Fund (SBGF)**
- **Retail, Hospitality and Leisure Grant Fund (RHLGF)**
Grants to eligible businesses of £10,000 or £25,000

£12.4 billion

(£7.3 billion SBGF;
£5.1 billion RHLGF)

Coronavirus Business Interruption loans (CBILS):

- **Coronavirus Small Business Interruption loans**
Loans to SMEs of up to £5 m, with govt paying interest and fees for first 12 months and 80% govt guaranteed
- **Coronavirus Large Business Interruption Loans**
Loans to big businesses of £25 m or £50m

£1 billion (interest & fees);

£0.324 billion (losses);

£11.6 billion (provision for long term losses)

large business loans will be added in Supplementary Estimate

Coronavirus Bounce Back loans

Loans to SMEs of between £2,000 and 25% of turnover (£50k max) with govt paying interest and fees for first 12 months, and 100% govt guaranteed

Budget to be included in Supplementary Estimate.
Contingent liability notified of **£27 billion**

Coronavirus Future fund- yet to be launched
Convertible loans for innovative companies

To be included in Supplementary Estimate

BEIS: challenges in 2020-21 and beyond

Response to Covid-19

BEIS will face major challenges in dealing with the economic fallout from coronavirus, including:

- Whether and what further financial support beyond the schemes so far announced to provide
- Reopening the economy while Covid-19 remains a threat
- Determining what help can and should be given to particularly hard hit sectors
- Dealing with the impact of the looming recession, and its aftermath, including unemployment

Investment and competitiveness

- Increasing inward investment and lifting productivity
- Determining industrial strategy following coronavirus and Brexit

EU Exit

- Working with DIT , HMRC and other departments on post Brexit transition trade arrangements
- Helping business to prepare for those arrangements

Tackling climate change

- Meeting demanding medium and long term decarbonisation targets
- Supporting business and industry to transform to a green future
- Building green policies into industrial strategy

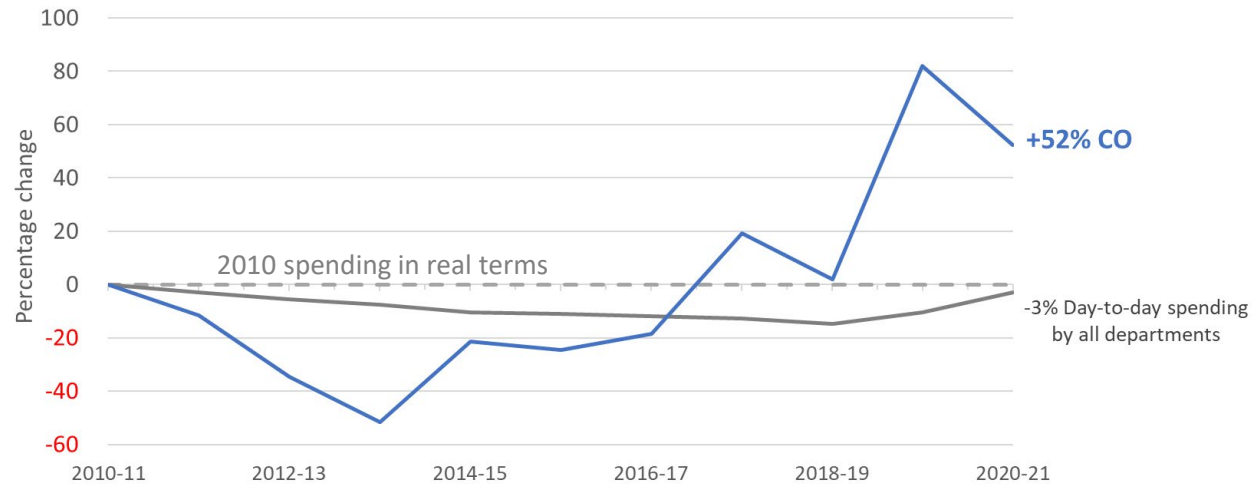
Science and research

- Getting good value and maximising benefits for the large investment in science and research
- Determining the priorities for future research

Cabinet Office

Long term trends in Cabinet Office's spending (in real terms)

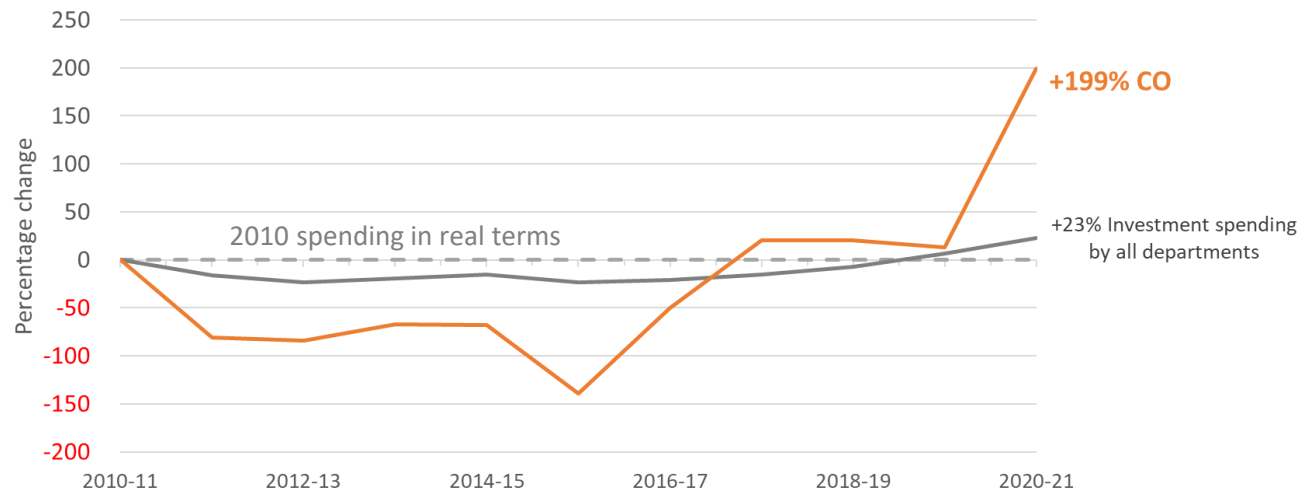
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- Cabinet Office is a **small department** in terms of its spending. It spends just **0.3% of the total for government Resource DEL** as a whole (2020-21).
- Cabinet Office's spend is **volatile from year-to-year**. The main reasons are:
 - **Election costs**, which only arise in some years;
 - **functions have frequently altered**, including absorbing the former Department for Exiting the European Union in 2019-20.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



Investment spending trends:

- Cabinet Office's capital investment spending can **vary significantly each year due to one-off projects and events**.
- In 2015-16 the Department recorded **negative net spending reflecting income from the sale of Admiralty Arch** which was greater than other capital spending.
- In 2020-21, the main reason for the fluctuation is the purchase of **ventilators in response to Covid-19**.

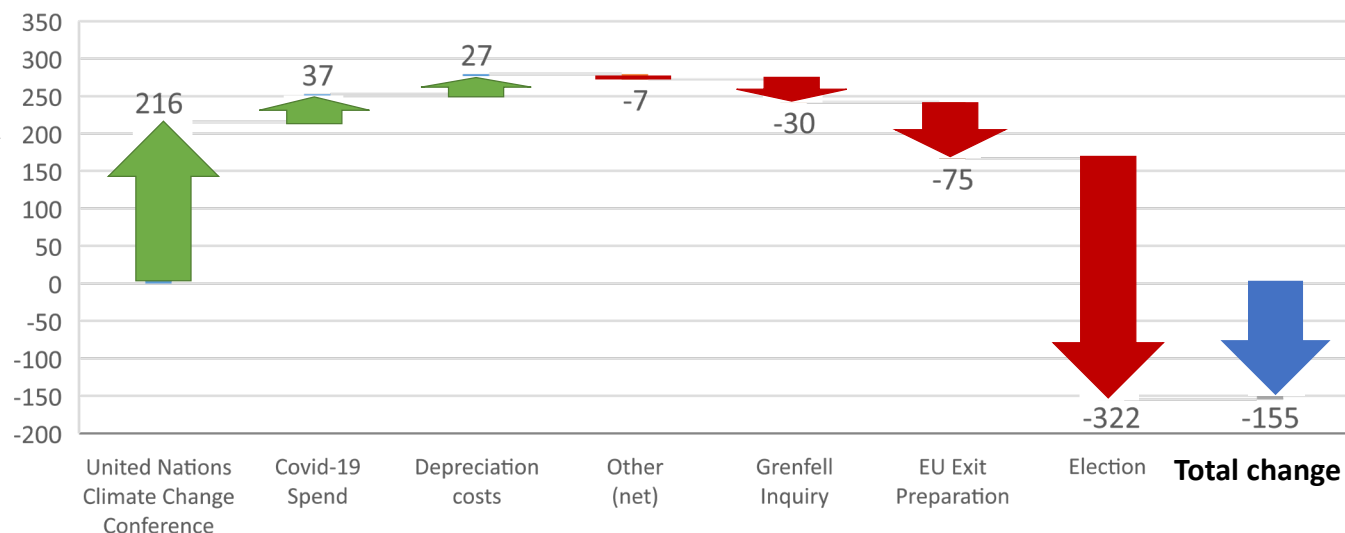
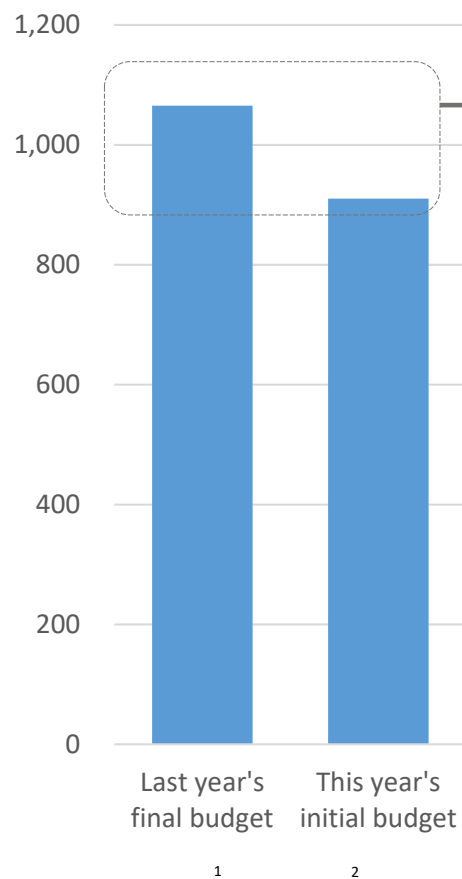
How is Cabinet Office's day-to-day spending changing in 2020-21?

Cabinet Office day-to-day budget decreases by **£155.0m (-14.6%)**

Savings from Elections and EU preparedness are offset by new funding for the United Nations Climate Change Conference

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20

(Resource DEL budget in £m)



Changes in 2020-21

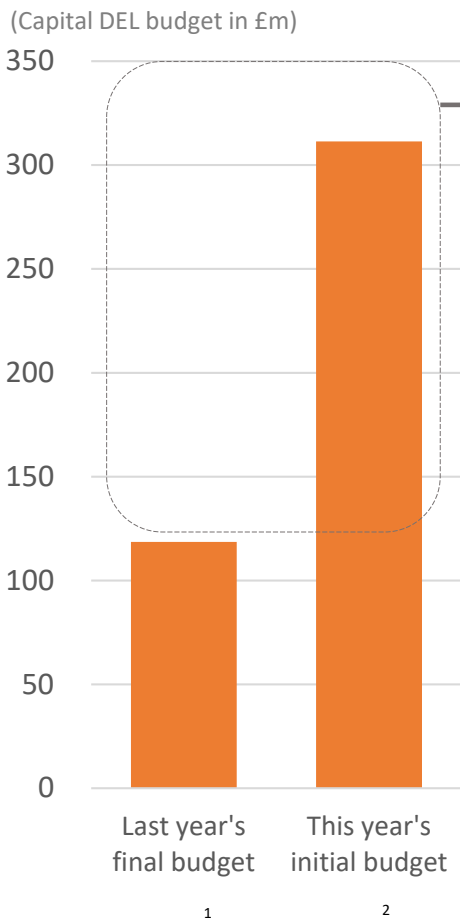
- The day-to-day budget is decreasing by **£155.0m (-14.6%) to £910.44m**.
- The key drivers for the decrease are:
 - £321.7m reduction in Election Costs.
 - £75.1m reduction in EU Exit preparation costs.
 - £30.4m reduction in costs relating to the Grenfell Inquiry.
- These decreases are off-set by increases in the following areas:
 - £215.6m increase to cover the costs of the United Nations Climate Change Conference.
 - £37.1m increase for Covid-19 related costs.
 - £26.7m increase in Depreciation costs.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

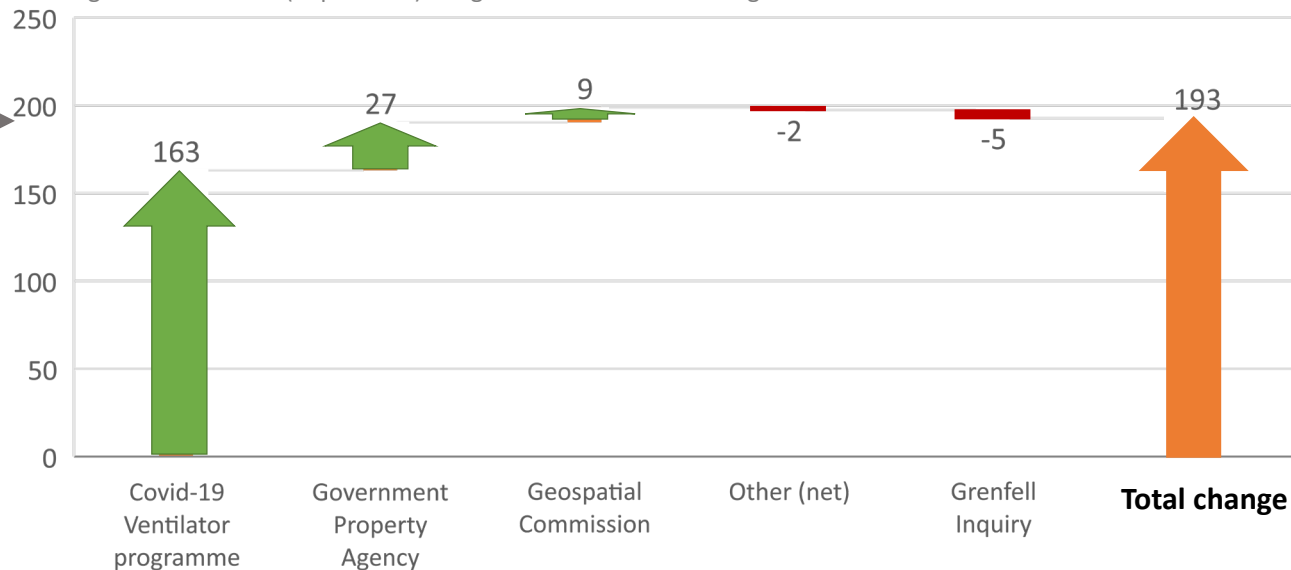
How is Cabinet Office's investment spending changing in 2020-21?

Cabinet Office investment budget increases by £196.6m (+171.2%)



Cabinet Office's increase in investment spending mainly funds the Covid-19 Ventilator Programme

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



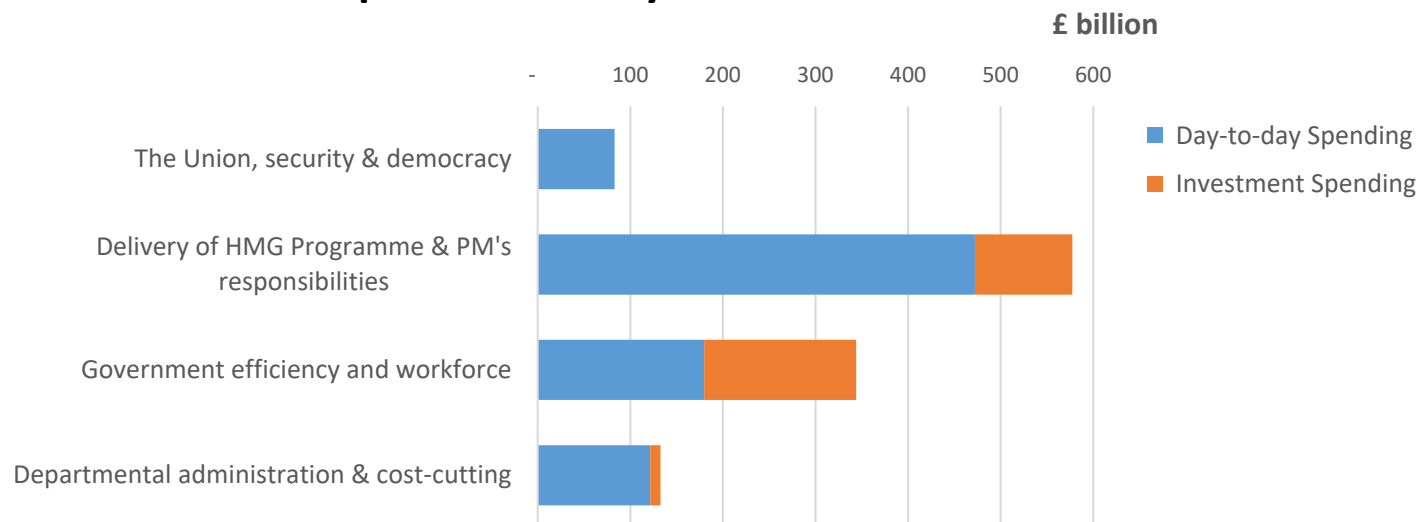
Changes in 2020-21

- The Investment budget is increasing by £196.6m (+171.2%) to £311.4m.
- The main driver for the increase is the Covid-19 Ventilator Programme accounting for £163.0m of the increase.
- Other factors include:
 - £27.3m increase for the Government Property Agency for the development of its Hub Programmes and Old Admiralty Arch.
 - £8.5m for the Geospatial Commission.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What does Cabinet Office spend its money on?



Day-to-day spending (Resource DEL)

- Cabinet Office's day-to-day budget is £910.4 million.
- Initial budgets for 2020-21 include:
 - The Union, security and democracy: £83.0m
 - Delivery of HMG programme & PM's responsibilities: £472.2m
 - Government efficiency & workforce: £179.8m
 - Departmental administration & cost cutting: £121.6m
 - Government Property Agency: £33.3m
 - Arm's length bodies: £20.6m

Investment spending (Capital DEL)

- Cabinet Office's investment budget is £311.4 million.
- Initial budgets for 2020-21 include:
 - Delivery of HMG programme & PM's responsibilities: £105.4m
 - Government efficiency & workforce: £164.2m
 - Departmental administration & cost cutting: £11.1m
 - Government Property Agency: £30.7m

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

Cabinet Office: challenges in 2020-21 and beyond

Response to Covid-19

Cabinet Office has had undertake a range of work in response to Covid-19, which has included public information campaigns, procurement of ventilators, and extending funding to Verify.

In addition, Cabinet Office has provided indemnities for the accelerated manufacturing process required for the emergency acquisition of ventilators, and as such will be reporting these as contingent liabilities.

GOV.UK Verify (Verify)

Verify was created by Government Digital Service to provide identify verification services across all of government. Verify did not achieve its targets for users or for government services moving to the platform. In October 2018, government announced that control of Verify would be handed over to private service providers in 2020.

Covid-19 resulted in a surge of applicants applying for benefits with the benefits system using Verify. As a result, an additional 18 months funding has been made available for Verify, along with a number of conditions from HM Treasury about the future of Verify.

End of The Transition Period

Cabinet Office has responsibility for ensuring the civil service is appropriately prepared for a No Deal end to the Transition Period.

United Kingdom Security Vetting (UKSV)

In April 2020, UKSV transitioned into Cabinet Office from the Ministry of Defence. In recent years, concerns were raised relating to the speed of delivery for non-priority developed vetting cases. Covid-19 has resulted in UKSV having a 'significantly reduced workforce', resulting in a request being put on their website that only new Covid-19 or priority clearances are initiated.

Government Property Agency (GPA)

GPA is leading on a key aspect of the Government Estates Strategy. GPA are looking to reduce government's property portfolio from around 800 building to 20 large hubs, supported by 200 satellite offices by 2025. Covid-19 may adversely affect this ambitious strategy.

Civil Service Workforce

In July 2016, the Cabinet Office laid out its strategy on how the civil service's workforce would adapt and change between 2016 and 2020. A new strategy is expected to be issued shortly.

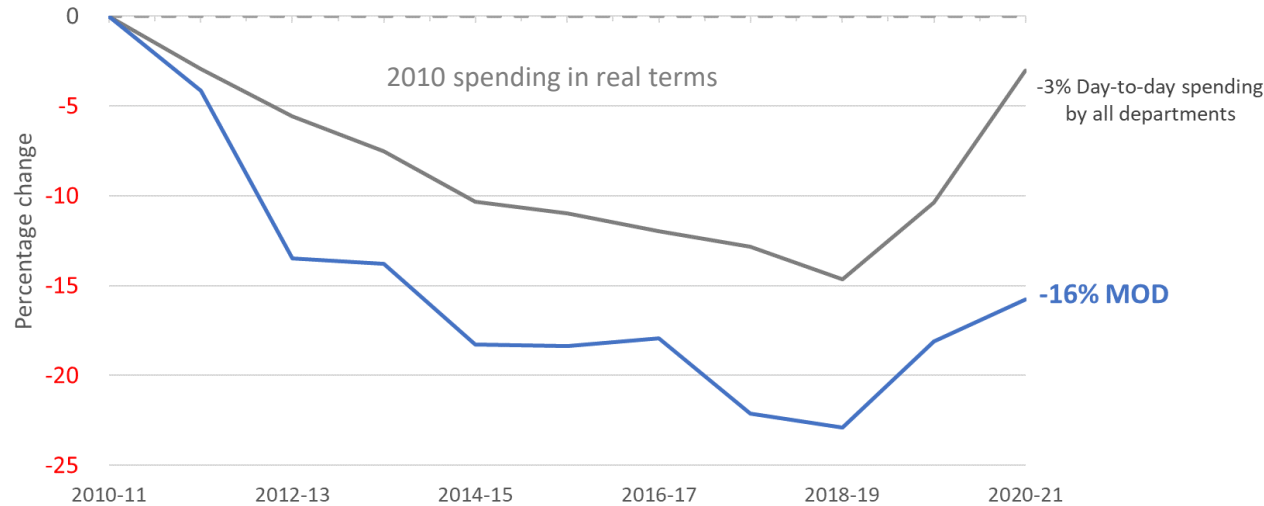
Spending Review (SR)

Cabinet Office has a role in supporting the preparations for the next SR, and challenging the deliverability of plans. The next SR has been delayed from July 2020 due to Covid-19.

Ministry of Defence

Long-term trends in the Ministry of Defence's spending (in real terms)

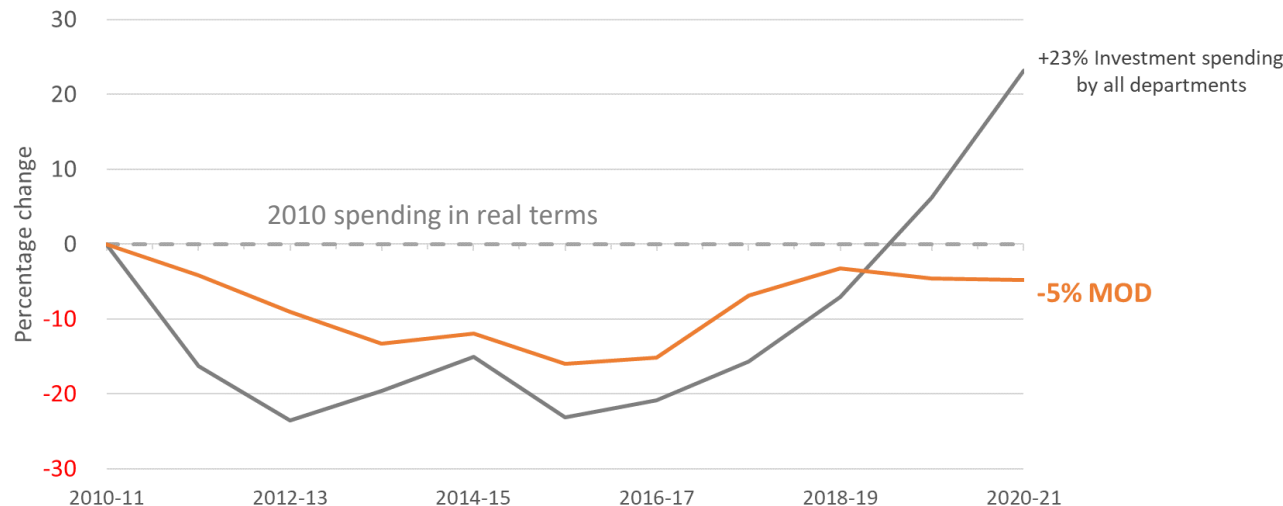
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- MOD's budget for day to day spending has been **broadly flat since 2014-15**, following more significant real-terms cuts earlier in the decade.
- Annual changes in spending are often driven by variance in depreciation; final spending by the department, excluding depreciation- which is a better indicator of actual expenditure- is usually very close to its budget limits.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



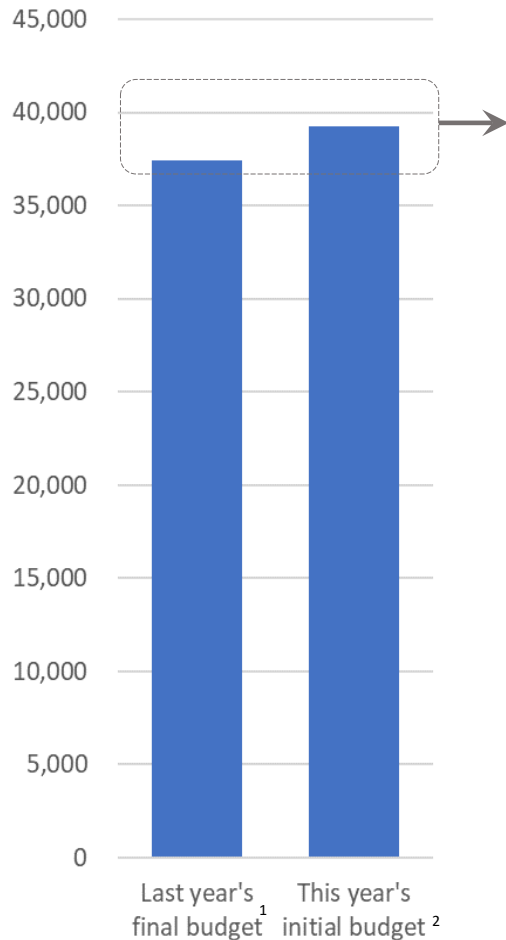
Investment spending trends:

- MOD's capital budget **increased in real terms from 2015-16**, recovering some of the earlier reductions, but has been broadly flat for the last two years.
- The underspend against the Capital DEL budget has been less than 1% since 2014-15.
- The present level of funding may be causing pressure on the Equipment Plan

How is MOD's day-to-day spending changing in 2020-21?

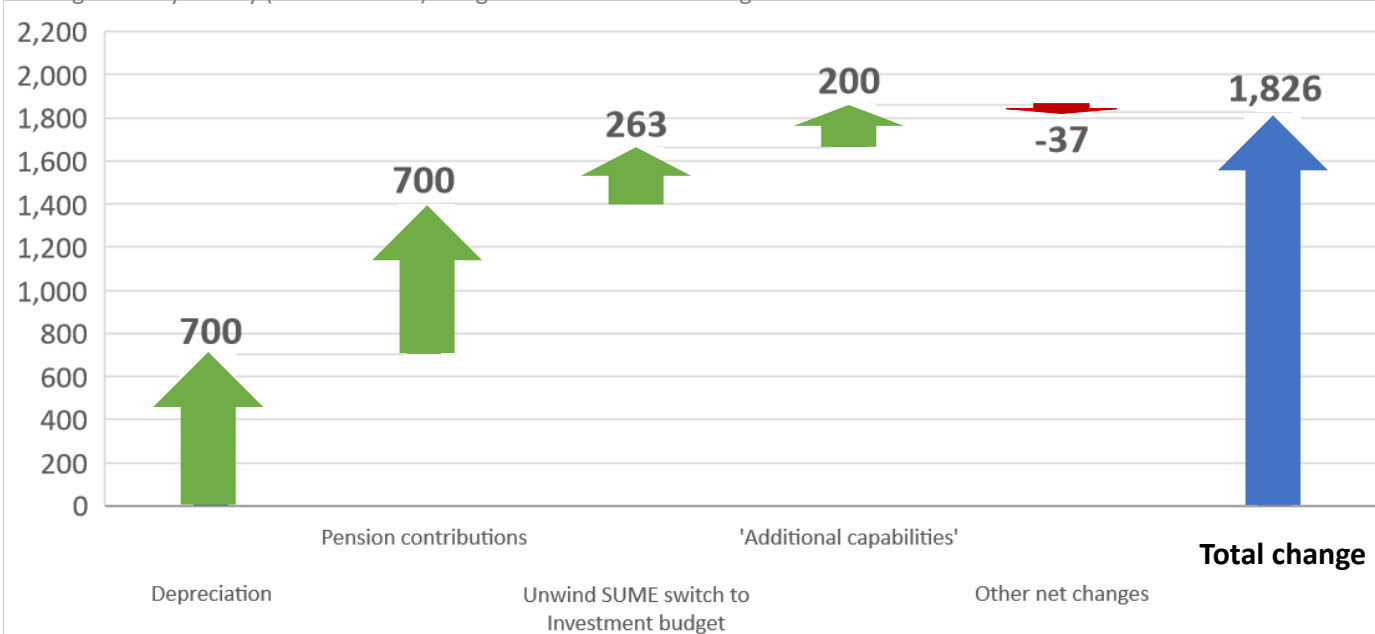
MOD's day-to-day budget increases by £1,826m (+4.9%)

(Resource DEL budget in £m)



MOD's increase in current spending is mainly due to unavoidable depreciation and pension costs

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

- **Depreciation:** the ring-fenced budget for depreciation was reduced by £700 million last year; this is now restored- this does not affect the (cash) spending available to the department
- **Pension contributions:** [Spending Round 2019](#) commitment for increased employer contributions
- **Single Use Military Equipment switch:** in the Supplementary Estimates a portion of the day-to-day budget is transferred to the investment budget for Single Use Military Equipment (e.g. munitions, missiles); this will happen again in February, but currently means the day-to-day budget is overstated.
- **'Additional Capabilities':** MoD's [memorandum](#) includes spending on Type 31 shipbuilding programme, the Transformation Programme, anti-submarine warfare capabilities and NATO-related activities; this appears to be part of the Spending Round commitment of £1,200 million (across day-to-day and investment) for 'key capabilities such as cyber, shipbuilding and the nuclear deterrent'.

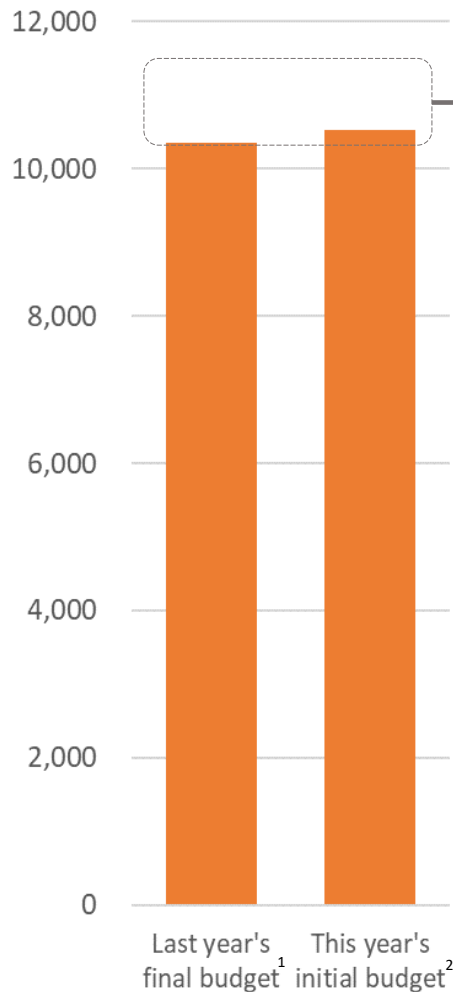
¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

How is MOD's investment spending changing in 2020-21?

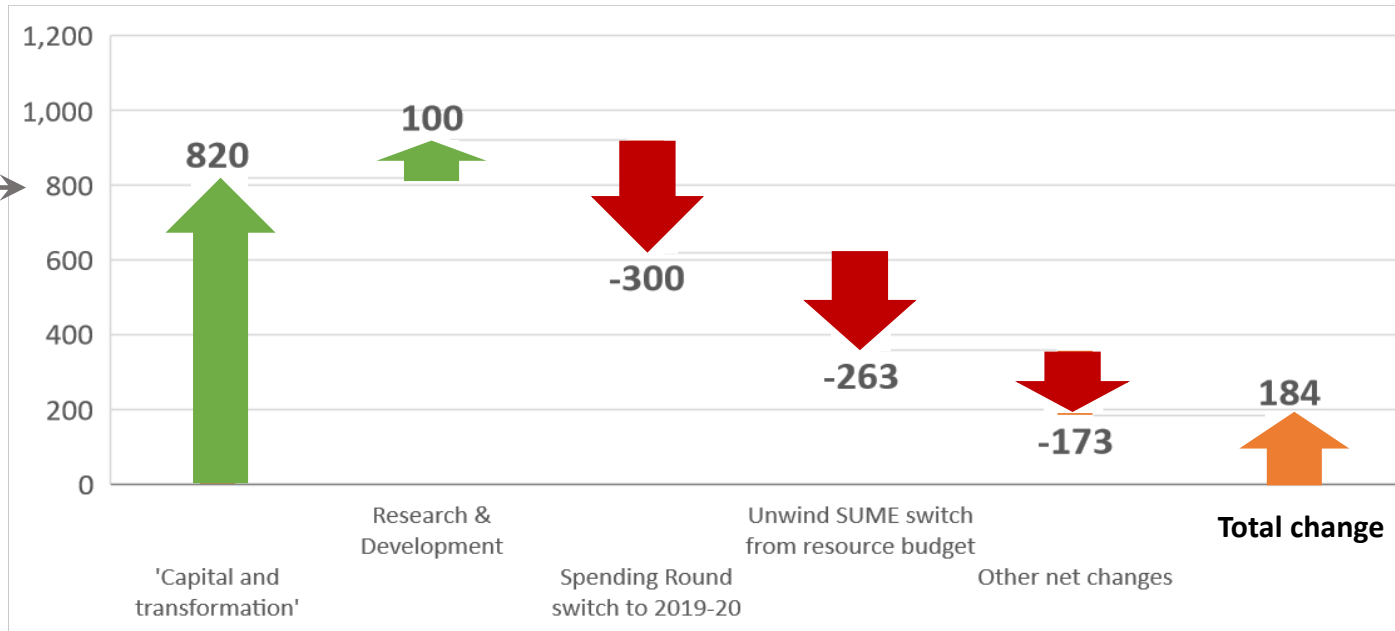
MOD investment budget increases by £180.9m (+1.7%)

(Capital DEL budget in £m)



Funding increases are offset by decisions from 2019-20 to 'bring forward' this year's budget

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

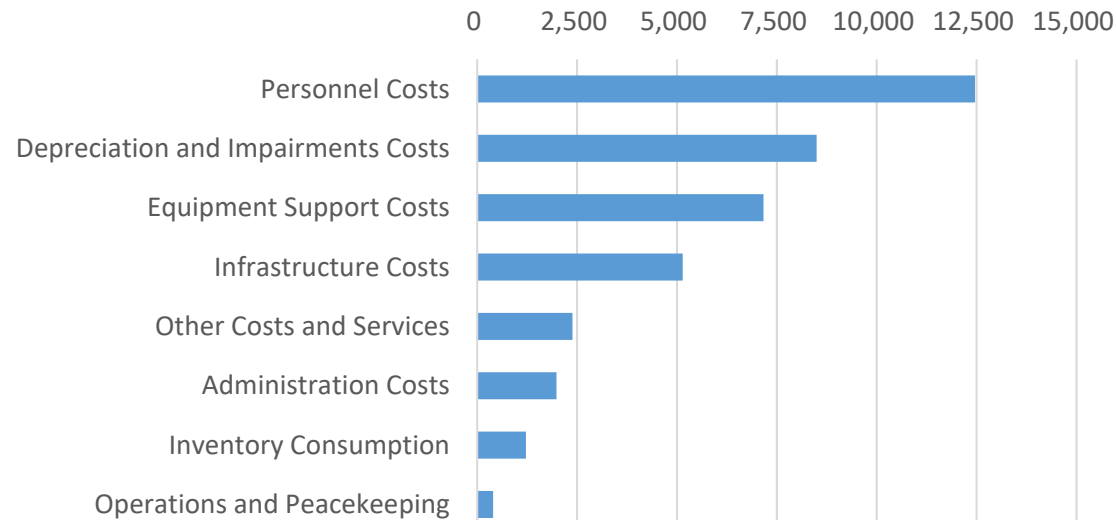
- **Capital and transformation:** as with day-to-day budget, additional funding for 'shipbuilding, the Transformation Programme, anti-submarine warfare capabilities and NATO-related activities'
- **Research & Development:** [Budget 2020](#) commitment of £100 million; investment will respond to 'threats', and include funding for 'cutting-edge technology in aviation and space propulsion'.
- **Spending Round switch to 2019-20:** SR19 brought forward £300 million funding from this year to fund 'priority programmes'
- **Unwind SUME switch:** in the Supplementary Estimates a portion of the day-to-day budget is transferred to the investment budget for Single Use Military Equipment (e.g. munitions, missiles); this will happen again in February, but currently makes the investment budget appear reduced.

¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

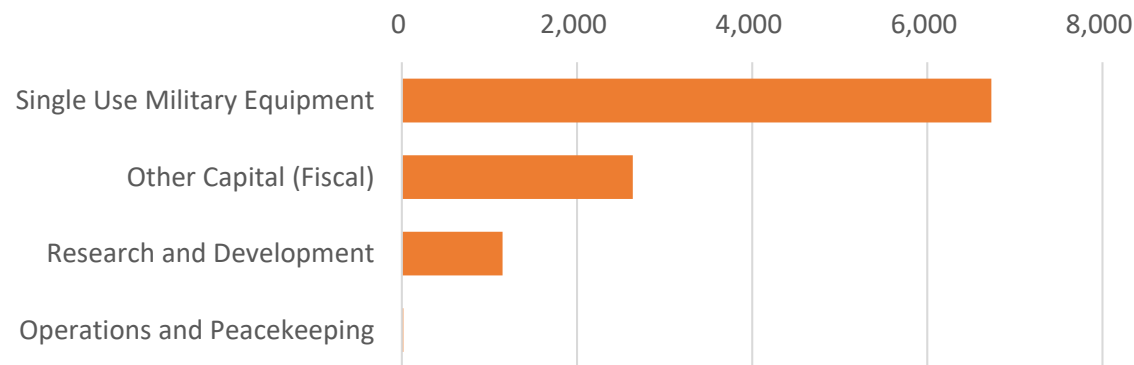
MOD's budgets are concentrated in personnel and equipment support

Breakdown of MOD's budget 2020-21 (£ million)



Day-to-day spending (Resource DEL)

- **Personnel costs** represent a quarter of day-to-day spending; 84% of this is on military personnel (£10,422 million).
- **Depreciation and impairment costs** are ringfenced, are not available for cash spending, and are subject to significant annual variation (increasing by £700 million this year).
- **Equipment support costs** represent 14% of the day-to-day budget; this contributes to the Department's annual [Equipment Plan](#); the [NAO assessment](#) suggests this plan is unaffordable.
- **Operations** spending is largely funded in the Supplementary Estimate; no further breakdown (e.g. by region) is provided.



Investment spending (Capital DEL)

- Single Use Military Equipment (SUME) spending, such as **munitions and missiles**, is the main spending area (and will likely increase with the (annual) switch from the day-to-day budget in the Supplementary Estimates)
- Spending on other capital and the MOD estate has decreased this year possibly due to [rationalising the estate](#).

MOD: challenges in 2020-21 and beyond

Coronavirus response

- NAO analysis of the [government response](#) identifies a Support Force deploying military planners, medical support and PPE

Exiting the EU

- MOD is not greatly affected; changes are likely to participation in EU common security and defence operations, and to mitigate risks to strategic suppliers and supply chains.

Defence People Strategy

- NAO has found that the MOD has not modernised the functions performed by its [civilian workforce](#) and that a clearer vision is needed.
- Reforms have been made to the army recruitment process in last two years; will need to see if these improve recruitment levels.
- MOD intend to develop a 'Defence People Strategy' and 10-year transformation programme.

Equipment Plan

- The [Equipment Plan](#) is the Department's annually updated plan for the next 10 years to deliver and support equipment to the armed forces.
- The [NAO assessment](#) suggests that for the third year running the plan remains unaffordable:
- "[MOD] has become locked into a cycle of managing its annual budgets to address urgent affordability pressures at the expense of longer-term strategic planning, and is introducing new commitments without fully understanding the impact on the affordability of the Plan".

Major Projects and Contracts

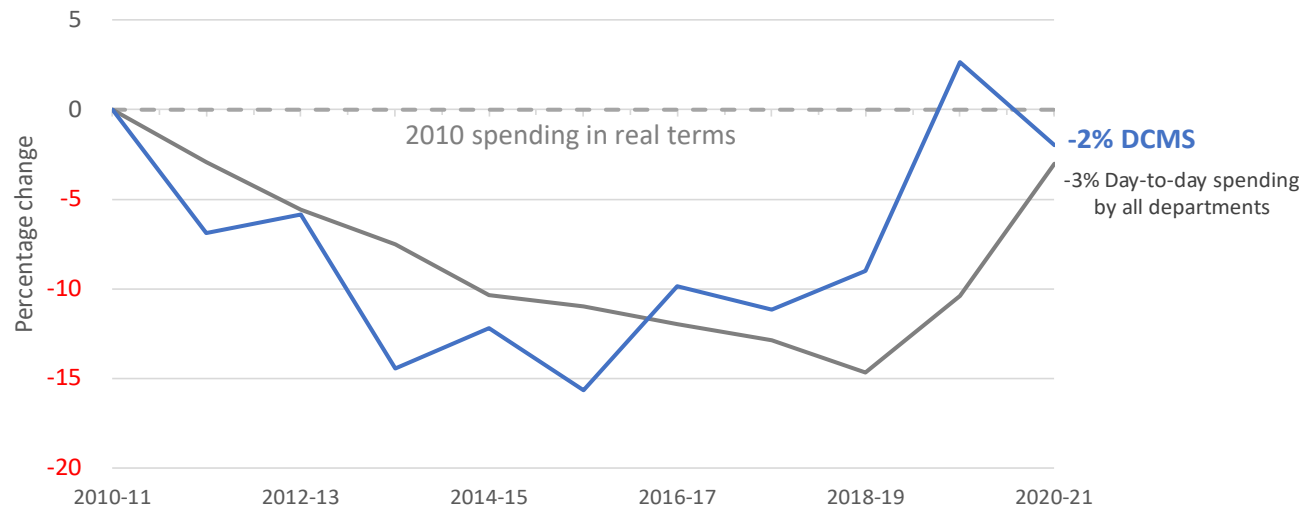
- MOD has 35 major projects in [Infrastructure and Projects Authority](#) portfolio (a quarter of total projects) ; twelve are rate higher risk (amber/red).
- MOD procurement represents 40% of government procurement spending; NAO analysis of the contract for military recruitment and flying training suggest contracts are not realising intended benefits

See the NAO [Departmental Overview](#) for more information

Department for Digital, Culture, Media & Sport

Long-term trends in DCMS' spending (in real terms)

Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):

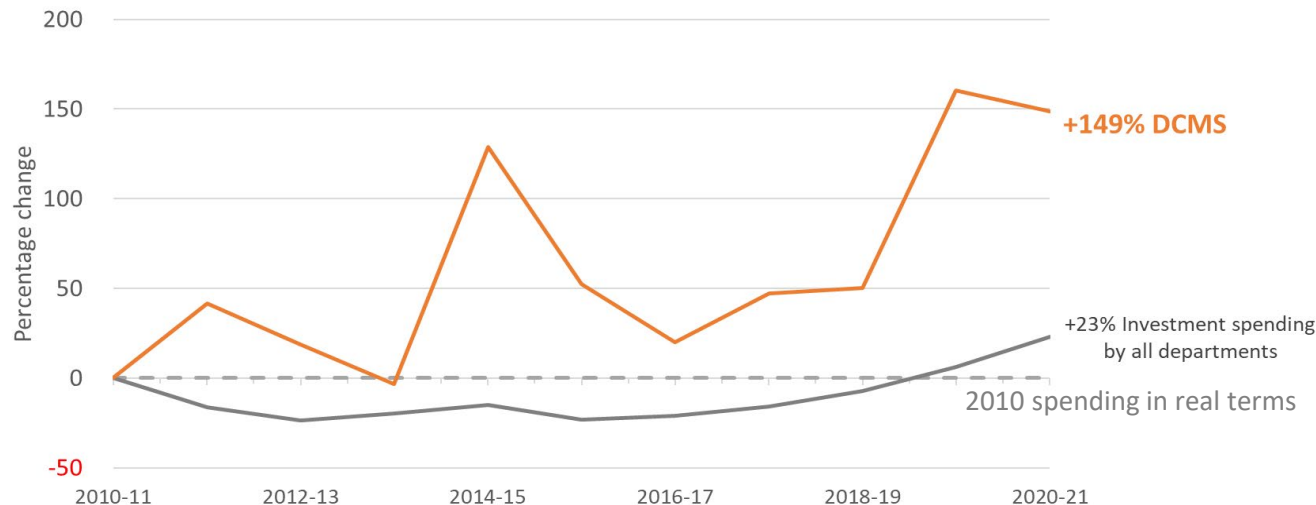


Day-to-day spending trends:

- Spending in cash terms **increased from 2015-16 to 2019-20**, largely due to higher staffing
- There have also been increases in the budgets for the **Office for Civil Society** and **National Citizens Service** to nearly £280 million

*Note: Spending on **London 2012 Olympics** has been removed from the trend graph to avoid distortion*

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



Investment spending trends:

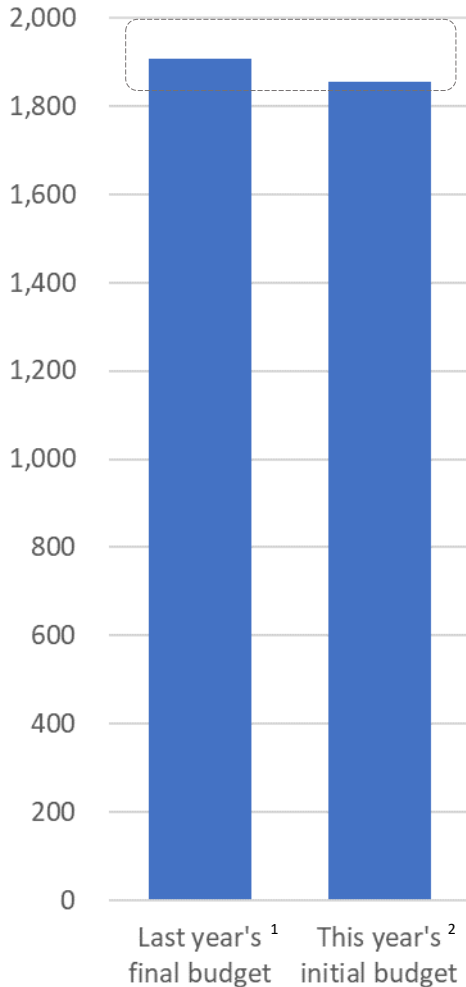
- **Large increases since 2017-18** are due to **funds for 5G and 'Local Full Fibre Networks'** as part of the **£750m** digital allocation of National Productivity Investment Fund.
- An **accounting change** last year (IFRS16 on capitalisation of leases) caused a significant spike.

*Note: Spending on **London 2012 Olympics** has been removed from this trend to avoid distortion*

How is DCMS's day-to-day spending changing in 2020-21?

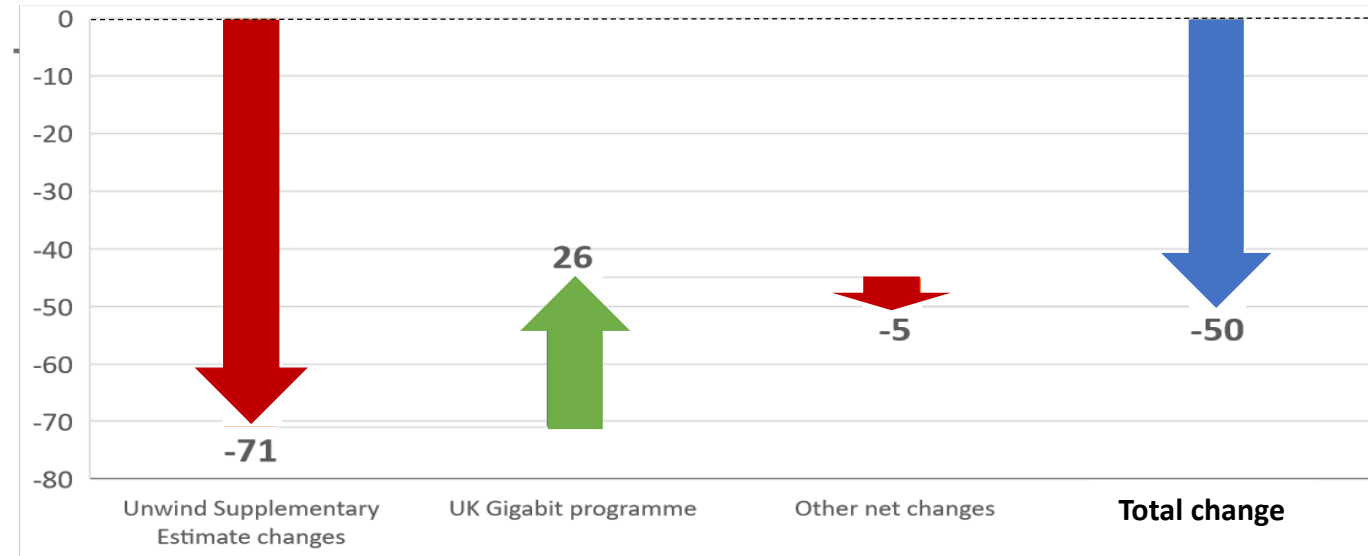
DCMS' day-to-day budget decreases by £50.1m (-2.6%)

(Resource DEL budget in £m)



Funding increases made late last year in Supplementary Estimates have yet to be repeated

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

- **No repeat yet of some Supplementary Estimate changes last year:** last year's budget was increased in February with £71 million additional funding for the Museums' Freedom scheme, the Listed Places of Worship grant scheme and the tampon tax; this is likely to be repeated this year.
- **UK Gigabit programme:** [Budget 2020](#) included additional funding for the day-to-day spending of the programme, which also has a significant investment budget commitment.
- **Other net changes:** although there is little other change to headline funding, there are significant movements between programmes within the department, including additional budget for the Birmingham 2022 Commonwealth Games, and movements in the depreciation budget following forecast changes and the introduction of accounting changes last year (IFRS 16).

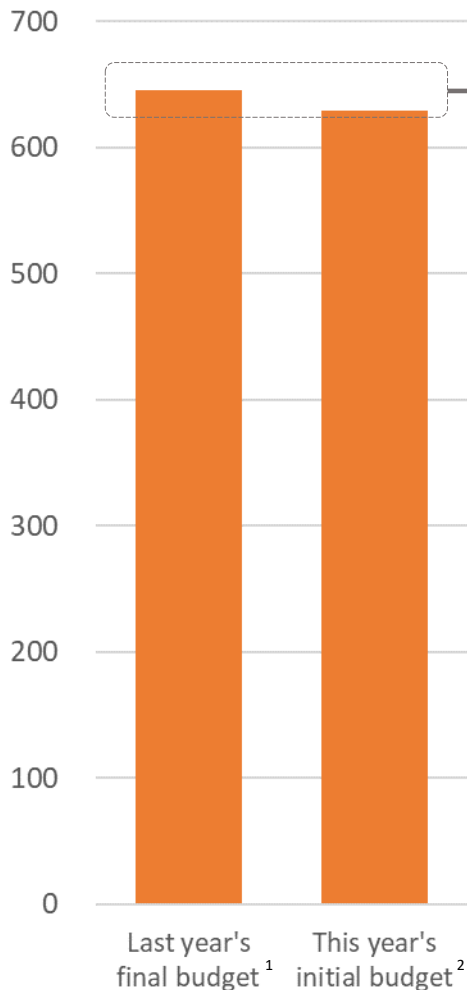
¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

How is DCMS's investment spending changing in 2020-21?

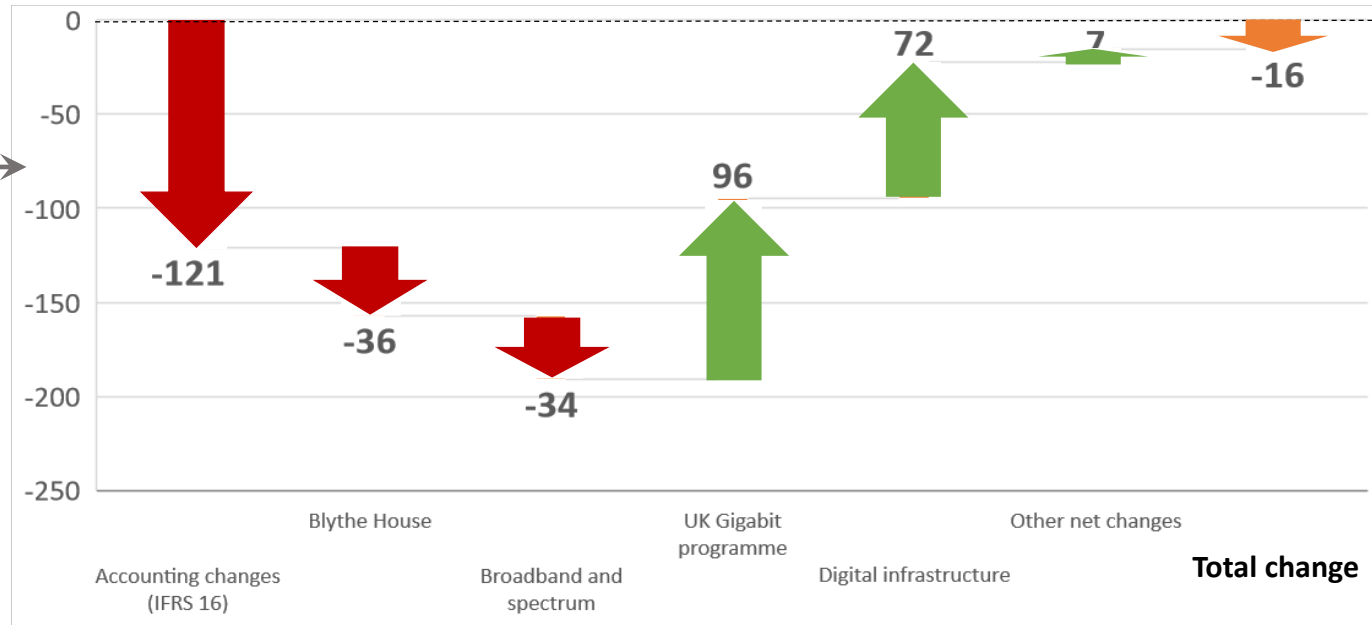
DCMS investment budget decreases by £15.9m (-2.5%)

(Capital DEL budget in £m)



No repeat of one-off accounting changes made last year, which outweighs 'UK Gigabit' investment

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

(Largely internal movements between programmes)

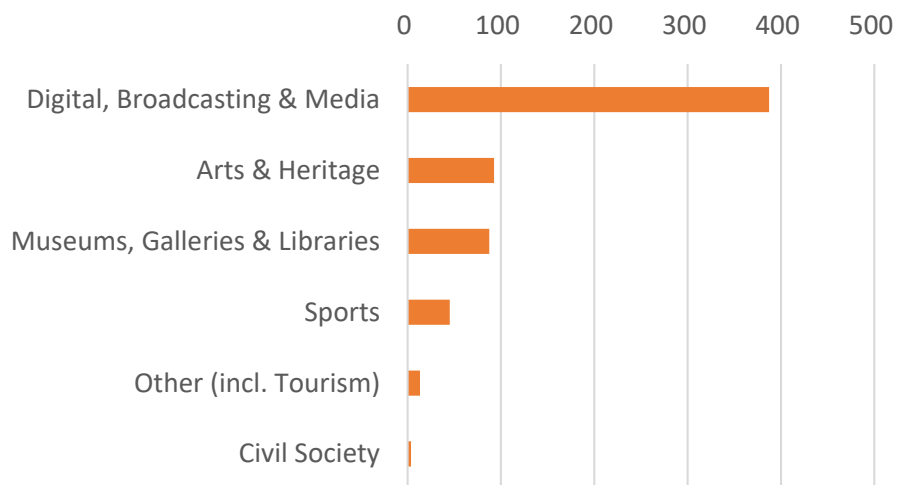
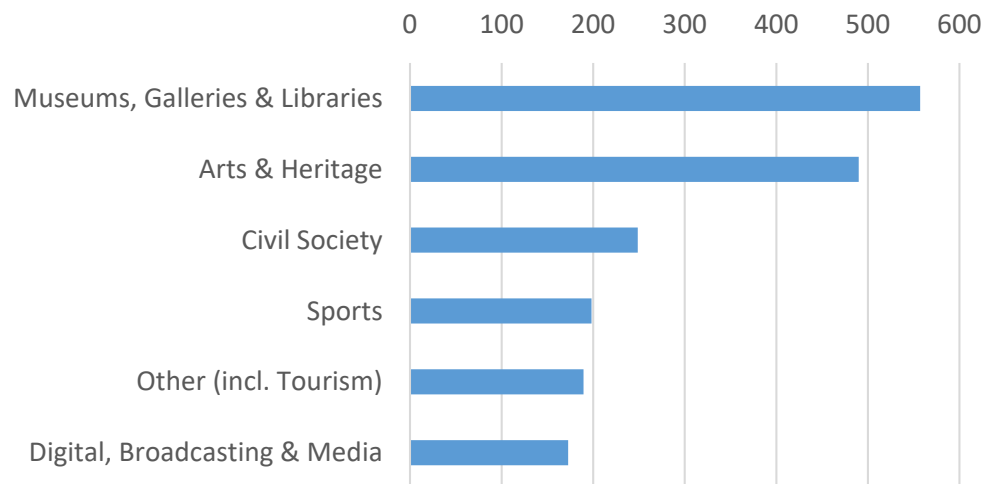
- **International Financial Reporting Standard (IFRS) impacts:** IFRS16 requires a new accounting treatment for leases (now capitalised in the investment budget), which DCMS introduced last year as an early adopter; this had a significant (one-off) effect on last year's budget.
- **Blythe House:** archive facility for London museums which is now nearing completion
- **Broadband and spectrum:** reductions of £18.1 million for BDUK superfast £15.6 million for the 700MHz spectrum clearance, both nearing completion and having underspent last year
- **UK Gigabit programme:** investment already planned prior to the 2020 Budget
- **Digital infrastructure:** £36.2 million for the National Productivity Investment Fund £36 million for Local Full Fibre Networks.

¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

DCMS' budget is dispersed across responsibilities, with significant investment in broadband

Breakdown of Defra budget 2020-21 (£ million)



Day-to-day spending (Resource DEL)

- Spending on **museums, galleries and libraries** is dominated by large institutions such as the British Library (£95 million), Victoria & Albert (£46 million) and the British Museum (£41 million)
- **Arts and Heritage** spending is predominantly through Arts Council England (£457 million).
- Civil Society spending on National Citizen Service (£193 million) and Office for Civil Society have been reduced slightly following reductions in Supplementary Estimates for the past few years.
- Spending on **Sport** is largely through Sport England (£62 million) and UK Sport (£51 million), but also this year Birmingham 2022 Commonwealth Games (£54 million)

Investment spending (Capital DEL)

- **Digital**: the UK Gigabit Programme budget of £125 million is the largest area of spending, then Local Full Fibre Networks (£104 million)
- **Arts and Heritage**: the Cultural Investment Fund (£38 million) is the largest element, with a further £13 million from the Arts Council England.
- Investment in **museum and galleries** has previously been higher and dominated by a few schemes, such as Blythe House archives refurbishment, but with this nearing completion the total budget is reduced.

DCMS: challenges in 2020-21 and beyond

See the NAO [Departmental Overview](#) for more information

Impact of COVID-19

- Many of the policy areas covered by the department are likely to be strongly affected by the pandemic and social distancing measures to combat it, particularly museums, live entertainment, sport and tourism.
- The NAO analysis of the [Government' response](#) indicates that there has been a £250 million re-prioritisation of existing resources, including £140 million through Arts Council funding.

Data strategy and protection

- The department was due to launch a [National Data Strategy](#) this year.
- Data Protection Act 2018 and GDPR have caused a significant increase in data breach reports to the Information Commissioners Offices

Sustainability of museums and galleries

- Before coronavirus, an NAO report on the [maintenance of the museum estate](#) found that funding was insufficient to cover museum requests, and that uncertainty over future funding levels had restricted the ability of museums to plan effectively.

5G Testbeds and Trials (5GTT)

- Programme to create the framework and conditions needed to secure the development and deployment of 5G in the UK
- Whole life costs of £217 million, but there was a 46% underspend in 2018-19 due to equipment delays
- The [Infrastructure and Projects Authority](#) (IPA) currently awards the project a high risk (red/amber) warning for completion.

Birmingham Commonwealth Games 2022

- The Commonwealth Games will be held in Birmingham, from 27 July to 7 August 2022.
- Central government is to fund 75% of the public sector cost of delivering the Games, with the local government funding the rest.
- The [Infrastructure and Projects Authority](#) (IPA) currently awards the project a high risk (red/amber) warning for completion.

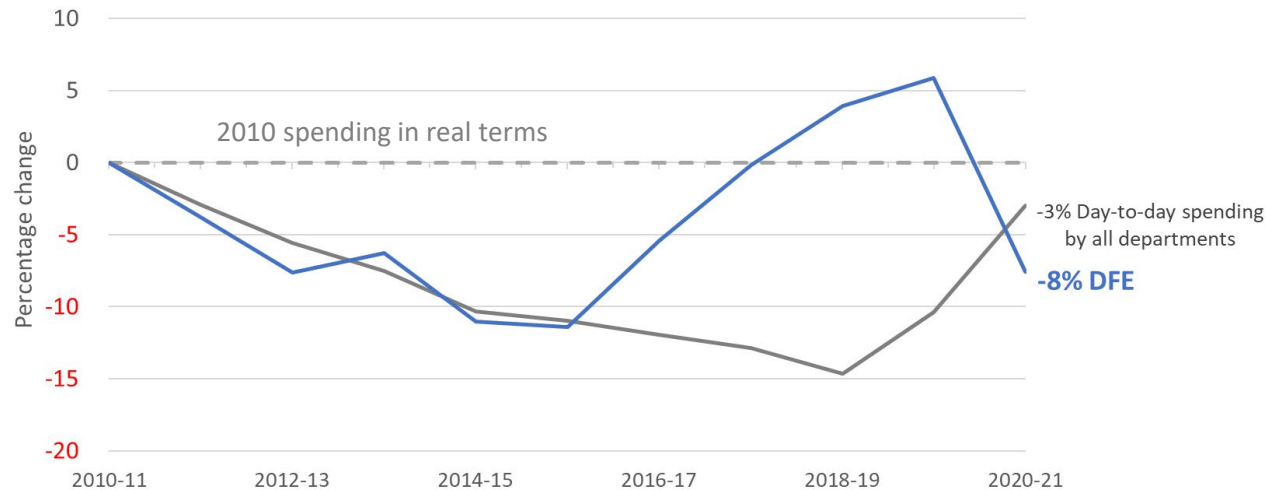
Other major projects

- Local Full Fibre Networks, 700 MHz clearance and Blythe House archive all have an amber or better risk rating by the IPA

Department for Education

Long term trends in DFE's spending (in real terms)

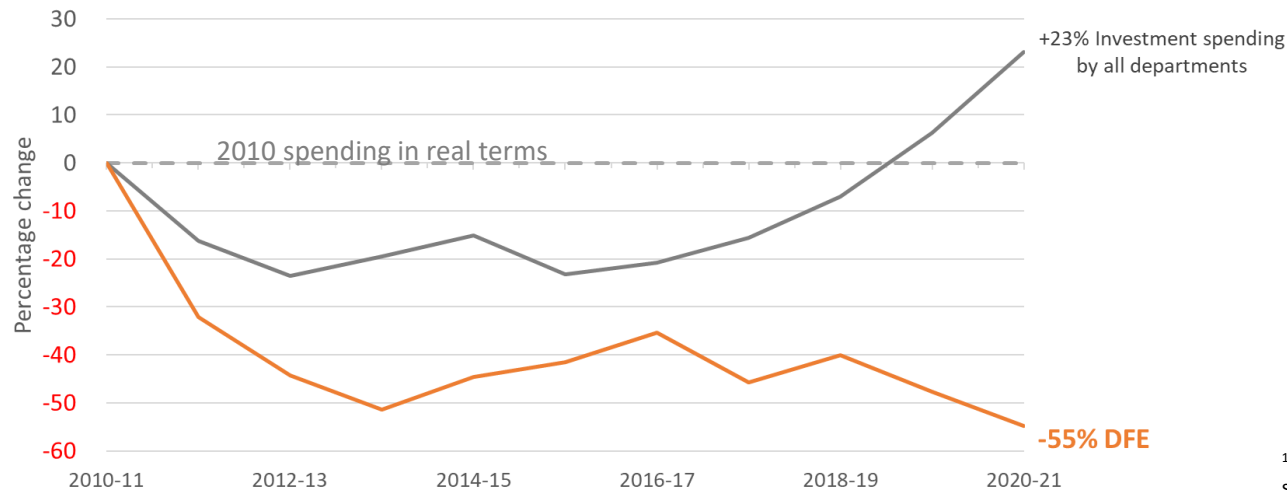
Percentage change in Day-to-day spending¹ compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- The costs of higher education impairments (loans not expected to be repaid) have caused surges in 2018-19 and 19-20 budgets, not yet repeated in 2020-21
- According to DFE's Estimate memorandum, within the total, total spending on schools fell in real terms in 2016-17 before recovering. Per pupil funding has only just started to rise again in real terms.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



Investment spending trends:

- DFE Investment spending fell significantly in 2010 and has still not recovered, despite investment spending by other parts of government growing.
- Investment funding for schools is provided through a variety of programmes, with funds distributed either formulaically based on school places needed, or in response to bids.

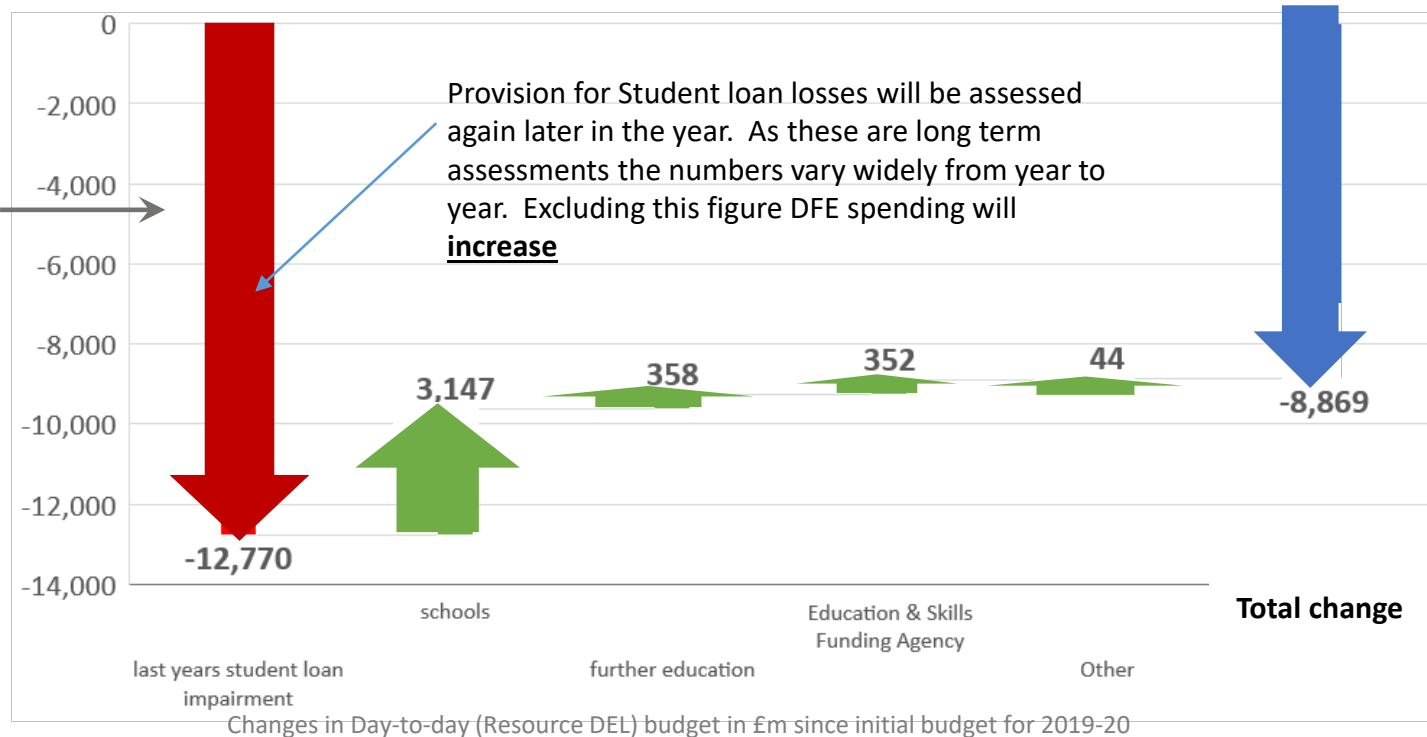
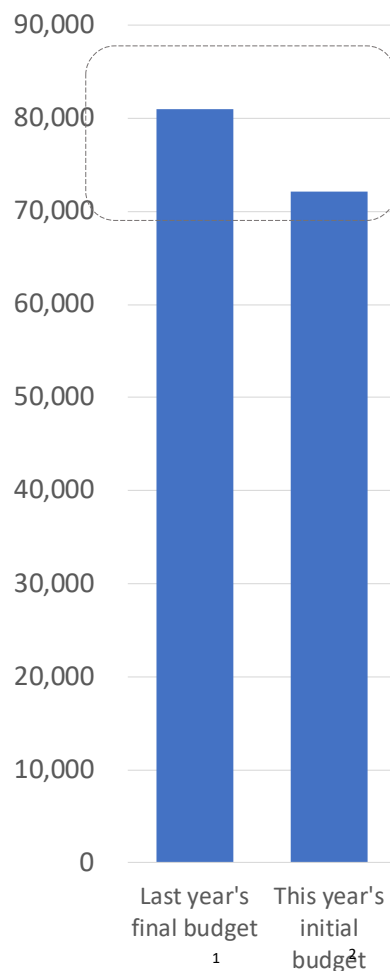
¹. Restated to take account of changes in departmental responsibilities since 2010. 2017-18 and 2018-19 day to day spending includes large increases due to extra costs of student loan write downs.

How is DFE's day-to-day spending changing in 2020-21?

DFE's day-to-day budget decreases by **11%**- excluding student loan impairments it increases by **£3,901 m** or **+6.2%**

Schools funding is up by 6% in 2020-21

(Resource DEL budget in £m)



Changes in 2020-21

Excluding the large provision for student loan write downs made last year- which has yet to be repeated in this year's budget, DFE's day to day spending has risen:

- Schools grants are up by £3.1 billion or 6%
- Further education spending rises by £0.358 billion
- The Education and skills funding Agency budget is up by £0.352 billion, compared to the final, reduced budget for 2019-20. Much of the budget is however demand led funding for apprenticeships and the rise largely restores the budget to the original level last year

¹ 2020
² Initial budget at Main Estimates 2020-21 (May 2020)

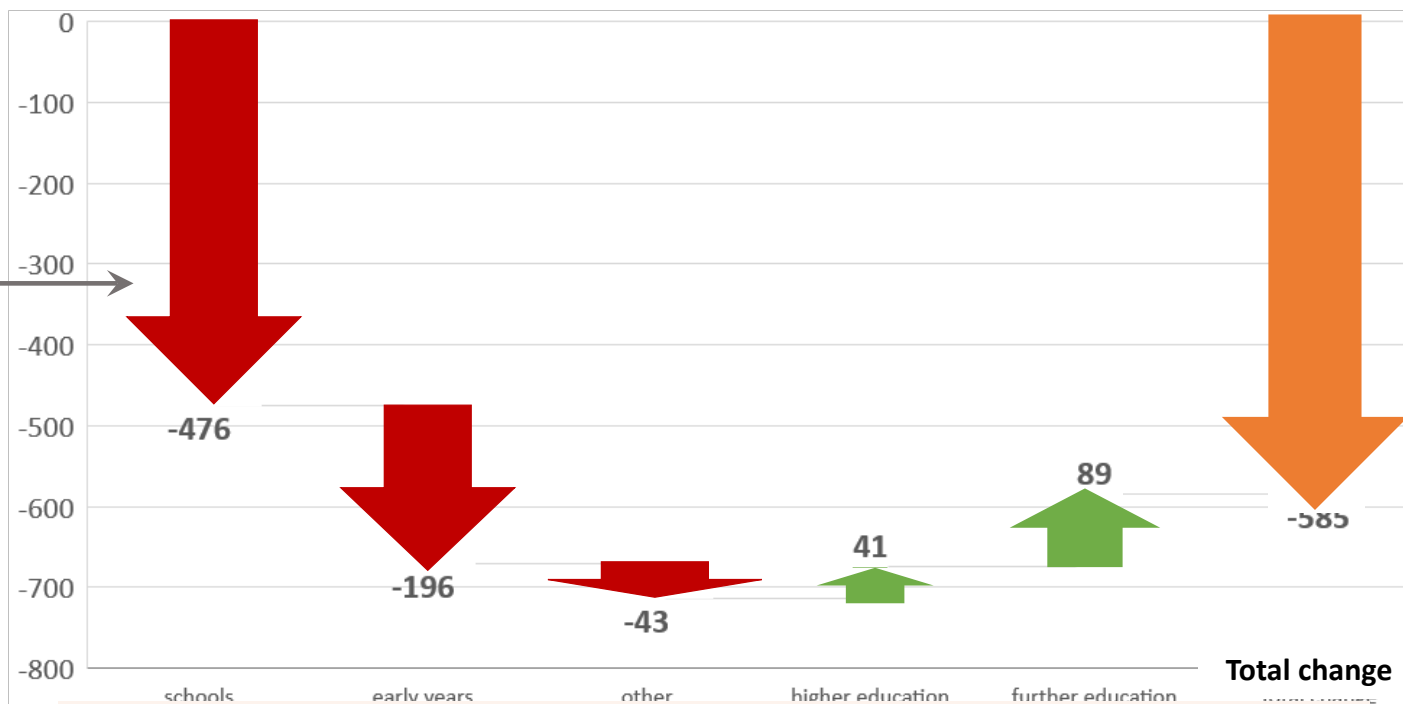
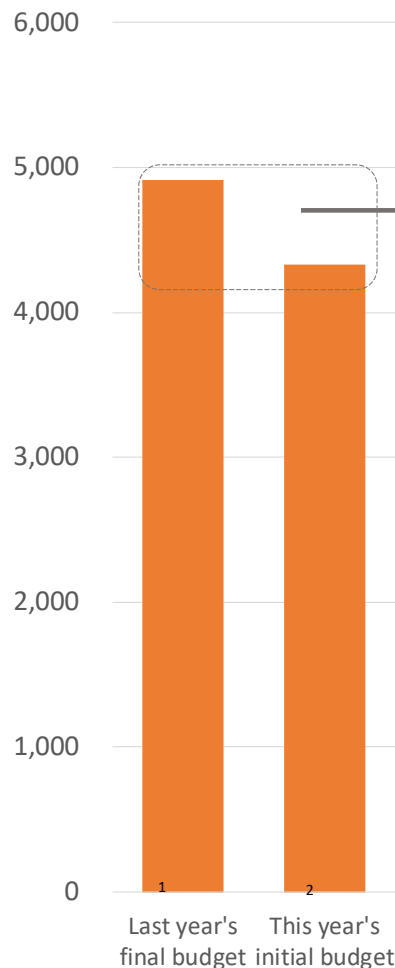
How is DFE's investment spending changing in 2020-21?

DFE investment budget decreases by £585 m or (-11.9%)

DFE has yet to benefit from the overall rise in government investment spending

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20

(Capital DEL budget in £m)



Changes in 2020-21

- Capital funding for schools is down by £475 million (-21%). DFE says this is because costs of capital programmes vary between years according to the status of construction and level of need
- Capital funding for early years is down by £196 m but spending on FE and HE is up.

¹ Final 2019-20 budget at Supplementary Estimates (Feb 2020)

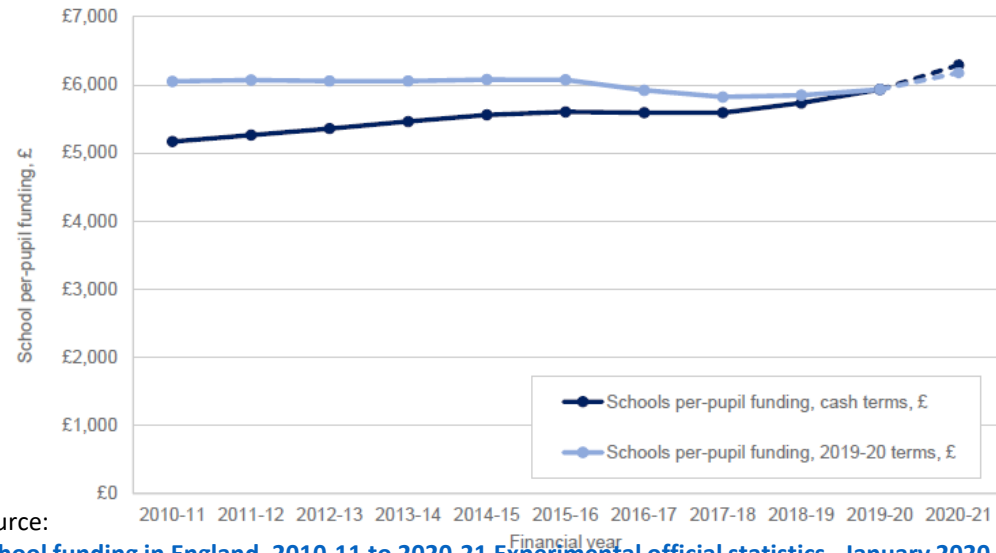
² Initial 2020-21 budget as at Main Estimates (May 2020)

Day to day spending per pupil is up in 2020-21, in real terms, after falling in 2016-17 and 2017-18

In real terms,

- funding per pupil in England was **broadly flat between 2010-11 and 2015-16** at just over £6,000 in 2019-20 prices;
- It then **fell by 4.2%** over 2016-17 and 2017-18;
- but subsequently increased by 1.9% over 2018-19 and 2019-20 (in part as a result of the additional funding for teachers pension contributions); and
- Is **increasing by a further 4.1%** in 2020-21

Per pupil funding, cash & real terms



Source:

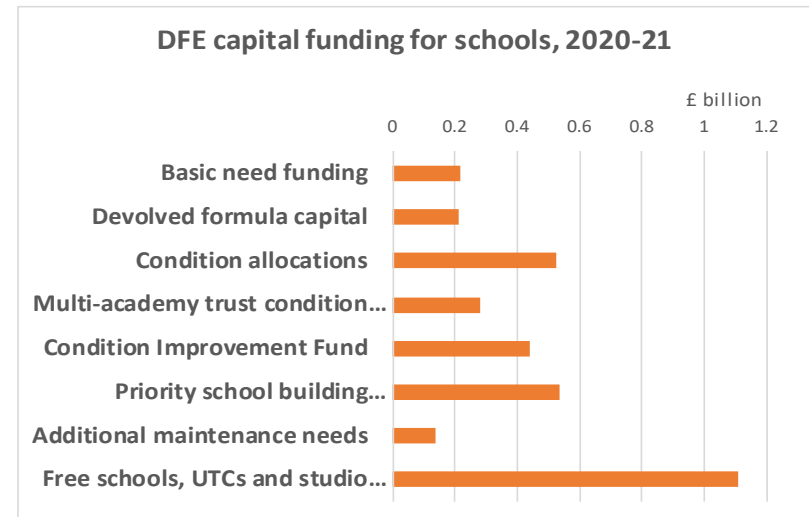
[School funding in England, 2010-11 to 2020-21 Experimental official statistics, January 2020](#)

DFE's schools capital budget is falling by £1 billion in 2020-21, compared to last year

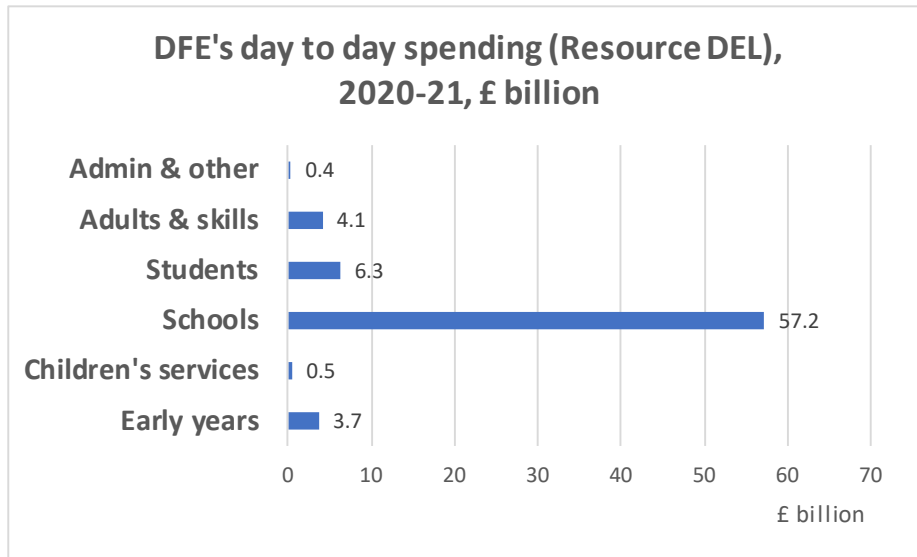
Total school Investment spending is budgeted at **£3.5 billion** in 2020-21, down from £4.5 billion in 2019-20, including

- **Basic needs funding** for new school places
- **Free school, UTC and studio funding** for costs of new & converted schools
- Other funding covers **maintenance and refurbishment** of existing schools

Capital funding has fluctuated from year to year but remains below 2020 levels in real terms



Over 75% of DFE's day to day spending goes on support for schools and covers day to day running costs, including staffing.



- The majority of this money is distributed through the national funding formula to local authorities

Other funding (2020-21) includes:

- Student loans: £4267 million
- Office for students, including Higher education participation grants: £1762 million
- Apprenticeships and skills £2551 million
- Adult skills and careers £1570 million
- Early years provision £3669 million
- Private finance initiative revenue grants £804 million
- Qualifications and curriculum development £573 million

DFE: challenges for DFE in 2020-21 and beyond

Impact of COVID-19

Schools and children

- Resuming schools following the lockdown, while maintaining public health measures, including social distancing
- Addressing the impact on children of the long gap in formal educational provision, particularly for disadvantaged children
- Dealing with the fallout from the cancellation of GCSEs and A levels and implications for university admissions

Skills and jobs

Responding to the impact on young people entering the job market of the lockdown, job opportunities and the economy, including offering greater support where needed.

Higher and further education

- Impact on university finances of the fall in international students likely from autumn 2020, as a result of coronavirus
- Practical difficulties and costs of adapting to offer courses while maintaining social distancing

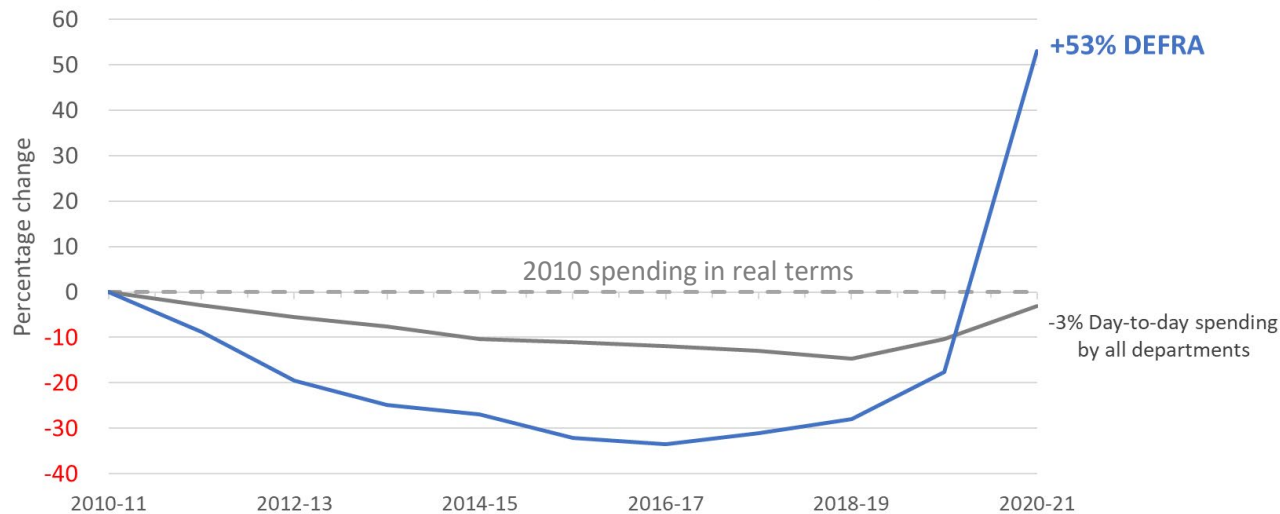
Other issues

- Funding increasing demands for support for Special Educational needs provision
- Considering when/whether to rollout the national funding formula below local authority level
- Ensuring good governance and financial management of academies

Department for Environment, Food and Rural Affairs

Long term trends in DEFRA's spending (in real terms)

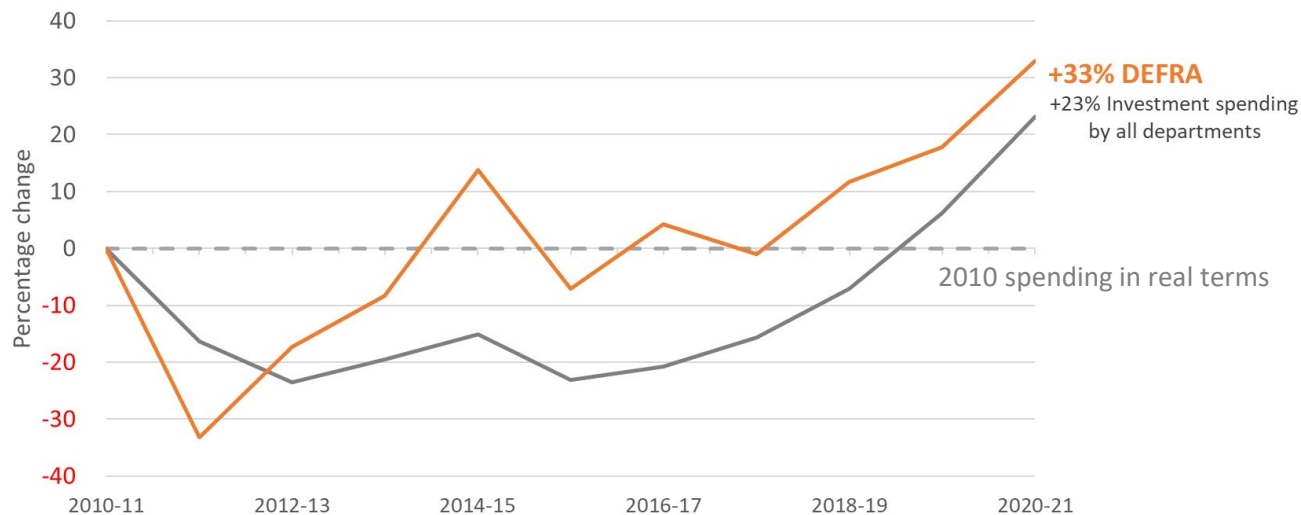
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- DEFRA's budget **decreased significantly under austerity**, with real terms reductions in spending of **33% in 2016-17 compared to 2010-11**.
- Gradual increases in the budget then largely reflect **additional funding for EU Exit planning** and for flooding.
- The large increase this year is due to taking on responsibility for **direct payments** to farmers

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



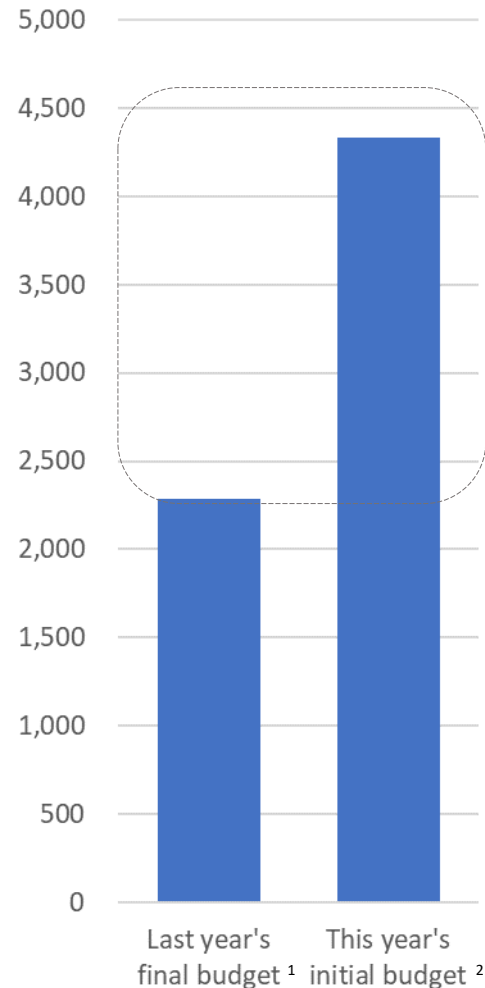
Investment spending trends:

- DFE's capital budget was **not squeezed as hard as that for day-to-day spending**, but has been lumpy over this period.
- Since 2015-16 there has been increased investment in **IT and property** to reduce day-to-day spending on corporate services, **EU Exit** preparations and more recently increased spending on **flooding** repair and defence work

How is DEFRA's day-to-day spending changing in 2020-21?

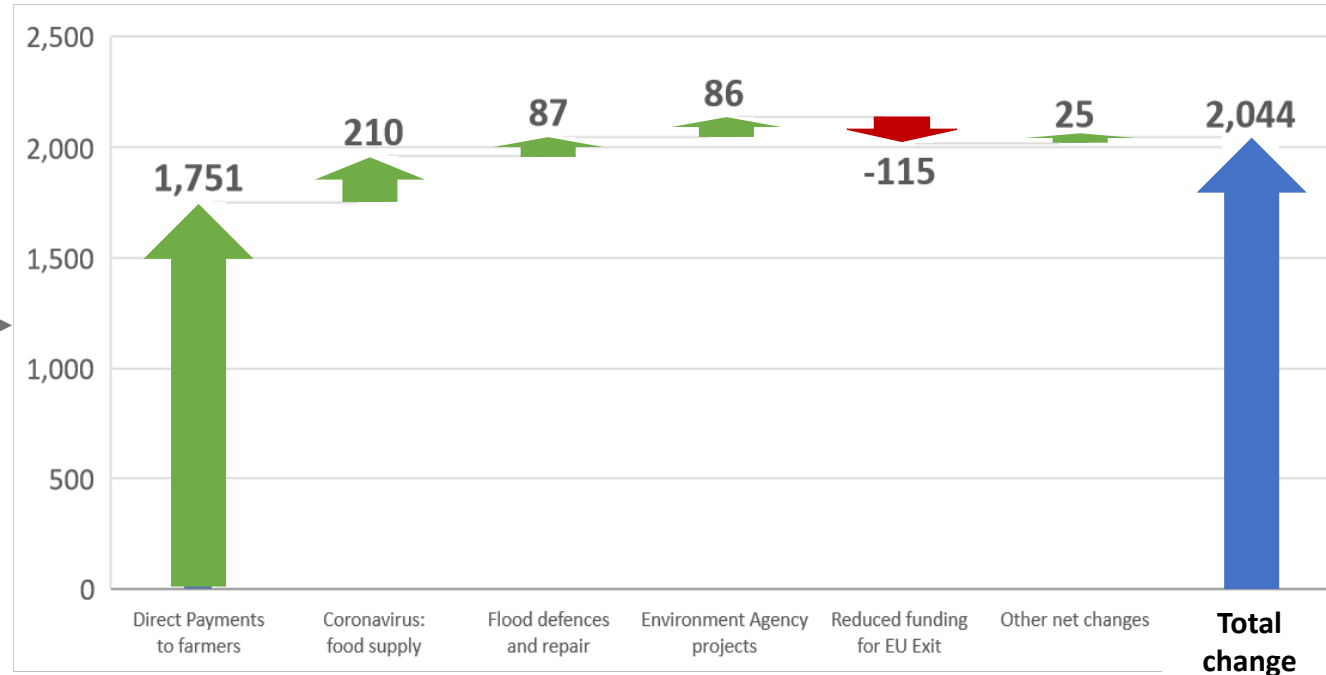
DEFRA's day-to-day budget increased by £2,043.9m (+89.3%)

(Resource DEL budget in £m)



DEFRA's spending increases as it takes on new responsibility for Direct Payments to farmers

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

- **Direct Payments to farmers:** previously funded through European Commission but now UK [government responsibility following EU Exit](#) (made by the Rural Payments Agency)
- **Coronavirus:** ensuring food supply to vulnerable people
- **Flood defences:** announced at [Budget 2020](#), additional funding for FCRM and repairs following winter floods
- **Environment Agency:** funds switched to investment budget in last year's [Supplementary Estimates](#) are unwound; a similar switch is likely to occur in the Supplementary Estimates in February
- **Reduced funding for EU Exit:** additional funding may be committed in the Supplementary Estimates

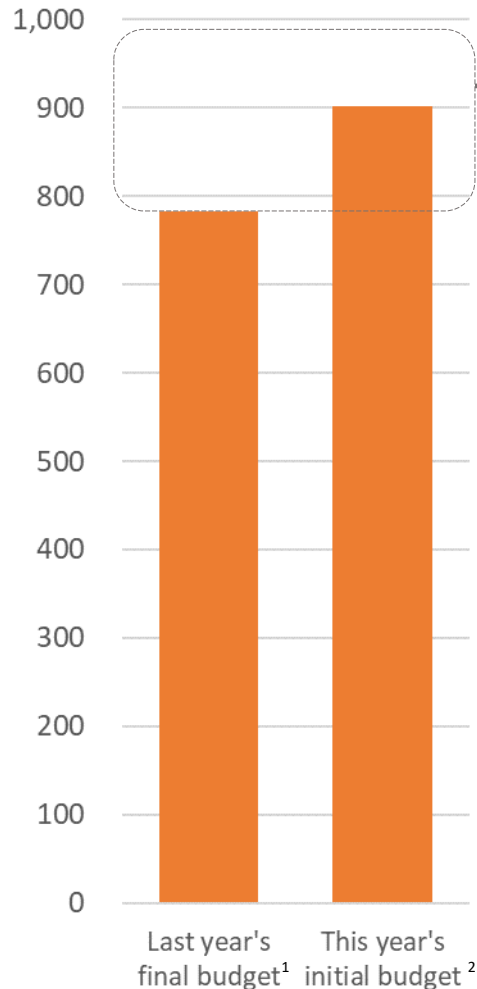
¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

How is DEFRA's investment spending changing in 2020-21?

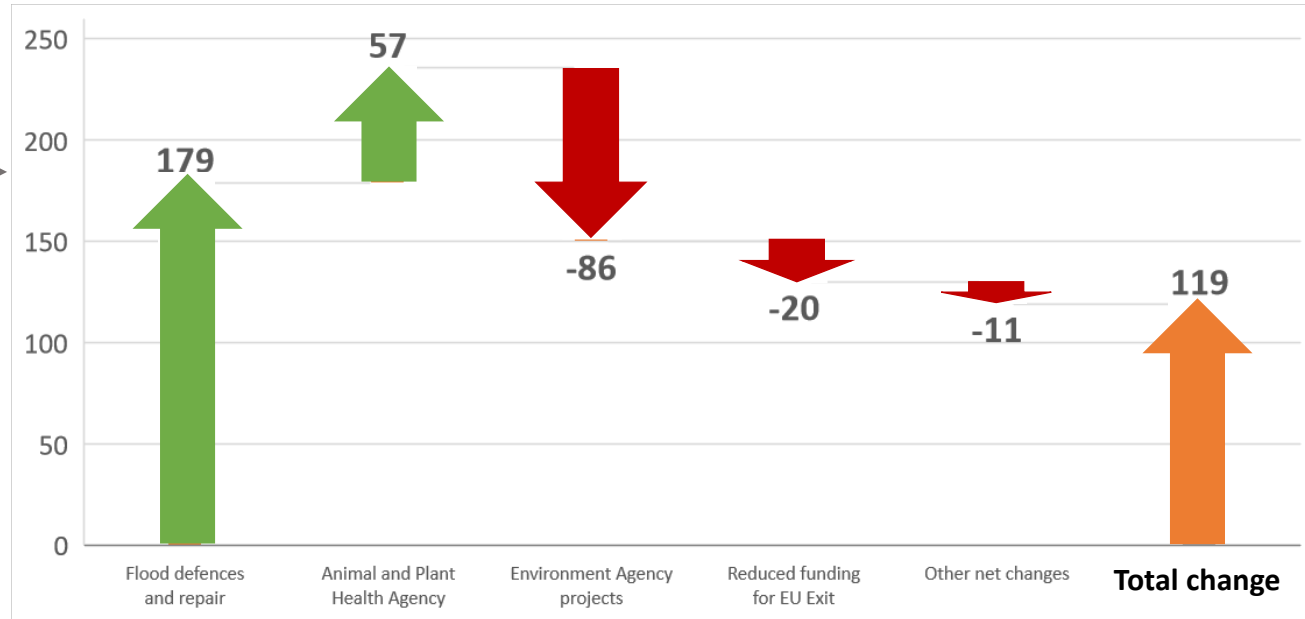
DEFRA investment budget increased by £119.2m (+15.2%)

(Capital DEL budget in £m)



DEFRA's capital spending increases reflect funding for flood defences announced in the March Budget

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

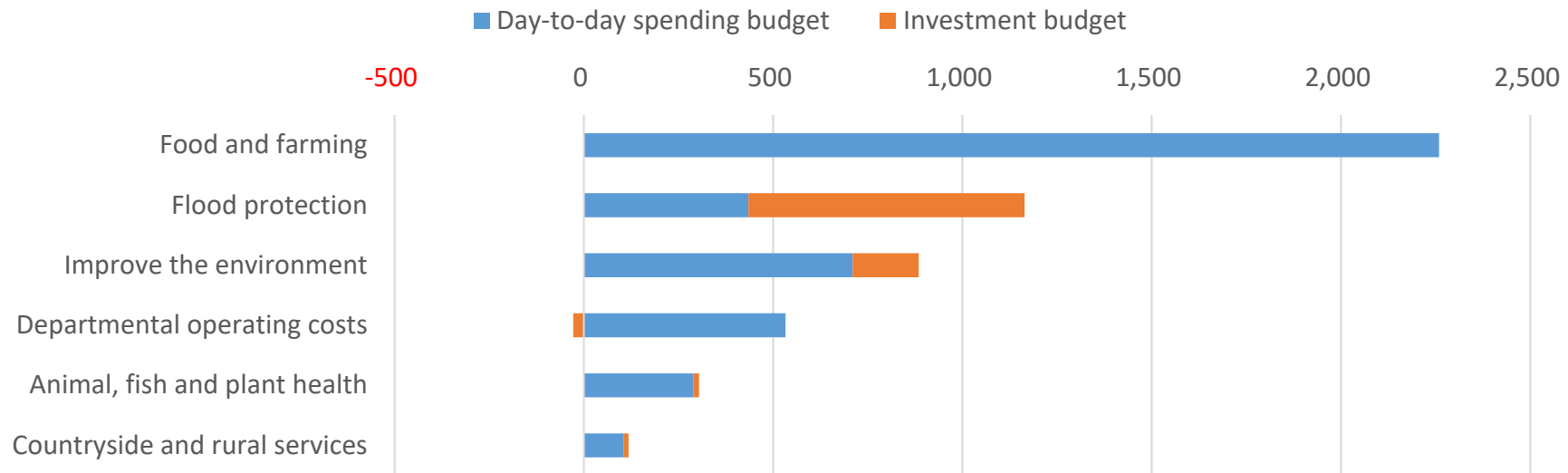
- **Flood defences:**, announced at [Budget 2020](#), as with day-to-day budget, additional funding for FCRM and repairs following winter floods
- **Animal and Plant Health Agency:** for Weybridge site, to maintain food security after EU Exit
- **Environment Agency:** : funds switched to investment budget in last year's [Supplementary Estimates](#) are unwound (see day-to-day budget). Another switch to the investment budget is likely in February.
- **Reduced funding for EU Exit:** as with day-to-day budget, additional funding may be committed in the Supplementary Estimates.

¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

The majority of the Defra budget is for food and farming, including Direct Payments to farmers

Breakdown of Defra budget 2020-21 (£ million)*



Day-to-day spending (Resource DEL)

- **Food and farming** budget is now the largest spending area, due to direct payments to farmers. The Rural Payments Agency now accounts for over a third of the Defra budget.
- **Flood protection** is almost entirely composed of the Environment Agency (EA) budget, and the combined budget with investment spending is more important (EA regularly moves funding to the investment budget through the year).
- **Improve the environment** constitutes many programmes, including natural environment and atmosphere improvement (£259 million) wildlife, international, climate and forestry programme (£97 million), and EA funding (£100 million)

Investment spending (Capital DEL)

- **Flood protection** investment spending has previously been the largest element of the Defra budget but following introduction of direct payments it now accounts for 81% of investment, but only 20% of total; flood protection is administered by the EA; Defra publishes details of central government funding for [flood and coastal erosion risk management \(FCERM\) in England](#)
- **Departmental operating costs** are negative as they have allocated funds for the EA flood protection work; this central credit will be offset when additional budget for these multi-year programmes is received in the Supplementary Estimate'

*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

DEFRA: challenges in 2020-21 and beyond

See the NAO [Departmental Overview](#) for more information

Impact of COVID-19

- NAO analysis of the [Government' response](#) shows Defra involvement in the surplus food grant and support for clinically extremely vulnerable people, and marine and fishery industries

EU Exit

- 80% of Defra work was framed by EU legislation and it administered over £3 billion in EU funding per year

Development of UK farming policy

- Defra's plans are unique, 'transferring wholesale from a primarily land-based subsidy system to a system of public money for public goods together with funding to help productivity improvements'.
- NAO early [review of the programme](#) raised concerns that information systems and planning may not be in place

Trade deals and Fisheries Bill

- UK is seeking rapid agreement with EU over trade in animal products, plants and seeds.
- The UK is seeking a separate agreement on fisheries to open up annual negotiations on fishing quotas and access and does not wish to accept the mechanisms that exist under the Common Fisheries Policy

Progress against the 25-year Environmental Plan

- [25-year Plan](#) has led to development of 66 environmental metrics to measure progress
- NAO [supported the plan](#) as ambitious and promising, but that reporting needed to be transparent and accessible.

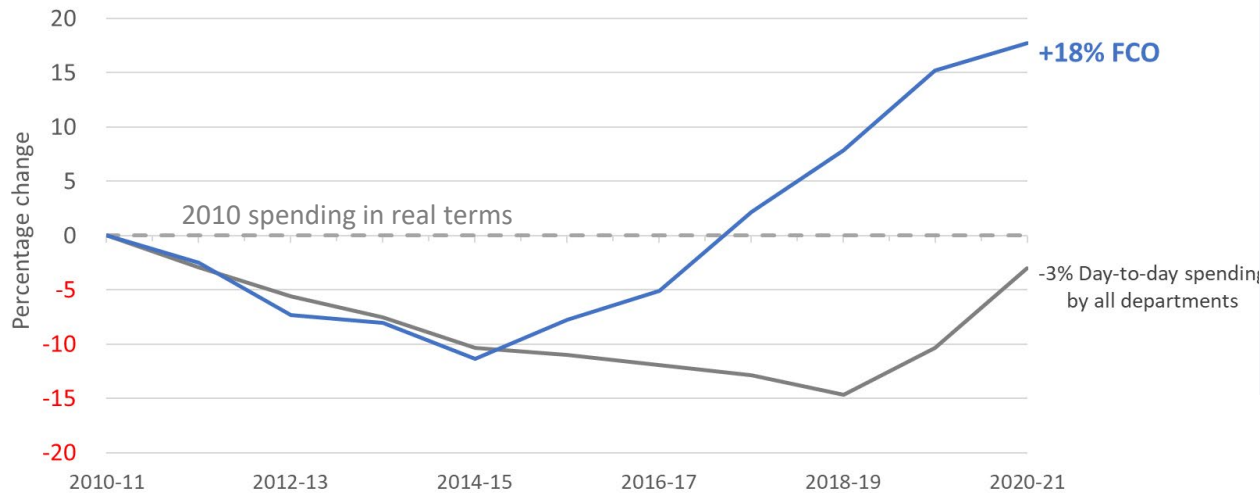
Tackling Flood Risk

- 5 million at risk properties create an annual difficulty; The Environment Agency is expected to publish a new [National Flood and Coastal Erosion Risk Management Strategy](#) later in 2020.

Foreign & Commonwealth Office

Long term trends in FCO's spending (in real terms)

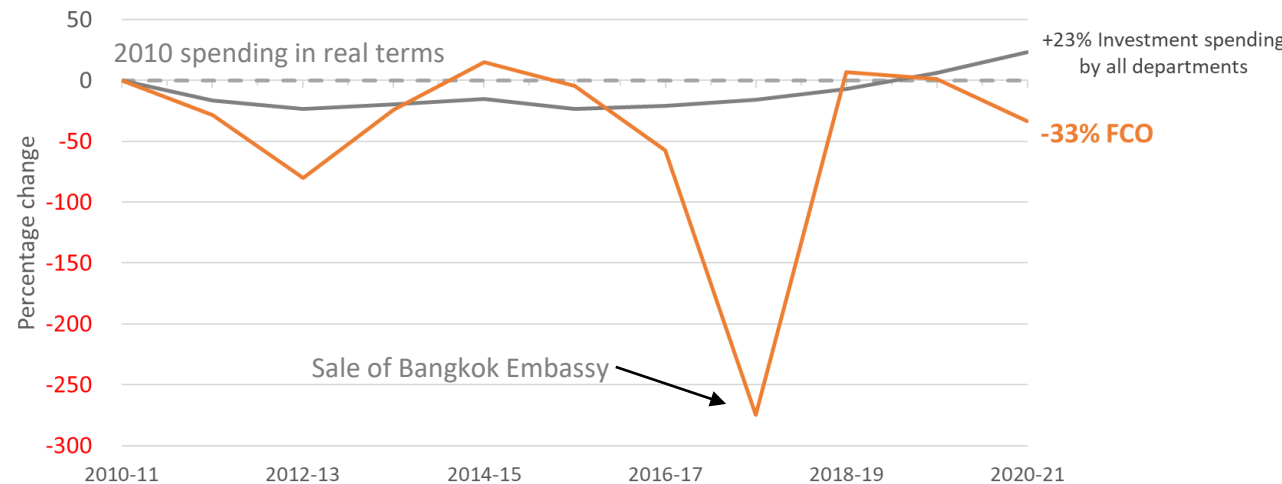
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*) **Day-to-day spending trends:**



- In real terms FCO spending **reduced in the 2010 Spending Review period at roughly the same rate as other Departments, but increased in the 2015 Spending Review period.**
- The relatively sharp increase from 2016-17 reflects increased spend related to exiting the EU and 'Global Britain', as well as the FCO being allocated an increasing proportion of the Overseas Development budget and the cross-Whitehall CSSF and Prosperity funds.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):

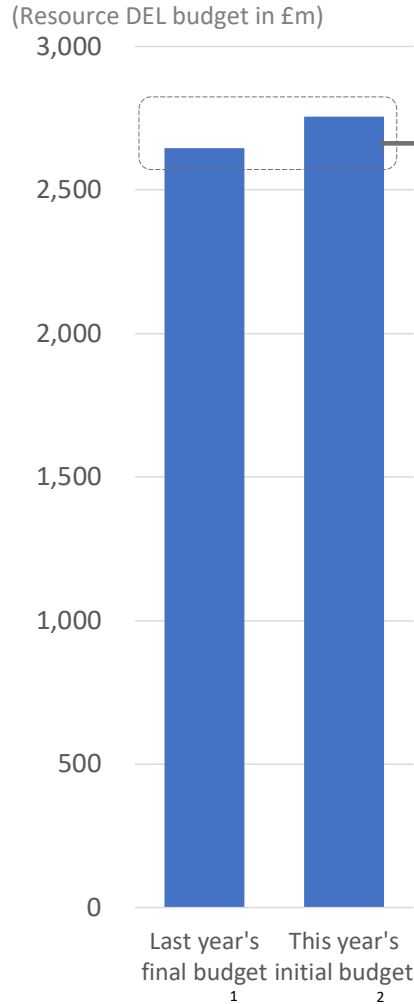
Investment spending trends:



- There are often large **fluctuations** in FCO's investment budgets year-on-year due to **the investment profile of capital projects as well as one-off income gains from sales of assets.** In particular, the large 'negative' capital spend is a result of **£426m sale of the British embassy in Bangkok**, of which £385 million was recognised in the 2017-18 accounts and £41 million deferred to future years.
- The FCO's investment programme is dependent **on asset sales** (in particular the sale of the Bangkok embassy compound), and the Department has **flexibility from HM Treasury to draw down sale proceeds to reinvest** in later years.

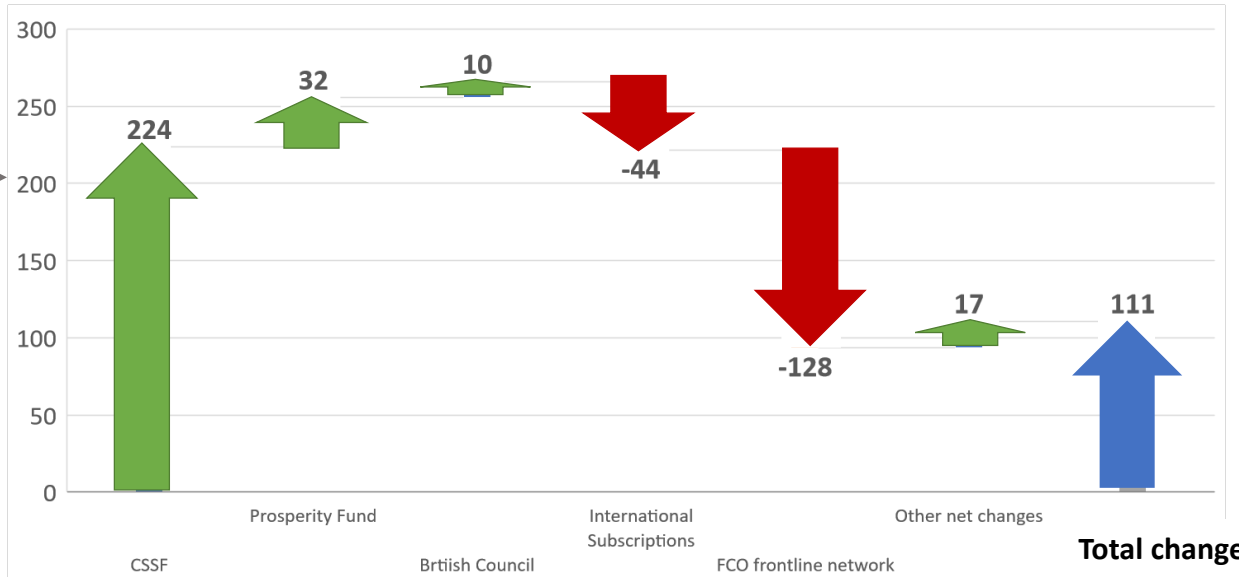
How is FCO's day-to-day spending changing in 2020-21?

FCO day-to-day budget increased by £110.7m (+4.2%)



FCO has gained by allocations from cross-government funds – the CSSF and Prosperity Fund

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

The FCO's 2020-21 core resource budget grew in line with UK inflation from 2019-20, plus an additional £50m of ODA funding. Significant changes for 2020-21 include:

- An additional £224 million for the Conflict, Security and Stability Fund and £32 million for the Prosperity Fund.
- An increase of £10 million for British Council funding. This is transferred from DFID.
- A significant reduction of £128 million to the front-line network, which includes embassy running costs

The Estimate includes inter-departmental transfers including £333 million of ODA and £18 million for the Africa Strategy from DFID; £20 million from the MOD for the Gulf Strategy Fund; and £13 million in respect of staff transferred from the Department for Exiting the EU. The Main Estimate does not include important funding streams for consular premiums, international subscriptions and the Foreign Currency Mechanism. These rely on in-year data and so cannot be taken up until the Supplementary Estimate

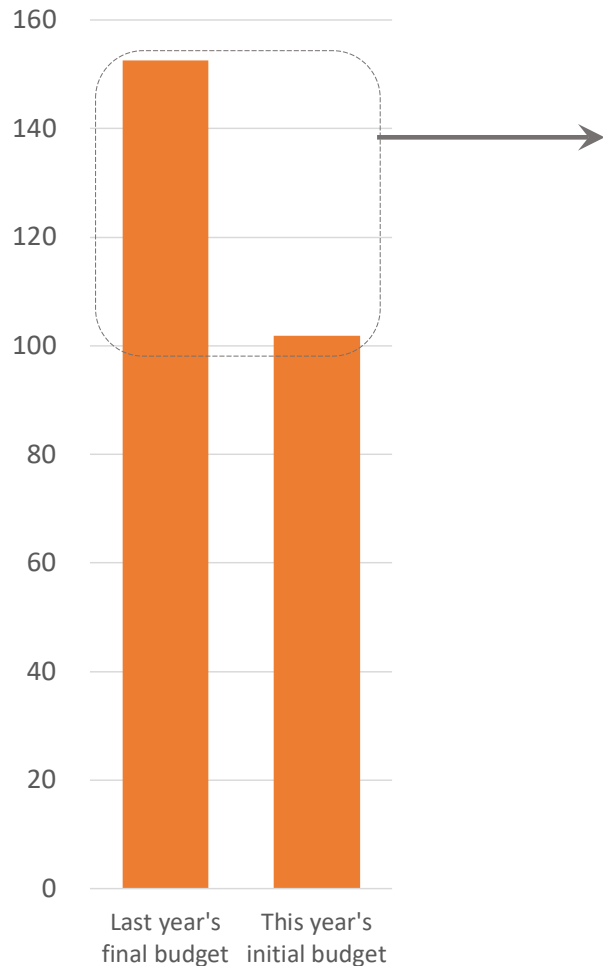
¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)
² Final budget at Main Estimates 2020-21 (May 2020)



How is FCO's investment spending changing in 2020-21?

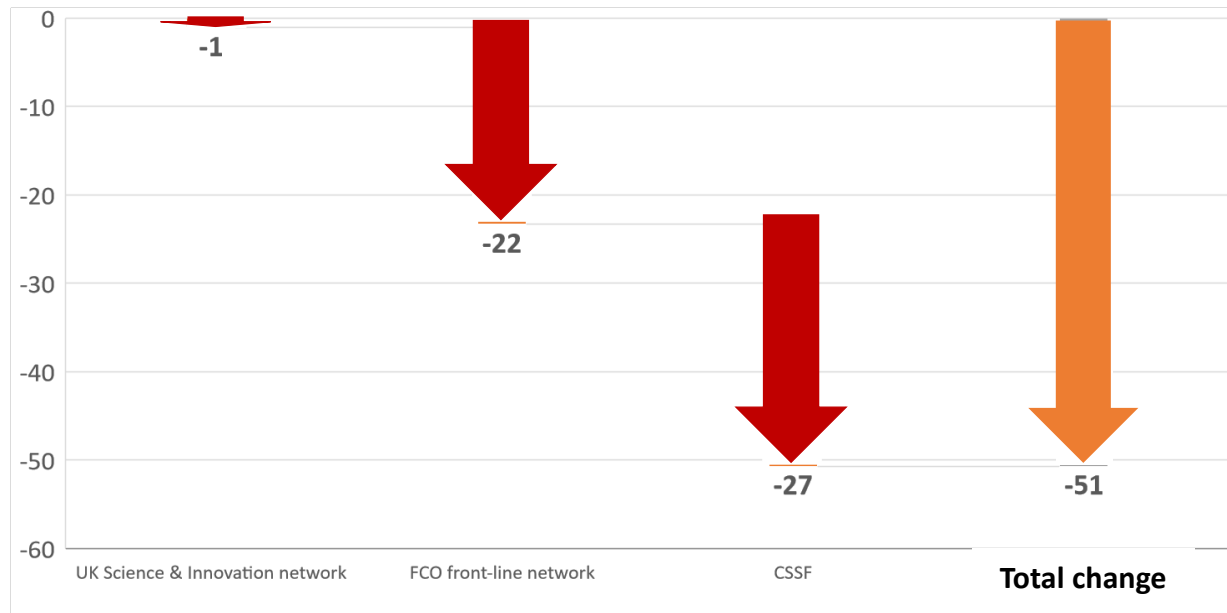
FCO investment budget decreased by £50.7m (-33.2%)

(Capital DEL budget in £m)



The FCO continues to draw down on the proceeds of the Bangkok Embassy sale to fund its investment programme

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

Due to re-profiling the balance between day-to-day and investment expenditure, the CSSF has an investment budget £27 million lower than last year's final budget.

The front-line network, which includes embassy running costs, saw a reduction of £22 million.

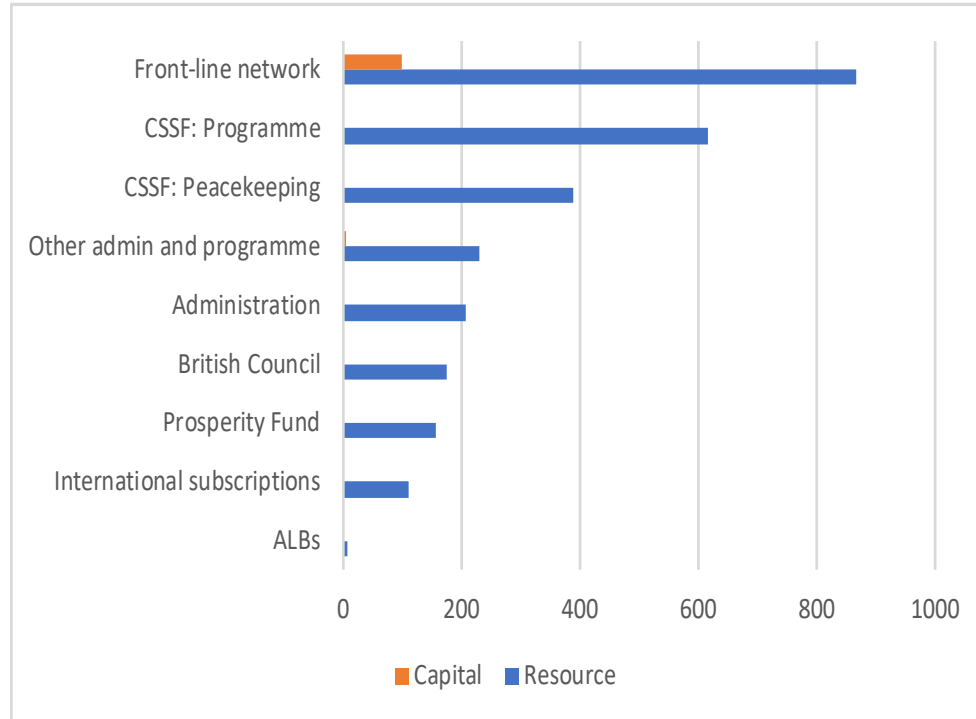
¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

Breakdown of departmental spending: what does FCO spend its money on?

Total day-to-day spending of £2,655m; and

Total investment spending of £152.5m:



Day-to-day spending

- The FCO spends around £852 million on its front-line network, which includes embassy costs.
- Cross government funds including **the Prosperity Fund and the CSSF** (which funds conflict prevention and peacekeeping activities) together make up around **42%** of the FCO's day-to-day spending.
- The FCO is currently working on short-term objectives in response to the Covid-19 pandemic. Up to £75m of Government funding has been pledged to bring UK travellers back home.
- Discretionary budget allocations are being reviewed in order to prioritise the FCO's Covid-19 response and 2020-21 budgets will be set "as soon as possible".

Investment spending

- Most of the FCO's investment budget is spent **on security and technology**. It has also funded works in the FCO's new **Global Britain posts**.
- The proceeds of **the Bangkok Embassy sale** will support a number of projects under the FCO's **Global Asset Management Plan (GLAMP)**. These include the fit-outs of new embassies in Bangkok, Mexico City and a number of smaller posts in their network, as well as commencing major refurbishments/reconfiguration programmes in Washington and Paris.

FCO: challenges in 2020-21 and beyond

Impact of COVID-19 on the FCO's front-line work

- The FCO may face logistical and operational challenges in delivering some of its front-line work.
- The FCO has some discretionary budget for responding to crises. It is not clear how much COVID-19 is going to dominate the discretionary budget, and how much will be available for allocating to other priorities.
- There are concerns that the crisis is being used by some as an opportunity to undermine the international order on issues such as human rights, media freedoms and multilateralism.

The Integrated Review

The Integrated Review on foreign policy, defence, security and international development announced in February 2020 will shape and influence Britain's position on the world stage, and the role of the FCO, for many years. Conducting such a review in a time of international crisis, and potentially actioning significant changes to the machinery of government, will require careful handling.

The sustainability of the FCO's investment programme

The FCO's investment programme remains dependant on asset sales such as the Bangkok Embassy sale. The proceeds of these sales will soon be exhausted, and the FCO will need to find a sustainable way to continue to fund its investment programme.

Overseas Development Assistance (ODA) expenditure

An increase proportion of the FCO's core budget is ODA, including substantial funding transferred from DFID. The FCO will need to need to ramp up its development expertise, and work to improve the transparency of its ODA spend, which has historically been poor relative to DFID.

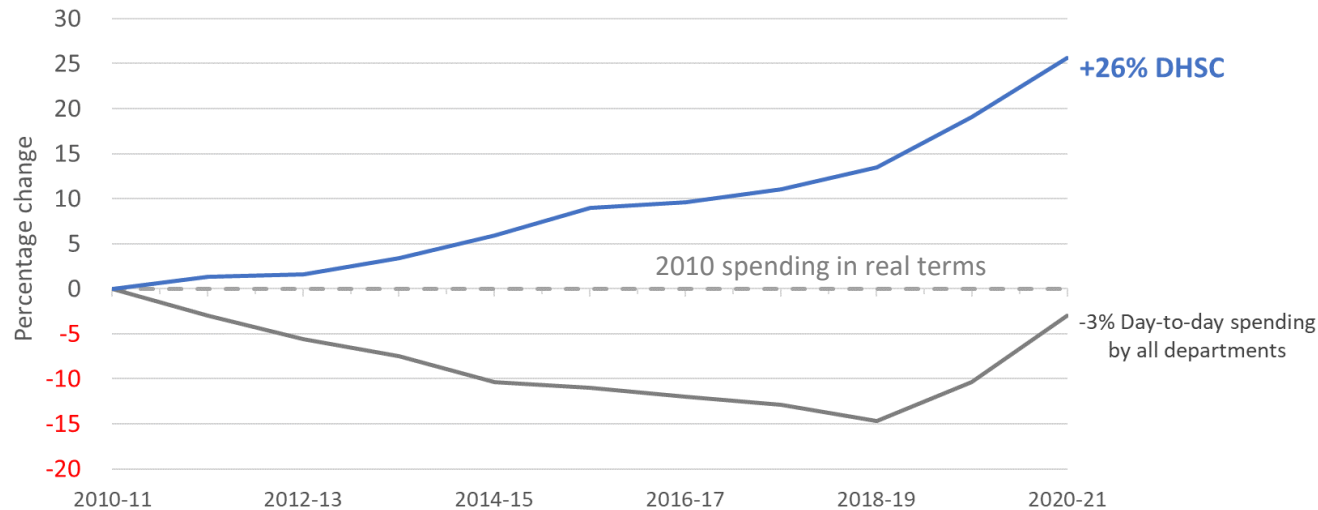
Global Britain, international trade and economic diplomacy

As the UK seeks bilateral international trade deals for the first time in decades, it will need to increasingly build trade considerations into its diplomatic relationships with other countries. This will require investment in the FCO's economic diplomacy work.

Department of Health and Social Care

Long term trends in DHSC's spending (in real terms)

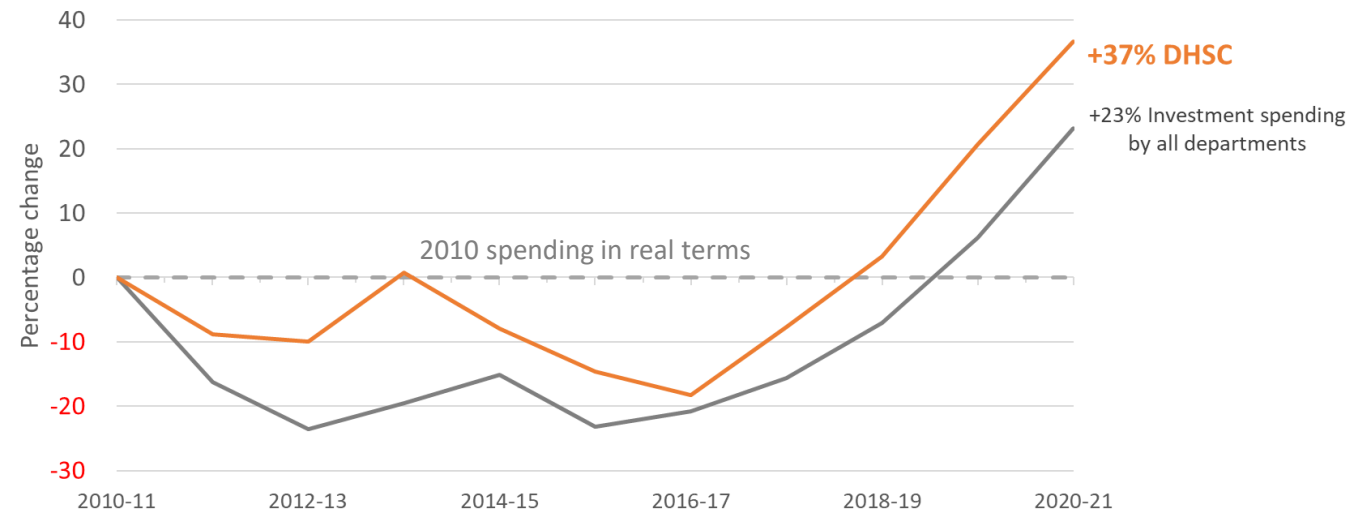
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- **Health spending for day-to-day costs, such as staff, has grown by 50% in real terms since 2010-11.** Over the same time period total departmental spending (of all departments) has **fallen by 3%**.
- The rate of growth slowed between 2015-16 and 2017-18 but has increased since then, with 2020-21 seeing a 7.6% increase on the prior year.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



Investment spending trends:

- The nature of capital projects means that **the level of investment can be more volatile from year-to-year.**
- Between 2013-14 and 2016-17 investment spending fell significantly in real terms but has increased since.
- The investment budget for 2020-21 is set to be 23.2% higher in real terms than investment levels were in 2010-11.

Additional funding for NHS England and Covid-19 response

DHSC did not know the full extent of additional Covid-19 related costs at the time Main estimates were published. DHSC is expected to seek further funds in the Supplementary Estimates for additional costs.

DHSC took the decision to minimise the administrative pressure on NHS organisations whilst responding to Covid-19 by suspending the operational planning process for the year and made significant changes to its financial allocation processes.

Key DHSC funding announcements in March and April 2020

11 March

- £12 billion additional spending announced as part of Budget Spring 2020, of which £5 billion is to go to the NHS.

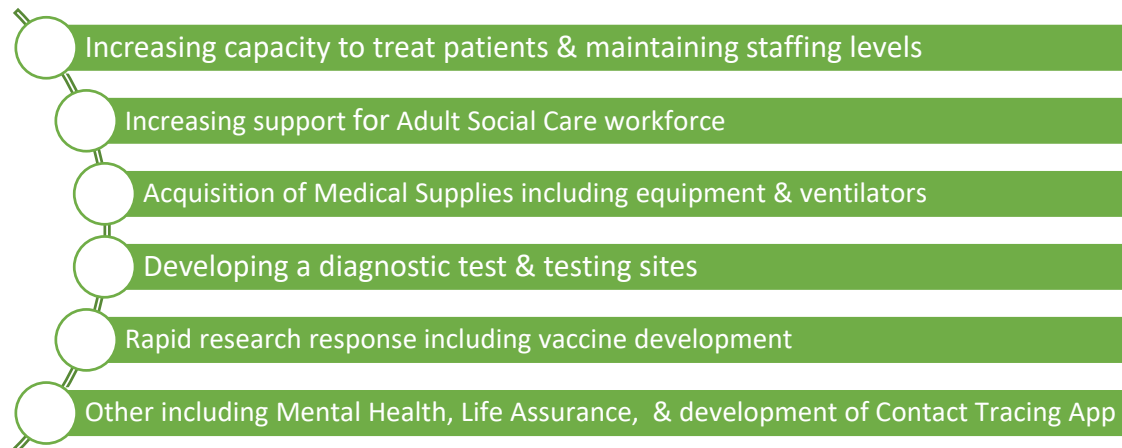
17 March

- The Chancellor reiterates the Government's commitment to provide "whatever resources the NHS needs".

13 April

- £14 billion from Coronavirus emergency response fund to go towards public services including the NHS and local authorities.
- £6 billion to support health services, free-up hospital beds, and deliver urgent priorities including acquiring ventilators, diagnostic tests and protective equipment for NHS staff.

Additional funding streams made available to DHSC as part of the UK Government's response to Covid-19



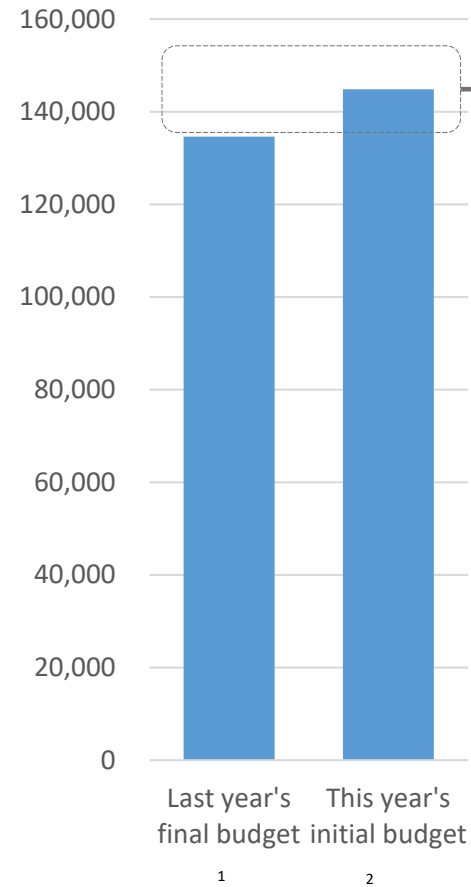
The most notable changes to financial allocation processes include:

- DHSC will provide monthly block grants to NHS Providers between 1 April and 31 July;
- NHS providers will claim monthly for additional Covid-19 related costs including staffing, decontamination and testing; and
- Provision of 'top-up' payments to NHS Providers where there is a difference between the expected costs and block contacts, to avoid NHS Providers having to manage deficits.

How is DHSC's day-to-day spending changing in 2020-21?

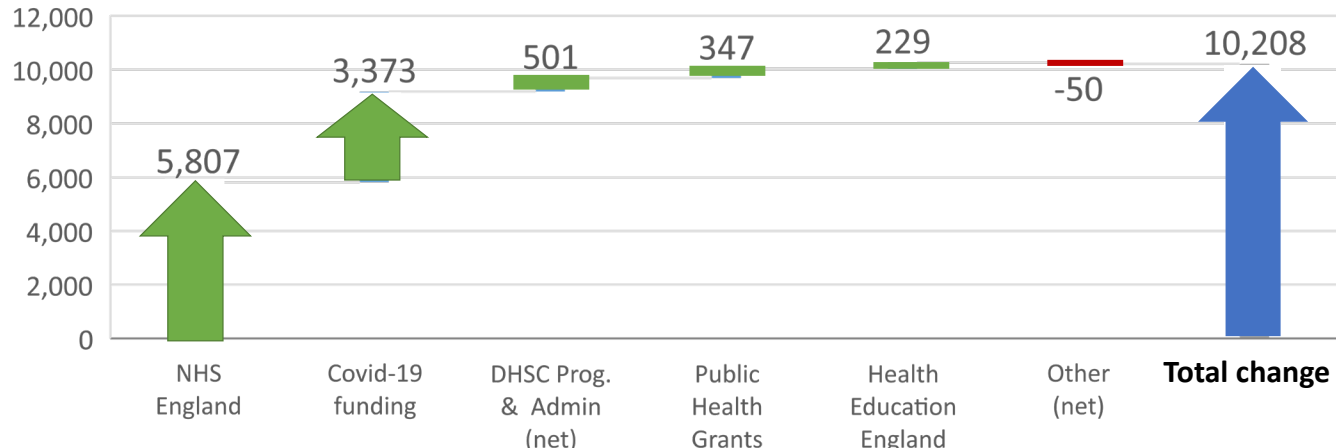
DHSC day-to-day budget increased by £10,207.8m (+7.6%)

(Resource DEL budget in £m)



Increases for NHS England already planned have been boosted by extra funding for Covid-19 response

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

DHSC is increasing its day-to-day spending by £10,207.8m (+7.6%) to £144,835.5m. The notable increases are:

- £5,806.6m for NHS England in-line with the NHS Long Term Plan, Spending Review 2019, and DHSC's funding settlement as outlined in the NHS Funding Act 2020.
- £3,373.0m to cover initial Covid-19 costs (see previous page).
- £501.3m for 2019 Election manifesto Commitments, netted off against a change in DHSC's inter-group transaction forecast.
- £347.4m for the Public Health Grant investment via Local Authorities in line with Spending Review 2019.
- £229.3m for Health Education England to provide national leadership and coordination, and for education and training in the health and public health workforce as agreed in Spending Review 2019.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

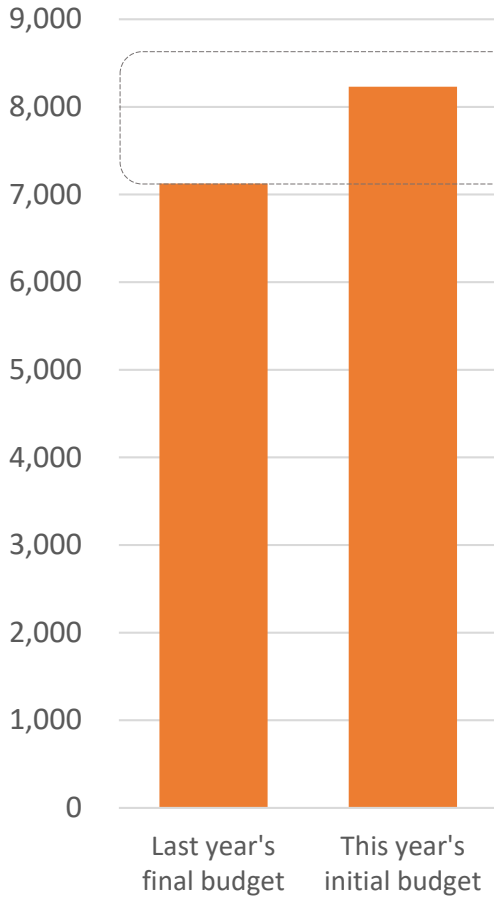
² Final budget at Main Estimates 2020-21 (May 2020)



How is DHSC's investment spending changing in 2020-21?

DHSC investment budget increased by £1,106.0m (+15.5%)

(Capital DEL budget in £m)

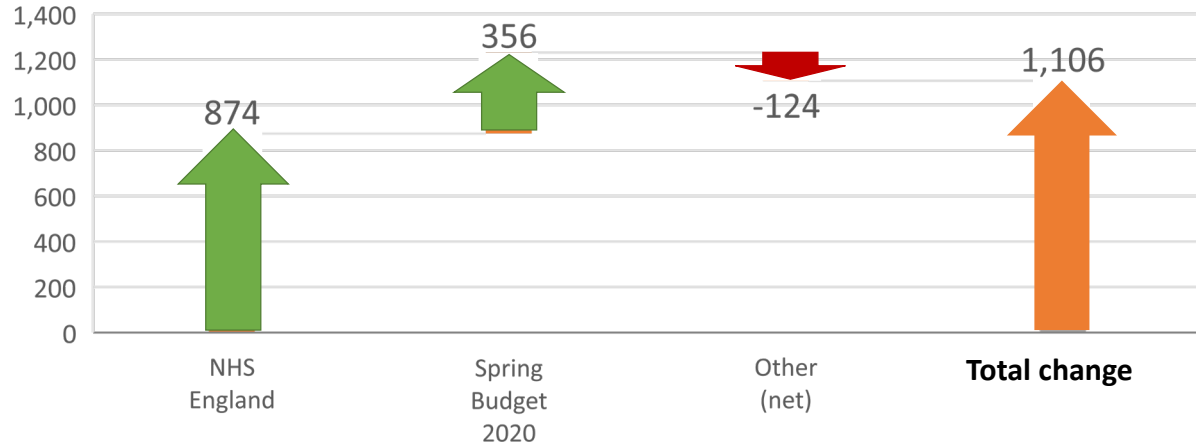


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2

NHS England Infrastructure investment budgets up

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

DHSC's capital investment budget is set to increase by £1,106.0m (+15.5%) to £8,231.1m. The notable increases are:

- Increase of £874.0m to invest in the capital infrastructure of NHS England.
- Increase of £355.8m following the Spring Budget 2020 for capital investments, which will be distributed across the DHSC group within the financial year.

Resource AME

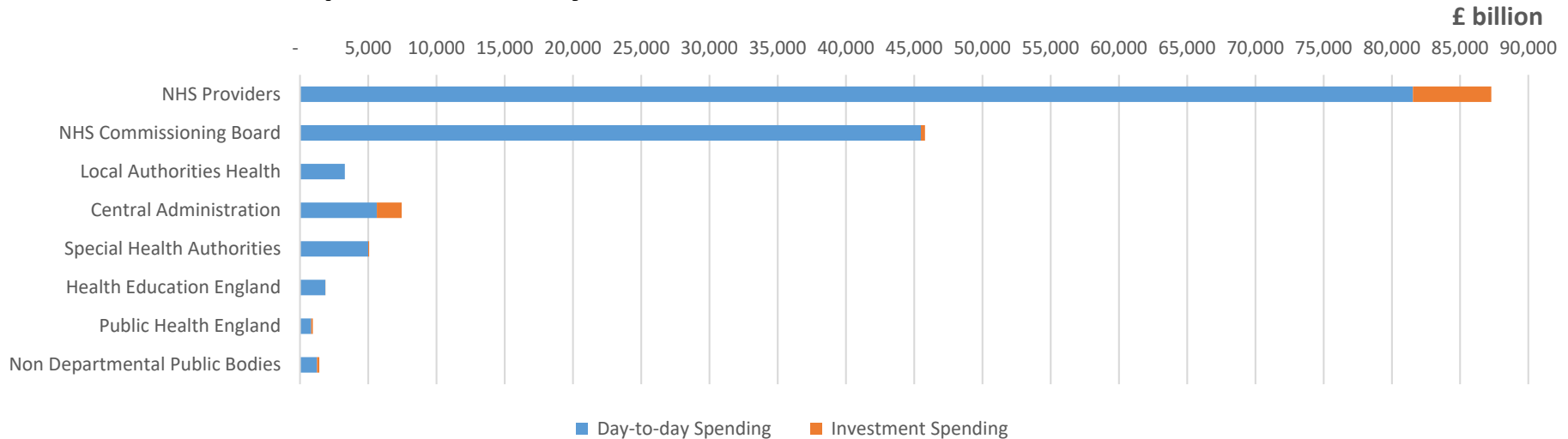
DHSC is also proposing a decrease in its Resource AME budget of £1,418.0m (-11.7%) taking it to £10,106.9m. This decrease reflects the most recent estimates made by DHSC for its provisions and impairments.

NB: AME figures are not included in the graphs on this page.

¹ Final 2019-20 budget at Supplementary Estimates (Feb 2020)

² Initial 2020-21 budget as at Main Estimates (May 2020)

What does DHSC spend its money on?



Day-to-day spending (Resource DEL)

- DHSC's day-to-day budget is £144,835.5 million.
- Initial budgets for 2020-21 include:
 - NHS Providers: £81,538.0 m
 - NHS Commissioning Board: £45,488.4m
 - Local Authorities Health: £3,279.0m
 - Central Administration: £5,628.6m
 - Special Health Authorities: £4,995.3m
 - Health Education England: £1,851.6m
 - Public Health England: £831.9m
 - Non-Departmental Public Bodies: £1,240.7m

Investment spending (Capital DEL)

- DHSC's investment budget is £311.4 million.
- Initial budgets for 2020-21 include:
 - NHS Providers: £5,741.5m
 - NHS Commissioning Board: £305.0m
 - Central Administration: £1,821.0m
 - Special Health Authorities: £70.4m
 - Health Education England: £2m
 - Public Health England: £124.9m
 - Non-Departmental Public Bodies: £166.4m

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

DHSC: challenges in 2020-21 and beyond

Response to Covid-19

The government has promised that DHSC will have whatever it needs to get through the challenges it is facing for Covid-19. DHSC will need to ensure that it appropriately accounts for all of the unplanned expenditure, and will likely need to seek authority for further funds in a Supplementary Estimate.

Operational Planning

DHSC suspended the operational planning process for 2020-21, and made significant changes to its financial allocation processes. Spend in 2020-21 will be heavily affected by DHSC's response to Covid-19. Future budgets will not be comparable to this financial year and it is not clear what the starting point for future funding allocations to NHS bodies will be in future Spending Reviews.

NHS Workforce

Recruiting and retaining staff skilled staff in the right roles, and the right place presents issues for the NHS. In response to the Covid-19 outbreak, the NHS asked recent leavers to re-join the NHS and take up front-line roles. The NHS's ability to recruit internationally was hampered by the countries closing their borders, and may be exacerbated in the future by the UK's exit from the European Union.

Capital Investment

DHSC has been given significant additional funding for capital investment from the 2017 Budgets, Spending Review 2019, and Spring Budget 2020. This includes money to upgrade the existing infrastructure, replace old machines, and build new facilities including a promised 40 new hospitals. In this financial year, DHSC has an additional £1.1 billion to spend on capital investment. DHSC will need to ensure there is sufficient oversight and monitoring of these projects, the timings of which are likely to overlap.

Adult Social Care

Following his election in December 2019, the Prime Minister stated that his government would work to "fix the crisis in social care". There had been plans to start cross-party talks in May 2020, but that did not happen due to Covid-19. Analysis from the Local Government Association estimates that there is "a funding gap that could reach almost £6.5bn by 2025".

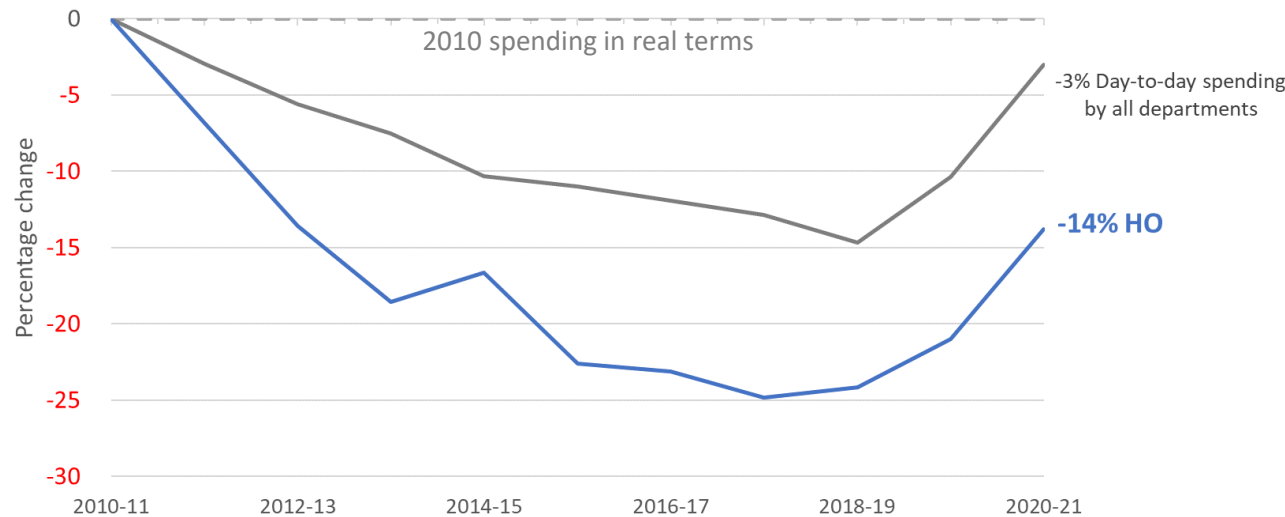
Mental Health

One of DHSC's priorities is to deliver significant improvements in mental health care. The NHS' Long Term Plan (January 2019) commits to "grow investment in mental health services faster than the NHS budget overall for each of the next five years".

Home Office

Long term trends in the Home Office's spending (in real terms)

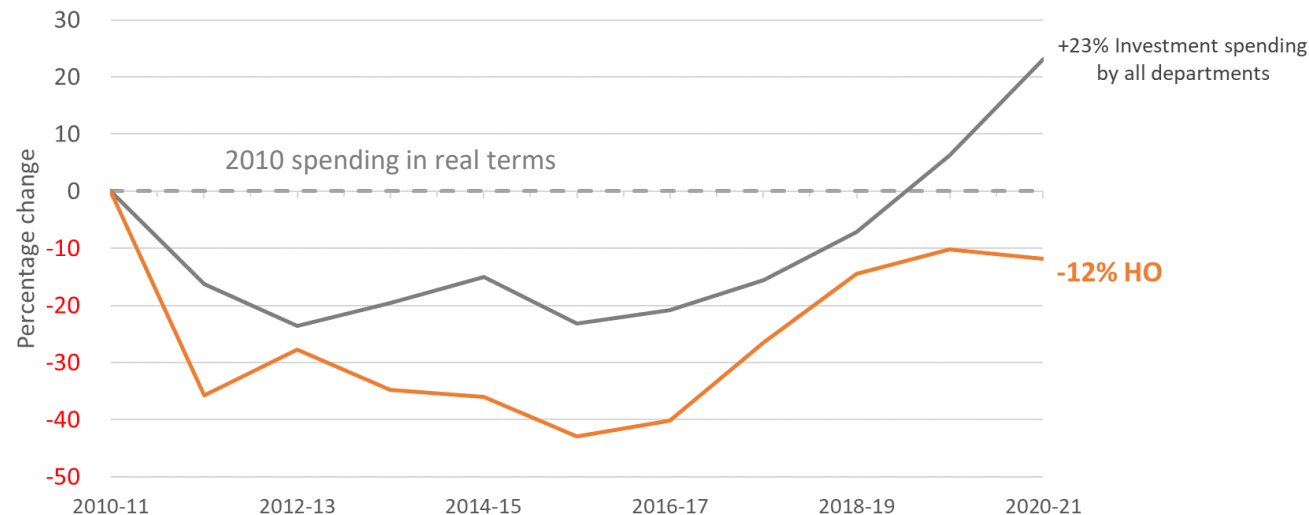
Percentage change in Day-to-day spending compared to 2010 (Resource DEL):



Day-to-day spending trends:

- By 2017-18 Home Office's day to day budget had **decreased by 25% in real terms** compared to 2010-11.
- Since then increases have largely been driven by **additional funding for EU Exit preparations**.
- More recently, additional funding for **new police officers** has also been provided

Percentage change in Investment spending compared to 2010 (Capital DEL):



Investment spending trends:

- Home office's investment budget was also **reduced under post-2010 austerity**; in 2015-16 it was **43% lower** than it had been in 2010-11.
- Increases since 2016-17 largely represent **additional EU Exit funding** and investment in IT infrastructure

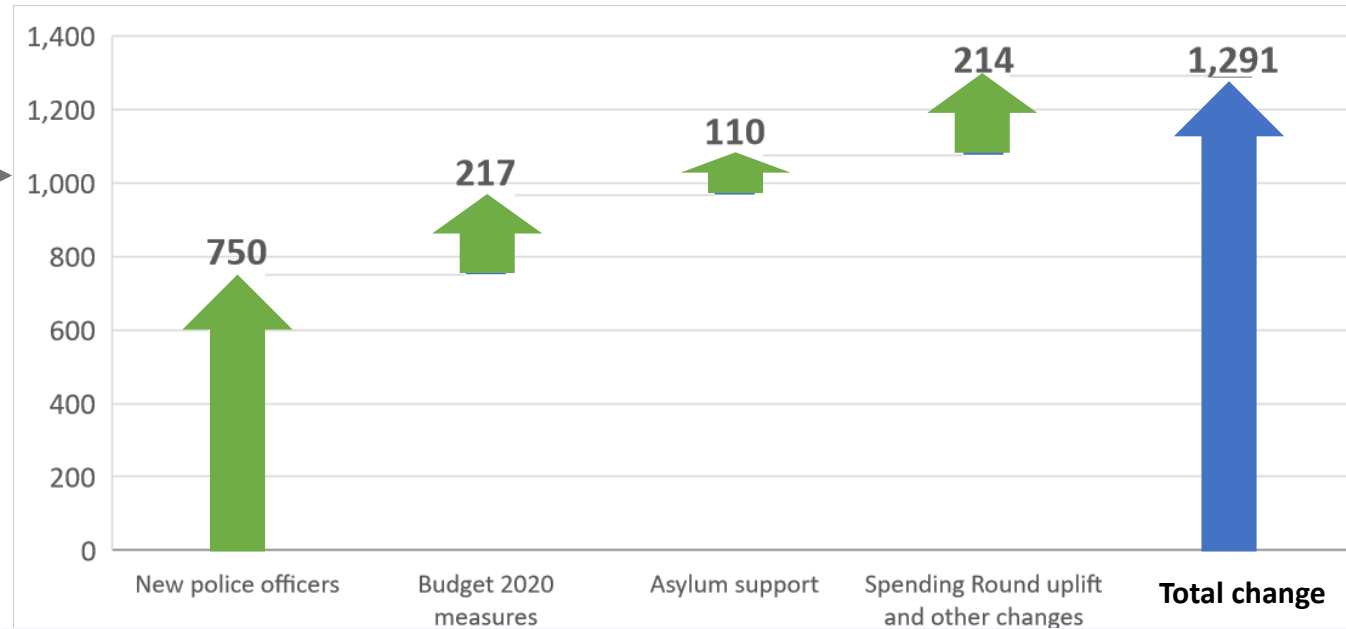
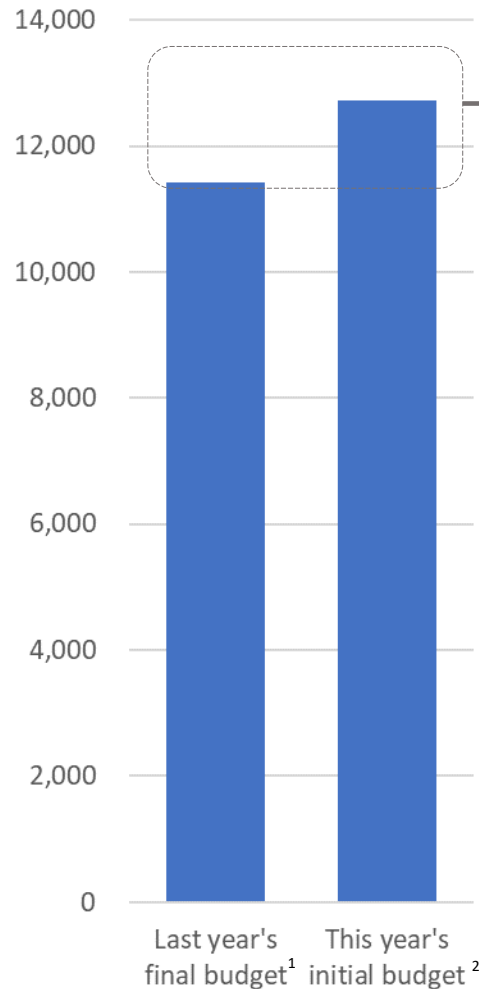
How is Home Office's day-to-day spending changing in 2020-21?

HO day-to-day budget increased by £1,291.1m (+11.3%)

Extra funding primarily funds promised additional police officers

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20

(Resource DEL budget in £m)



Changes in 2020-21

- **New police officers:** funding for the first full year (of three) to recruit an additional 20,000 police officers; around 6,000 recruits are expected this year.
- **Budget 2020 measures:** [includes](#) £75 million for counter-terrorism policing, £40 million for Border Force Transit recruitment, and £40 million for a skills-based immigration system.
- **Asylum Support:** [Spending Round 2019](#) (SR19) announced £110 million additional funding for the asylum system to 'support and protect the most vulnerable refugees'.
- **Spending Round uplift:** SR19 committed to a '6.3% real terms increase' in the HO budget, and included inflation-linked funding increases for counter-terrorism policing and the £480 million for EU Exit funding.

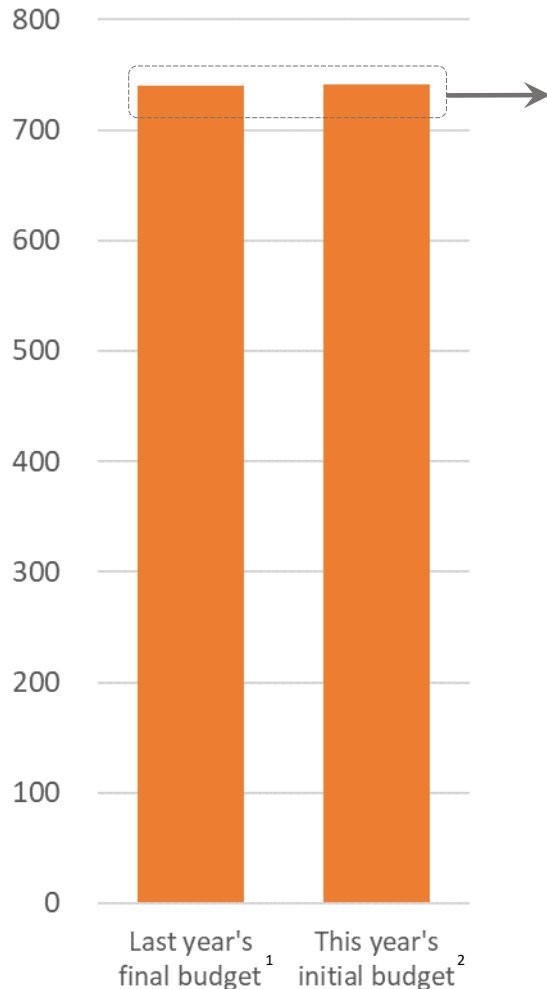
¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

How is Home Office's investment spending changing in 2020-21?

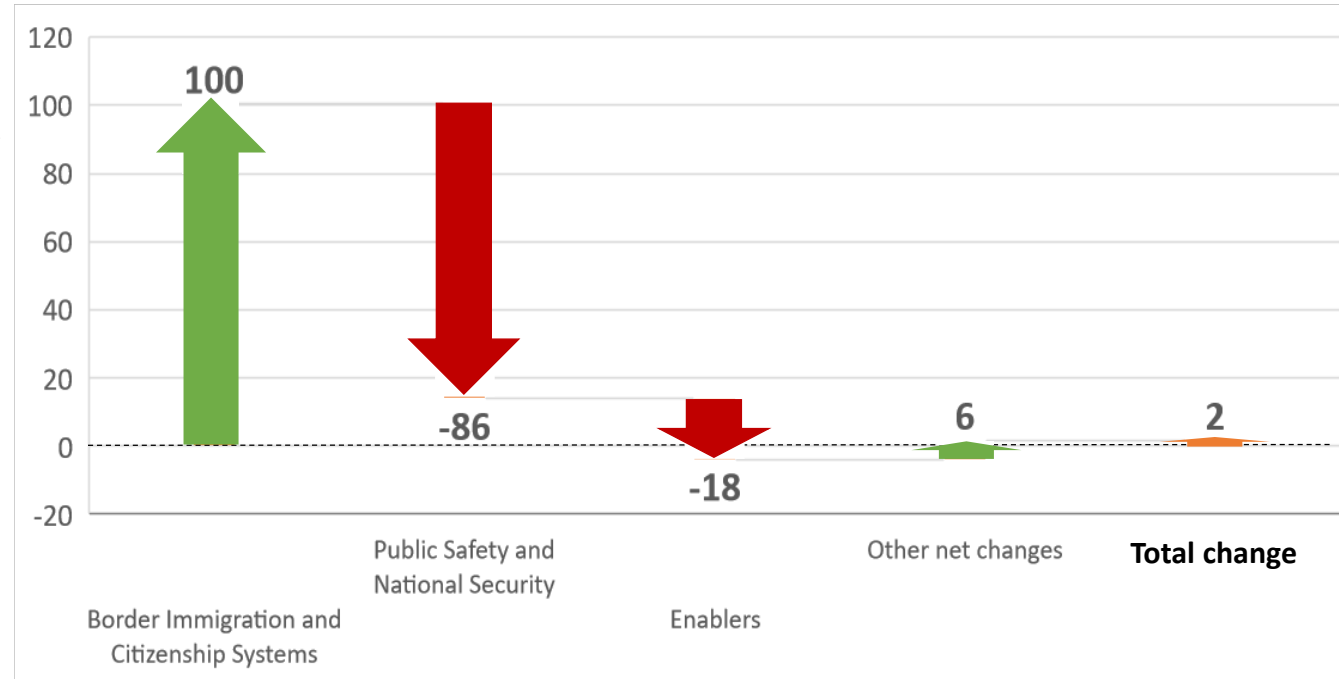
HO investment budget increased by £1.6m (+0.2%)

(Capital DEL budget in £m)



Whilst the overall Home Office investment budget is flat there are changes to how it is to be spent

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

Capital budgets are often refined in-year, so these initial changes may not be significant

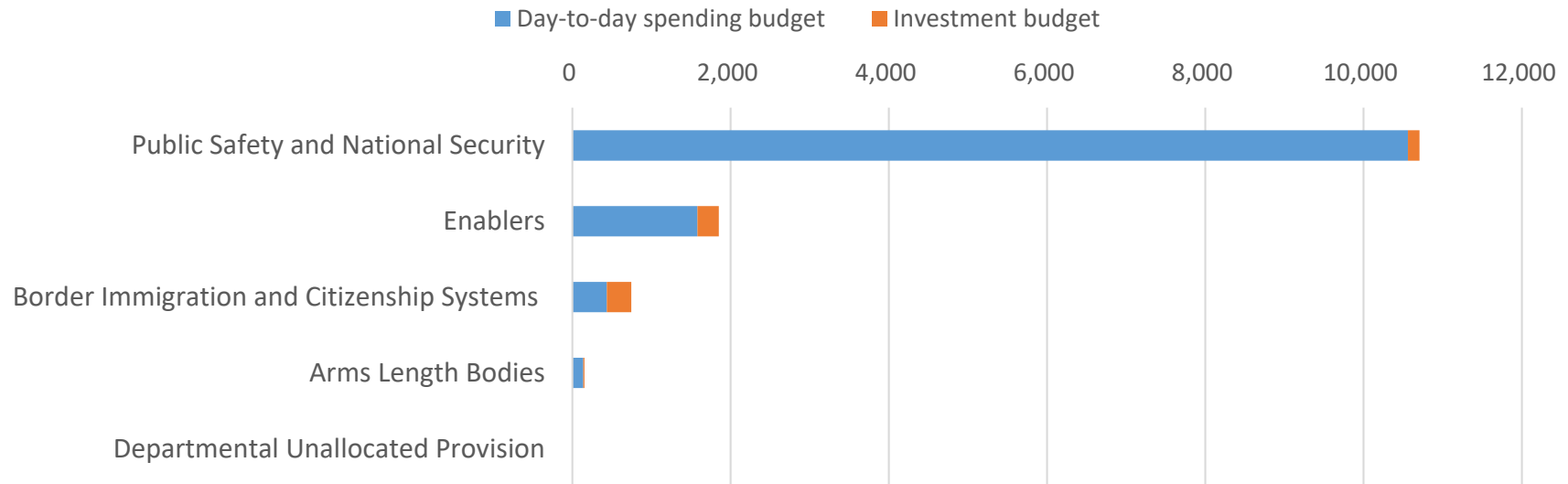
- **Border Immigration and Citizenship Systems:** £113 million increase for the new border and immigration system, and smaller budgets for illegal immigration; partially offset by a £45 million reduction in EU Exit funding
- **Public Safety:** the reduction is largely due to £106 million in currency swaps that were included in the Supplementary Estimate, but are not repeated here

¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

The majority of Home Office spending is on public safety, through the police force

Breakdown of Home Office budget 2020-21 (£ million)*



Day-to-day spending (Resource DEL)

- **Public safety and National Security** includes the Crime, policing and fire (CPF) group; the £9,253 million budget constitutes around 73% of day-to-day spending.
- **Enablers** represents cross-departmental functions such as digital, data and technology.
- **Border Immigration and Citizenship** includes Border Force (£681 million) and Immigration Enforcement (276 million); it also includes UK Visas and Immigration and HM Passport Office. The chart above shows net spending. Gross spending is £2,772 million higher- funded by Passport Office income .

Investment spending (Capital DEL)

- Investment spending is very low compared to day-to-day spending, reflecting the labour intensive nature of policing and immigration work
- The budget for **Enablers** represents 36% of investment spending, due to its heavy use of IT, and the transfer of the Major Law Enforcement group from the Crime, Policing and fire group, which is also capital-heavy.
- It is likely that funds will be transferred from the day-to-day budget to the investment budget later in the year, as projects become better defined.

*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

Home Office: challenges in 2020-21 and beyond

Coronavirus response

- NAO analysis of the [government response](#) does not identify funding or HO specific workstreams
- The [Home Affairs Committee](#) identified difficulties for the police in enforcing CV restrictions and the effect on domestic violence.
- HO frontline staff (e.g. police, immigration officials) also need protection, and to ensure safety of migration centres etc.

Exiting the EU

HO aims for exiting the EU are to: agree a new security, law enforcement and criminal justice partnership with the EU; implement a new immigration system; support the needs of the economy; and maintain the Common Travel Area, while protecting the integrity of the UK's immigration system.

Police pressures and changing nature of crime

- The police are recruiting 20,000 officers by 2023, but current force is below 2010 levels.
- Need to respond to increased prevalence/reporting of crimes such as modern slavery, and online fraud; these cases are often complex and place substantial demands on police resources.

Border, immigration and citizenship systems

- Uncertainty remains about the new [immigration policy](#) and the basis on which the UK will leave the EU.
- Further scrutiny on the equity of new systems is likely following the mistreatment of the [Windrush generation](#) and recent support for the Black Lives Matter movement
- [Border Force](#) and UK Visas and Immigration will require increased staffing to deal with new systems; current spending nearly £90 million on temporary staff.

Major Projects and Contracts

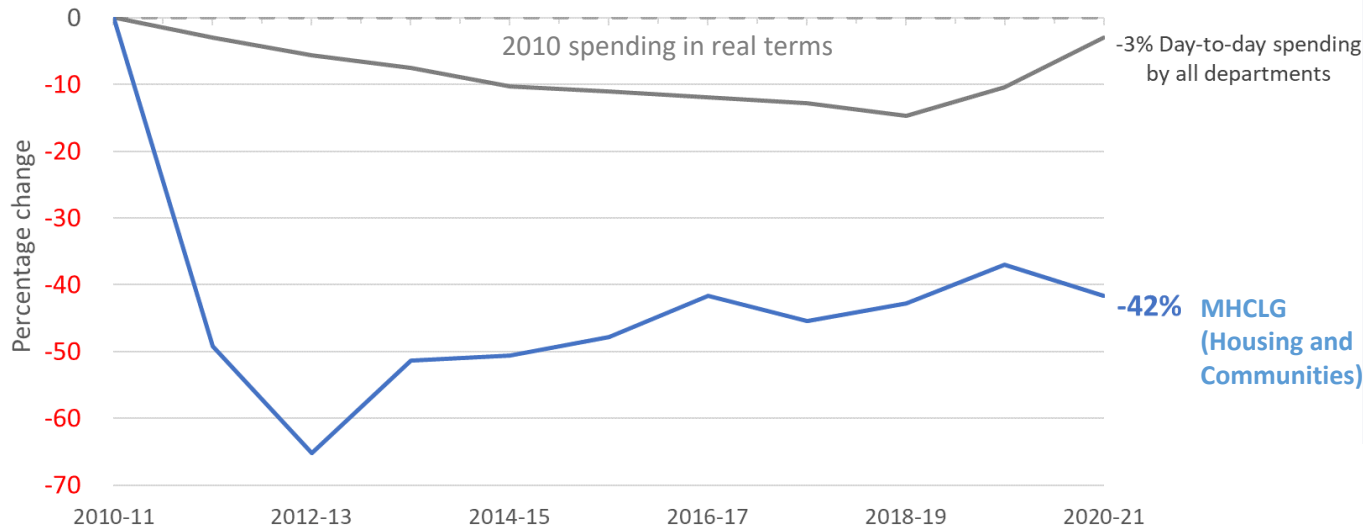
- HO has 12 projects in [Infrastructure and Projects Authority](#) portfolio; four are rated amber/red risk.
- Includes the [Emergency Service Mobile Communications](#) programme and the [Disclosure and Barring Service](#)
- NAO has raised concerns over poor management of the £3 billion annual contract spend

See the NAO [Departmental Overview](#) and Institute for Government [Performance Tracker](#) for more information

Ministry of Housing, Communities and Local Government

Long term trends in MHCLG’s spending on housing and communities (in real terms)

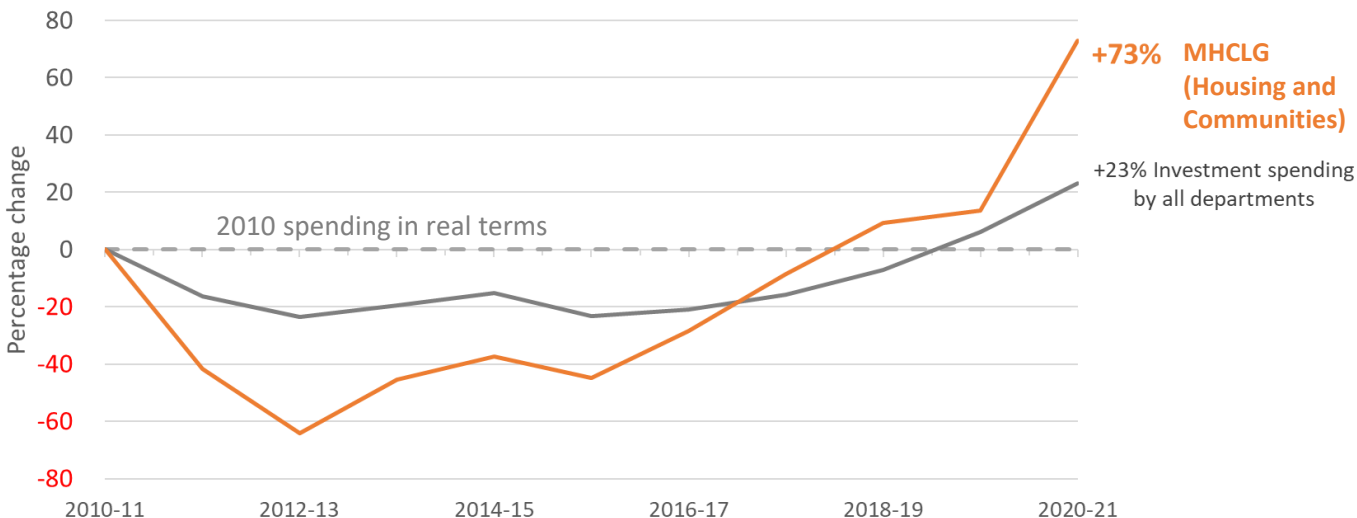
Percentage change in Day-to-day spending compared to 2010 (Resource DEL):



Day-to-day spending trends:

- The **day-to-day budget** for MHCLG (Housing and Communities) **fell significantly between 2010-11 and 2012-13** but since then has mostly risen.
- However the day-to-day **budget for 2020-21 is still much lower (30% lower in real terms) than it was in 2010-11.**

Percentage change in Investment spending compared to 2010 (Capital DEL):



Investment spending trends:

- The **investment budget** for MHCLG (Housing and Communities) fell significantly between 2010-11 and 2012-13 but since then has increased and is now **106% higher in real terms than investment was in 2010-11.**
- The main driver behind the increases in recent years are **higher levels of financial transactions** (mostly Help to Buy loans) which make up over half of the 2020-21 budget.

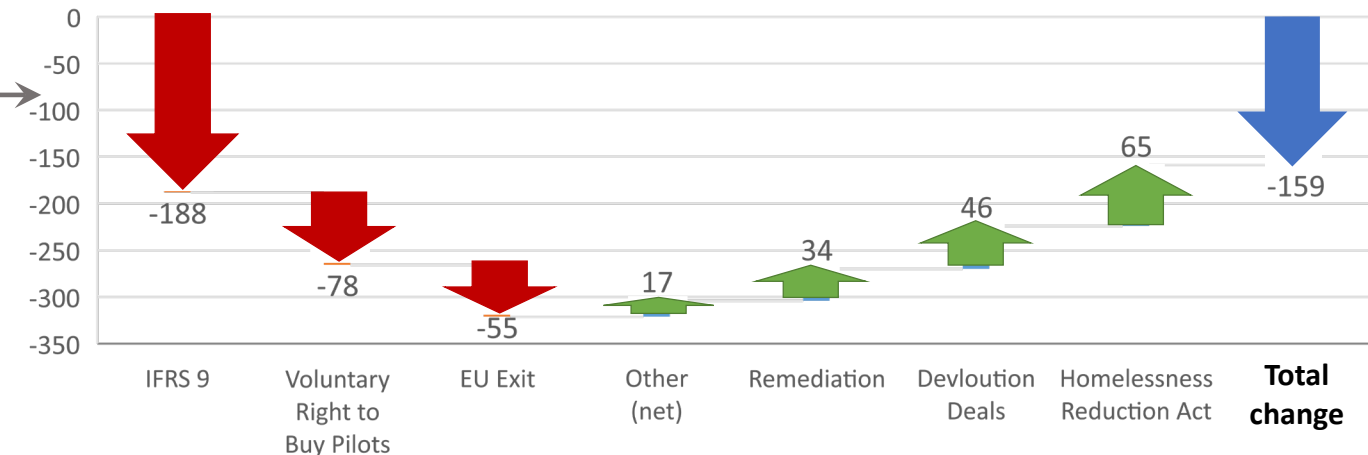
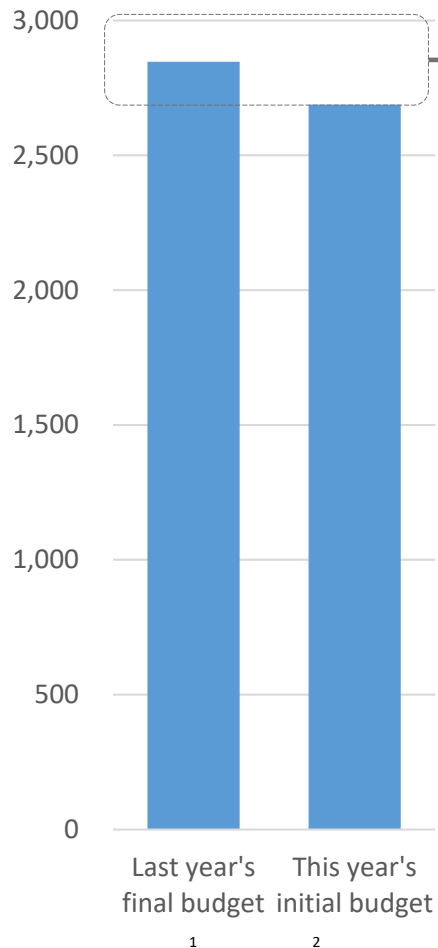
How is MHCLG's day-to-day spending on Housing and Communities changing in 2020-21?

MHCLG day-to-day Housing and Communities budget decreased by **£159.1m (-5.6%)**

The day to day Housing and Communities budget in 2020-21 is lower than in 2019-20, although some of this is because of one off accounting adjustments last year

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20

(Resource DEL budget in £m)



Changes in 2020-21

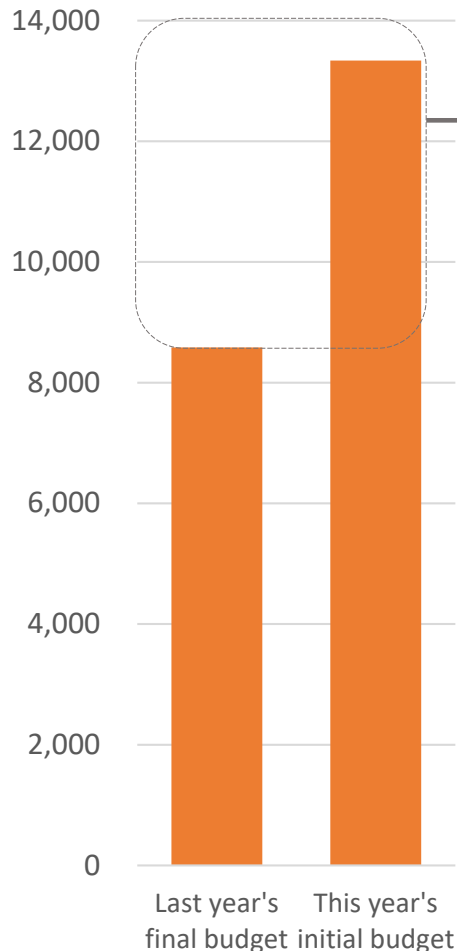
- Total MHCLG – Housing and Communities Resource DEL budget **decreased by a net £159.1m (-5.6%)** from **£2,600.6m to £2,847.0m**.
- There were three main drivers behind the decrease which relate to one-off costs in 2019-20 that did not reoccur in 2020-21:
 - **£188.2m** decrease relating to the one-time accounting adjustment to transition to **IFRS9**.
 - **£77.6m** decrease in **Voluntary Right to Buy Schemes** where the majority of the sales in the Midlands completed in 2019-20.
 - **£55.4m** decrease for **EU Exit** funding.
- These decreases were off-set by three key factors which were a £65.0m increase towards enforcing the Homelessness Reduction Act, £46m increase to fund Devolution Deals in Sheffield and West Yorkshire, and a £34.1m increase towards Remediation safety works.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

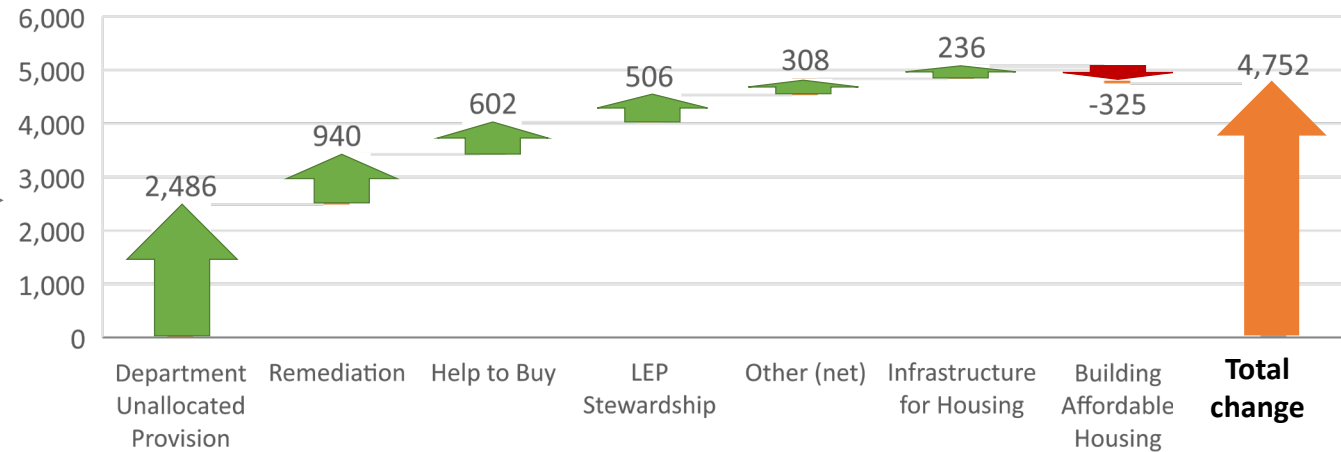
How is MHCLG's investment spending on Housing and Communities changing in 2020-21?

MHCLG investment budget for Housing and Communities increased by £4,752.5m (+55.4%)
(Capital DEL budget in £m)



Most of the big increase in housing and communities investment has yet to be allocated

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



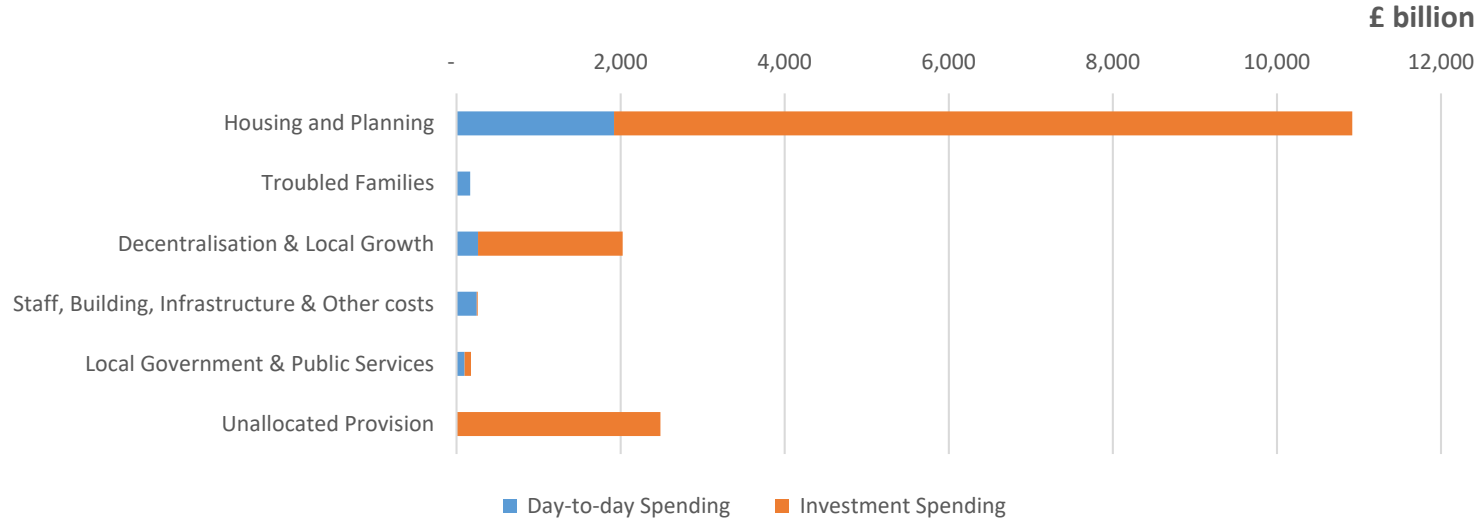
Changes in 2020-21

- The in-year budget has **increased by £4,752.5 (+55.4%) to £12,336.9m**.
- £2,485.5m of this has yet to be allocated and will be intended to allow MHCLG to respond to “market conditions”, and the impact of Covid-19. Other drivers include:
 - £929.9m for Remediation works to remove and replace unsafe non-Aluminium Composite Material (ACM) cladding systems.
 - £601.9 m for Help to Buy schemes based on MHCLG’s current assessment of demand.
 - £506.2m for Local Enterprise Partnerships Stewardships as per 2016 funding portfolio.
 - £235.9m for Infrastructure Housing, with some projects entering the “delivery-phase”.
- There has also been a decrease of £324.9m for Building Affordable Housing to off-set additional funding provided to accelerate delivery in 2018-19.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What does MHCLG spend its Housing & Communities money on?



Day-to-day spending (Resource DEL)

- MHCLG's day-to-day budget is £2,687.9 million.
- Initial budgets for 2020-21 include:
 - Housing and Planning: £1,918.9m
 - Troubled families: £165.0m
 - Decentralisation & Local Growth: £261.6m
 - Staff, Building, Infrastructure & Other costs: £245.3m
 - Local Government & Public Services: £97.3m

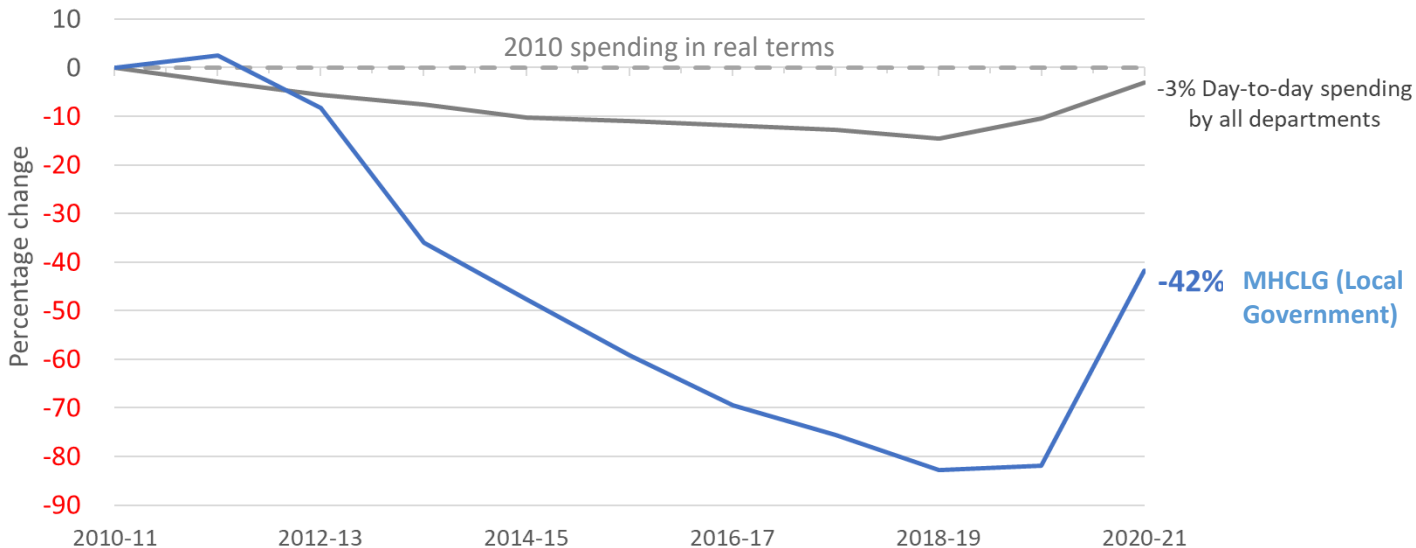
Investment spending (Capital DEL)

- MHCLG's investment budget is £13,336.9 million.
- Initial budgets for 2020-21 include:
 - Housing and Planning: £8,998.3m
 - Decentralisation & Local Growth: £1,763.4m
 - Staff, Building, Infrastructure & Other Costs: £11.8m
 - Local Government & Public Services: £77.9m
 - Unallocated Provision: £2,485.6m

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

Long term trends in MHCLG's spending on local government (in real terms)

Percentage change in Day-to-day spending compared to 2010 (Resource DEL):



Day-to-day spending trends:

- MHCLG day-to-day funding for local government has reduced significantly since 2010-11 as grants have been reduced and replaced by retained business rates which are not included in these figures.
- Until 2018-19, MHCLG forecasts that core spending power of local government (which includes business rate retention, council tax and central government grants) would continue to decrease.

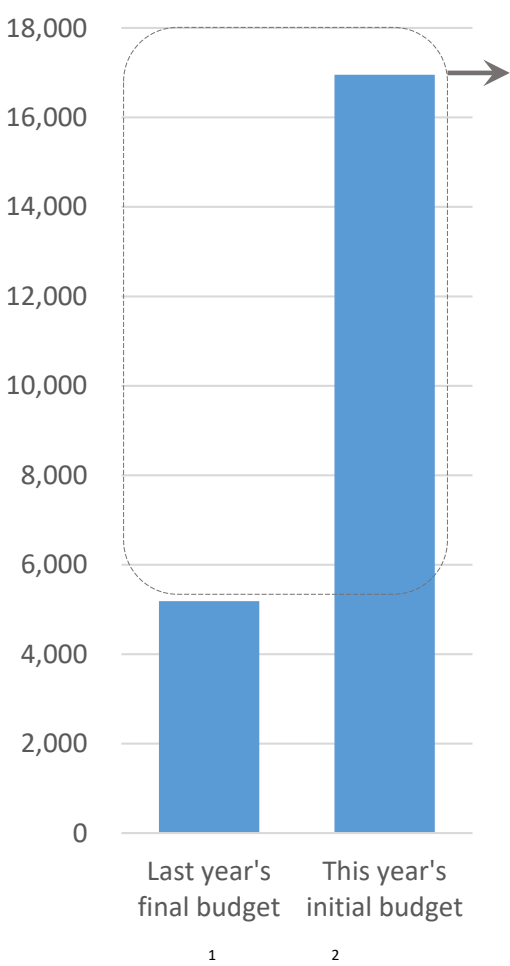
Changes in 2020-21

- *MHCLG - Housing & Communities* day-to-day local government budget increased by a net amount of £11,768.5m (+226.9%) from £5,186m to £16,955m.
- This increase is predominately driven by additional funding relating to Covid-19.

How is MHCLG's day-to-day spending on Local Government changing in 2020-21?

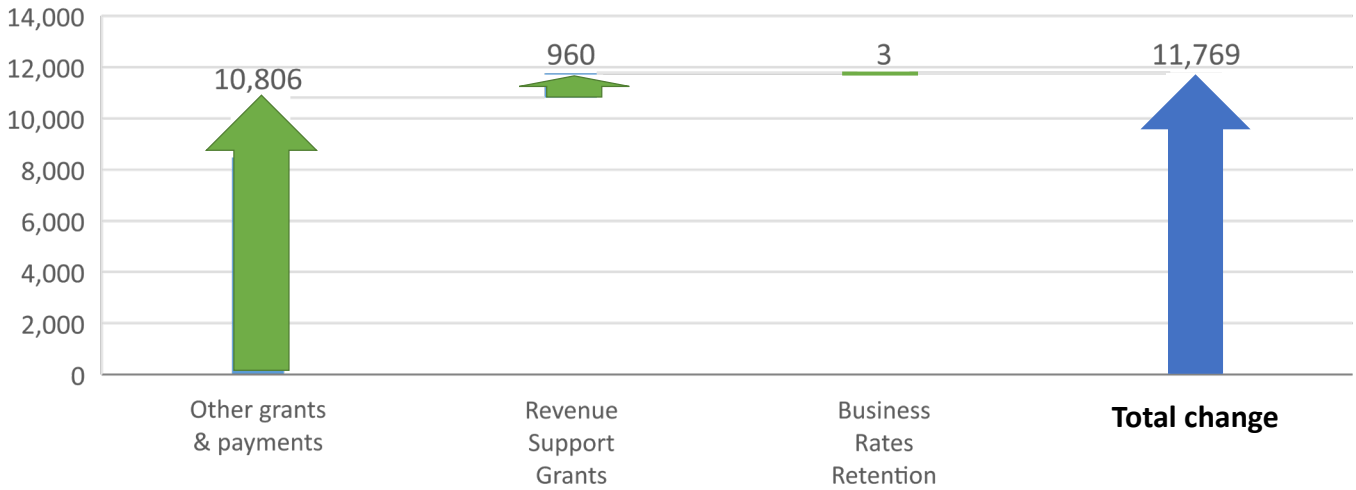
MHCLG day-to-day Local Government budget increased by **£11,768.5m (+226.9%)**

(Resource DEL budget in £m)



Extra funding for local government will pay for additional business rates relief in the light of the coronavirus pandemic

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

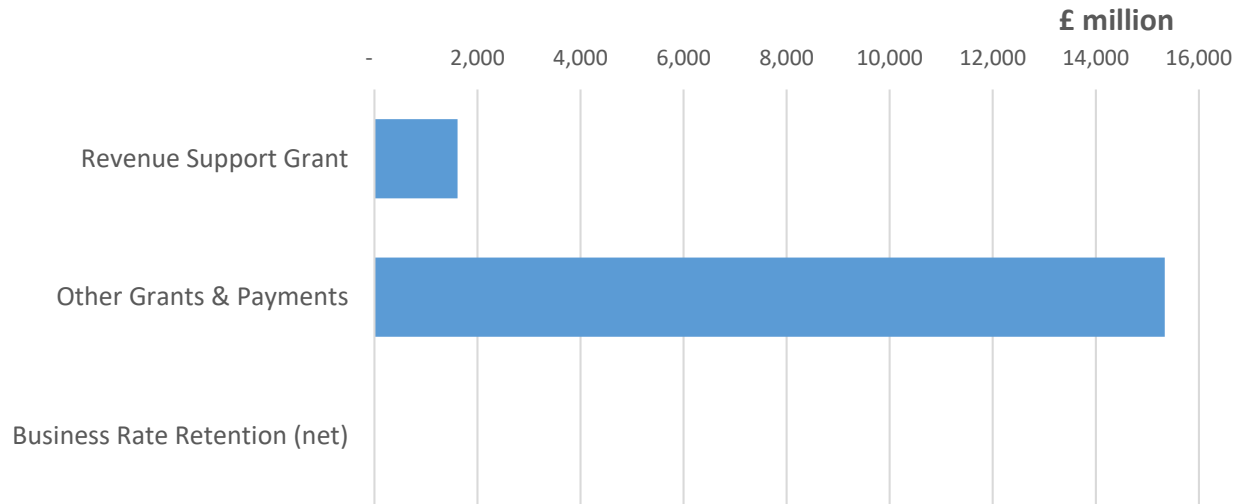
- Total MHCLG - Local Government Resource DEL budget **increased by a net amount £11,768.5m (+226.9%) from £5,186.1m to £16,954.7m.**
- The key drivers behind this increase are:
 - **£10,805.7m in Business Rates relief** announced alongside the Spring 2020 Budget, alongside additional funding provided as part of the Government's response to Covid-19.
 - **£959.6m for Business Revenue Support Grants**, as a result of a reduction in the number of Business Rates retention pilots.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)



What does MHCLG spend its Local Government money on?



Day-to-day spending (Resource DEL)

- MHCLG's day-to-day budget is £16,954.7 million.
- Initial budgets for 2020-21 include:
 - Revenue Support Grant: £1,612.6m
 - Other Grants & Payments: £15,338.7m
 - Business Rate Retention (net): £3.4m

Investment spending (Capital DEL)

- There is no budget for Local Government investment spend.

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

MHCLG: challenges in 2020-21 and beyond

Response to Covid-19

All aspects of Local Government delivery have been affected by Covid-19, from leisure and sport to adult social care to children's services. Financial support has been made available which includes:

- Additional funding of £3.2 billion.
- Up front payment of £3.4 billion of grants.
- Deferral of £2.5 billion of business rates central share payments due to central government.

Local Government will provide details of how these additional funds are spent and report on cash-flow pressures.

Fair Funding Review

Over the last few years, MHCLG has consulted and conducted research into local government needs, to establish revised funding baselines for day-to-day services. This has included reviewing business rate retentions. The implementation of the resultant reforms have been pushed back for the second year running. This year's deferral is due to the pressures on local government as a result of Covid-19.

Housing

MHCLG proposed to support the building of 500,000 homes by the end of 2020 and a further net additional 300,000 by the mid-2020s. This is alongside increasing affordability. MHCLG is also tasked with halving rough sleeping by 2022, delivering the 2018 Rough Sleeping Strategy, whilst also making the housing market fairer.

Regional Devolution and Growth

Mayoral Combined Authorities or Local Enterprise Partnerships are promoting the co-ordination of local economic policy and national funding streams as Local Industrial Strategies. These strategies will provide long-term pathways to maximise contributions to UK productivity.

To replace EU Structural Funding, the UK Government has pledged to introduce the UK Shared Prosperity Fund to reduce inequalities between communities.

Investment property portfolio

Between 2016-17 and 2018-19, it is estimated that local authorities spent £6.6 billion on commercial property. This investment was funded by borrowing from the Public Works Loan Board. 20.8% of the spend was on commercial property outside of the local authority's region. With Covid-19, a lot of the income expected to be generated from these assets has ceased but loan repayments still need to be made. The impact on the local authorities affected is unknown at this time.

Adult Social Care

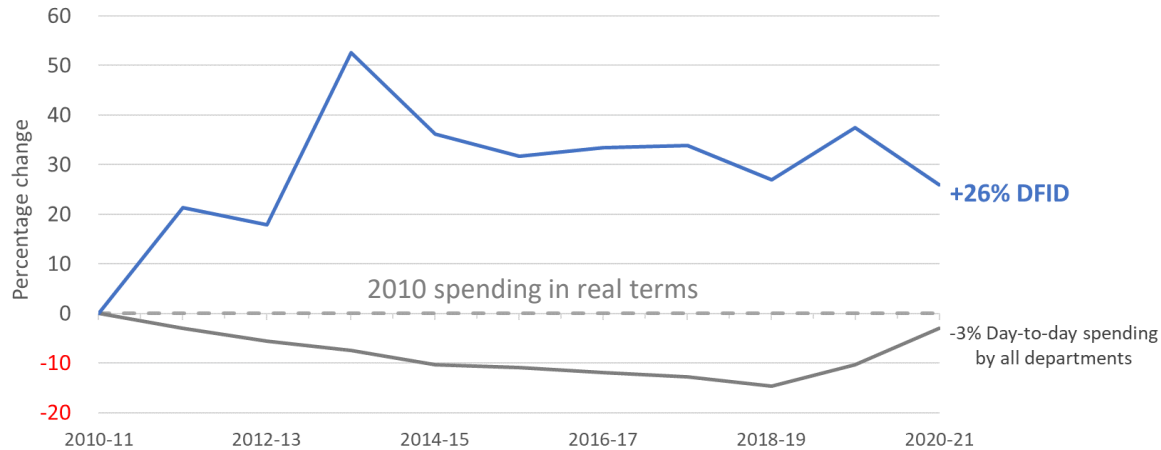
Following his election in December 2019, the Prime Minister stated that the government would work to "fix the crisis in social care". There had been plans to start cross-party talks in May 2020, but that did not happen due to Covid-19. Analysis from the Local Government Association estimates that there is "a funding gap that could reach almost £6.5bn by 2025".

Department for International Development

Long term trends in DFID's spending (in real terms)

Percentage change in Day-to-day spending compared to 2010

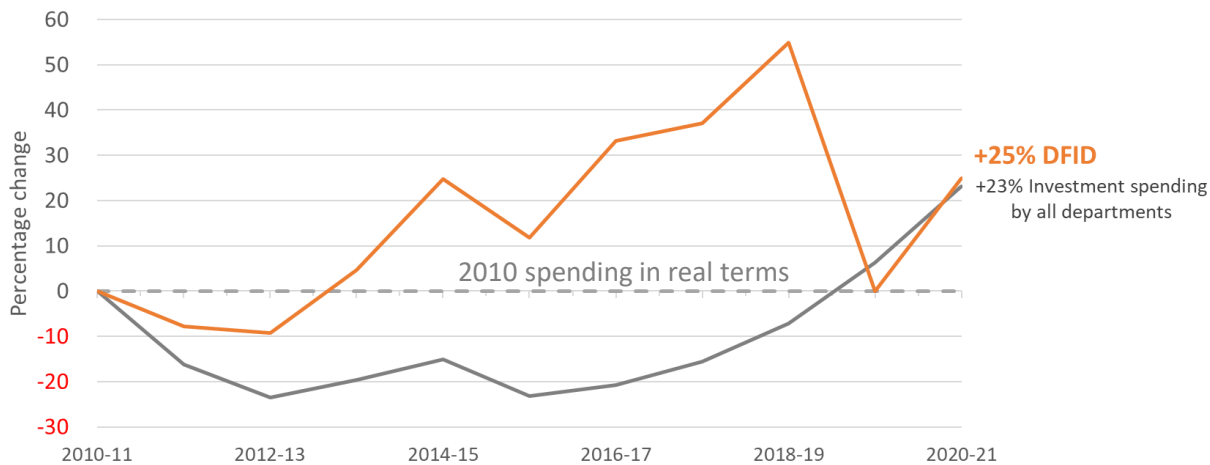
(Resource DEL):



Day-to-day spending trends

- Since 2010/11 there has been a **26% real terms increase** in DFID's day to day spending. DFID increased expenditure substantively in the 2010 Spending Review so that by 2013-14 the UK would meet the government's commitment to achieve the **UN target of spending 0.7% of Gross National Income on Overseas Development Assistance (ODA)**.
- The commitment has meant that DFID, which is the primary ODA spending Department, has not experienced the same level of budget reductions as many other parts of government in recent years
- An increasing proportion of ODA spending is spent by departments other than DFID, and some ODA spend is classified as capital expenditure.

Percentage change in Investment spending compared to 2010 (Capital DEL):



Investment spending trends:

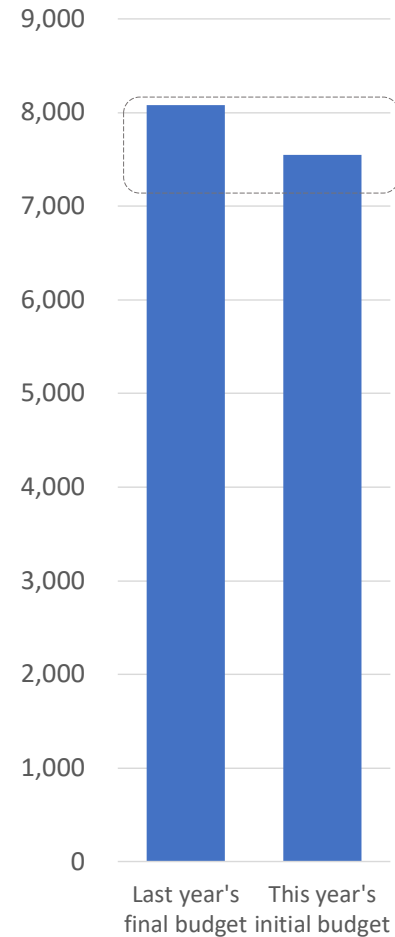
- Since 2010/11 there has also been a **25% real terms increase** in DFID's investment spending, although investment spend has been volatile year-on-year. Investment spending can also be included in the definition of ODA spending, supporting capital investment overseas.
- DFID's Capital DEL has broadly remained stable over the past 4 years apart from a significant reduction in 2019/20- predominantly the result of a reduction in some of DFID's key multilateral commitments as they approached the end of previous replenishment cycles and the start of the next replenishment cycle.

How is DFID's day-to-day spending changing in 2020-21?

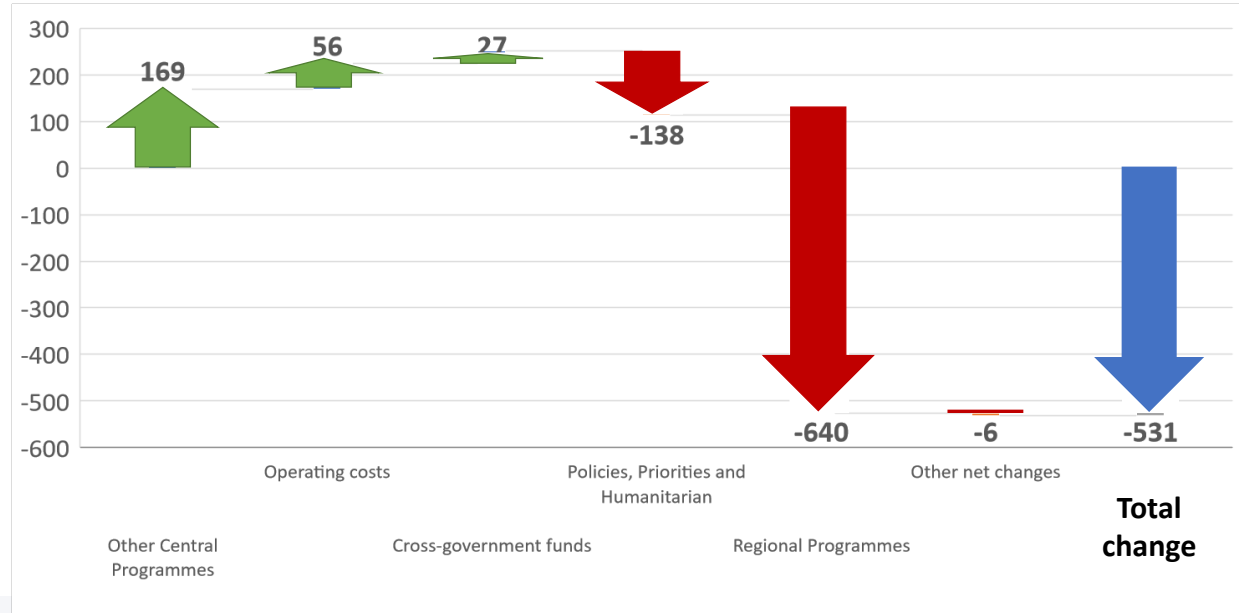
DFID day-to-day budget decreased by £531.3m (-6.6%)

Most of the reduction in DFID's planned day to day spending is on regional programmes

(Resource DEL budget in £m)



Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

DFID'S overall expenditure is driven by the OBR's projections of UK Gross National Income, on which the 0.7% target of spending is based.. There is a modest reduction in planned spending in 2020-21's Main Estimate compared to last year's final budget. With the UK's GNI expected to fall in next OBR forecast , it is likely that DFID will need to spend less to meet the 0.7% target and budgets could therefore be reduced. The most significant changes since last year's final budget are:

- A decrease of £640 million in Regional Programmes and a decrease of £138 million to Policies, Priorities, International Organisations and humanitarian (which often receive funding later in the year from the Crisis Reserve). This decrease is driven by multi-lateral funding being allocated to other categories in CDEL.
- An increase of £169 million to central programmes, which holds the £200m crisis reserve budget - allocated as and when crises arise. In 2020/21 the majority of this funding is likely to be spent on COVID 19 international responses and changes will be reflected in the 2020/21 Supplementary estimate.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

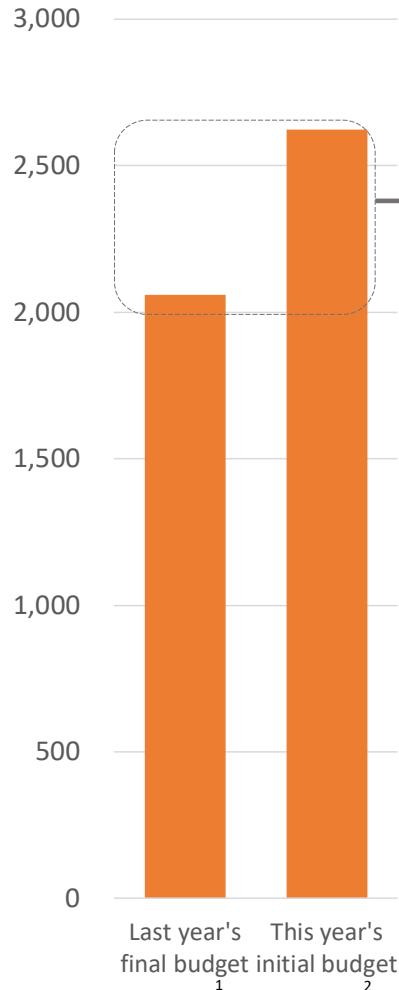
² Final budget at Main Estimates²2020-21 (May 2020)



How is DFID's investment spending changing in 2020-21?

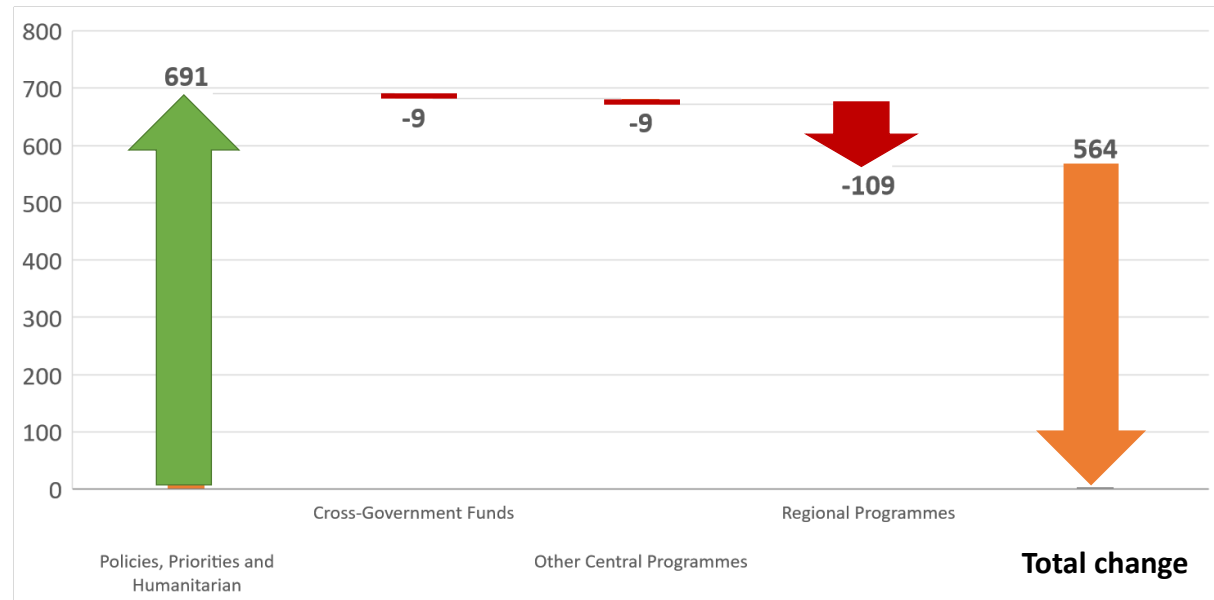
DFID investment budget increased by £563.6m (+27.4%)

(Capital DEL budget in £m)



The large increase in DFID's investment budget is driven by multi-lateral commitments

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes to investment budget and investment in the CDC

DFID's investment budget is set to **increase by £564 million**. This is driven by:

- An increase of £691 million to policies, priorities, international organisations and humanitarian due to increased multi-lateral commitments as part of the latest replenishment cycle. There has also been a greater need for financial transactions spending in 2020-21.

This is slightly offset by a reduction of £109 million to Regional Programmes.

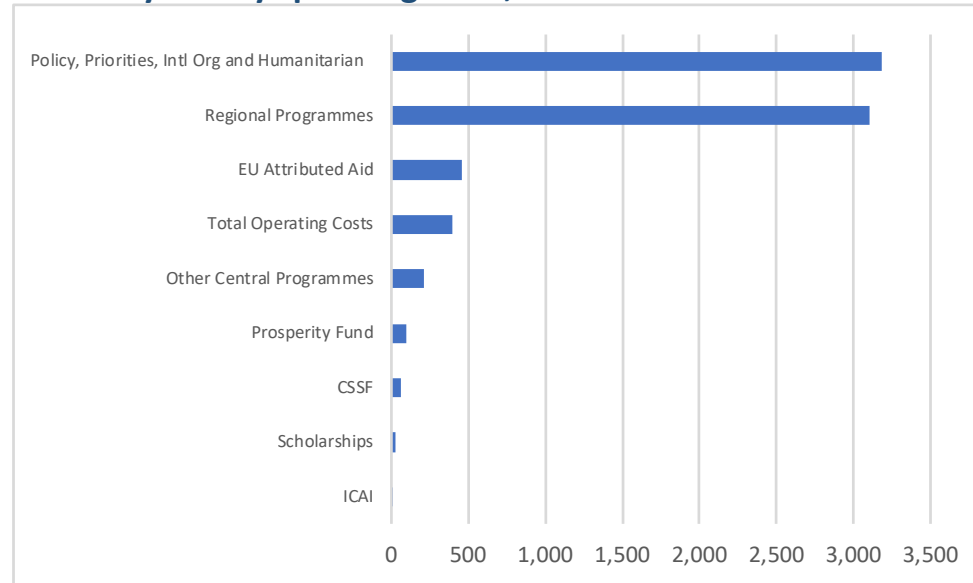
DFID's Capital AME budget, which reflects **investments in the CDC**, increased by £179 million (+15%) to £1,13m

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

Breakdown of spend

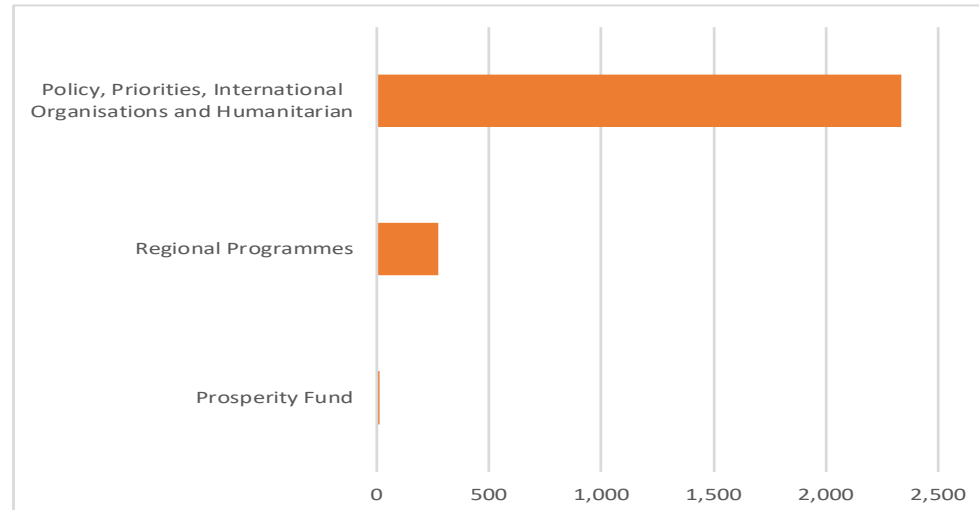
Total day-to-day spending of £8,079m:



Day-to-day spending

- **Regional Programmes and Policies, Priorities, International Organisations and Humanitarian** account for the vast majority (**83%**) of DFID day-to-day expenditure. This includes multi-lateral commitments and responses to humanitarian disaster, which is expected to be focused on COVID-19 in 2020-21.
- Under the EU – UK Withdrawal Agreement, the UK will continue to meet its share of commitments made to the EU budget (MFF 2014-2020) and the European Development Fund up to December 2020. **EU attributed aid** accounts for £459 million (6%) of DFID expenditure.

Total investment spending of £3,015m:



Investment spending:

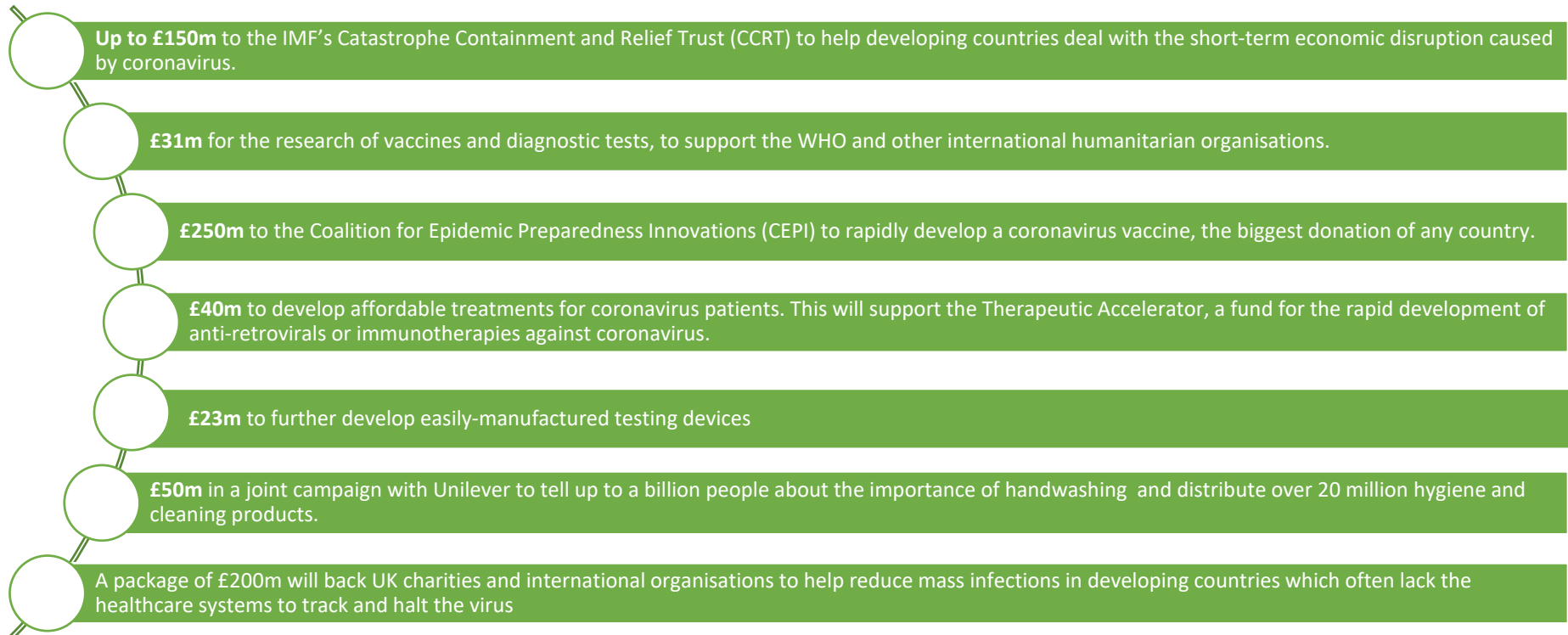
- DFID spends **£2,337 million (89%)** of its capital investment budget on **policy priorities, including payments to international organisations and humanitarian aid**.
- **Regional programmes** account for £275 million (11%) of DFID investment spending.
- A very small proportion of DFID's overall investment (**<1%**) budget comes from **the cross-government Prosperity Fund**.

DFID expenditure on COVID-19

The Main Estimate announced a number of COVID-19 measures funded through DFID. It is not clear whether this spending falls within the 0.7% target, or is additional to it, but assuming it does form part of the funding target, that would mean funding provided for COVID-19 would need to be found from a mixture of emergency crisis reserves and funding re-allocated from other projects and programmes.

The total amount of UK aid committed to the global fight against coronavirus included within the Main Estimate is **£744 million**, making the UK one of the biggest donors to the international response. Individual measures are set out below.

DFID-funded measures as part of the UK Government's response to Covid-19



DFID: challenges in 2020-21 and beyond

Uncertainty over forecasts of UK GNI and DFID's 0.7% target

DFID's overall expenditure is largely driven by the UK's commitment to spend 0.7% of its GNI on Overseas Development Assistance. Since DFID cannot know in advance what GNI will be, it relies on forecasts from the OBR. The OBR will make further revisions to its forecast this year to account for the impact of COVID19 - almost certainly resulting in lower GNI – however for the purposes of the Main Estimate, DFID have been required to use the current forecast. As a result it is expected that there may be a reduction in total expenditure later in the year at the Supplementary Estimate. This raises a number of potential issues for DFID's programming.

- Assuming the OBR downgrade their forecast, DFID may have to scale down some of their programmes significantly and at pace. This creates the following risks:
 - Uncertainty for funding recipients and international partners
 - Risking value for money by cancelling programmes or projects prematurely
 - Not achieving initial programme objectives
- Alternatively, if DFID wants to avoid downscaling their planned programming, it may need to accept that their expenditure will rise above 0.7% of GNI

Operational delivery during a pandemic

Delivering UK Aid in volatile environments is challenging, however this is even more difficult during pandemic conditions. DFID will need to give consideration to:

- Ensuring the health and safety of front-line delivery staff, and taking steps to supporting delivery partners on the ground.
- Applying the lessons learned from operating during the Ebola outbreak of West Africa.

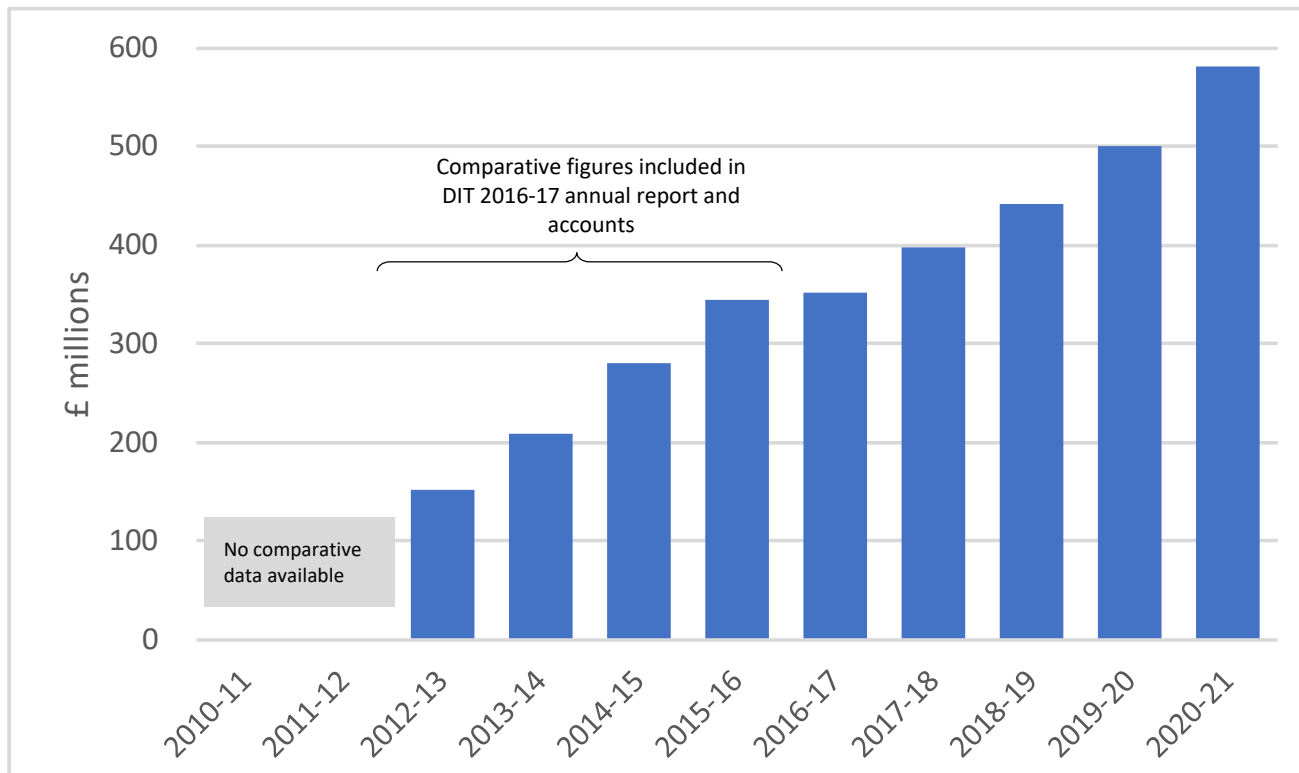
Department for International Trade

Day-to-day Spending (Resource DEL)

Trends

- The Department was established on **14 July 2016**. Comparative data on international trade public spending is available as far back as 2012-13, using data from **UKTI and the Trade Policy Unit in the former Department for Business, Innovations and Skills**.
- Overall spend has **increased year on year since the 2015 Spending Review** that preceded the creation of DIT. The expansion in funding has primarily been caused by **the need to establish an independent trade policy function** as the UK leaves the European Union.

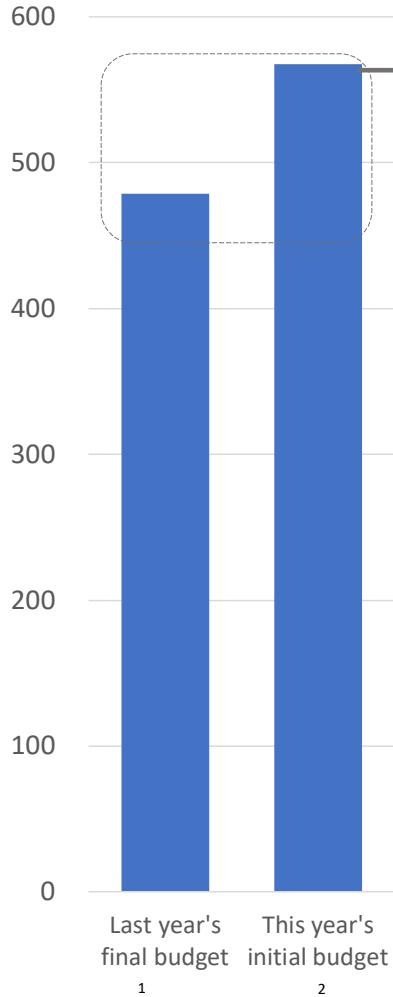
Long-term spending trends (£m, nominal)



How is DIT's day-to-day spending changing in 2020-21?

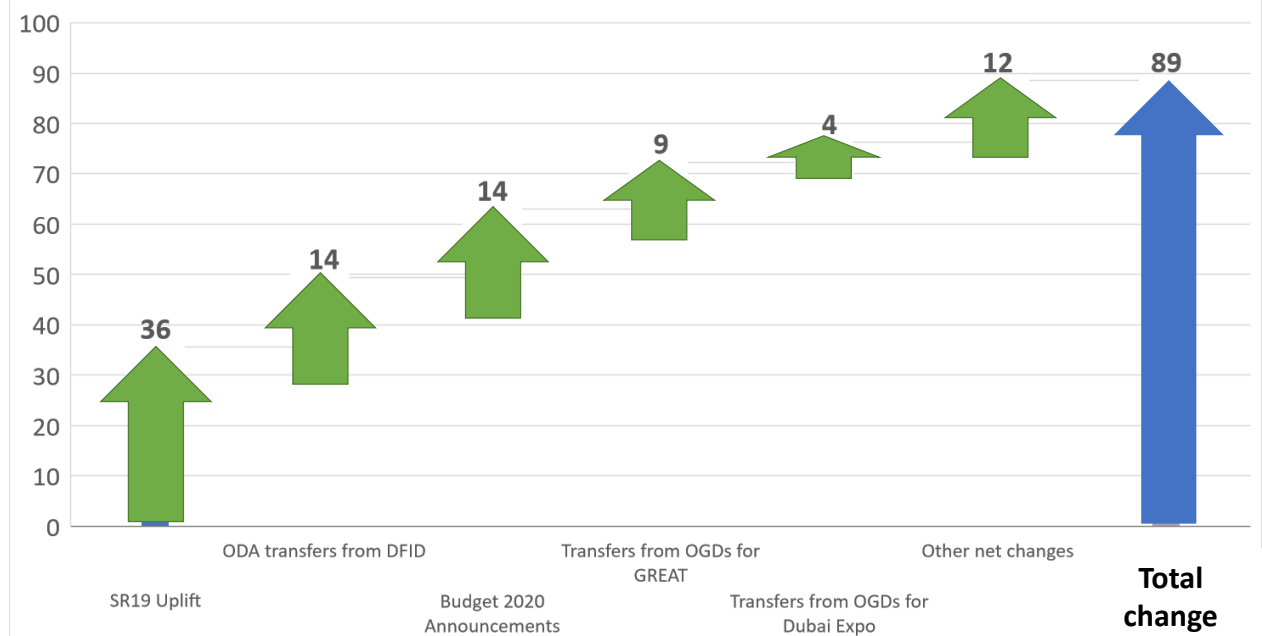
DIT's day-to-day budget increased by £88.6m (+18.5%)

(Resource DEL budget in £m)



Uplifts in DIT spending planned as a result of the UK leaving the EU have been further boosted by funding transferred from other parts of government

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



Changes in 2020-21

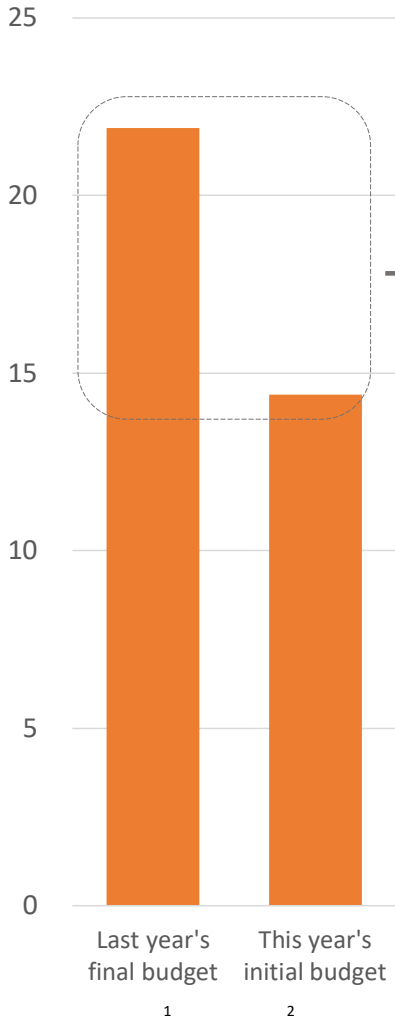
- DIT received an uplift of £36 million at the Spending Round 2019, and a further £14 million in the March 2020 Budget. Additional funding at the 2020 Budget includes £5 million for new international trade advisors and £2 million for regional trade advisors in British embassies around the world.
- DIT received a number of inward budget transfers from other parts of government, including:
 - £14 million ODA funding from DFID (including £10 million from the Prosperity Fund);
 - £9 million from BEIS (£7 million) and the Cabinet Office (£2 million) for the GREAT campaign; and
 - £4 million from the FCO (£3 million) and BEIS (£1 million) for the Dubai Expo.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

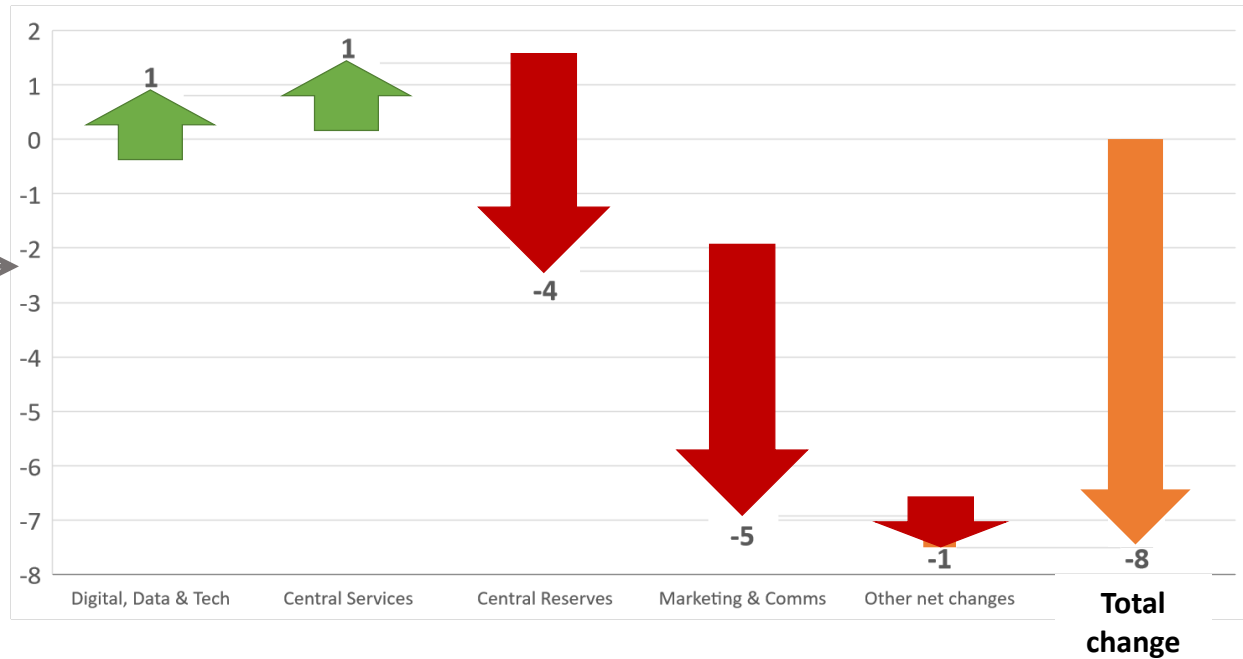
How is DIT's investment spending changing in 2020-21?

DIT investment budget decreased by £7.5m (-34.3%)
(Capital DEL budget in £m)



DIT currently plans lower investment spending in 2020-21 than last year

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes to in-year investment spending

DIT have seen a 34% reduction in investment spend compared with the final budget last year. However, DIT often receive significant additional funding at the Supplementary Estimate for investment spending, and this year's initial budget is comparable with the initial budget for 2019-20.

Marketing & communications have seen the largest reduction in budget (£5 million).

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

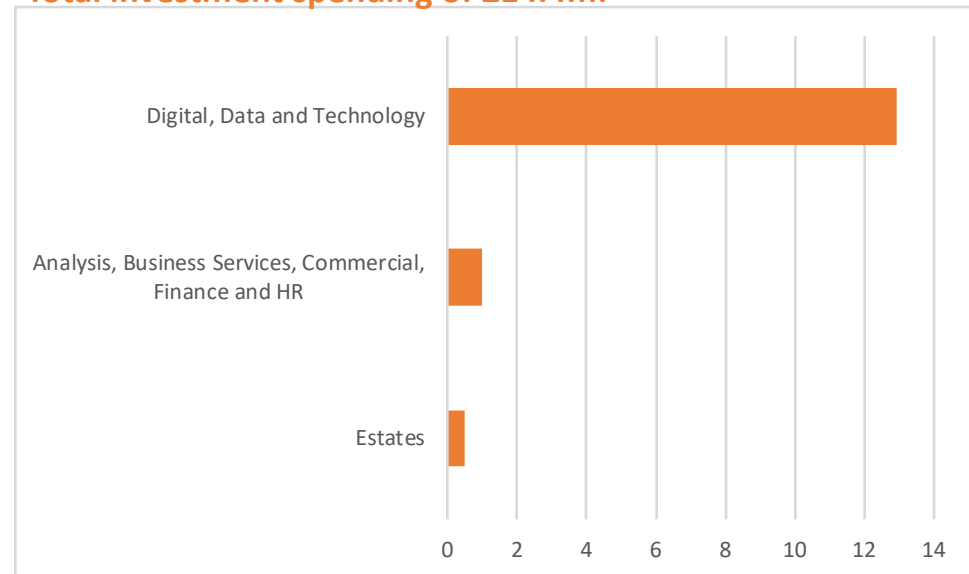
² Final budget at Main Estimates 2020-21 (May 2020)

Breakdown of expenditure 2020-21

Total day-to-day spending of £567.4m:



Total investment spending of £14.4m:



Day-to-day spending

- Around one-third of DIT's planned day-to-day expenditure is on **Global Trade and Investment (£192 million)**, which aims to drive growth in the value of UK exports and supporting investment into and out of the UK.
- The Trade Policy Group (£92.6 million) aims to get **the most favourable international frameworks for the UK**.
- The Overseas Platform (£55 million) relates to DIT's contribution to the FCO for their delivery on behalf of HMG of the overseas infrastructure which DIT uses to deliver its objectives.

Investment spending

- DIT has a small investment budget, almost all of which (£12.9 million) is spent on **Digital, Data and Technology**. This provides the digital services to support exporters and investors as well as the infrastructure required for the achievement of DIT strategies.

DIT: challenges in 2020-21 and beyond

Global Britain in the context of a global pandemic

The COVID-19 pandemic represents an unprecedented disruption to the global economy and world trade. The WTO predicts that world trade will fall by between 13% and 32% in 2020, exceeding the trade slump brought on by the 2008 financial crisis. Services, which make up around 80% of the UK economy, will be most severely disrupted. It will pose a number of challenges for DIT:

- Operational and logistical difficulties associated with the international nature of DIT's work and trade negotiations.
- UK Government resource being diverted to the COVID-19 response and away from Global Britain.
- Reduced ability or willingness of international partners to engage in trade negotiations.
- Historically, countries often implement more protectionist measures in response to economic crises.

This may hamper DIT's objective to "build DIT as an effective department with a strong regional and overseas presence".

Support for UK businesses trading internationally

Due to COVID-19, UK businesses trading internationally may see their supply chains disrupted, and it is possible that the current pandemic will lead to medium to long-term structural changes in the way different countries consume goods. Consumers may shift to more local consumption, and DIT will need to find ways to create as favourable a trading environment as possible for UK business.

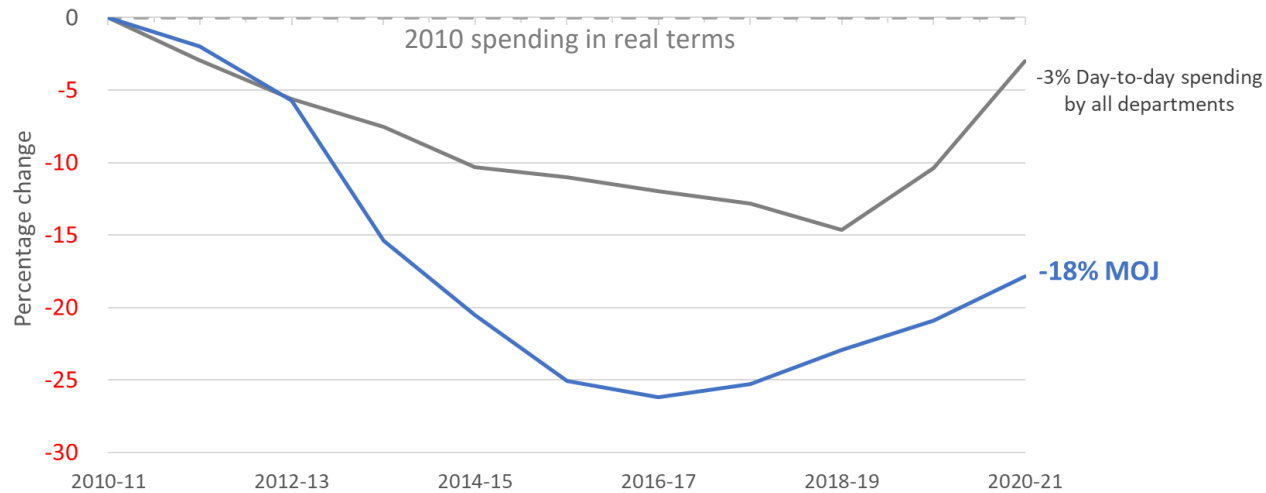
Negotiating trade agreements with the US and China

Trade tensions between the US and China create a challenging negotiating environment for the UK. The US is seeking to insert a clause in a prospective trade deal that would allow it to retreat from parts of any deal with the UK if Britain reaches a trade agreement with another country not approved by the US. This creates a potential for the US having substantial leverage over the UK foreign policy towards China.

Ministry of Justice

Long term trends in MOJ's spending (in real terms)

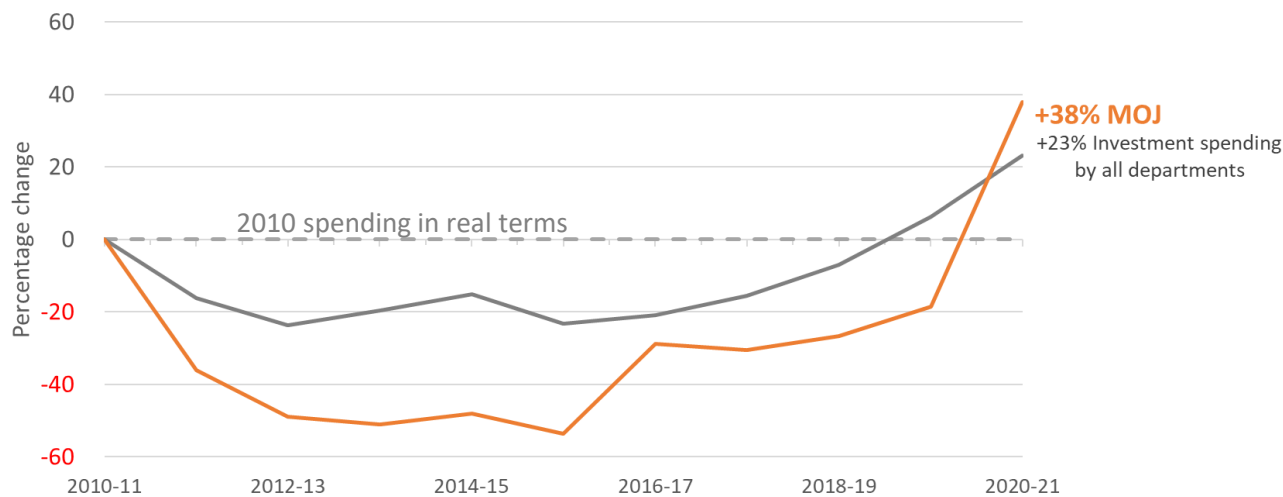
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- MOJ's budget for day-to-day spending was reduced significantly after 2010 under the coalition government's policy of austerity.
- Further planned reductions outlined in the **2015 Spending Review** have not been achieved, and since 2018-19 significant spending increases have been included in Estimates to address funding pressures within the department, particularly in prisons.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):

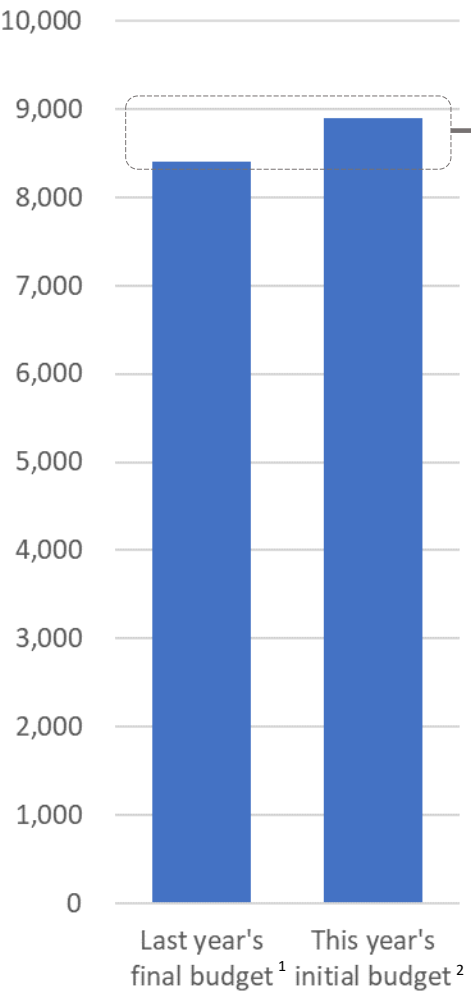


Investment spending trends:

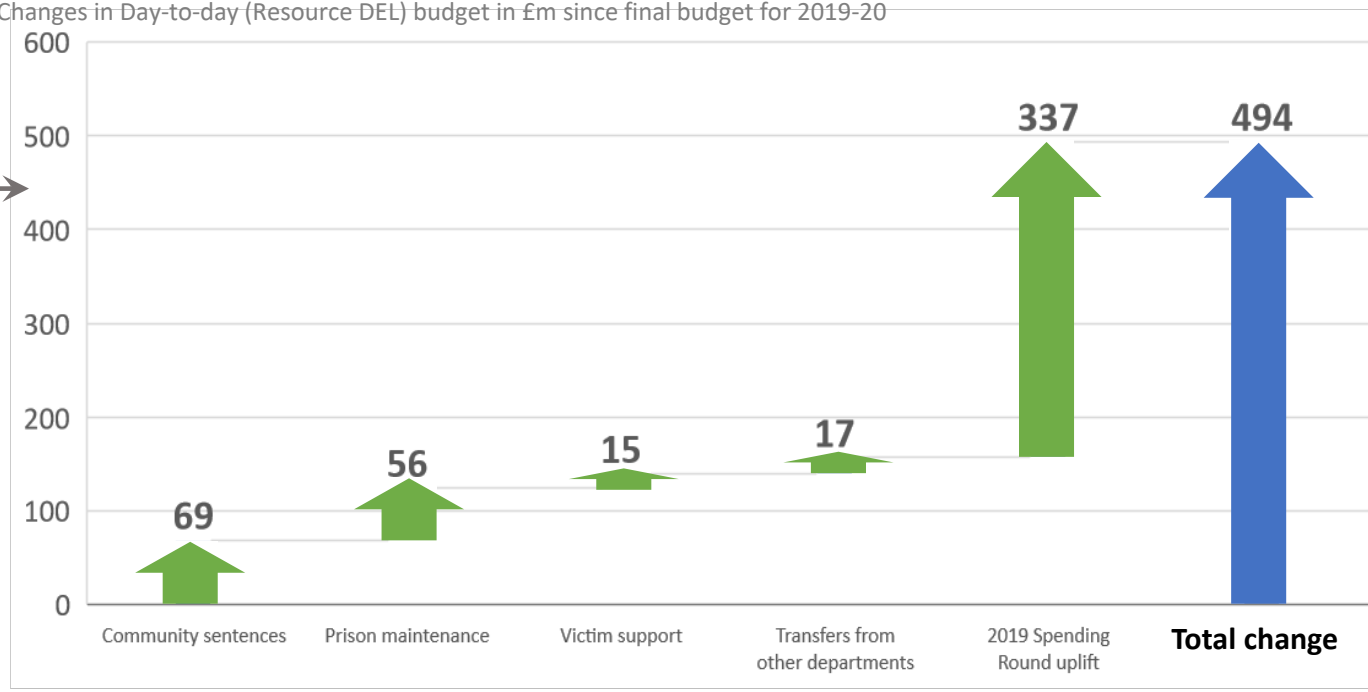
- Initial cuts to the budget under **austerity** were reversed in the 2015 Spending Review, with **significant investment** planned for both the court and prison estates.
- There has been significant **slippage** against these plans, but investment is increasing.
- Since 2015-16 the investment budget has been reduced at the end of the year, often being **switched to day-to-day** spending to ease pressures.

How is MOJ's day-to-day spending changing in 2020-21?

MOJ day-to-day budget increased by £494m (+5.9%)
 (Resource DEL budget in £m)



Most of the increase in MOJ's day to day budget was planned in the 2019 Spending Round, but specific spending commitments are still limited



Changes in 2020-21:

- **Community sentences:** £69 million to [strengthen sentences](#) in England and Wales.
- **Prison maintenance:** additional funding to address [£900 million maintenance backlog](#)
- **Victim support:** additional support [largely for rape victims](#)
- **Transfers from other departments:** includes £7 million from Home Office
- **2019 Spending Round uplift:** covers inflation and several new investments including; £100 million for security (including airport-style scanners), funding for 10,000 prison places, funding for impacts of 20,000 new police officers, and probation reform

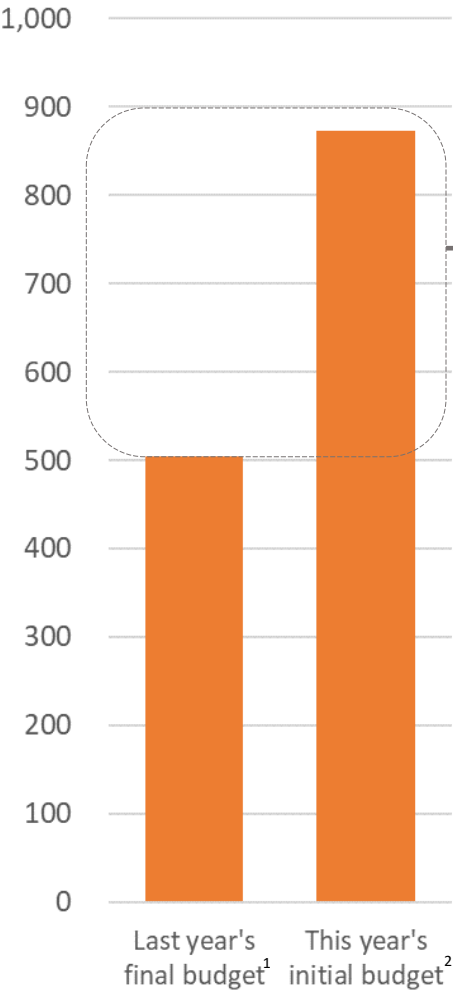
¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)
² Initial budget at Main Estimates 2020-21 (May 2020)



How is MOJ's investment spending changing in 2020-21?

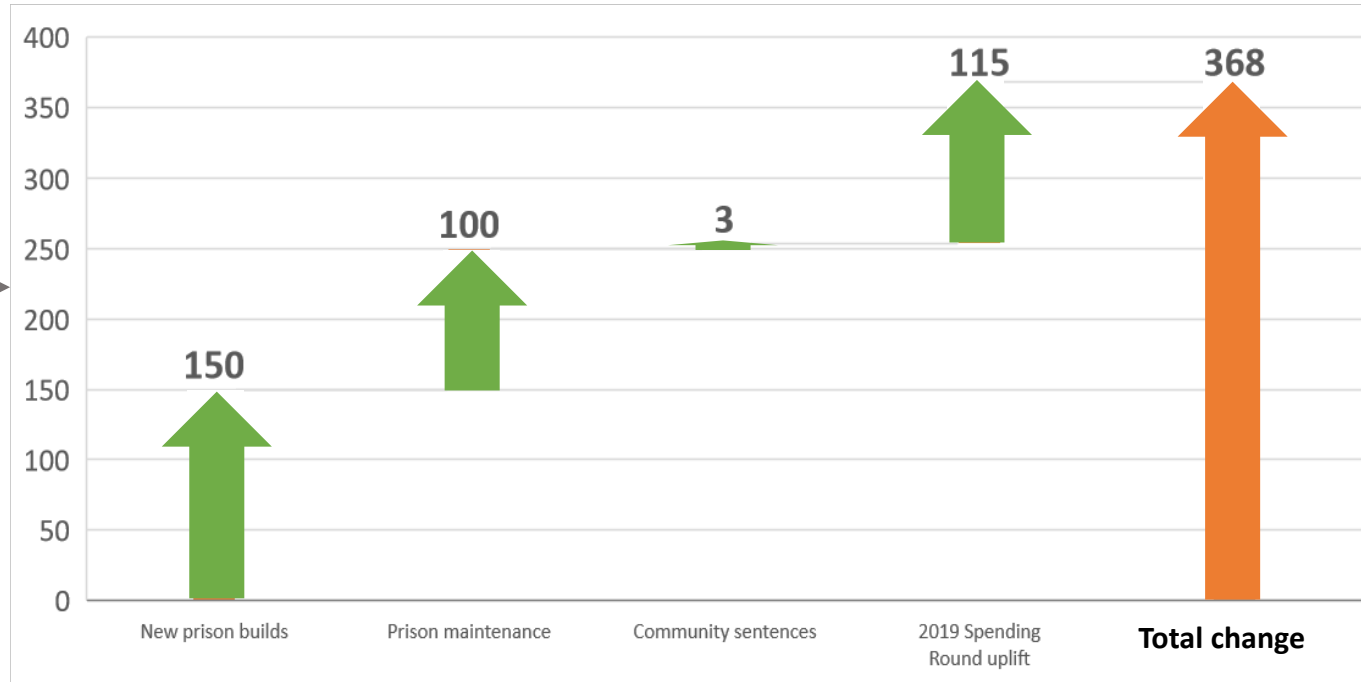
MOJ investment budget increased by £368.6m (+73.1%)

(Capital DEL budget in £m)



Capital spending increases are mainly for prison building and maintenance

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



Changes in 2020-21:

New prison builds: commitment in the [2018 Budget](#), presumably for HMP Glen Parva.

- **Prison maintenance:** commitment in the [2020 Budget](#) to help 'maintain operating capacity' and 'improve conditions'.
- **Community sentences:** £3 million to strengthen sentences in England and Wales.
- **2019 Spending Round uplift:** additional budget committed in the Spending Round – covers inflation, but no further details for this spending have been provided.

¹ Final budget at Supplementary Estimates 2019-20 (Feb 2020)

² Initial budget at Main Estimates 2020-21 (May 2020)

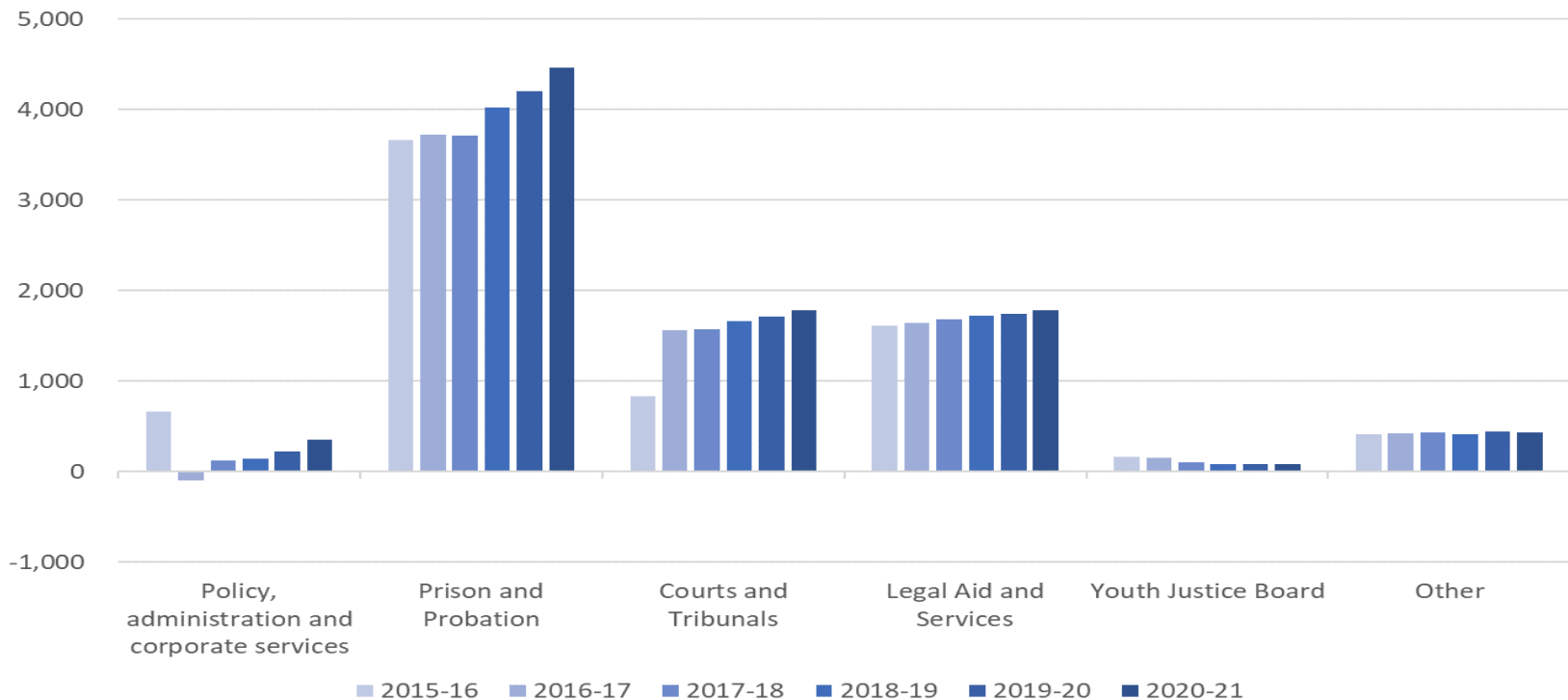


The majority of MoJ's spending is on prisons

Total day-to-day spending (Resource DEL) budget: £8,903 million

- **HM Prison and Probation Service's** (HMPPS) budget of £4,461 million represents 50% of total day-to-day spending.
- **HM Courts and Tribunal Service** (HMCTS) spending was intended to be reduced by investment in the courts estate, although [analysis by the NAO](#) suggests savings may be lower than forecast.
- The **Legal Aid Agency** budget is set, despite being highly demand-driven; previous forecasts have underestimated level of demand and composition/complexity.
- Other agencies include Youth Justice Board (£86.9 million) and Parole Boards (£21.1 million)
- In **other** spending, Higher Judiciary Judge's Salaries account for £155 million

Spending and budget breakdown, Resource DEL (£ million)

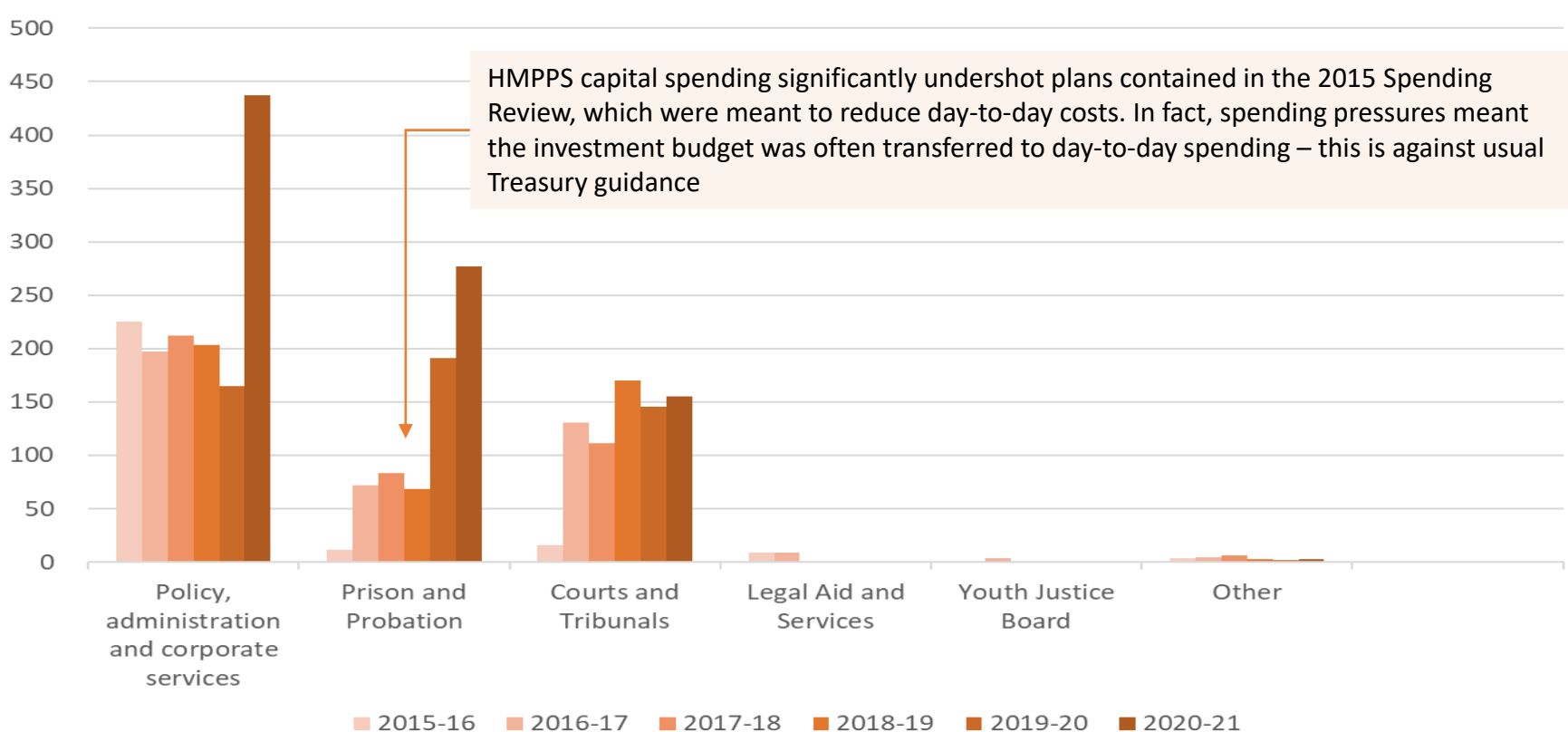


MOJ's investment spending is primarily on prisons and courts

Total investment spending (Capital DEL) budget: £873 million

- **Policy and administration**, also known as 'MoJ Headquarters' is holding additional capital budget centrally; this will be allocated for prison maintenance and security later in the year;
- **Prison and Probation (HMPPS)** budget of £277 million allocates around £235 million for 'decent and safe prisons'; [NAO analysis](#) estimates an annual £450 million investment is required to maintain the current estate.
- **HMCTS** budget of £155 million continues the court reform programme intended to complete in March 2022.

Spending and budget breakdown, Capital DEL (£ million)



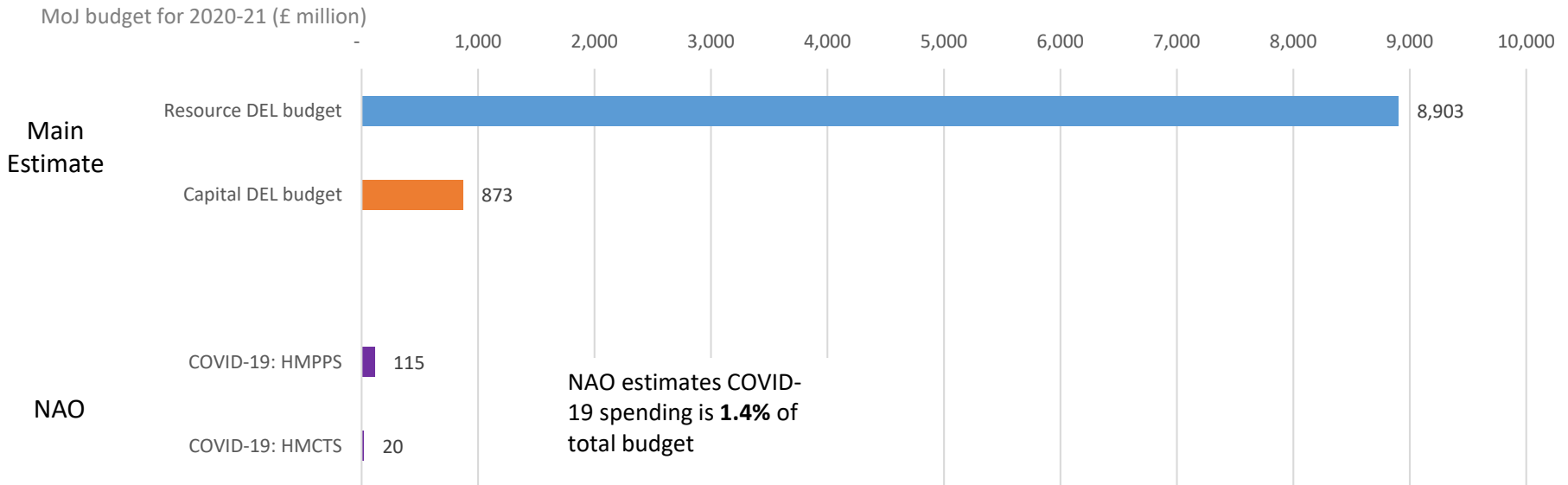
NAO suggests MOJ will spend £135 million on measures necessary as a result of coronavirus

Main Estimates

- The MoJ Main Estimate 2020-21 does not identify specific spending related to coronavirus.
- MoJ may identify additional, coronavirus related, spending in the Supplementary Estimates in February 2021;

NAO Report

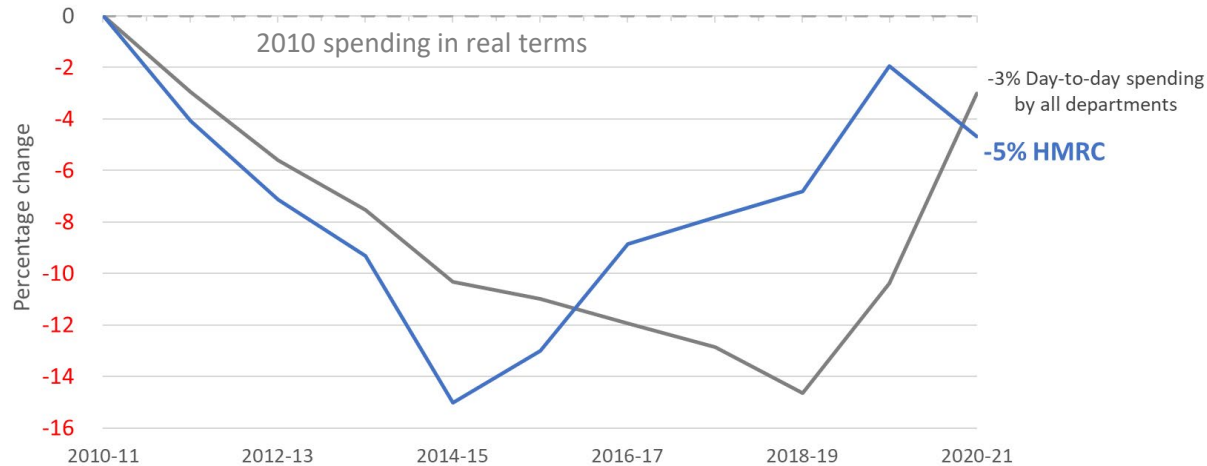
- NAO published its report [Overview of the government's response to the COVID-19 pandemic](#) on 21 May 2020
- Identifies forecast spending on COVID-19 related measures, including £135 million for MOJ (see chart) – although still unclear whether this will all be met from existing budgets
- Spending includes:
 - Prisons (estimated): additional accommodation in prisons, additional tagging capacity, staff overtime payments, PPE
 - Courts (confirmed): increased use of video and audio systems for hearings, consolidation into fewer buildings



HM Revenue & Customs

Long term trends in HMRC's spending (in real terms)

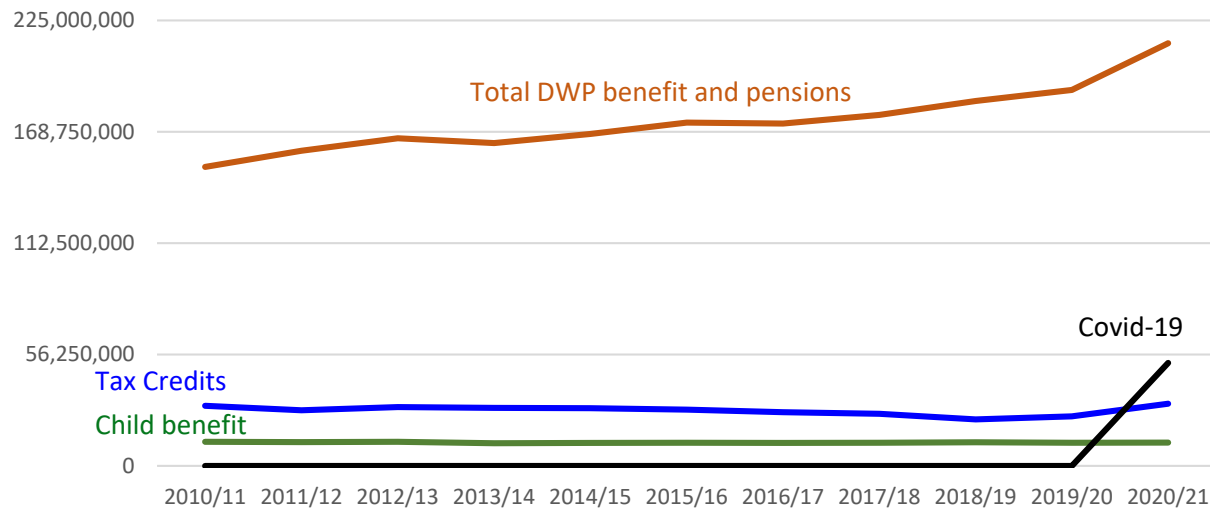
Percentage change in day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending (Resource DEL) trends:

- Real terms **efficiency reductions** were always planned for HMRC as part of the 2015 Spending Review, to be delivered through **investment in digitisation and smaller workforce**.
- Further additional resources have also been provided for costs **unforeseen** at the time of the Spending Review, such as **additional employers' pension costs and costs of Brexit**.

Spending on pensions and benefits compared to 2010



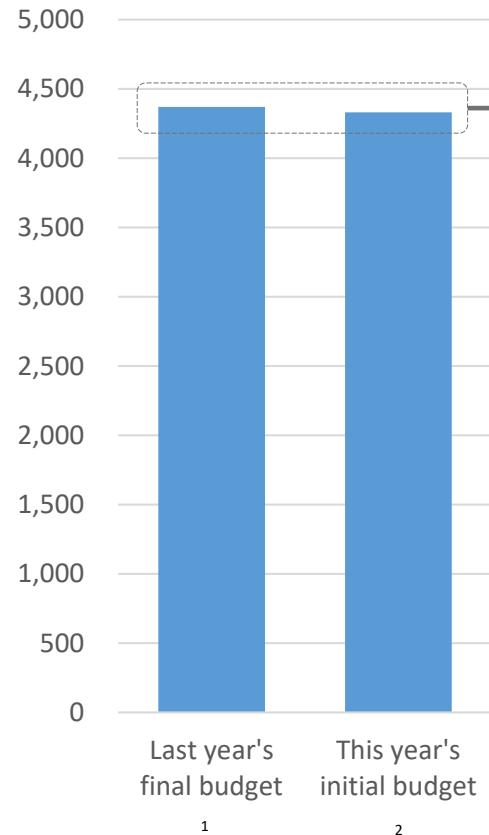
Tax credits & child benefit (Resource AME) trends:

- Tax credit spend has been falling over time as an increasing number of claimants receive Universal Credit, paid for by DWP. The 2020-21 increase is due to Covid-19
- Child benefit spending has also fallen in real terms due to the freeze in rates, higher earners' taxation, and restrictions on payments to those with more than two children.
- An additional £52 billion has been provided as part of the response to Covid-19, covering the job retention (furlough) and self employed income support schemes.

How is HMRC's day-to-day spending within DEL changing in 2020-21?

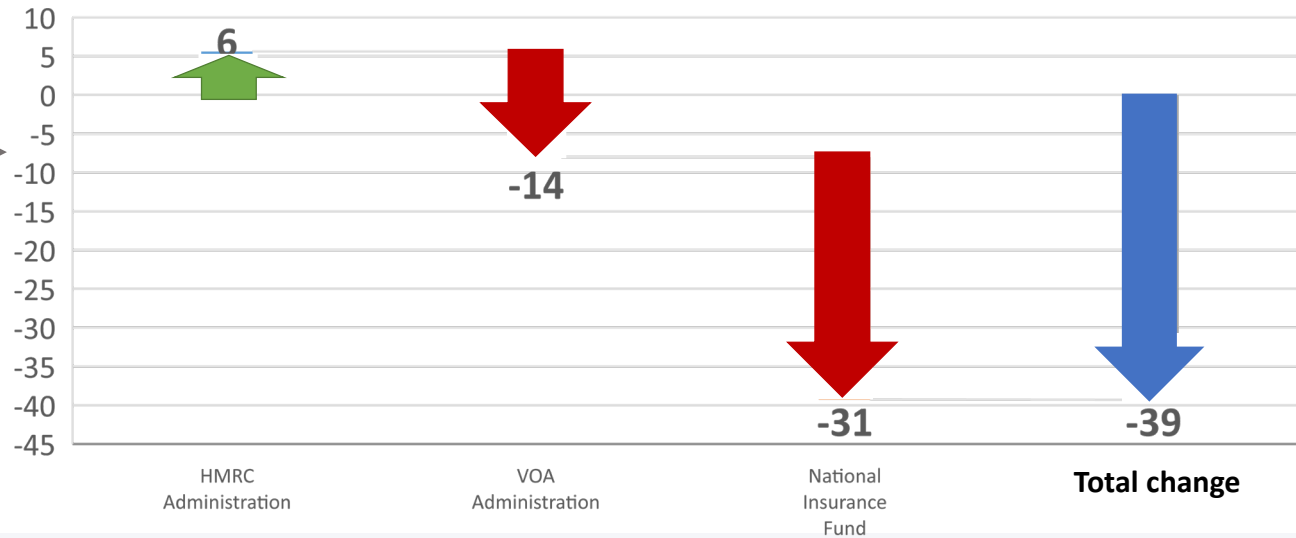
HMRC day-to-day budget decreased by £39.3m (-0.9%)

(Resource DEL budget in £m)



The fall in HMRC's day-to-day DEL budget is mostly driven by alignment to 2020-21 National Insurance Allocation.

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

- There has been a -0.9% in-year decrease to HMRC's day-to-day budget from £4,370.5m to £4,331.1m.
- £5.6m increase in HMRC administration costs resulting from the net position following the Making Tax Digital, Penalty Reforms, Loan Charge response and expansion of campaigns and projects. .
- £13.6m decrease in VOA administration costs, mostly due to transfer of IT function to HMRC.
- £31.3m decrease in National Insurance Fund to align with HMRC's 2020-21 allocation.

Investment Spending (Capital DEL)

HMRC investment budget increased by £2.0m (+0.6%) and is now £365.5m.

Note: The Investment (Capital DEL) budgets are not included in the charts on this slide.

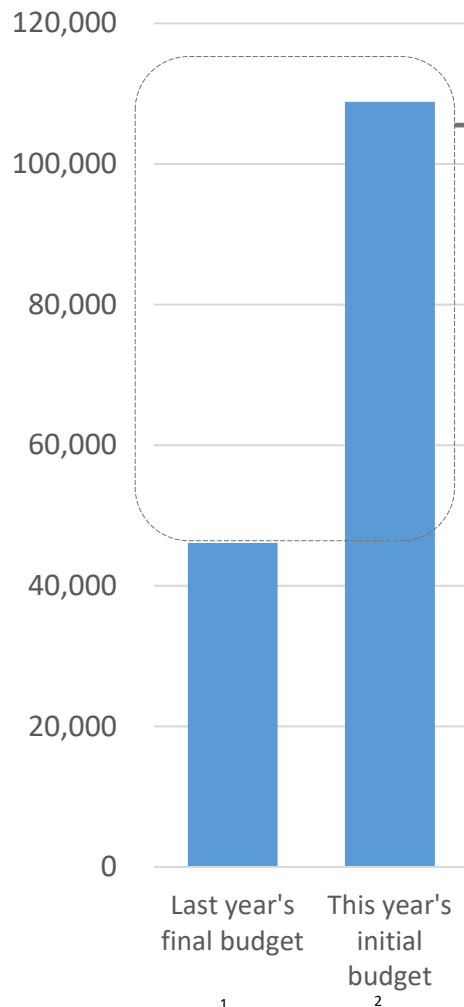
¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

Resource AME (Annually Managed Expenditure) – demand led day-to-day spending.

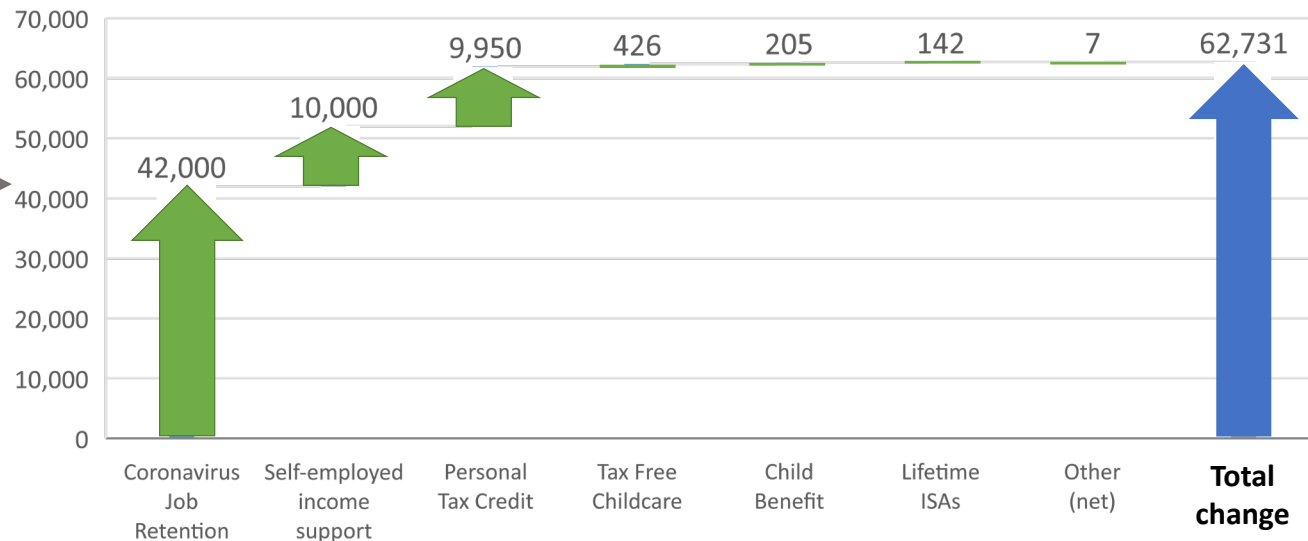
HMRC AME budget decreased by **£62,730.7m (+136.1%)**

(Resource DEL budget in £m)



The furlough scheme, support for the self employed and higher spending on tax credits will more than double HMRC's usual spending

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

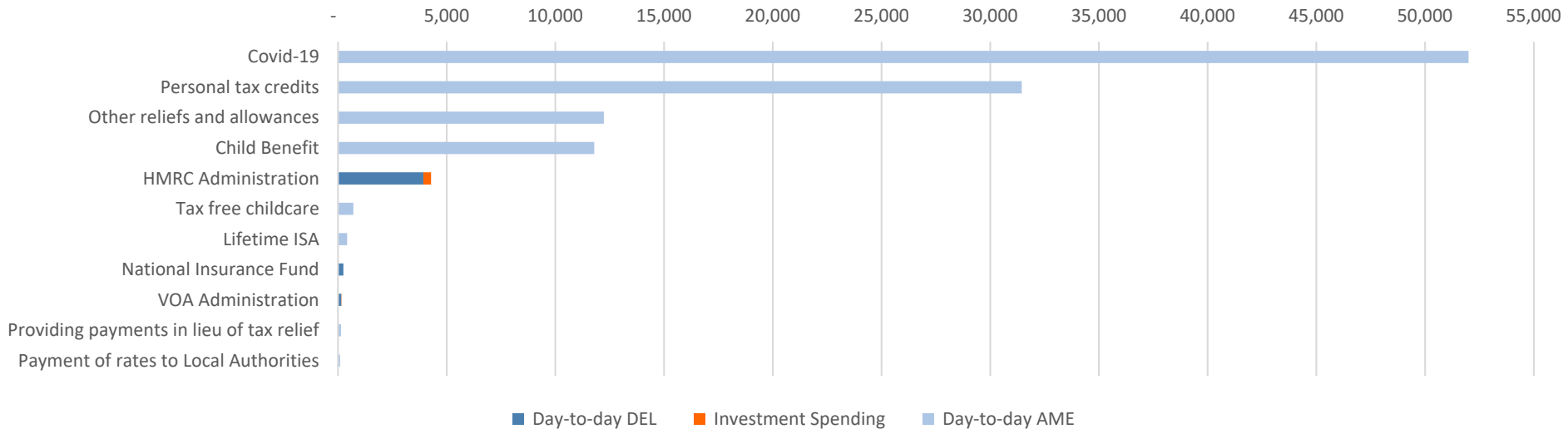
- HMRC's day-to-day demand led (Resource AME) budget, which is spent on items such as tax credit, benefits and tax reliefs is set to increase by £62,730.7m to £108,831.4m in 2020-21., HMRC's Resource AME budget- spending on tax credits and child benefit- is already one of the biggest in government. , but in 2020-21 an additional £61,950m has meant it has grown yet bigger, more than doubling, in response to Covid-19. Extra spending is forecast as follows :
 - £42,000m for Coronavirus Job Retention Schemes, also known as the Furlough Scheme.
 - £10,000m for Self-Employment Incomes Support Scheme.
 - £9,950m for Personal Tax Credits, also known as Working Tax Credits.
- Other increases include £426.1m for Tax Free Childcare, £205.2m in Child Benefit and £142.0 million for Lifetime ISAs.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What does HMRC spend its money on?

£ billion



■ Day-to-day DEL ■ Investment Spending ■ Day-to-day AME

Day-to-day spending (Resource AME)

- HMRC's day-to-day Resource AME budget is £108,831.4 million.
- Initial budgets for 2020-21 include:
 - Covid-19 (job retention and self employed income support): £52,000m
 - Personal tax credits: £31,448.7m
 - Other reliefs and allowances: £12,231.0m
 - Child Benefit: £11,786.94m
 - Tax free childcare: £709.3m
 - Lifetime ISA: £420.0m.
 - Providing payments in lieu of tax relief: £140.1m
 - Payment of rates to Local Authorities: £93m

Day-to-day spending (Resource DEL)

- HMRC's day-to-day Resource DEL budget is £4,331.1 million.
- Initial budgets for 2020-21 include:
 - HMRC Administration: £3,927.5m
 - National Insurance Fund: £252.0m
 - VOA Administration: £153.6m

Investment spending (Capital DEL)

- HMRC's investment budget is £311.4 million.
- Initial budgets for 2020-21 include: HMRC Administration: £358.0m and VOA Administration: £7.5m

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

HMRC: challenges in 2020-21 and beyond

Response to Covid-19

HMRC is administering two major elements of the Government's economic response to Covid-19, providing support for jobs:

- Coronavirus Job Retention Scheme ("furlough" scheme)
- Self-Employment Income Support Scheme

HMRC's income will also be reduced by coronavirus impacts and measures to assist individuals and business during the pandemic, including:

- Three month deferral on tax liabilities
- Closure of non-essential businesses for several months reducing future tax revenues
- Tax cuts to reduce PPE costs

These changes have meant HMRC has had to adjust operations very quickly. As the country re-opens, there is a risk that some businesses will find that they are no longer viable, and that will adversely affect future revenue forecasts.

Business Rates Revaluation

The revaluation of business rates due to happen in 2021 by the Valuation Office Agency has been postponed. Decisions will have to be taken when and whether to implement the revaluation.

Ending the EU Exit Transition period

HMRC has to be prepared for implementation of the changes required for the UK in the event of a deal, or no deal, end to the transition period. Both scenarios will require changes to the customs, VAT, and excise systems.

To be sufficiently prepared to deliver the appropriate arrangements in either scenario, HMRC has to work closely with other government departments, particularly in designing and managing border arrangements.

Changes to the tax system

The way in which people live, work, and pay their taxes has been changing, which has directly affected the tax base. Since 2010-11, the number of people moved to Self-Assessment has steadily increased putting additional pressure on HMRC's resources.

Recent events have affected the 'gig-economy', which had been seeing increasing numbers of people moving from PAYE to Self-Employed, which reduces National Insurance (NI) receipts. This is because the self-employed make lower NI Contributions than the employed.

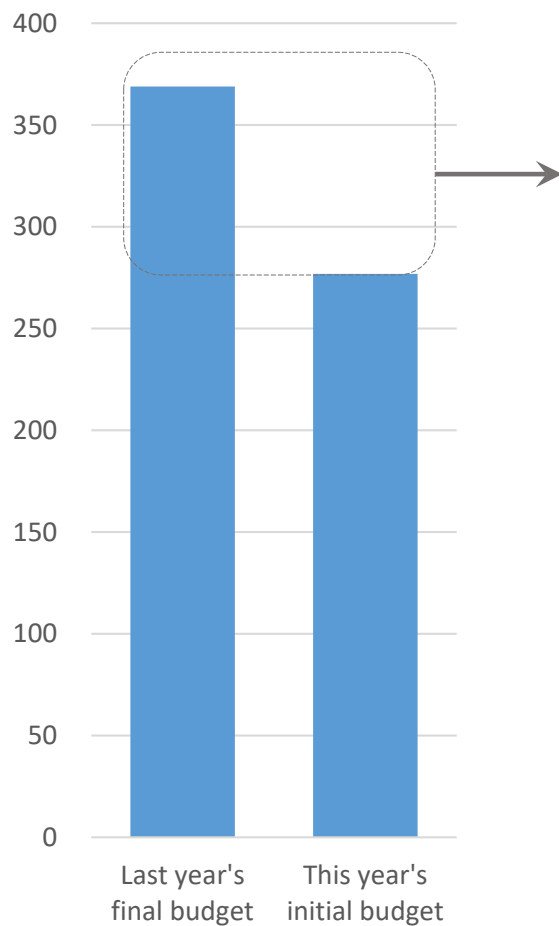
As the full extent of recent events become known, HMRC will need to ensure their systems and processes are appropriately realigned for the future.

HM Treasury

How is HM Treasury's day-to-day spending changing in 2020-21?

HMT's day-to-day budget decreased by £92.1m **(-25.0%)**

(Resource DEL budget in £m)

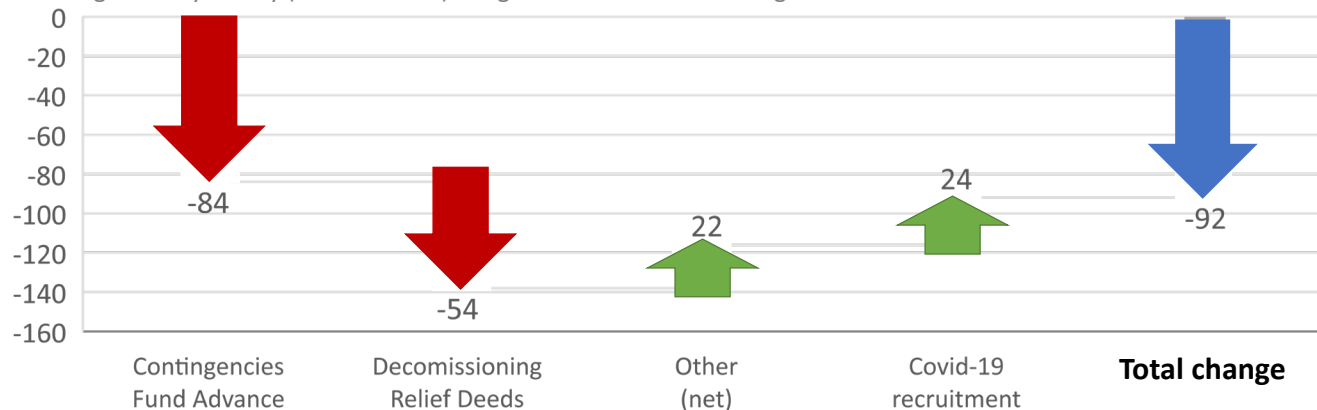


1

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One off costs last year – not repeated - mean Treasury's day to day spending is lower in 2020-21

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

- HMT's day-to-day spend has decreased by £92.1m (-25.0%) to 276.9m.
- Two off one-off costs from 2019-20 account for the majority for the decrease, which are:
 - £84.0m decrease for repayment of Contingencies Fund Advance.
 - £54.0m decrease relating to Decommissioning Relief Deeds.
- The key factor that off-sets these decreases is an increase of £24.0m of funding to allow HMT to acquire additional skills and capacity in Corporate Finance from external experts, in response to Covid-19.

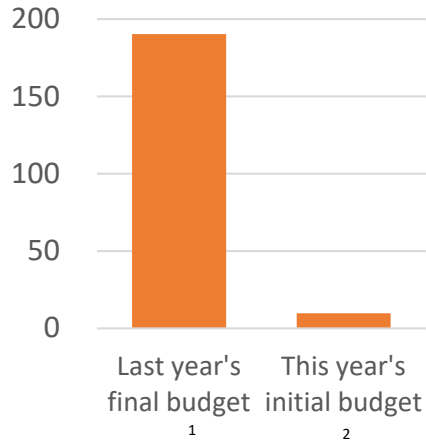
¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

How is HMT's investment spending changing in 2020-21?

HMT's Capital DEL investment budget has decreased by £180.6m (-94.9%)

(Capital DEL budget in £m)

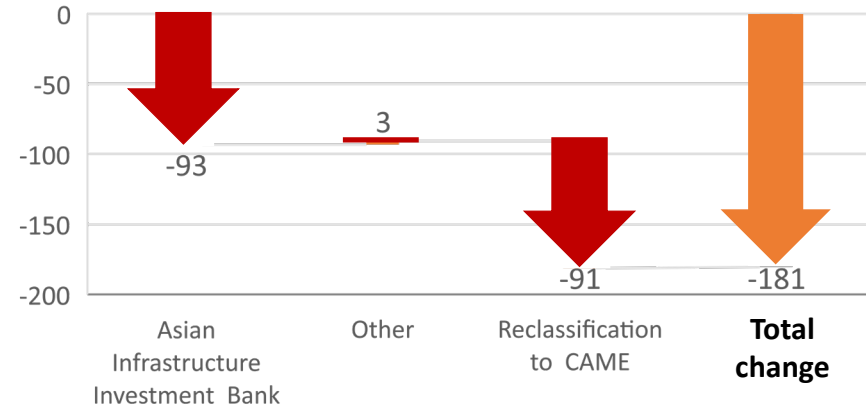


Changes in 2020-21:

- HMT Investment budget has decreased by £180.6m (-94.6%), to £9.7m.
- £93.3m decrease due to the final instalment being paid in relation to the Asian Investment Bank in 2019-20.
- £90.7m reclassification from CDEL to CAME of Infrastructure Finance Unit Limited.

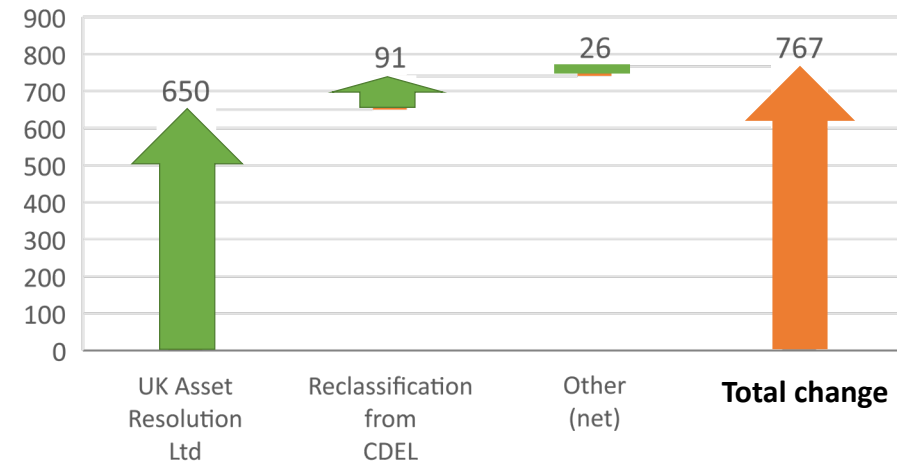
Repayment of an investment and reclassification of some spending reduce Treasury's capital DEL spending this year

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



The increase in Treasury's Capital AME is mainly driven by sale preparations for UK Asset Resolution

Changes in Capital AME budget in £m since initial budget for 2019-20



HMT's Capital AME budget has increased by £766.8m (+36.6%)

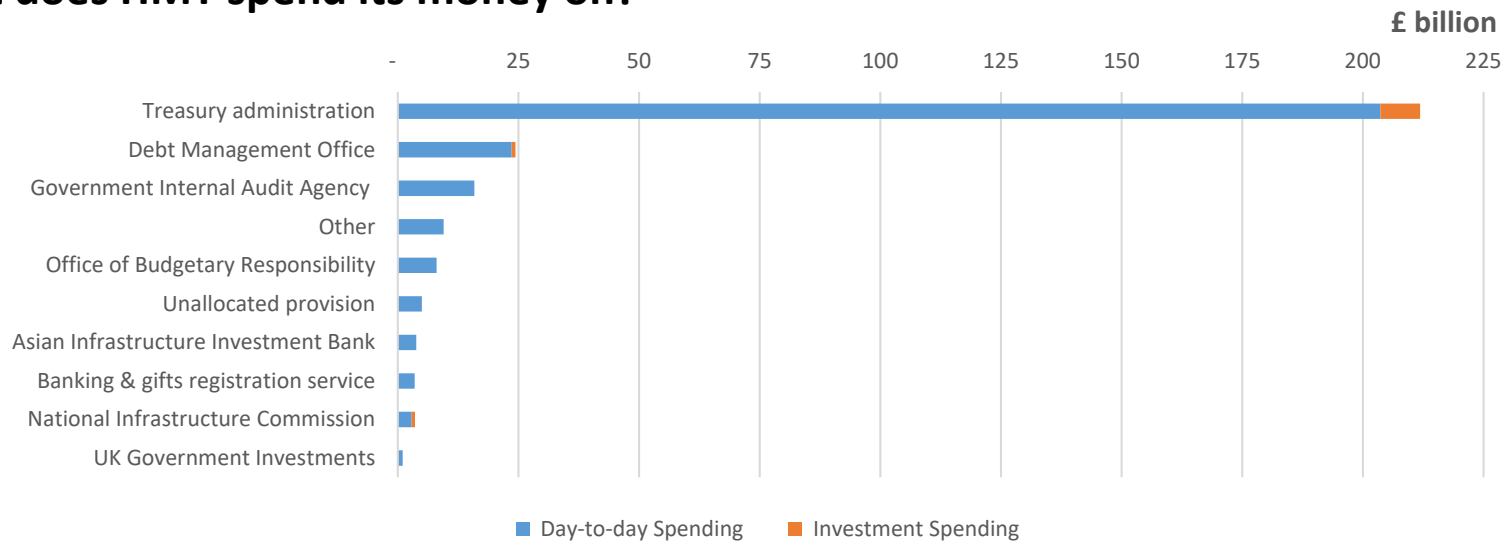
Changes in 2020-21:

- HMT's Capital AME budget has increased by £766.8m (-94.6%), to -£1,330.0m.
- £650.0m increase relates to UK Asset Resolution as HMT prepares for selling of its residual assets and the legal entity.
- £90.7m increase relates to the reclassification of Infrastructure Finance Unit Limited from Capital DEL to Capital AME.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What does HMT spend its money on?



Day-to-day spending (Resource DEL)

- HMT's day-to-day budget is £910.4 million.
- Initial budgets for 2020-21 include:
 - Treasury Administration: £203.7m
 - Debt Management Office: £23.6m
 - Government Internal Audit Agency: £15.9m
 - Office of Budgetary Responsibility: £8.1m
 - Unallocated Provision: £5.0m
 - Asian Infrastructure Investment Bank: £3.8m
 - Banking & gifts registration Service: £3.5m
 - National Infrastructure Commission: £2.9m
 - UK Government Investments: £1.0m

Investment spending (Capital DEL)

- HM Treasury's investment budget is £9.7 million.
- Initial budgets for 2020-21 include:
 - Treasury Administration: £8.2m
 - Debt Management Office: £0.8m
 - National Infrastructure Commission: £0.7m

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

HM Treasury: challenges in 2020-21 and beyond

Funding the Covid-19 response

The Chancellor of the Exchequer announced a set of economic measures to support UK businesses and to mitigate the impact Covid-19 upon the economy. Further financial support may be needed to help businesses further.

As the UK starts to recover, HM Treasury will need to closely monitor the situation, and choose where, how, and when to respond if it deems it necessary. There may need to be decisions made on who and who not to support which may be controversial.

Ending the Transitional Period

HM Treasury will need to ensure that it is prepared for a range of outcomes at the end of the EU exit transition period. The UK will seek to have a stable, well-functioning financial system that allows UK businesses and banks to continue to operate. This will include ensuring UK financial regulations are appropriate for the new ways of working, and to enable the UK to raise finances as needed.

UK Debt Management Office (DMO)

The DMO is responsible for raising sufficient income to cover spending by the UK Government. The financing remit has already been adjusted for 2020-21 to help cover the cost of Covid-19, and may need adjusting again.

Spending Review (SR)

A multi-year spending review was planned for July 2020. The next SR has been postponed as part of the government's response to Covid-19.

The SR was expected to be challenging as following years of austerity, it was anticipated that most departments would be seeking additional funding. Also, with the UK's departure from the European Union (EU), additional funding would be needed in certain areas to compensate for the loss of EU income. In addition, the government's response to Covid-19 has resulted in UK's borrowing increasing to its highest level in 57 years.

With tax revenues expected to be lower than pre-Covid-19 estimates, and a lot of uncertainty about how the economy will recover, the negotiations between HM Treasury and other government departments are likely to be interesting.

Public Works Loan Board (PWLB)

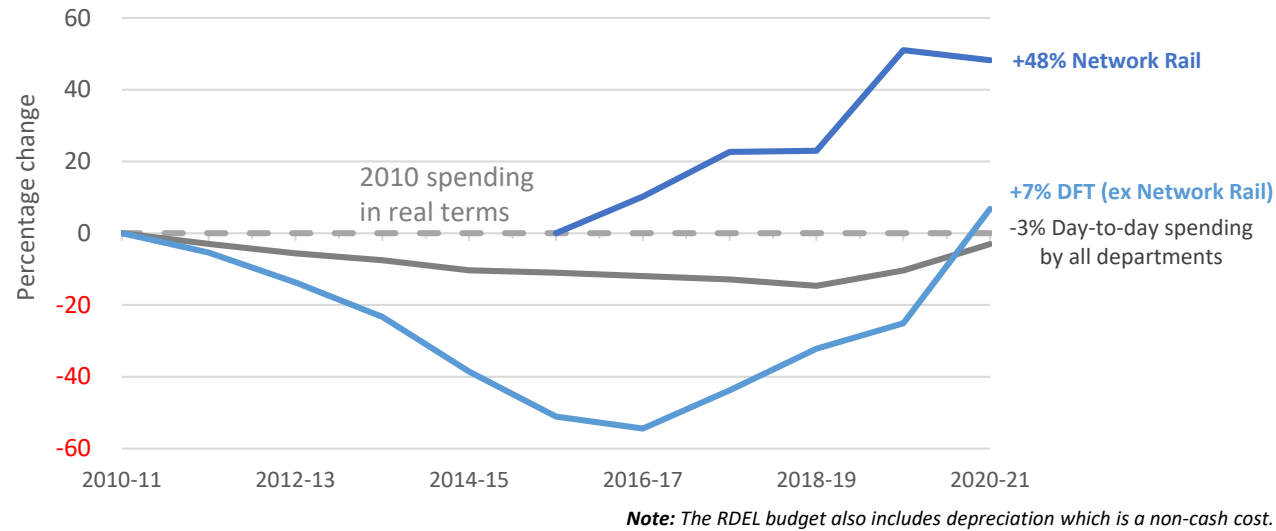
Between 2016-17 and 2018-19, local authorities spent an estimated £6.6 billion on commercial property which was funded by borrowing from the PWLB. Repayment of these loans has continued despite income from these assets drying up due to the measures introduced because of Covid-19.

In addition, a number of local authorities have had to seek loans to cover short-term cashflow issues as a result of Covid-19, and there have been calls from the Local Government Association for PWLB to provide these loans instead.

Department for Transport

Long term trends in DfT's spending (in real terms)

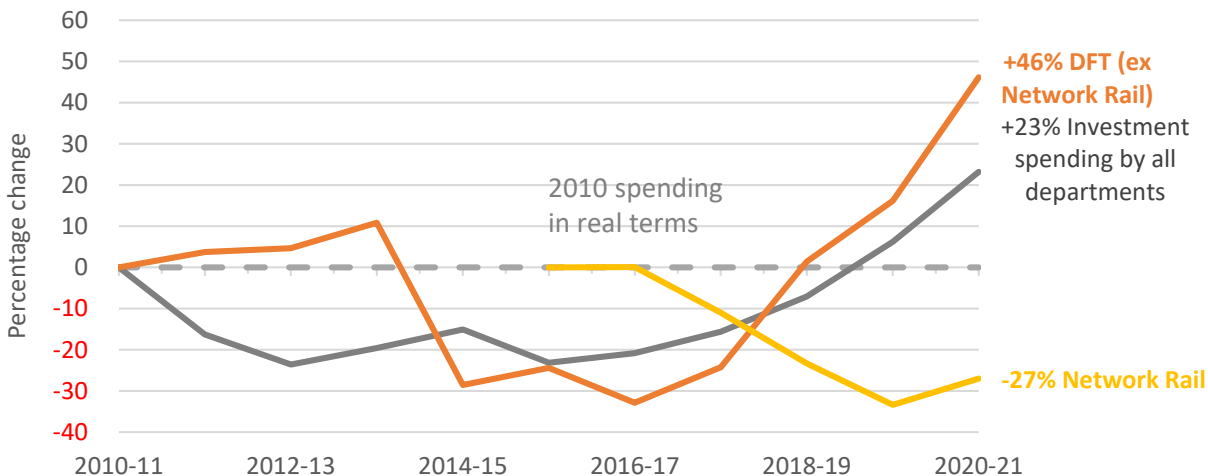
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



Day-to-day spending trends:

- A factor in the spending reductions up until 2016-17 were **significant reductions in GLA transport grants for London**.
- In 2014 Network Rail was **reclassified from the private to the public sector**.
- Network Rail's funding line combines its Resource DEL and Resource AME expenditure as funding moved between the two spending lines over the years.
- In 2020-21 **additional support for rail** has enabled rail services to continue during the lockdown.

Percentage change in Investment spending compared to 2010 (*Capital DEL*):



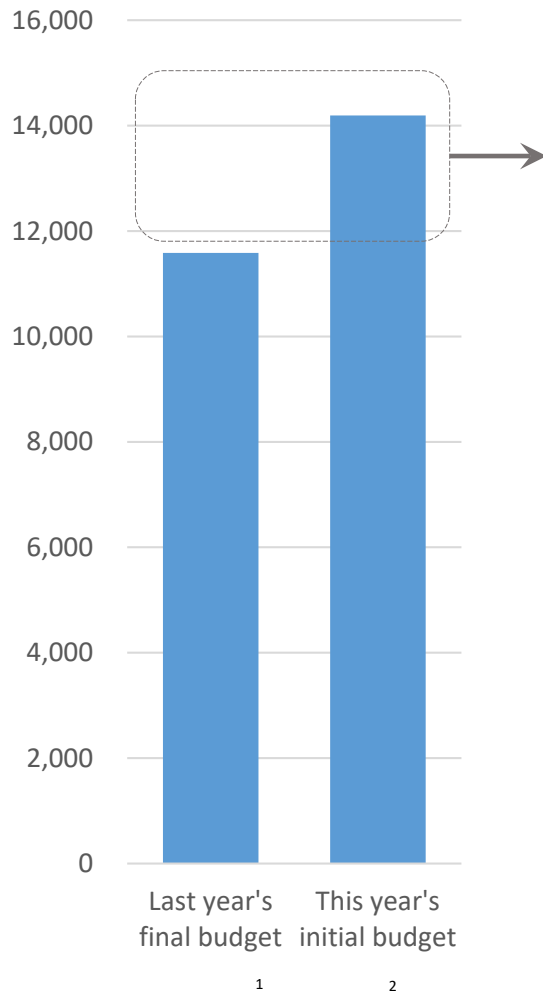
Investment spending trends:

- As noted above, Network Rail was **reclassified from the private to the public sector** in 2014.
- Network Rail funding lines combines its Capital DEL and Capital AME expenditure as funding moved between the two spending lines over the years.
- The **Notice to Proceed on High Speed Two** has driven the increase in 2020-21.

How is DfT's day-to-day spending changing in 2020-21?

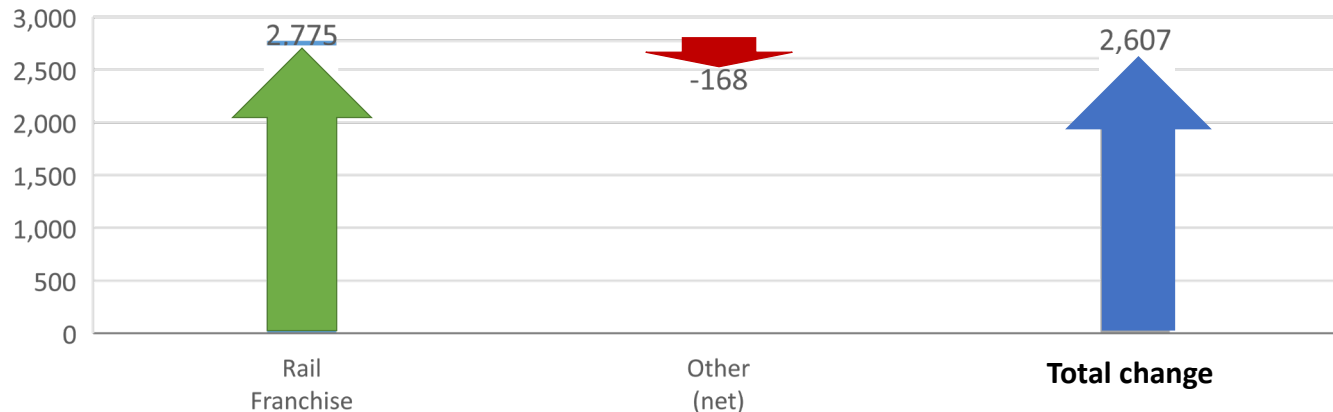
DfT day-to-day budget increased by £2,607.4m (+22.5%)

(Resource DEL budget in £m)



The increase in DfT's day-to-day spend is caused by additional financial support to rail franchises

Changes in Day-to-day (Resource DEL) budget in £m



Changes in 2020-21

- DfT's day-to-day spending (Resource DEL) increases by £2,607.4m to £14,192.3m.
- The key driver for the increase is the £2,775.1m in financial support being provided to rail franchise holders to ensure that they are able to continue to deliver critical services, whilst also supporting essential journeys during the Covid-19 pandemic.
- There are a number of other increases and decreases that net out to a decrease of £168m, which include:
 - An increase of £220m for the Better Bus Strategy,
 - A decrease of £198.3m for funding to arms length bodies (one-off costs incurred in 2019-20 made up from one-off dividend from London North East Railway and the Air Travel Trust Fund relating to the collapse of Thomas Cook.)
 - A decrease of £104.3m for Aviation, Maritime, Security and Safety following the collapse of Thomas Cook last year – spending not needed this year

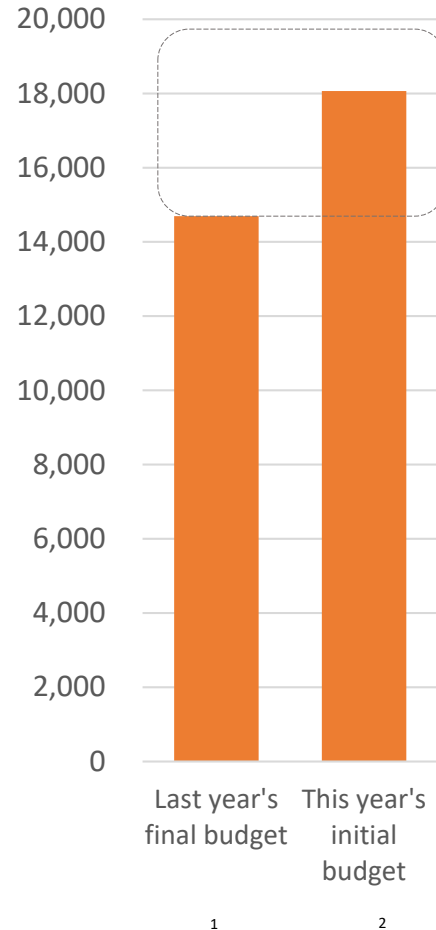
¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020).

How is DfT's investment spending changing in 2020-21?

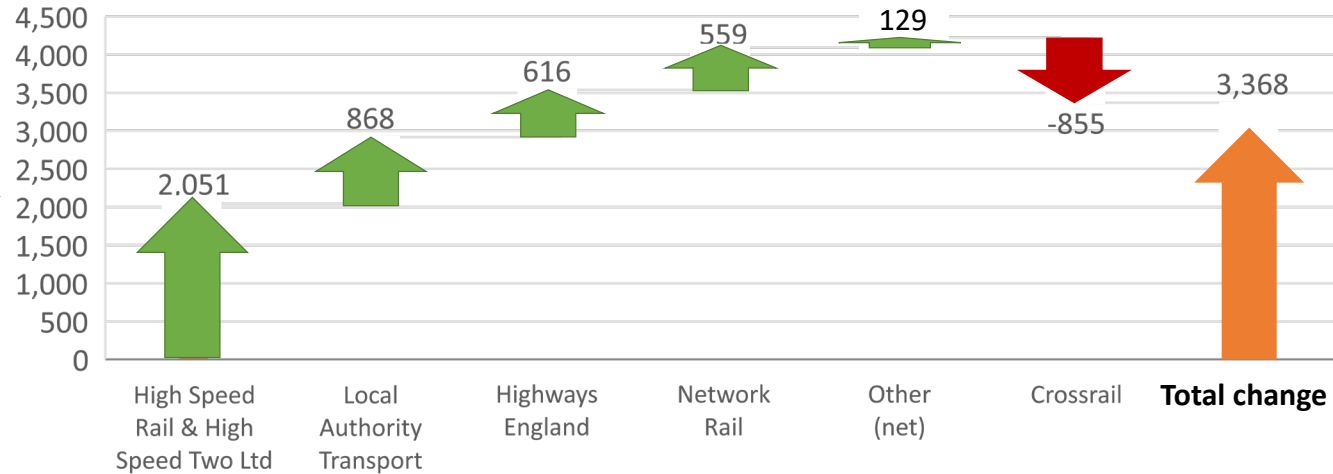
DfT investment budget increased by **£3,367.7m (+22.9%)**

(Capital DEL budget in £m)



Spending on High Speed Rail starting to take off as HS2 gets green light

Changes in Investment (Capital DEL) budget in £m



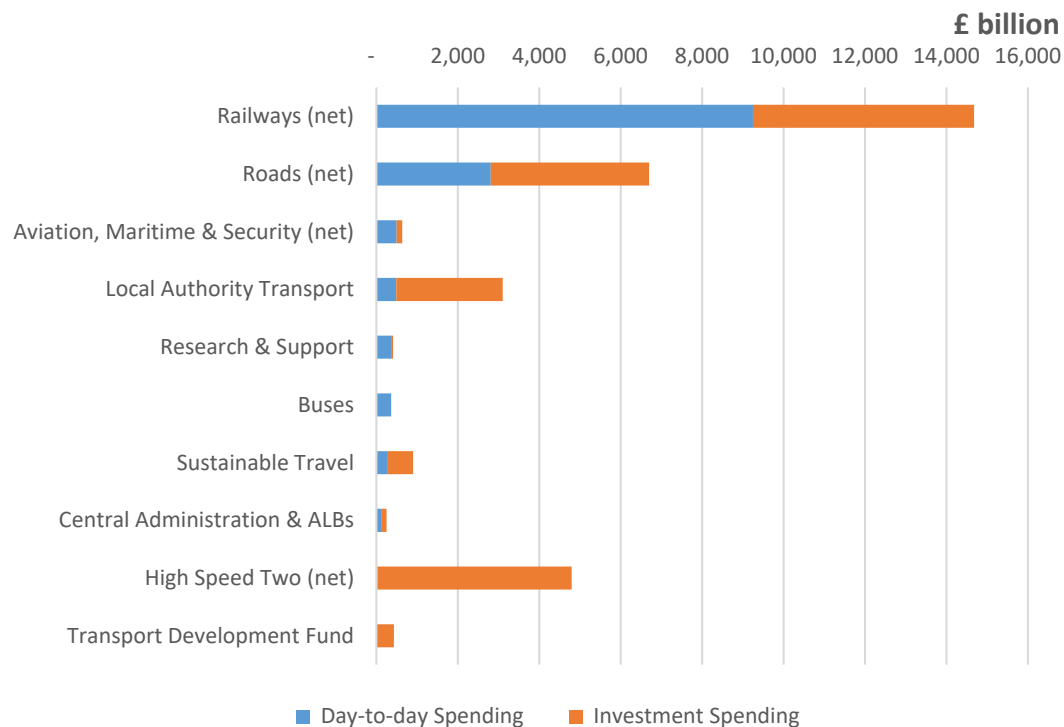
Changes in 2020-21

- DfT's Investment spend is increasing by £3,367.7m (+22.9%) to £18,063.8m. The notable factors in this increase are:
 - Increase of £2,050.7m relating to the Notice to Proceed on High Speed Rail (£05.7m) and High Speed Two Limited (£1,745.0m).
 - Increase of £867.7 million for Local Authority Transport to tackle potholes (£500.0m) and the first year's funding for the Major Road Network and Large Local Majors programmes.
 - Increase of £616.4 million for Highway England for the first year of the new Road Investment Strategy.
 - Increase of £558.9 million for Network Rail for enhancements and renewals.
- These increases are off-set by a decrease of £854.9 million relating to the one-off cost in 2019-20 for the Crossrail Loan funded through Transport for London.

¹ Final 2018-19 budget at Supplementary Estimates (Feb 2019)

² Initial 2019-20 budget as at Main Estimates (May 2019)

What does DfT spend its money on?



Groupings

- **Railways (net):** Network Rail; Other Railways; East West Rail Company Limited; and Support for Passenger Rail Services.
- **Roads (net):** Highways England; Motoring Agencies; and Tolled Crossings.
- **Aviation, Maritime & Security (net):** Maritime & Coastguard Agency; and Aviation, Maritime, Security & Safety.
- **High Speed Two (net):** High Speed Rail; and High Speed Two Limited.

Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.

Day-to-day spending (Resource DEL)

- DfT's day-to-day budget is £14,192.3 million.
- Initial budgets for 2020-21 include:
 - Railways: £9,429.0m
 - Roads: £2,806.9m
 - Aviation, maritime & security: £494.1m
 - Buses: £486.9m
 - Local Authority Transport: £377.6m
 - High Speed Two: £356.4m
 - Central administration & ALBs: £281.4m
 - Sustainable travel: £114.1m

Investment spending (Capital DEL)

- DfT's investment budget is £18,063.8 million.
- Initial budgets for 2020-21 include:
 - Railways: £5,431.8m
 - High Speed Two: £4,768.0m
 - Roads: £4,638.5m
 - Local Authority Transport: £2,616.4m
 - Sustainable travel: £617.4m
 - Transport Development Fund: £430.7m
 - Aviation, maritime & security: £137.6m
 - Central administration & arms length bodies: £135.5m

DFT: challenges in 2020-21 and beyond

Response to Covid-19

All modes of transport have been affected by Covid-19. Additional funding has been needed to maintain core train and bus services with much reduced fare revenues. DfT's income from tolls and rail companies has also reduced.

As the government starts to ease the lockdown, the effects on transport will continue.

Airports, airlines and other aspects of the aviation industry, as well as ferry services have also been severely financially affected and may seek government support

High Speed Two (HS2)

In April 2020, 'Notice to proceed' was given on HS2. The initial stages of this construction project have been directly affected by Covid-19, and this may affect predicted timelines. In May 2020, an Independent Construction Commissioner, Sir Mark Worthington OBE, was appointed to improve engagement with communities, businesses and individuals, as well as overseeing decision making between HS2 Limited and contractors. The project remains controversial, with costs higher than originally estimated and timescales later than planned.

Road Investment Strategy 2 (RIS2)

Highways England is embarking on RIS2, where there are expectations that lessons learnt from RIS1 will be taken into account. This £27.4 billion programme includes the Stonehenge Tunnel and the Lower Thames Crossing, both of which are expected to generate a lot of public interest.

Decarbonising Transport

DfT plan to publish its decarbonisation plan in 2020. This is expected to set-out how DfT will achieve net zero transport emissions by 2050. Following Covid-19, there have been calls on government to use this opportunity to increase the use of cycling, and reduce the level of carbon emissions from commuting.

This strategy will need to consider the impact of aviation, recharging points for cars, cycle routes, and how to reduce car journeys.

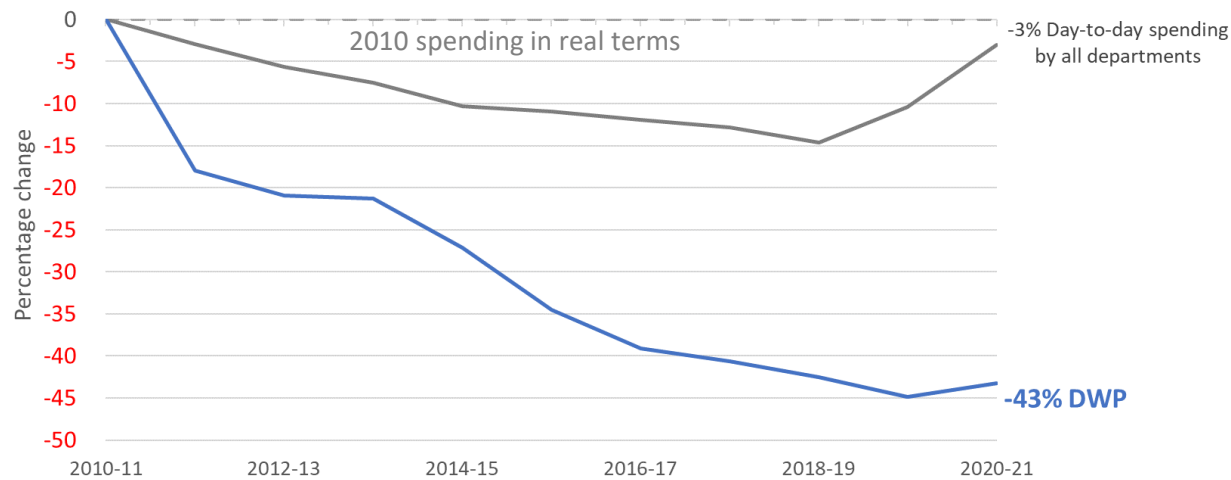
Ending the Transition Period

At the end to the Transition Period, DfT will have to ensure that it is ready for various scenarios. This will include working with Border Force to ensure appropriate controls for freight and passengers movements in and out of the UK by air, sea or rail.

Department for Work and Pensions

Long term trends in DWP's spending (in real terms)

Percentage change in day-to-day spending (excluding benefits & pensions) compared to 2010 (*Resource DEL*)



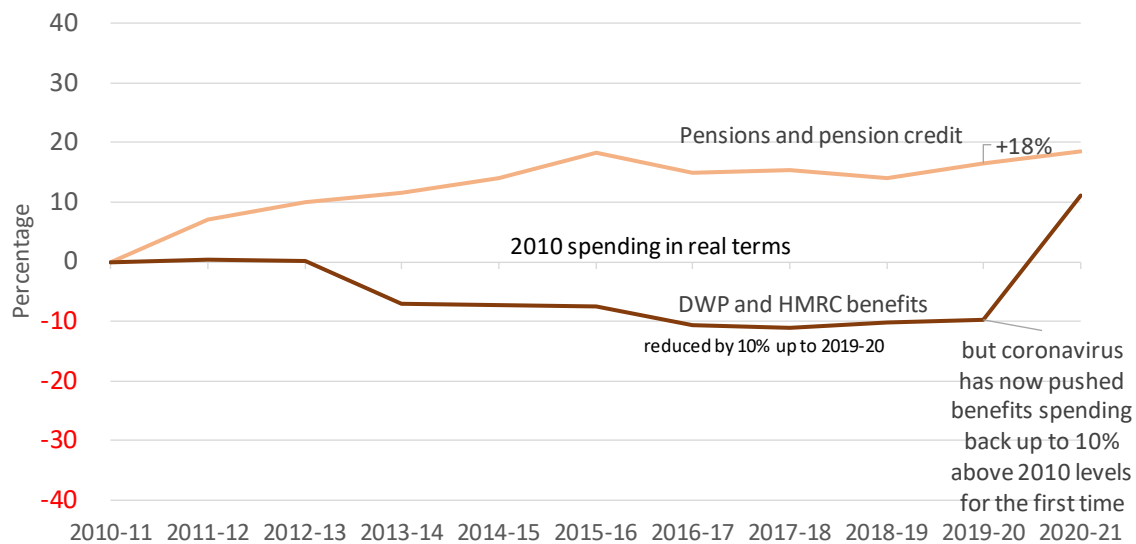
Day-to-day DEL spending (excluding benefits and pensions) trends:

- Overall day to day spending in DEL has reduced from £9.1 bn in 2010-11 to £5.9 bn in 2019-20
- Spending on employment programmes has also fallen from a peak of £1bn in 2013-14 to £0.2 bn in 2019-20

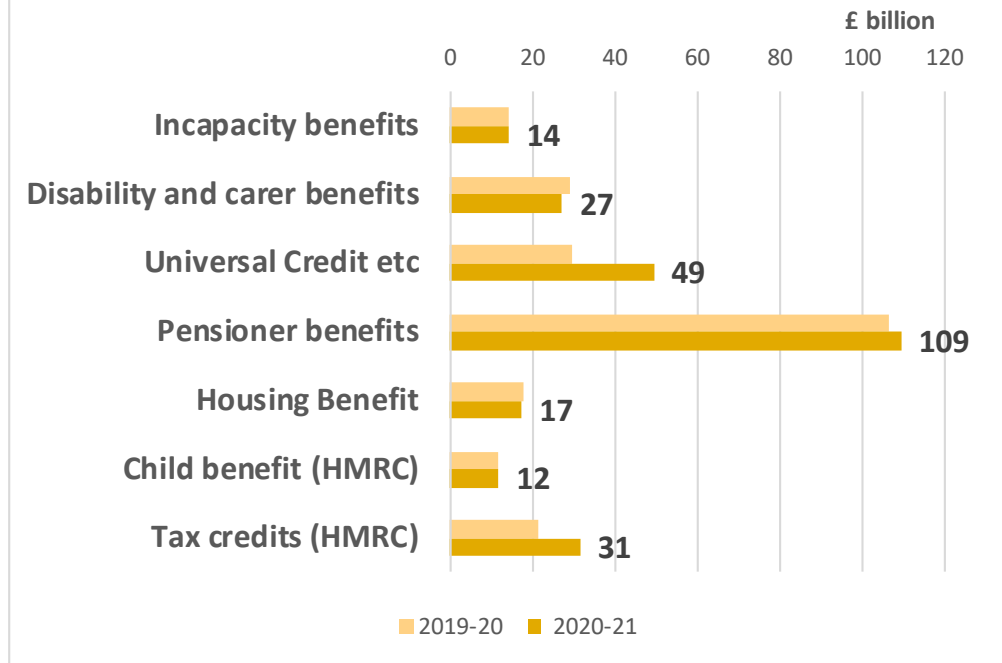
Pensions and benefits (AME) trends:

- Spending on pensions and benefits sits in the much bigger DWP Resource AME budget
- The 4 year freeze in rates of benefits has left those benefits 6% below the level they would have been has they been increased in line with inflation
- At the same time despite increases to state pension age, the increasing numbers of older people and the impact of the "triple lock" (uprating pensions by the higher of earnings, inflation or 2.5%) have led to pension costs increasing by 18% in real terms

Spending on pensions and benefits compared to 2010 (Resource AME)



Spending on Universal Credit and tax credits is forecast to rise significantly for 2020-21

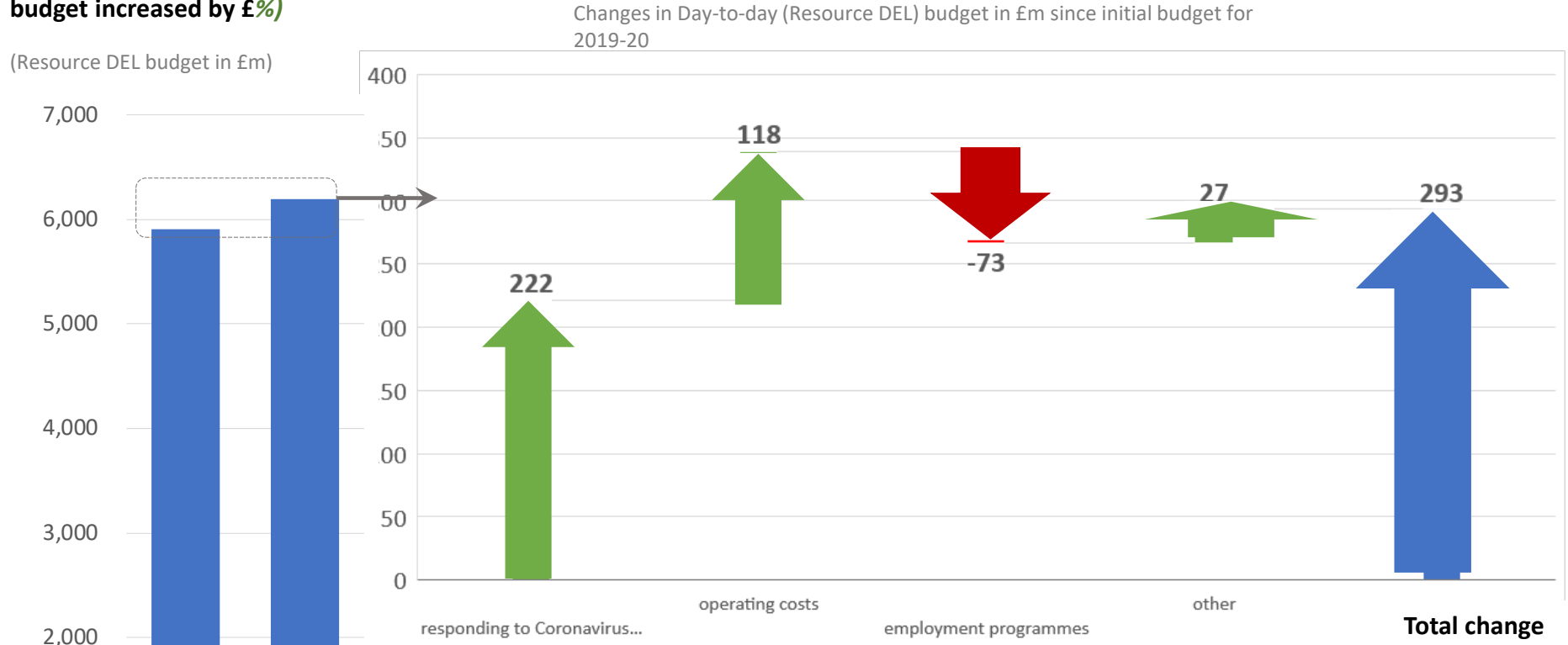


- **Spend on both Universal Credit and tax credits is rising significantly** as a result of the pandemic and its impacts on employment and income
- The four year freeze on working age benefit rates has come to an end. **Most benefits rose by 1.7 %** in April (Consumer price index). Benefits previously frozen would be about 6% higher in 2020-21 than they are if they had been uprated over the last 4 years
- In response to the coronavirus outbreak, the Government has
 - increased Universal Credit standard allowances;
 - Increased the Working Tax Credit basic element **by £20 a week** (just over £1,000 a year) and
 - **Reset the Local Housing Allowance rates** to the 30th percentile market rent in each area.
- **State pensions** continue to be protected by the “triple lock” leading to a rise of **3.9 %** in April (earnings growth)

How is DWP's day-to-day spending (excluding benefits) changing in 2020-21?

DWP admin and employment budget increased by £%

Spending on administration rises with increased volume of claims in the light of coronavirus



Changes in 2020-21

- An additional £166 million is planned in help administer additional Coronavirus spending measures, and £56 million for a Shielding Helping Contact Centre
- Ordinary operating costs are also planned to rise by £118 m
- Spending on employment programmes has reduced- the new Work and Health programme is a smaller programme DWP says future employment programmes will likely need to be tied into future economic recovery work, given the completely different economic situation and unemployment levels

is 2019-20 (Feb 2020)
 - initial budget at initial estimates 2020-21 (May 2020)



DWP: challenges in 2020-21 and beyond

Volume of claims and migration to Universal Credit

- Dealing with the growth in claimants following the lockdown and ensuring claimants receive the support they need
- Managing the continued transition to Universal Credit

Employment

- Supporting people back into work and to learn new skills
- Providing suitable employment programmes at the required scale in the light of a subsequent likely recession, including enabling young people to enter the workforce

Benefits for people with disabilities

- Addressing continuing concerns about fairness of assessments for people with disabilities and incapacity

Addressing inequality and poverty

- Reducing child poverty
- Addressing inequalities in employment between disadvantaged groups

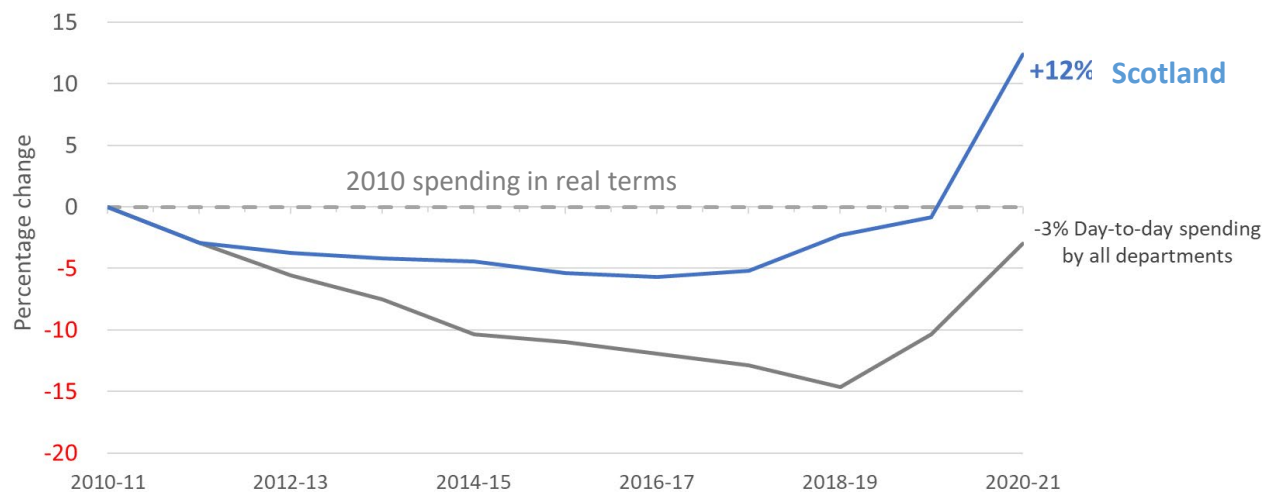
Managing costs and minimising fraud and error

- Managing the costs of welfare and pensions, and the need to reduce currently high rates of fraud and error
- Achieving a suitable balance between the needs of pensioners and the cost burden on society in general, as the population ages.

Grant to Scottish Government and Scotland Office funding

Long term trends in Scottish government's day to day funding (in real terms)

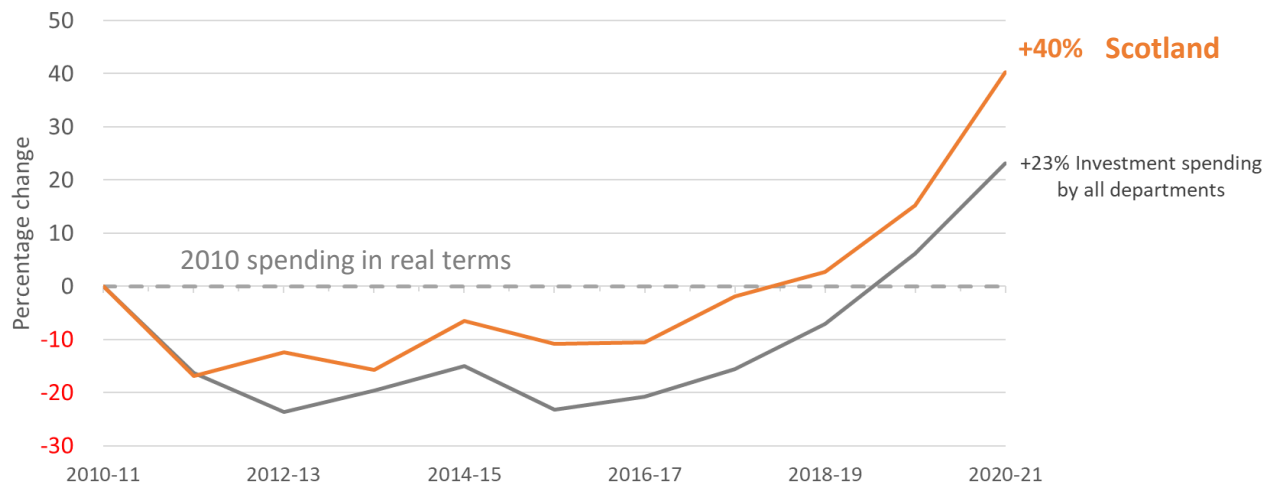
Percentage change in Day-to-day funding compared to 2010 (Resource DEL):



Day-to-day funding trends:

- Funding for day to day spending for Scotland **reduced in real terms between 2010-11 and 2019-20 before rising in 2020-21**
- For devolved functions, where extra money is allocated to England in Spending Reviews and budgets by the UK government, the Scottish government receives an equivalent share (under the “Barnett formula”). Where functions are not devolved, the Scottish govt’s funding is not affected
- Some additional funding outside of the Barnett arrangements, such as **post-EU Exit Farm Support** funding has also been provided, **boosting Scotland’s funding above** what it would otherwise have been.

Percentage change in Investment funding compared to 2010 (Capital DEL):

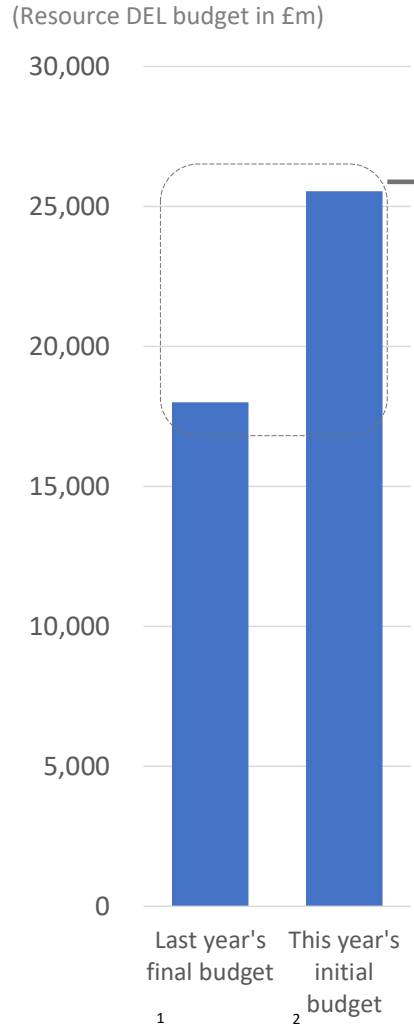


Investment funding trends:

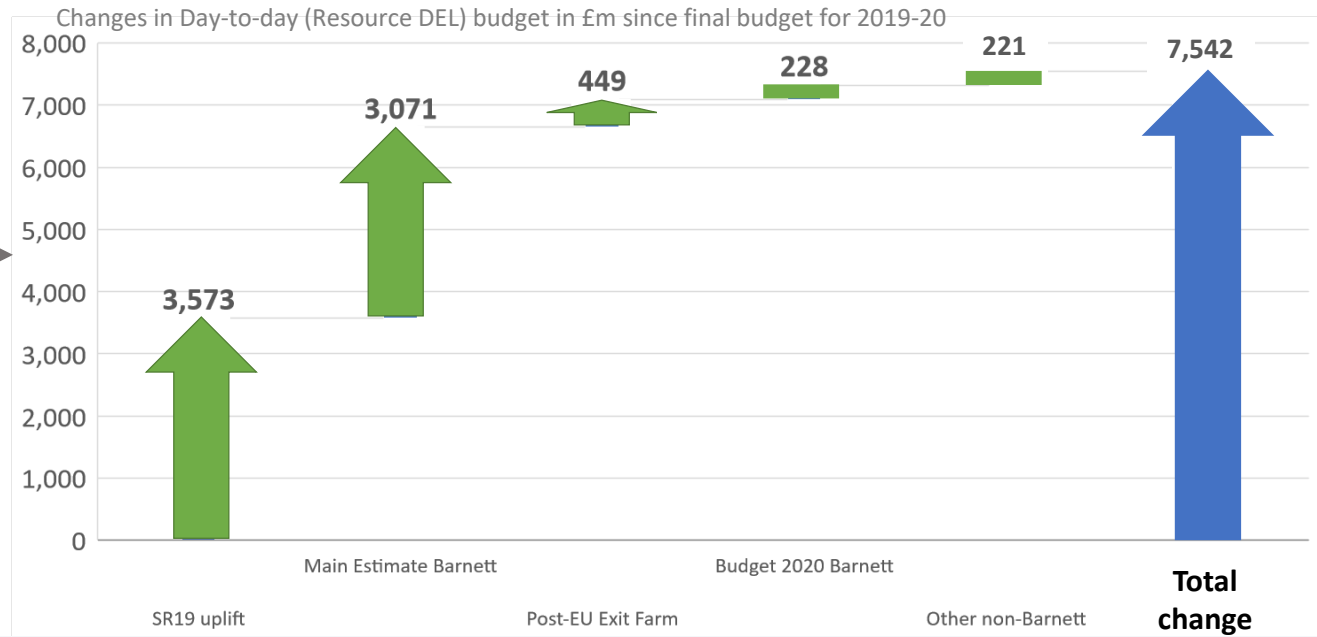
Funding for investment is similarly **affected by UK spending decisions and whether funding goes to devolved or non-devolved functions**. For instance, more UK investment spending on defence does **not** benefit Scotland budgets as **defence is a non-devolved function**, whereas **more UK funding on health does**.

How is day-to-day funding for the Scottish Government changing in 2020-21?

Scotland day-to-day budget increased by £7,542m (+41.9%)



Scotland's significant increase is driven by Barnett Consequentials, including those arising from COVID-19



In-year changes

- In line with the rest of the UK, Scotland saw a £3.6 billion uplift at the 2019 Spending Round, which accounts for nearly half of the total £7.5 billion uplift.
- Since then, Scotland has received a large number of Barnett Consequentials announced across the Main Estimate (£3,071 million) and the March 2020 Budget (£228 million). The largest driving factor for this is funding announced as part of the UK's COVID-19 response, which in Scotland resulted in **£3,063 million in Barnett Consequentials**, including:
 - £1,129 million of Barnett Consequentials in respect of Business Rates measures; and
 - £1,206 million in respect of the Small Business Grants Fund
- This funding allows the Scottish government to provide its own support for business, or to use on any other devolved functions
- The UK Government's commitment to maintain farm support for the duration of the parliament following EU Exit led to £448 million of additional funding for Scotland at the Main Estimate.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)
² Final budget at Main Estimates 2020-21 (May 2020)

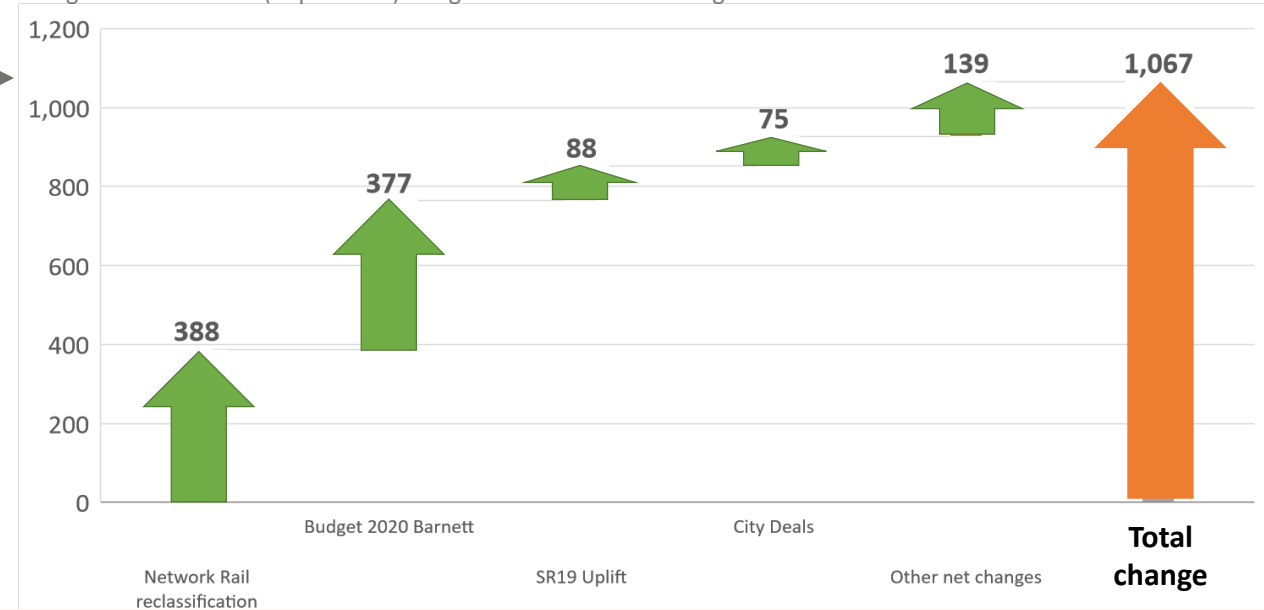
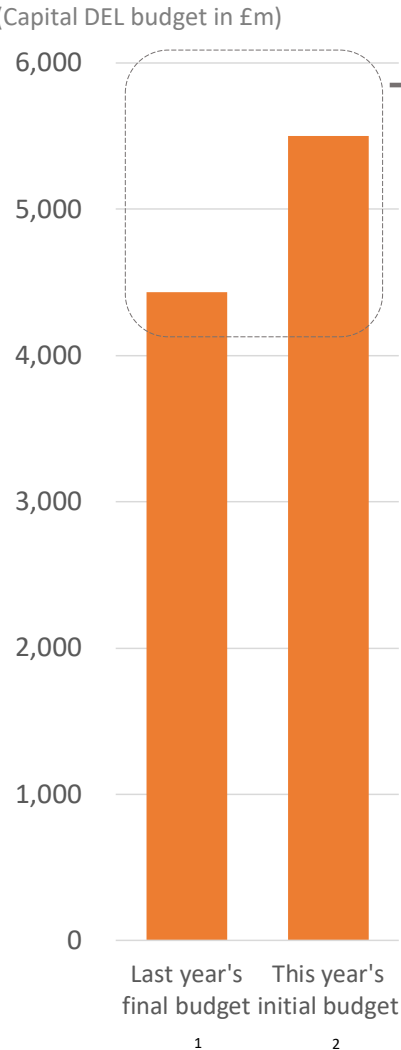


How is investment funding for the Scottish Government changing in 2020-21?

Scotland investment budget increased by £1,066.5m (+24.1%)

A budget re-classification of Network Rail funding and significant Budget 2020 infrastructure related Barnett Consequentials were the main drivers of Scotland's investment funding increase

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



In-year change to investment spend

- The single biggest change relates to a budget re-classification of **£388 million Network Rail** Funding.
- The 2020 Budget, which contained substantial additional funding for investment and infrastructure projects, resulted in £377 million of Barnett Consequentials. Significant amounts for Scotland include:
 - **£112 million** of Health & Social Care Funding
 - **£97 million** to improve building safety
 - **£63 million** transport funding
- The 2019 Spending Round resulted in an £88 million uplift.
- Scotland received **£75 million** additional funding for City Deals for Inverness, Aberdeen, Edinburgh, Tay and Stirling and Clackmannanshire.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What the UK Estimate for Scotland includes:

To the Scottish Government

Cash grant to the Scottish Government

£28,405.4 million (+£8,540.7 million compared to last year's final budget)

This is the sum of

- Funding for day to day spending (Resource DEL)
- Funding for investment spending (Capital DEL)
- Adjustments to reflect differences between spending and cash (timing differences, debtors, creditors, and non-cash spending such as depreciation and write downs)

In April 2020, around £3billion of welfare benefits were devolved to the Scottish Government which has driven a large proportion of the increase. This includes Personal Independence Payments, Disability Living Allowance, Attendance Allowance, Severe Disablement Allowance and Industrial Injuries Disablement Benefit.

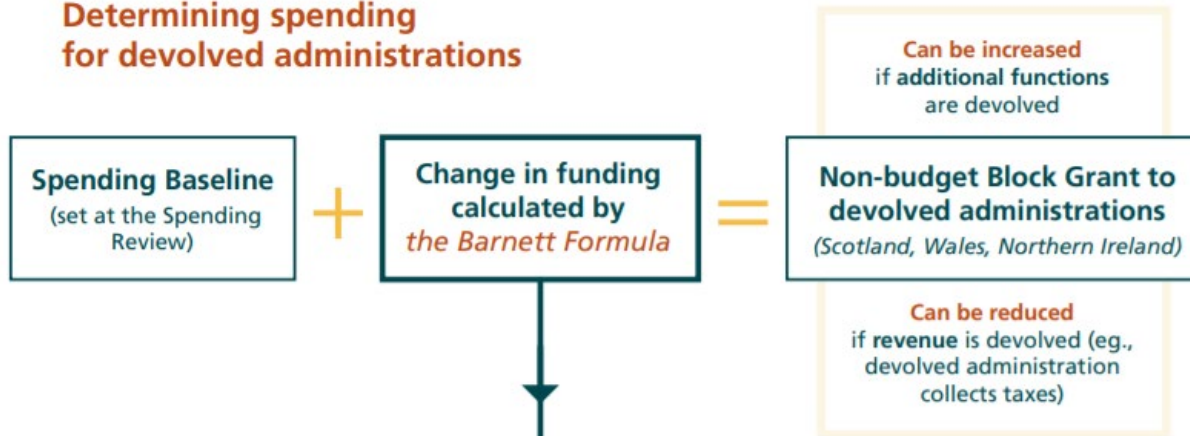
To the Scottish Office

- *Day to day spending (Resource DEL) : £10.7 million (-£1.3 million compared to last year's final budget)*
- *Investment spending (Capital DEL): £0.05 million (-£0.44 million compared to last year's final budget)*




The key drivers of this relative reduction are:





- The Main Estimate does not include the funding for VAT of staff salaries which did not form part of the Spending Review Settlement, but is expected to be the subject of a bid at Supplementary Estimates later in the year; and
- The Supplementary Estimate provision for 2019-20 is inflated since the provision included additional funding relating to the Departments IT Transition and move the UK Government Hub in Edinburgh.

Determining spending for devolved administrations



The Barnett Formula
Example for Scotland:

 Increase of £100m in UK Departments' Resource DEL budget
 
 25% are UK reserved functions
75% relates to functions which are devolved;

 75% of £100 million
 
 Population share (compared to England or England and Wales)
  Extra £7.388m to Scottish Government

9.85% (Scotland's population compared to England)

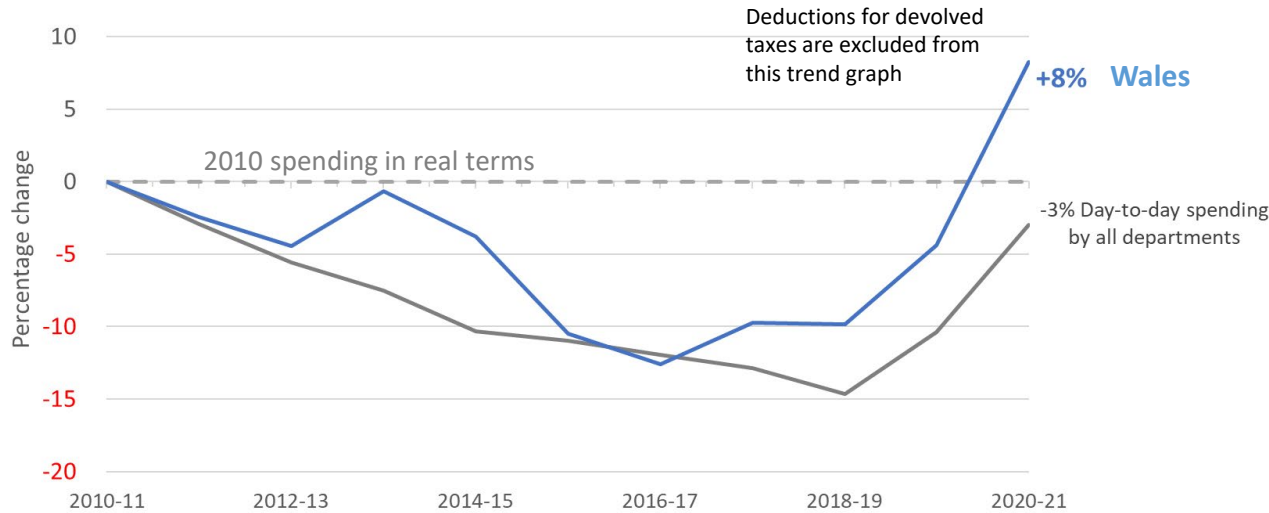
 These funds can be spent on any devolved function

Block grant adjustments: in addition block grant adjustments are made: reductions where taxes are devolved or additions where welfare is devolved.

Grant to Welsh Government and Wales Office funding

Long term trends in Welsh government funding (in real terms)

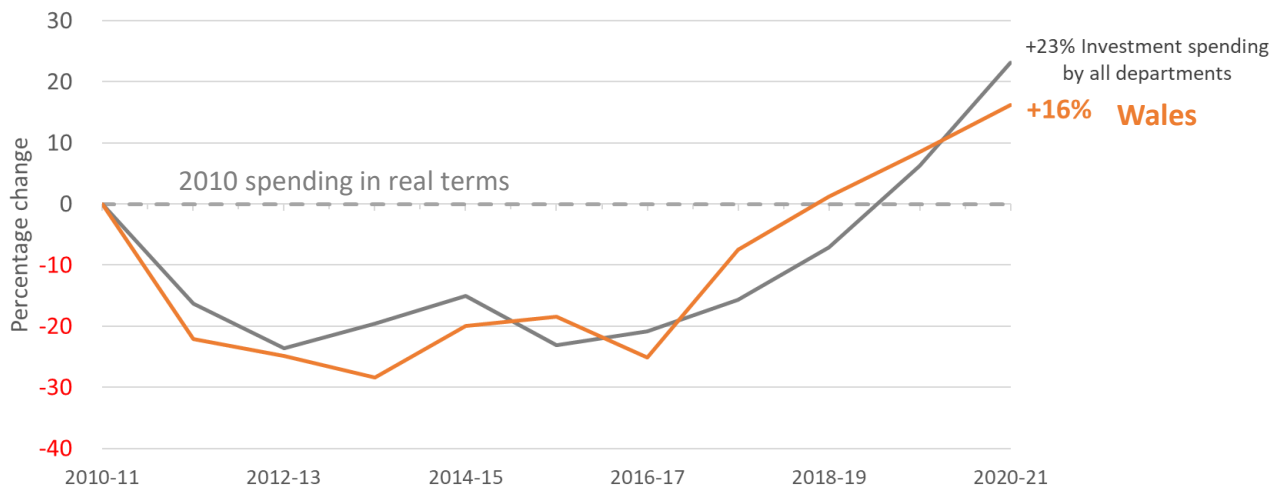
Percentage change in Day-to-day funding compared to 2010 (*Resource DEL*):



Day-to-day funding trends:

- Since 2010 funding for day to day spending for Wales initially fell **less fast than overall UK govt spending in real terms** and has since risen sharply is for **the first time above the 2010 levels**. Changes, through the Barnett formula, largely reflect **where the UK Government has decided to allocate money**, and whether it is to functions that are **devolved** in Wales. The percentage change also reflects **the size of changes** in relation to the relative sizes of existing UK and Welsh govt budgets.
- Some additional funding outside of the Barnett arrangements, such as **post-EU Exit Farm Support**, has also been provided, **boosting Wales' funding** above what it would otherwise have been

Percentage change in Investment funding compared to 2010 (*Capital DEL*):



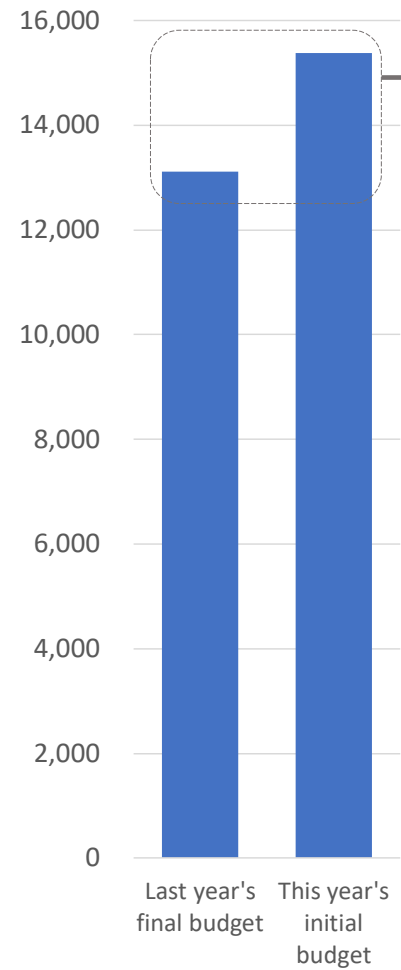
Investment funding trends:

Funding for investment is **similarly affected by UK spending decisions** and whether funding goes to **devolved or non devolved functions**. For instance, **more UK investment spending on defence does not benefit Welsh budgets as defence is a non devolved function**, whereas **more UK funding on health does**.

How is day to day funding for the Welsh Government changing in 2020-21?

Wales day-to-day budget increased by £2,258.6m (+17.2%)

(Resource DEL budget in £m)

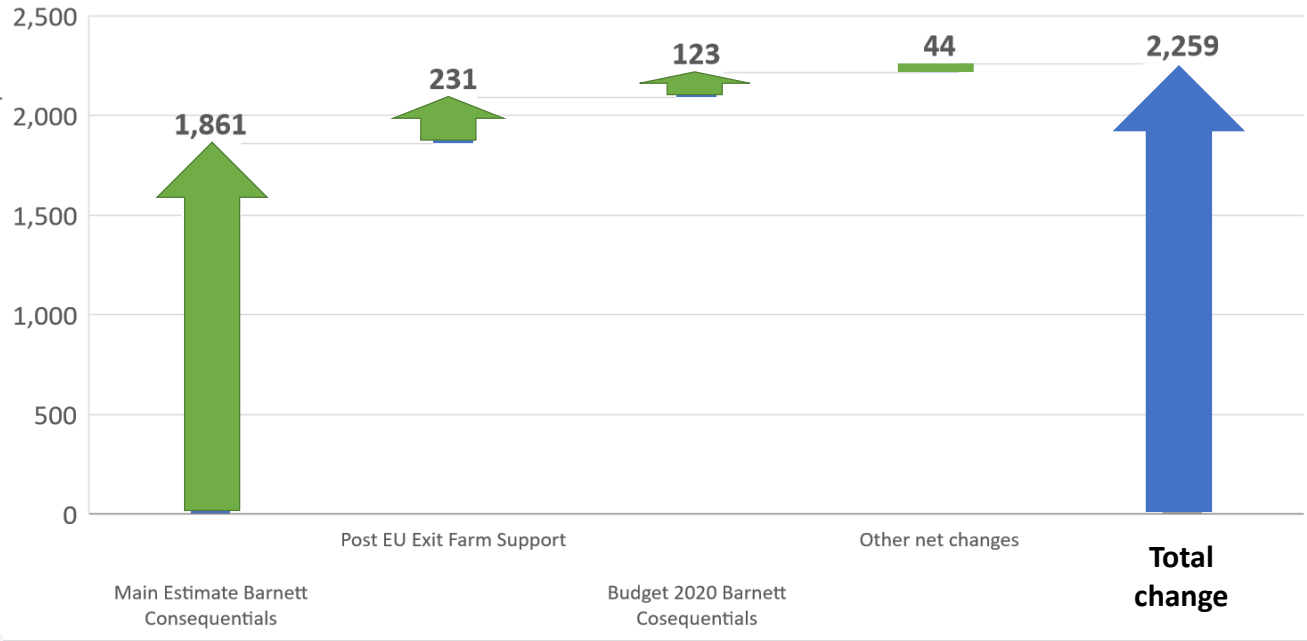


1

2

Barnett consequentials arising from UK government support for business should enable the Welsh government to provide similar support

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2019-20



In-year changes

Almost all of the significant uplift to Wales' day-to-day budget is driven by Barnett Consequentials at the Main Estimate (£1,861 million) and 2020 Budget (£123 million). This in turn is driven by funding associated with the UK's response to COVID-19. For Wales, this has included:

- £731 million Small Business Grants Fund;
- £684.2 million Business Rates funding

This allows the Welsh government to provide its own support for business, or to use on other devolved functions.

The UK Government's commitment to maintain farm support for the duration of the parliament following EU Exit led to £231 million of additional funding for Wales at the Main Estimate.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

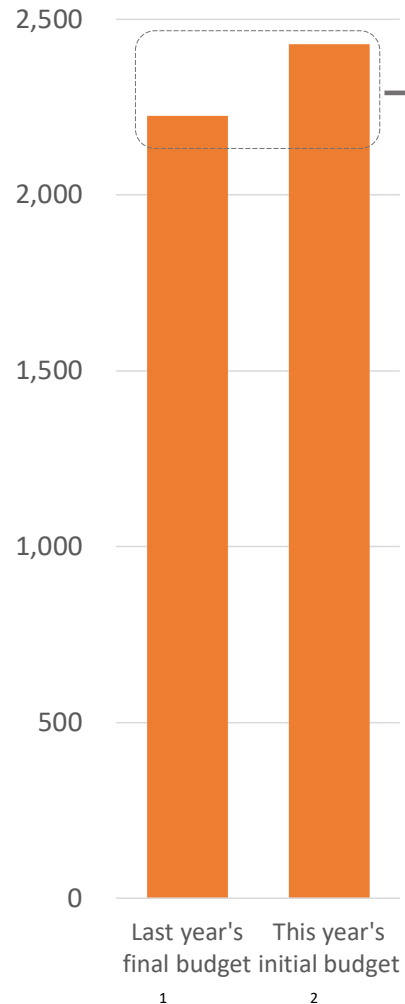
² Final budget at Main Estimates 2020-21 (May 2020)



How is investment funding for the Welsh government changing in 2020-21?

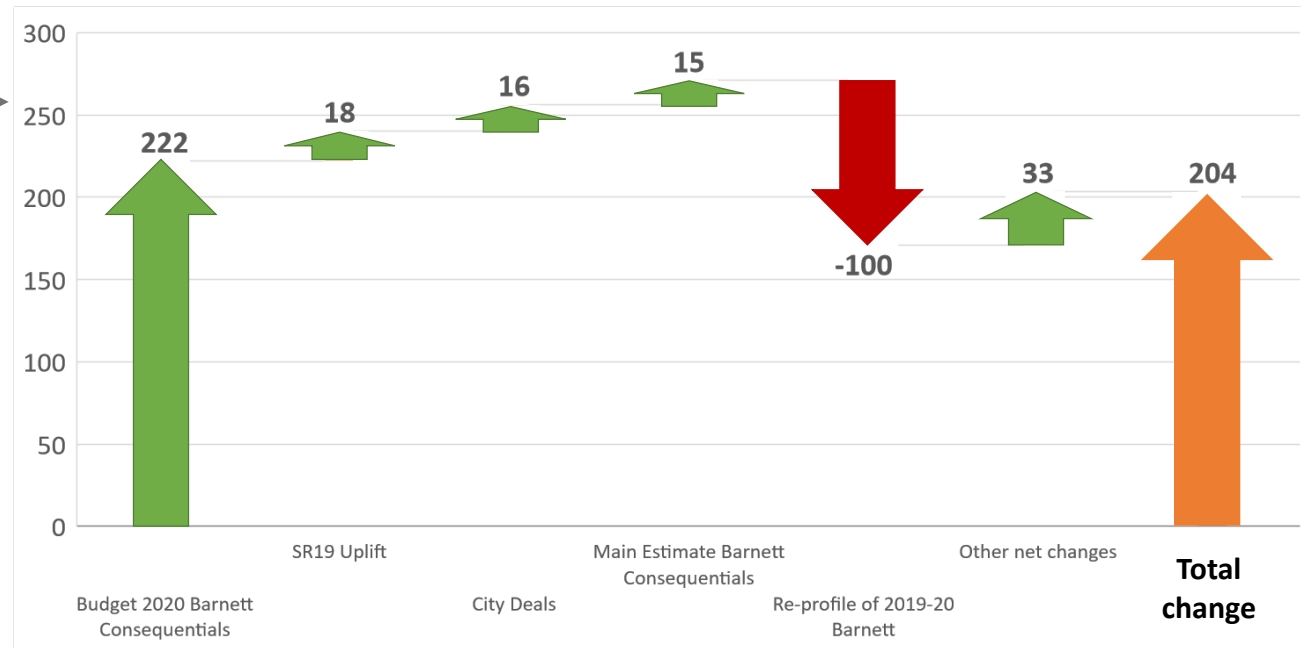
Wales' investment budget increased by £203.5m (+9.1%)

(Capital DEL budget in £m)



The 2020 Budget contained significant funding for investment projects, which resulted in Budget Consequentials for Wales

Changes in Investment (Capital DEL) budget in £m since final budget for 2019-20



In-year changes

- Budget 2020 Barnett Consequentials include:
 - £68 million health and social care funding
 - £59 million for building safety
 - £38 million in transport funding
 - £23 million research funding
- The Swansea City Deal and North Wales Growth Deal each received £8 million each, resulting in an uplift of £16 million.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What the UK Estimate for Wales includes:

To the Welsh Government

Cash grant to the Welsh Government

£16,430.6 million (+£2,582 million compared to last year's final budget)

This is the sum of

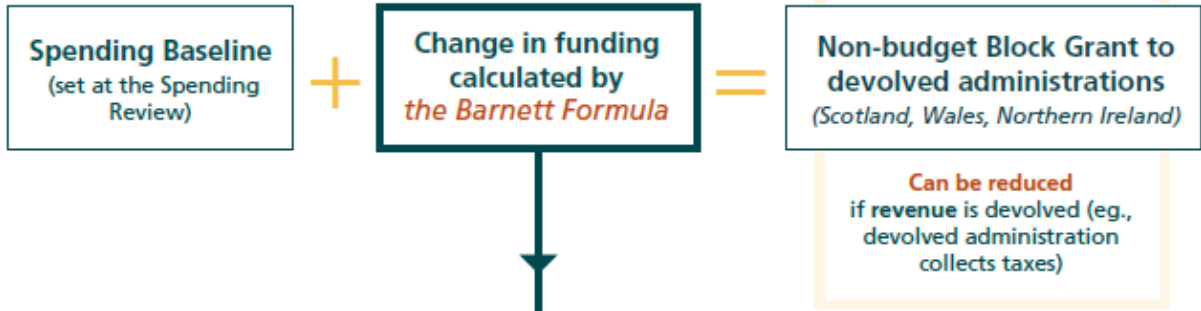
- Funding for day to day spending (Resource DEL)
- Funding for investment spending (Capital DEL)
- Adjustments to reflect differences between spending and cash (timing differences, debtors, creditors, and non-cash spending such as depreciation and write downs)

To the Wales Office

- *Day to day spending (Resource DEL) : £5.2 million (+£0.12 million compared to last year's final budget)*
- *Investment spending (Capital DEL): £0.03 million (-£0.02 million compared to last year's final budget)*

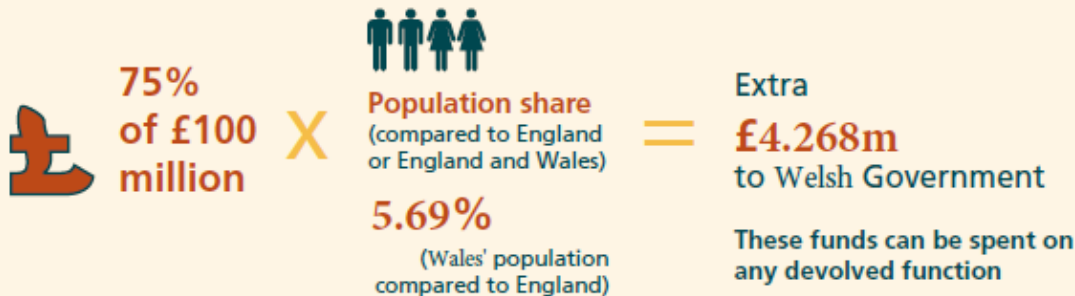
The RDEL budget increased by £0.12 million in comparison to 2019-20. The increase in funding was due to increased budgetary cover for annual staff pay awards, and higher depreciation charges due to the increase in the value of the department's asset base.

Determining spending for devolved administrations



The Barnett Formula

Example for Wales:

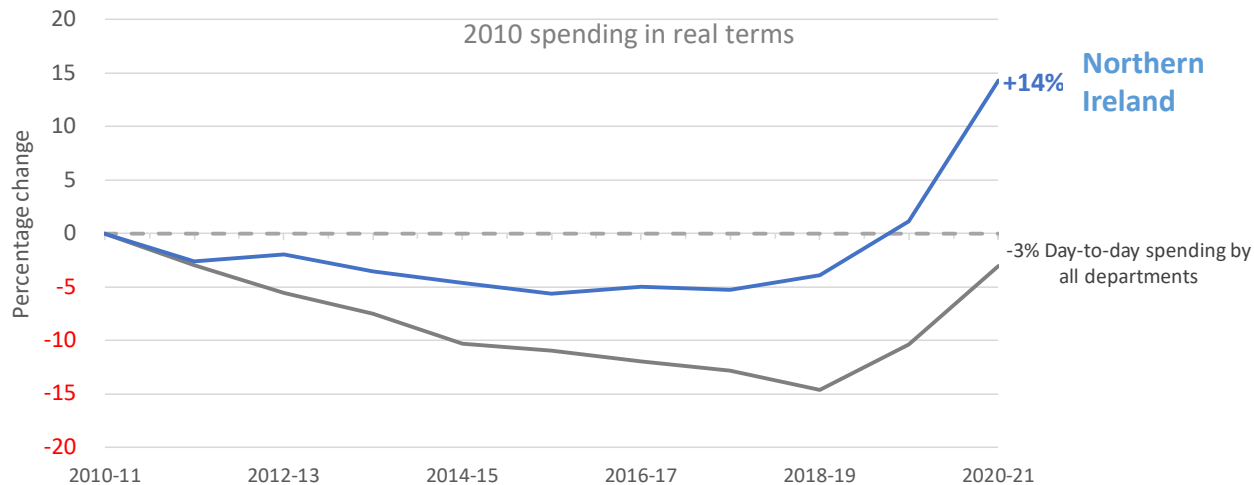


- ✓ A new **needs-based factor** was included in the Barnett Formula from 2018-19 to determine changes to Welsh Government block grant funding.
- ✓ A **transitional factor of 105%** boosts the money provided through the Barnett formula to the Welsh government **by a further 5%**.

Grant to Northern Ireland Executive, and Northern Ireland Office funding

Long term trends in Northern Ireland Executive funding (in real terms)

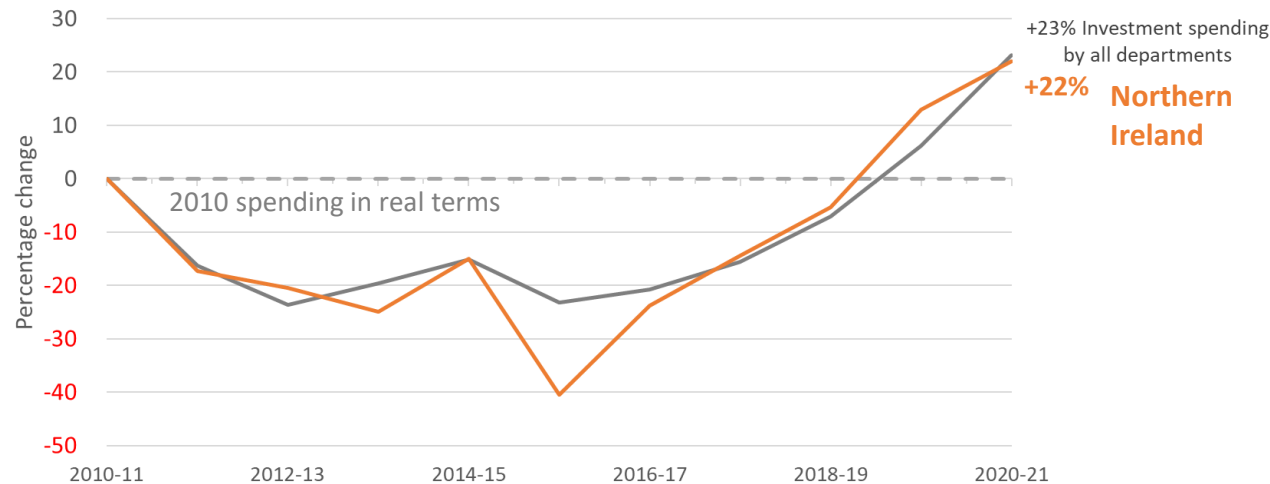
Percentage change in Day-to-day funding compared to 2010 (*Resource DEL*):



Day-to-day funding trends:

- Funding for day-to-day spending for NI **has fallen slower than overall UK gov't spending in real terms**, and as of the 2019-20 once again reached 2010 levels. Changes, through the Barnett formula, largely reflect where the UK Government has decided to allocate money, and whether it is to functions that are devolved in NI.
- Some additional funding outside of Barnett, such as **the extra funding under the Confidence and Supply agreement, City Deals and Fresh start** has also been provided, boosting NI's funding above what it would otherwise have been.

Percentage change in Investment funding compared to 2010 (*Capital DEL*):



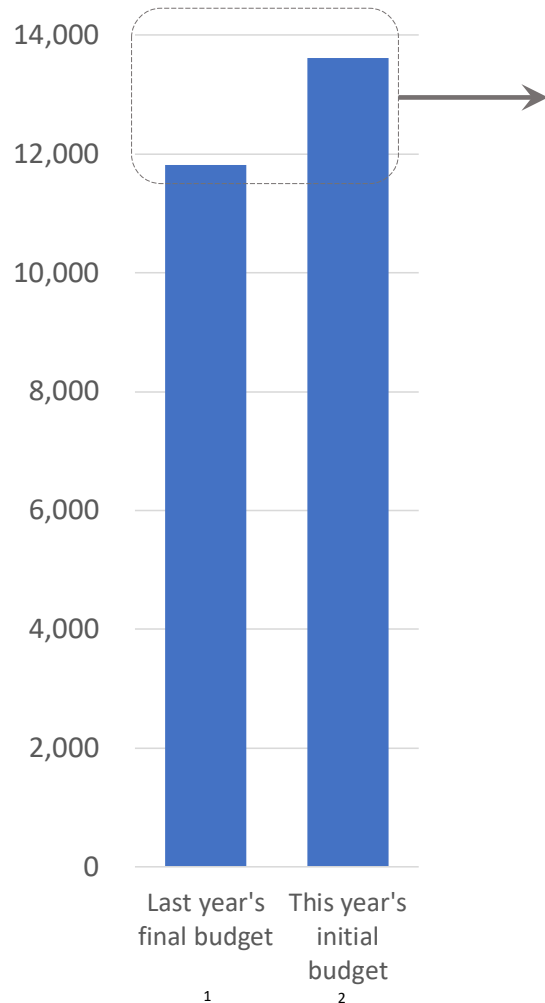
Investment funding trends:

- Funding for investment **is similarly affected by UK spending decisions and whether funding goes to devolved or non devolved functions.**
- For instance, more UK investment spending on **defence** does **not** benefit NI budgets as **defence is a non devolved function**, whereas **more UK funding on health** does.

How is day to day funding for the Northern Ireland Executive changing in 2020-21?

Northern Ireland's day-to-day budget increased by **£1,800.8m (+15.3%)**

(Resource DEL budget in £m)



Barnett Consequentials from COVID-19 funding are the single largest increase to NI's budget

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



Changes in 2020-21

- The majority of the uplift to the day-to-day budget is driven by Barnett Consequentials at the Main Estimate (£1,041 million) and 2020 Budget (£77 million). This in turn is driven by funding associated with the UK's response to COVID-19. For Northern Ireland, this has included:
 - £407 million Small Business Grants Fund;
 - £433 million Business Rates funding;
- This funding allows the NI Executive to provide its own support for business, or to use on any other devolved functions

New Decade, New Approach – the initiative to restore the Executive in NI – received an additional **£483 million**.

The UK Government's commitment to maintain farm support for the duration of the parliament following EU Exit led to £231 million of additional funding for Northern Ireland at the Main Estimate.

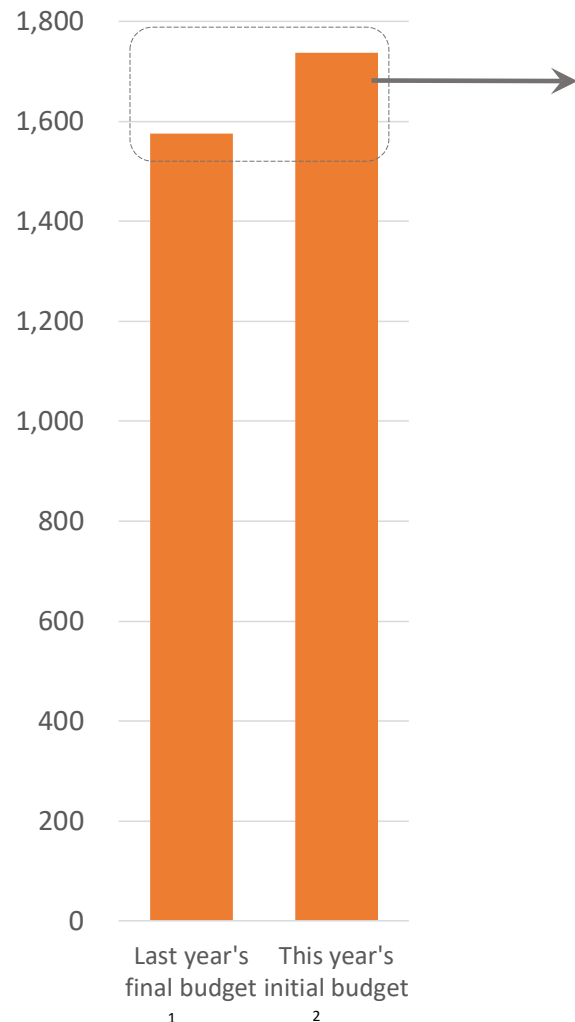
¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

How is investment funding for the Northern Ireland Executive changing in 2020-21?

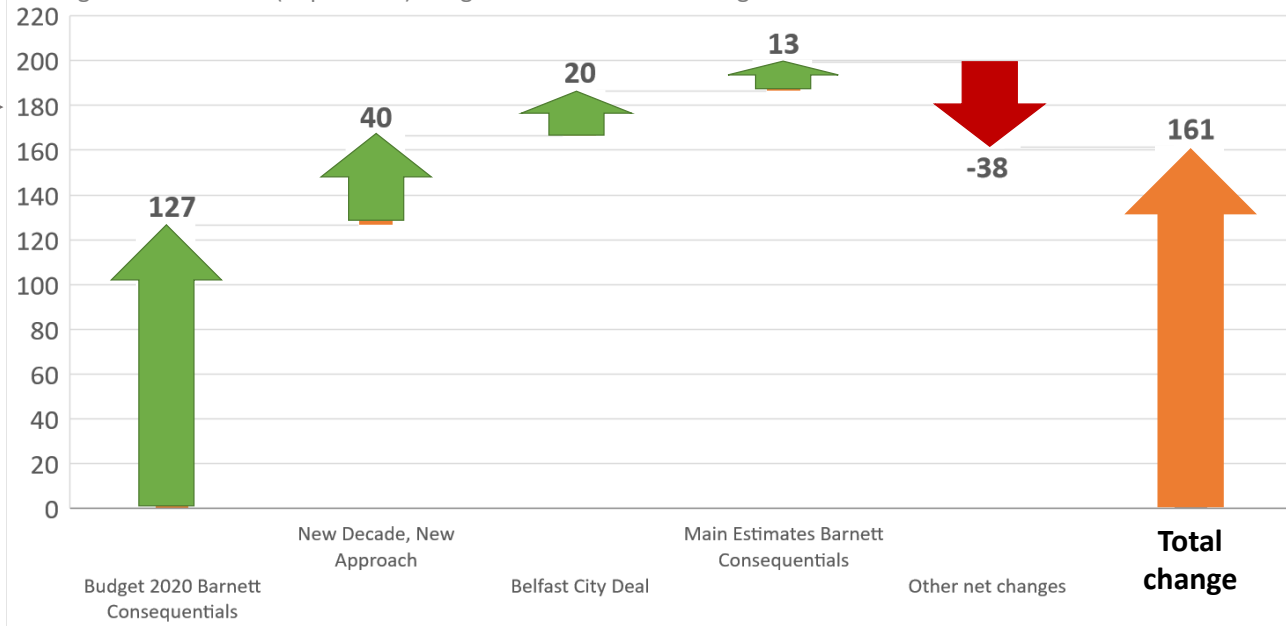
Northern Ireland's investment budget increased by £161.2m (+10.2%)

(Capital DEL budget in £m)



Significant extra funding for investment projects, announced in the March 2020 Budget, have boosted Barnett Consequentials for Northern Ireland

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



In-year changes

- Budget 2020 Barnett Consequentials include:
 - £38 million health and social care funding
 - £33 million for building safety
 - £21 million in transport funding
 - £13 million research funding
- The New Decade New Approach received £40 million.
- The Belfast City Deal received £16 million.

¹ Initial budget at Supplementary Estimates 2019-20 (Feb 2020)

² Final budget at Main Estimates 2020-21 (May 2020)

What the UK Estimate for Northern Ireland includes:

To the Northern Ireland Executive

Cash grant to the Northern Ireland Government: **£22,602.9 million (+£5,714.6 million compared to last year's final budget)**

This is the sum of

- Funding for day to day spending (Resource DEL)
- Funding for investment spending (Capital DEL)
- Adjustments to reflect differences between spending and cash (timing differences, debtors, creditors, and non-cash spending such as depreciation and write downs)

To the Northern Ireland Office

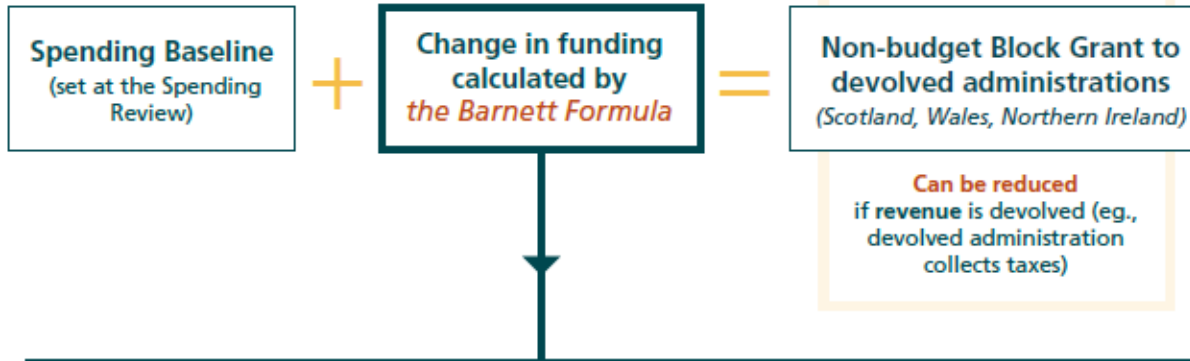
- Day to day spending (Resource DEL) : **£24.2 million (-£16.4 million compared to last year's final budget)**
- Investment spending (Capital DEL): **£0.3 million (-£0.5 million compared to last year's final budget)**

The 2019-20 final budget contained funding to deliver the 2019 General Election, however there is no equivalent funding in the 2020-21 Main Estimate as no elections are expected. Other areas where there was additional funding in 2019-20 but there is no equivalent funding in 2020-21 include:

- £0.4 million in running costs of the Independent Reporting Commission (IRC) set up under the Fresh Start Agreement;
- £3.7 million for additional pressures arising from preparations for EU Exit and the lack of an Executive, provided at supplementary estimates in 2019-20; and
- £3.5 million for “pressures faced by the Department due to a substantial change in the circumstances and environment in which the Department was operating compared to the situation when baselines were set in SR2015”.

Historically, because the NI assembly did not meet, the Westminster Parliament had the power to authorise, **through separate legislation**, how the funding provided for the Northern Ireland government was to be spent. As the NI Assembly has now re-formed, this will no longer apply.

Determining spending for devolved administrations



The Barnett Formula

Example for Northern Ireland:

