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AUTUMN BUDGET AND SPENDING REVIEW 2021

A STRONGER ECONOMY FOR THE BRITISH PEOPLE

HC 822

October 2021

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House of Lords by Command of Her Majesty.

Lucy Frazer
Her Majesty's Treasury
27 October 2021

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Executive summary

Autumn Budget and Spending Review 2021 takes place as the country focuses on recovering from a period of unparalleled global economic uncertainty and challenge to move towards a more promising future. The successful vaccination programme and the government's economic plan have led to faster than anticipated growth, and a strong recovery in employment across the country.

With the economic recovery underway and emergency support winding down, the Budget and SR sets out the government's plans to build back better over the rest of the Parliament. It does so by investing in strong public services, driving economic growth, leading the transition to net zero, and supporting people and businesses.

At the heart of these plans is the government's ambition to level up, reducing regional inequality so that no matter where in the UK someone lives, they can reach their full potential, find rewarding work and take pride in their local area.

Spending Review 2021 (SR21) sets departmental budgets up to 2024-25. Every department's overall spending will increase in real terms as a result of SR21, and over this Parliament,[1] allowing for the additional provision that the government has set aside to take Official Development Assistance (ODA) to 0.7% of Gross National Income (GNI) in 2024-25. Total departmental spending is set to grow in real terms at 3.8% a year on average over this Parliament – a cash increase of £150 billion a year by 2024-25 (£90 billion in real terms). This is the largest real-terms increase in overall departmental spending for any Parliament this century. This includes taking forward plans to deliver over £600 billion of public sector gross investment over this Parliament.

Taxpayers' money will be spent where it makes the most difference to people's daily lives: creating high-wage and high-skilled jobs, reducing NHS waiting lists, putting more police on the streets, upgrading roads and railways, and building new homes, hospitals and schools.

The pandemic has demonstrated the risk of unforeseen shocks and there remains uncertainty around the path of the virus. The government is acting responsibly and ensuring the public finances are on a sustainable path, so these risks can continue to be managed into the future. The Budget and SR announces new fiscal rules that will allow the government to continue funding first-class public services and drive economic growth through record investment, while ensuring that debt falls over the medium term.

The economic context

Thanks to the government's vaccine programme, the pandemic support provided to families and businesses, the underlying resilience of the economy, and the Plan for Jobs, the UK economy has seen faster than anticipated growth after the largest recession on record[2].

[1] "Over this Parliament" refers to the period from financial years 2019-20 to 2024-25.

[2] 'Plan for Jobs', HM Treasury, July 2020

The government took unprecedented action to support jobs, public services and businesses throughout the pandemic. Overall, this government has provided £378 billion of direct support for the economy over the last year, including the Coronavirus Job Retention Scheme, which supported 11.7 million jobs in total.[3] Government action has led to a strong recovery in the labour market across every part of the UK, and the pandemic is now expected to have a smaller long-term effect on the economy than previously anticipated. Following the transition away from emergency economic support, the Budget and SR focuses on economic recovery.

At the same time, the easing of restrictions and the rapid return of economic activity globally has led to a substantial rise in commodity and raw material prices, as demand for inputs has outpaced production. The government is taking action to help firms tackle supply chain issues and labour market shortages, including by helping people into work and helping businesses get the skills they need through the Plan for Jobs.

Alongside these global supply issues, increases in transportation and energy costs have also pushed up inflation in many advanced economies, including in the UK, and the OBR expects inflation to remain elevated across 2022 and 2023. The government is committed to price stability and the Chancellor has re-affirmed the Bank of England's 2% consumer price inflation target at the Budget. The strong recovery in the labour market has been accompanied by rising wages, which has helped to support household living standards in the face of price rises.

The public finances

The recovery and the action taken by the government over the past year means that the public finances are stronger than expected in the OBR's March forecast.[4] However, while the costs of inaction would have been far greater, borrowing and debt remain at historically high levels.

This additional borrowing is currently affordable, but there are significant risks associated with elevated levels of debt – including the increased sensitivity of the public finances to changes in interest rates and inflation. The fiscal impact of a one percentage point rise in interest rates in the next year would be six times greater than it was just before the financial crisis, and almost twice what it was before the pandemic.[5] Taxpayer money spent servicing debt is money which could have been invested in public services.

That is why the government has taken early action to repair the public finances. This has included taking difficult but responsible decisions to raise taxes to ensure sustainable public finances and deliver the long-term funding needed for public services.

The government's commitment to sustainable public finances over the medium term is underpinned by new fiscal rules. These ensure that the government's spending plans are consistent with reducing debt from its historically high level. The OBR forecast confirms the fiscal mandate is met with debt as a proportion of GDP falling from 2024-25. In addition, the current budget is in surplus in 2024-25, public sector net investment averages 2.7% of GDP over the rolling forecast period, and the welfare cap is met.

To deliver the government's priorities while meeting these fiscal rules, SR21 ensures that the government continues to spend taxpayers' money well. Decisions have been based on how spending will contribute to the delivery of each department's priority outcomes, underpinned by high-quality evidence. The government has also taken further action to drive out inefficiency; SR21 confirms savings of 5% against day-to-day central departmental budgets in 2024-25.

[3] 'Coronavirus Job Retention Scheme Statistics', HMRC, October 2021
[4] 'Economic and fiscal outlook', OBR, March 2021
[5] 'Fiscal Risks Report', OBR, July 2021.

Strong and innovative public services

The Budget and SR invests in the recovery, reform and resilience of the public services that people rely on, to ensure they are fit for the future and to drive up standards across the country.

SR21 confirms the government's historic investment in health and the NHS,[6] part-funded by the new Health and Social Care Levy. NHS England's day-to-day budget is set to grow by 3.8% on average in real terms over the SR21 period, ensuring it can tackle the elective backlog, deliver the Long Term Plan and has the resources to fight COVID-19.

SR21 goes further to transform and improve healthcare outcomes for people, with the highest real-terms core capital budget for health since 2010.[7] This will drive a step-change in quality and efficiency of care through £2.3 billion for increased diagnostic capacity and £2.1 billion to support the innovative use of digital technology. This will help hospitals and other care organisations be as connected and efficient as possible, freeing up valuable NHS staff time and ensuring the best care for patients wherever they are. This will be supported by funding to continue building a bigger and better trained NHS workforce, and the largest ever cash uplift for health R&D, which will support the UK's world-leading research to develop pioneering new treatments.

SR21 delivers significant support for pupils and teachers. It supports the government's commitment to level up education with an additional £4.7 billion by 2024-25 for the core schools budget in England, over and above the Spending Round 2019 (SR19) settlement for schools in 2022-23. It also reaffirms and expands support to recover children and young people's lost learning as a result of the pandemic, providing a new package of £1.8 billion over the SR21 period. This brings total investment specifically to support education recovery to £4.9 billion since academic year 2020/21.

To turn Generation Rent into Generation Buy, the government is building on existing commitments by confirming a nearly £24 billion multi-year settlement for housing. This includes up to 180,000 affordable homes through investment of £11.5 billion in the Affordable Homes Programme – the largest cash investment in a decade, with 65% of funding for delivery outside London. The government is also helping people to feel safe in their homes by confirming the commitment to unprecedented grant funding of over £5 billion to remove unsafe cladding from the highest-risk buildings, supported by revenues raised from the new Residential Property Developer Tax.

The Budget and SR provides significant support for the criminal justice system. To keep local communities safe, it funds the recruitment of the final 8,000 police officers to reach the government's commitment of recruiting 20,000 new officers by 2023. To ensure swift access to justice for victims, it provides almost £650 million additional funding by 2024-25 to manage the increased number of offenders being brought to justice by these officers; and almost £500 million over the next three years to address the courts backlog and start to reduce the waiting times caused by COVID-19.

Investing in growth

To deliver on the Prime Minister's vision for a high-wage, high-skilled, high-productivity economy, the government is putting its Plan for Growth into action, with significant investment in innovation, infrastructure and skills.[8]

[6] 'Build back better: our plan for health and social care', HM government, September 2021
[7] HMT analysis based on latest OBR GDP deflators and DHSC accounts
[8] 'Build back better: our plan for growth', HM Treasury, March 2021

Investment in R&D and innovation will help drive economic growth and create the jobs of the future. At the Budget and SR, the government is increasing public R&D investment to record levels: £20 billion by 2024-25. This is an increase of around a quarter in real terms over the SR period, and makes significant progress towards the government's ambition to spend £22 billion on R&D by 2026-27 and towards achieving the economy-wide target to invest 2.4% of GDP in R&D in 2027.

To help businesses access the funding they need to innovate and grow, in July the government launched the £375 million Future Fund: Breakthrough to increase the supply of growth-stage venture capital to UK-based R&D intensive companies. The government will consult on further changes to the regulatory charge cap for defined contribution pension schemes to unlock institutional investment to support some of the most innovative businesses.

In 2020, the government published the National Infrastructure Strategy.[9] Over the last year, through this strategy the government has already: overseen the launch of the UK Infrastructure Bank; confirmed a further 15 Towns Deals worth £335 million to revitalise towns across England; and provided £1.2 billion up to 2024-25 for gigabit broadband rollout across the UK. SR21 confirms a total of £100 billion of investment in economic infrastructure over the SR period.[10]

SR21 sets out plans to deliver infrastructure projects better, faster and greener. Connectivity across the country will be boosted through over £35 billion of rail investment over the next three years. Everyday journeys will be improved, through investing more than £5 billion over the Parliament in buses and cycling, and £5.7 billion of investment over five years in eight City Regions, including West Yorkshire, Greater Manchester, Liverpool City Region and the Tees Valley, through City Region Sustainable Transport Settlements.

To boost wages and prospects for all, total spending on skills will increase over the Parliament – by £3.8 billion by 2024-25 – equivalent to a cash increase of 42% (26% in real terms) compared to 2019-20. This funding will quadruple the number of places on Skills Bootcamps, expand the Lifetime Skills Guarantee on free Level 3 qualifications, and improve numeracy skills through the new Multiply programme. This is in addition to providing extra classroom hours for up to 100,000 T Level students. SR21 also confirms funding to open 20 Institutes of Technology and for upgrades to the Further Education college estate across England.

Apprenticeships funding will increase to £2.7 billion by 2024-25 – the first increase since 2019-20 – to support businesses to build the skilled workforce they need. Funding for the Help to Grow schemes will help SMEs improve their productivity through world-class management skills training and support for digital adoption.

Supporting people and businesses

The best way to help people to get on in life, and raise living standards across the UK, is to help people into work and to progress once in work. The Budget and SR builds on the success of the Plan for Jobs[11] by extending its most successful schemes, including: investment of over £900 million for each year of the SR on work coaches who will help jobseekers on Universal Credit move into work and progress once in work, and support for older workers via an enhanced 50+ offer.

To ensure that work always pays, the government is increasing the National Living Wage to £9.50 an hour from April 2022, and is reducing the taper rate in Universal Credit (UC) from 63% to 55%, as well as increasing work allowances in UC by £500 a year. The changes to

[9] 'National Infrastructure Strategy', HM Treasury, November 2020

[10] The definition of economic infrastructure as defined by the NIC remit is energy, transport, water and waste water (drainage and sewerage), waste, flood risk management and digital communications.

[11] 'Plan for Jobs', HM Treasury, July 2020

UC represent an effective tax cut for low income working households in receipt of UC worth £2.2 billion in 2022-23. Freezing fuel duty and duty rates on alcohol will also help with the cost of living.

To help the most vulnerable families with the cost of living this winter, the government has introduced a £500 million Household Support Fund. The Budget and SR also invests significantly in early years and families to help everyone get the best start in life. This includes expanding the Supporting Families programme to help up to 300,000 families who face multiple issues, rolling out and improving Family Hubs in 75 Local Authorities across England, and increasing the rate to be paid to early years providers for the government's free hours offers.

The Budget and SR provides significant backing for businesses to capitalise on the recovery, building on the support provided through the pandemic.

To support local high streets as they adapt and recover from the pandemic, the government is introducing a new temporary business rates relief in England for eligible retail, hospitality and leisure properties for 2022-23, worth almost £1.7 billion. Over 90% of retail, hospitality and leisure businesses will receive at least 50% off their business rates bills in 2022-23.

Reform of business rates will make the system fairer, more responsive and more supportive of investment. The proposals set out will collectively reduce the burden of business rates in England by over £7 billion over the next five years.

Reforms to R&D tax reliefs will ensure that they better support cutting-edge research methods and that the UK more effectively captures the benefits of R&D funded by the UK taxpayer through the reliefs. This will take combined public direct and indirect support for R&D to 1.1% of GDP in 2024-25 – well above the 2018 OECD average of 0.7%.[12]

In light of the upcoming increase in the main rate of Corporation Tax, the rate of the Bank Surcharge has been set at 3% from April 2023 to ensure that banks continue to pay their fair share of tax, while maintaining the UK's financial services competitiveness and safeguarding British jobs and tax revenue.

Building back greener

The UK has reduced emissions faster than any other country in the G20 and continues to have the most ambitious targets for 2030: a 46% reduction in emissions compared to 2018.[13] This is equivalent to achieving the same proportional fall in the next ten years as has been achieved in the last thirty.

The Net Zero Strategy confirmed £26 billion of public capital investment since the Ten Point Plan. Today, the Budget and SR confirms that since March 2021 the government will have committed a total of £30 billion of public investment for the green industrial revolution in the UK, fully supporting the delivery of all of the priorities in the Ten Point Plan and going further in several key areas.

This includes £620 million of new investment over the next three years to support the transition to electric vehicles and a significant increase in new funding to encourage more people to walk and cycle. To make buildings and homes warmer and more environmentally friendly, the Budget and SR provides £3.9 billion to decarbonise buildings, including £1.8 billion to support tens of thousands of low-income households to make the transition to net zero while reducing their energy bills.

[12] Science and Technology Indicators, OECD, 2019; R&D tax expenditure and direct government funding of BERD, 2018
[13] PWC, Net Zero Economy Index 2021; Net Zero Strategy: Build Back Greener, gov.uk, 2021

Across the transition, the government's priority is to ensure that changes are inclusive, fair, and sustainable for all, and work with the grain of consumer choice: no one will be required to rip out their existing boiler or scrap their current car.

As well as accelerating the decarbonisation of transport and buildings, the government is investing £1.5 billion in net zero innovation, and laying the foundations for the wider transition to a more resilient energy supply by investing in nuclear technologies and offshore wind. This includes £1.7 billion to enable a final investment decision for a large-scale nuclear project in this Parliament, and the government remains in active negotiations with EDF over the Sizewell C project.

To decarbonise industry and power the government is confirming £1 billion for Carbon Capture, Usage and Storage (CCUS), selecting Hynet and East Coast as the first CCUS clusters. In addition, the government is providing up to £140 million over the SR period to support hydrogen producers and heavy industry adopting CCUS through the Industrial Decarbonisation and Hydrogen Revenue Support scheme.

The government is expanding the Nature for Climate Fund to ensure total spending of more than £750 million by 2024-25 to help meet our commitment to plant at least 7,500 hectares of trees every year in England by 2025 and restore 35,000 hectares of peatland. This is in addition to significant public investment to support the government's world-leading target to halt biodiversity loss by 2030.

Taken together, this spending package, along with bold action on regulation and green finance, will keep the UK on track for its carbon budgets and 2030 Nationally Determined Contribution,[14] and support the pathway to net zero by 2050. It does so in a way that creates green jobs across the country, attracts investment, and ensures energy security.

Levelling up

Delivering on the commitment to level up all of the UK underpins the choices made in the Budget and SR. The historic levels of investment confirmed through SR21 will improve living standards for people and places across the UK, helping ensure that people's opportunities in life are not determined by where they live.

Investing in people will boost employment, wages and prospects. The Budget and SR launches the UK Shared Prosperity Fund (UKSPF), worth over £2.6 billion, to help people access new opportunities in places of need. Funding will rise to £1.5 billion a year by 2024-25. Alongside SR21's wider investment in skills, the UKSPF will fund Multiply, a new UK-wide programme to equip hundreds of thousands of adults with functional numeracy skills to improve their employment prospects. To support young people, SR21 invests £560 million in youth services in England, including through the Youth Investment Fund and National Citizen Service.

To ensure that every community has access to reliable public services, SR21 provides enough funding for at least 100 new Community Diagnostics Centres in England over the next three years, making healthcare testing more accessible.

The government is also unleashing innovation and stimulating private investment to spread prosperity throughout the UK. Through the Budget and SR, the government will reinforce its efforts to ensure small and medium sized enterprises (SMEs) can access the finance they need, wherever they are across the UK. In addition, the £1.4 billion Global Britain Investment Fund will support some of the UK's leading manufacturing sectors and stimulate regional growth across the UK.

[14] 'The UK's nationally determined contribution communication to the UNFCC', BEIS, December 2020

Significant investment in high-quality transport infrastructure will bring communities across the country closer together and connect them to opportunity. This includes High Speed 2, rail enhancements and vital renewals to boost connectivity across the country – focusing on the Midlands and the North, dramatically reducing journey times. To spread digital connectivity and deliver 4G coverage across the UK, the government will provide £180 million over the SR period as part of the £1 billion deal with network operators for the Shared Rural Network.

To ensure that people across the UK can feel proud of where they live and being a part of their community, the Budget and SR sets out significant commitments on local growth and infrastructure. This includes £1.7 billion worth of projects to upgrade local infrastructure through the first bidding round of the £4.8 billion Levelling Up Fund, and announcing the first 21 projects to benefit from the £150 million Community Ownership Fund – which will help communities across the UK protect and manage their most treasured assets. This investment puts community priorities at its core and will improve the local infrastructure crucial to everyday life, such as transport and town centres. Tax reliefs for museums, galleries, theatres and orchestras will further support the cultural life of towns and cities across the UK.

SR21 also funds up to 8,000 multi-use community sports facilities and football pitches, as well as refurbishing more than 4,500 tennis courts. The £9 million Levelling Up Parks Fund will create over 100 new parks to ensure access to green space in urban areas.

The Levelling Up White Paper to be published later this year will set out further detail on the government's plans in this area.

Advancing Global Britain

The Budget and SR builds on the government's vision of Global Britain as a problem-solving and burden-sharing nation, globally competitive and firmly committed to an open and resilient international order.

In the coming years, the UK will continue to catalyse action from the international community to address the most pressing global issues, while defending its interests and demonstrating the government's values. This will build on significant progress made under the UK's G7 presidency – including an agreement to vaccinate the world by 2022 and a global tax agreement to ensure big international companies pay their fair share.

The Budget and SR ensures that the UK will remain a development superpower and one of the largest official development assistance (ODA) donors in the G7, spending the equivalent of 0.5% of its national income as overseas aid in 2022. In addition, as a result of the government's careful stewardship of the public finances and the strength of the economic recovery, the ODA fiscal tests[15] are now forecast to be met in 2024-25, earlier than the OBR forecast in March. As such, SR21 also provisionally sets aside additional unallocated ODA funding in 2024-25, to the value of the difference between 0.5% and 0.7% of GNI. The ODA allocated to departments at SR21 will ensure that the UK continues to demonstrate leadership on the biggest challenges facing the world, including support for women and girls, global health, humanitarian response, and tackling climate change.

As the President of COP26, the UK will lead international efforts to agree coordinated action on climate change, and SR21 reconfirms the government's commitment to double International Climate Finance from 2021. It also provides a significant increase in R&D funding, to help UK researchers and business push the frontiers of knowledge to find solutions to major international development challenges, including climate change.

[15] Written Ministerial Statement UIN HCWS172', The Chancellor of the Exchequer, 12 July 2021

The Budget and SR confirms the largest sustained increase in defence spending since the Cold War, to safeguard the UK's cutting-edge military, underlining the UK's commitment to NATO.

High-skilled migration boosts innovation, jobs and competitiveness. New Scale-up, High Potential Individual and Global Business Mobility visas will attract highly skilled people and support inward investment. The government is also creating a Global Talent Network – launching in the Bay Area and Boston in the US, and Bengaluru in India – to find and bring talented people to the UK to work in key science and technology sectors.

Seizing the opportunities of Brexit

The UK's exit from the EU and the end of the transition period offer the chance to do things differently, with the government already proposing reforms to the UK's data rights regime that will be more proportionate and less burdensome than the EU's GDPR rules, and a science-based approach to the regulation of genetic technologies.[16,17]

The Budget and SR will provide the resources to match the ambitions of the UK's independent trade policy, in line with the government's plan to secure deals covering 80% of trade.[18]

The government is also taking advantage of regulatory and legislative flexibilities after leaving the EU. The Alcohol Duty system will undergo a major simplification. Drinks will be taxed in proportion to their alcohol content, making the system fairer and more conducive to product innovation in response to evolving consumer tastes. Alongside this, a new relief that recognises the importance of pubs and supports responsible drinking will be introduced, with duty rates on draft beer and cider being cut by 5%.

The Budget also reduces the cost of Air Passenger Duty on domestic flights to support greater air connectivity within the UK. The government is also introducing reforms to modernise the UK's Tonnage Tax regime, to ensure that the British shipping industry remains highly competitive. Furthermore, the government is designing a border which embraces innovation and simplifies processes for traders and travellers.

Delivering for all parts of the UK

The government will make levelling up a reality across Scotland, Wales and Northern Ireland by providing UK-wide support in critical areas, while also targeting action to meet local needs. SR21 provides an additional £8.7 billion per year on average to the devolved administrations over the SR21 period through the Barnett formula, on top of their annual £66 billion baseline. This will enable substantial investment into schools, housing, health and social care, and transport across Scotland, Wales and Northern Ireland.

The Budget and SR also funds specific initiatives tailored to the strengths and circumstances of Scotland, Wales and Northern Ireland. This includes: 38 successful projects funded through the Levelling Up and Community Ownership Funds; new British Business Bank funds in Scotland and Wales, alongside an expansion of the Northern Ireland fund; more funding to support union connectivity; and funding for trade and investment hubs in Cardiff, Belfast and Edinburgh. Funding allocations for farming and fisheries have also been confirmed, and the government is announcing new investment in hydrogen, wind and nuclear energy, which will benefit existing industry leaders across Scotland, Wales and Northern Ireland.

[16] Brexit opportunities: regulatory reforms, Cabinet Office, 16 September 2021
[17] Genetic technologies regulation: government response, Department for environment, Food & Rural Affairs, 29 September 2021
[18] 'DIT Outcome Delivery Plan: 2021 to 2022', Department for International Trade, July 2021

Autumn Budget and Spending Review

1 Economy and public finances

1.1 The achievements of the government's vaccine programme to date, the support provided to families and businesses, and the Plan for Jobs have led to a stronger than previously anticipated recovery in economic activity and the labour market across the country. The strength of the recovery and the effectiveness of government policy mean the Office for Budget Responsibility (OBR) now judges that the pandemic will have a smaller long-term effect on the economy and public finances than previously expected.

1.2 Following the removal of restrictions to limit the spread of COVID-19, the transition away from emergency economic support and the economic recovery, the Budget and Spending Review focuses on building back better, while ensuring sustainable public finances. Through the plans set out here, the government is levelling up the country, investing in vital public services, driving economic growth, capitalising on opportunities from EU Exit and leading the transition to net zero.

1.3 As the global economy has reopened, inflation has risen around the world, including in the UK. This is due to demand for goods recovering more quickly than supply can immediately meet it, which has put pressure on global supply chains and led to higher prices for energy, raw materials and goods. The government is committed to working with international partners and businesses to ease these issues and has taken action to support those most acutely affected by increases in the cost of living.

1.4 The rebound in economic activity and the action the government has taken to repair the public finances mean that the fiscal outlook has improved since the OBR's March forecast. However, as debt and borrowing remain elevated, the public finances are vulnerable to future shocks including changes in the interest rates paid on government debt and inflation. That is why the government has taken action over the past year to repair the public finances.

1.5 This action means that at SR21, the government is able to confirm that total departmental spending is set to grow in real terms at 3.8% a year on average over this Parliament – a cash increase of £150 billion a year by 2024-25 (£90 billion in real terms). This is the largest real-terms increase in overall departmental spending for any Parliament this century. The spending plans set out at the Budget and SR deliver the government's commitment to continue to fund excellent public services while ensuring that the public finances are on a sustainable path over the medium term, in order to remain resilient to future challenges.

1.6 This approach is underpinned by the government's new fiscal rules, which will guide fiscal policy for at least this Parliament. The fiscal mandate is met in the OBR's forecast with public sector net debt excluding the Bank of England (underlying debt) as a proportion of GDP falling from 2024-25. In addition, the current budget is in surplus in 2024-25 and public sector net investment (PSNI) averages 2.7% of GDP over the rolling forecast period. Spending subject to the welfare cap is forecast to be £138.3 billion in 2024-25 and must remain below £141.1 billion to prevent a breach of the cap.[1]

[1] 'Economic and Fiscal Outlook', OBR, October 2021.

1.7 Meeting these rules will reduce the risks associated with high debt, ensure that governments will be able to effectively support the economy in future crises, and prevents future generations from having to pay for current spending.

Economic Context

1.8 The government's economic response to the pandemic has been praised internationally, with the IMF describing it as "one of the best examples of coordinated action globally – it has helped mitigate the damage, holding down unemployment and insolvencies."[2] The measures taken by the government have supported millions of jobs and livelihoods, stopped businesses from going bankrupt and helped reduce economic scarring, while protecting the NHS.

1.9 The vaccine rollout allowed the government to re-open the economy safely and steadily as set out in the roadmap for England. As restrictions were lifted consumer activity increased, driving a rapid recovery across the economy. In April, the re-opening of non-essential retail and outdoor hospitality saw total consumer card spending increase by around a fifth between the week to 12 April and the week to 19 April.[3] The move to step three of the roadmap in May saw the re-opening of indoor hospitality, with the number of restaurant bookings increasing to 42% above 2019 levels and consumer confidence returning to its pre-pandemic level.[4,5]

1.10 Business confidence recovered in Q2 2021, with uncertainty falling towards normal levels from the highs seen at the start of the pandemic.[6] Reflecting this, business investment has started to recover, supported by the super deduction announced in the Spring Budget. Investment grew by 4.5%† in Q2, compared to a decline of 9.3%† in Q1.[7] The Decision Maker Panel survey of firms by the Bank of England suggests that forward looking private sector investment intentions remain strong, with firms now reporting that investment is expected to be 2% higher in 2022 and beyond, compared to what it would have been without COVID-19.

1.11 As restrictions were lifted and consumer and business confidence returned, the economy outperformed expectations and grew by 5.5%† in the second quarter of 2021. There was a particularly strong recovery in sectors significantly affected by the pandemic and associated restrictions; with over half the total gross domestic product (GDP) growth in Q2 coming from those consumer facing sectors that were able to re-open during the roadmap. Output in the accommodation and food sector, for example, grew by 88%† in Q2. Whole economy output was only 3.3%† below its pre-crisis peak in Q2 compared to the 7.9% shortfall expected in the OBR's March 2021 forecast.[8]

[2] UK Article IV Consultation, IMF, December 2020.

[3] Details of the sources of numerical references, including National Statistics, used in this section can be found in 'Autumn Budget 2021 data sources'.

[4] Opentable restaurant bookings, OpenTable, average of week following step 3 up to 23 May 2021.

[5] GfK Consumer Confidence Index, GfK, May 2021.

[6] Deloitte CFO Survey: 2021 Q3, Deloitte, July 2021.

[7] On 30 September, the ONS implemented revisions to GDP estimates consistent with Blue Book 2021 – the annual methodology and data update to the UK National Accounts. The OBR forecast was closed to new GDP data before these revisions were published, meaning some outturn estimates used in the forecast will not be consistent with the latest ONS figures. In general, the GDP statistics cited in this document are consistent with those used in the OBR forecast. Where source data consistent with the Blue Book 2021 revisions has been used, this is denoted by †.

[8] 'Economic and Fiscal Outlook', OBR, March 2021.

Box 1.A: International comparisons of GDP and Labour Markets

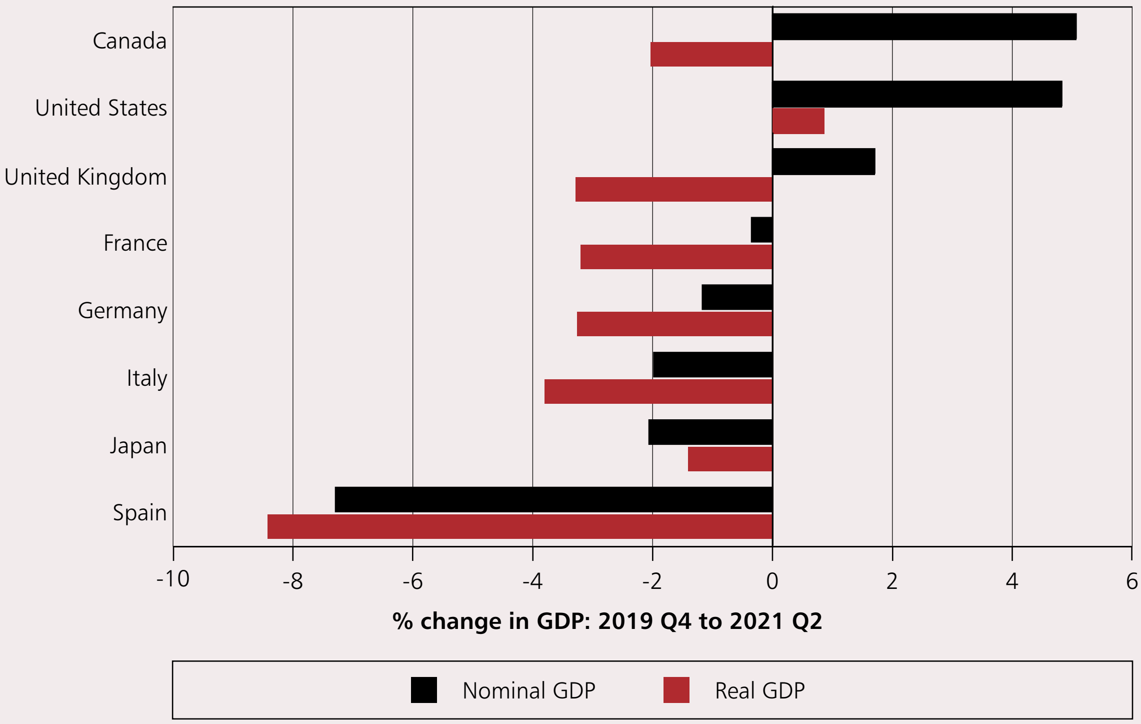
Like all major economies, the UK economy experienced a large fall in GDP in 2020. However, differences in how countries measure public services output contributed to a relatively larger fall in real UK GDP compared to other advanced economies.[a]

The independent Office for National Statistics (ONS) has said that during this period nominal GDP was a more internationally comparable measure as it was not affected by these public sector measurement issues.[b] On this measure, the 4.4%† fall in UK nominal GDP during 2020 was in line with other advanced economies.

As the economy recovers from the pandemic, the measurement issues that were partly driving the UK's relative underperformance in real GDP during 2020 are unwinding. At the same time, the vaccine programme meant that restrictions on individuals and businesses could be lifted, resulting in a faster than expected recovery.[c] For instance, after having been 35% below its pre-pandemic level at its lowest point, output in the health and education sectors combined was 3% higher in August 2021. Similarly, after having fallen by 90%, output in the hospitality sector had recovered to be 2.6% up by August 2021.

As a result, the shortfall in real GDP for the UK is now in line with other advanced economies. In Q2 2021, real GDP was 3.3%† below where it was before the pandemic – in line with France and Germany and ahead of Italy and Spain. Looking ahead, the IMF expects the UK to have the fastest growth rate in the G7 in 2021 and the second fastest in 2022.

Chart 1.1: GDP shortfall to pre-pandemic levels: G7 nations and Spain



Source: Organisation for Economic Co-operation and Development.

[a] Spring Budget 2021, Box 1.A, HM Treasury, March 2021.
[b] International comparisons of GDP during the Covid-19 Pandemic, ONS, 2021.
[c] The OBR March 2021 forecast, which assumed some unwinding of the public sector measurement effects, predicted that GDP would still be 6% below pre-pandemic levels in June 2021. Thanks to a faster than expected recovery it was instead just 1.1% below.

UK labour market outcomes during the pandemic compare favourably to international peers. The UK unemployment rate peaked at 5.2% in the three months to December 2020. Compared to before the pandemic, this was a smaller increase in unemployment than the US, Canada, and Spain. The peak in UK unemployment was lower than for these countries, and France and Italy.

In their projections, the IMF expects the UK's annual unemployment rate to remain below Canada, France, Italy and Spain in 2021 and 2022.

1.12 The easing of restrictions and rapid return of economic activity globally has affected the availability of certain commodities, components and raw materials. The recovery in demand for these inputs has outpaced their production and distribution, leading to significant prices rises and shortages. For example, microchip shortages have affected car production since the spring and the Bank of England's agents report that firms face increased material costs as well as rising energy prices, which has increased inflation for goods around the world.[9]

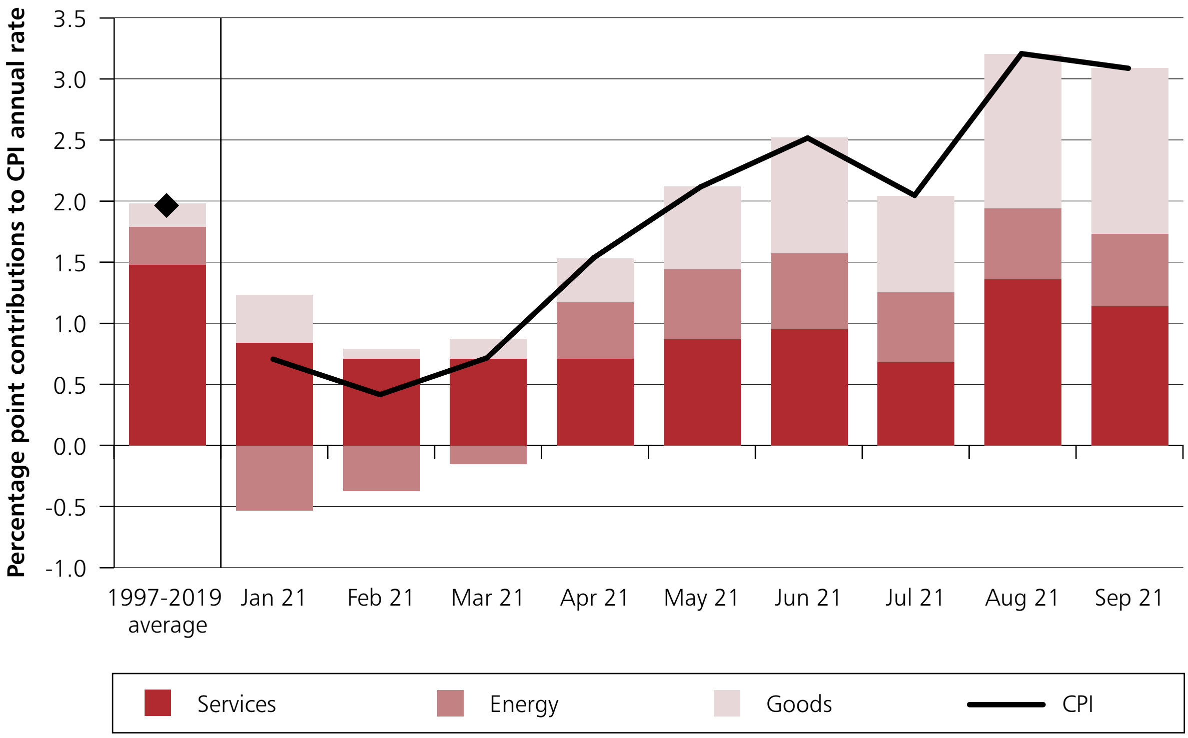
1.13 These global supply issues have been compounded by disruptions to global shipping and shortages of goods vehicle drivers, which are affecting a number of countries.[10] Lost shipping hours, through disruptions in trading ports due to COVID-19 outbreaks and issues such as the temporary closure of the Suez canal in March, accompanied by robust demand for goods globally, have led to significant increases in shipping costs which currently stand around eight times higher through to September than their pre-pandemic levels.[11]

1.14 Energy prices have risen significantly as economies have reopened. Global oil prices fell to 20-year lows in April 2020 but have since increased, by 82% in the year up to September, and are at their highest level in three years.[12] A rise in industrial demand for natural gas globally, weather patterns in Europe and Asia, and low gas storage balances have resulted in wholesale natural gas prices rising by 471% and 422% in the year up to September in Europe and Asia, respectively.[13]

1.15 These global factors explain the recent increase in inflation above its 2% target. The Consumer Prices Index (CPI) increased by 3.1% in the 12 months to September, compared to a low of 0.4% in February 2021. Of this, energy and goods contributed 1.9 percentage points to CPI inflation in September. This is above these components' long-run average contributions to CPI inflation over 1997-2019, of 0.5 percentage points, and explains all of the rise in inflation above target. Services contributed 1.1 percentage points, below its average contribution over 1997-2019 of 1.5 percentage points (chart 1.2).

[9] GDP Monthly Estimate UK: May 2021, ONS, July 2021.
[10] Transport Intelligence, August 2021.
[11] Drewry World Container index, Drewy, October 2021.
[12] Brent crude spot, IMF primary Commodity Prices Data, September 2021.
[13] Netherlands TTF Natural Gas Forward Day Ahead and Indonesian LNG in Japan, IMF Primary Commodity Prices Data, October 2021.

Chart 1.2: Contributions to CPI inflation



Source: Office for National Statistics.

1.16 Supply pressures alongside increased COVID-19 case numbers weighed on output in July, as firms faced higher prices for materials and workers were required to self-isolate, with monthly GDP falling by 0.1%†.

1.17 Growth returned in August, driven by the effect of the final step of the roadmap on consumer facing sectors, despite continued supply chain pressures and materials shortages. GDP grew by 0.4%† leaving the economy only 0.8%† below its pre-pandemic level. Strong growth in many consumer-facing sectors, such as hospitality and arts and entertainment, means that in contrast to the start of the year, they are close to or above their pre-COVID-19 peak levels of output. Output growth in other sectors, such as manufacturing and construction, stalled because of shortages and the global increase in the cost of energy.

1.18 The rebound in economic activity has driven a strong recovery in the labour market, supported by the government's Plan for Jobs. The number of employees has grown for ten consecutive months, there are now more paid employees than before the pandemic, and vacancies are at a record high. At the same time, the number of employments furloughed fell to 1.3 million at the end of August, around 1.2 million fewer than the OBR expected in its March 2021 forecast.

1.19 This recovery in the labour market is seen across the UK. Eight of the nine regions in England and three of the four nations of the UK now have employee levels above pre-COVID-19 levels.[14] Northern Ireland (+1.6%) and the North West (+1.4%) have seen the largest increase compared to February 2020. More timely indicators suggest that demand for labour has remained strong through October with online job postings in all regions at least 17% above the level in February 2020 and strongest in the North East (+72%) and Northern Ireland (+71%).

[14] Employee numbers in Scotland had not returned to pre-pandemic levels by September 2021

1.20 The rapid recovery in the labour market has been accompanied by rising wages, helping to support household living standards. The headline figures for wages have been affected by some temporary distortions. These include a compositional effect, due to fewer lower paid workers in employment, and a base effect from comparing wages to last year when many workers were on furlough. In the three months to August the ONS estimates that underlying wage growth was between 4.1% and 5.6%. Cumulatively, despite inflation rising, real wages have grown by 3.4% since the three months to February 2020.

1.21 As set out in Box 1.B the policies and support put in place by the government and the faster than anticipated recovery mean the OBR now expects the pandemic to have a smaller lasting effect on the economy than previously forecast. The OBR has reduced its previous scarring estimate of 3% to 2%. Less scarring means a larger economy in the medium term with higher tax revenues, lower unemployment and higher wages.[15]

[15] 'Economic and Fiscal Outlook', OBR, October 2021.

Box 1.B: Longer-term economic effect of COVID-19

Economic scarring refers to the tendency for the path of productive capacity of an economy to be persistently lower following a recession. Scarring can occur through reductions in the supply of labour, capital stock and total factor productivity, which measures how efficiently and intensively resources in the economy are working.

The OBR now judges that the COVID-19 pandemic will lead to scarring reducing GDP by 2% by the end of the forecast period compared to its pre-pandemic March 2020 forecast. This is smaller than its 3% estimate in March 2021. The OBR has said that 'the Government's pandemic support policies appear to have been largely effective in preserving viable jobs and businesses' and that this support, alongside the vaccine rollout "has significantly reduced the collateral economic damage that could have resulted from the pandemic".[a] Other major forecasters have also revised down their scarring estimates over the course of the pandemic. There are many factors that will affect scarring, and so there remains considerable uncertainty around forecasters' estimates of the lasting effect of COVID-19 on the economy.

The OBR attributes just under half of the total 2% scarring to the labour market, comprised of 0.3 percentage points from reduced labour market participation, 0.4 percentage points from a reduced population level and 0.1 percentage points from a higher natural rate of unemployment. The total labour supply scarring estimate has been revised down from the OBR's previous estimate, reflecting the strong recovery in jobs.

The Coronavirus Job Retention Scheme (CJRS) has played an important role in limiting labour market scarring, through supporting employer-employee matches in the most acute phase of the pandemic. This has helped to limit the rise in unemployment, which is projected to peak at 5.2%, compared to the OBR's expectation of 12% in the July 2020 Fiscal Sustainability Report (FSR).

The CJRS was designed as a temporary measure to support businesses and households. As the economy has re-opened, the jobs market has recovered with 1.2 million vacancies in September, a record high. As such, the government has wound down its emergency pandemic support to focus on economic recovery, through continuing to support businesses to invest and supporting people into new jobs.

Just over half of the OBR's 2% scarring estimate is accounted for by capital shallowing and reductions in total factor productivity. Capital shallowing occurs where the capital stock of the economy is lower than expected due to lower business investment or higher rates of scrapping or depreciation of productive capital. Investment has recovered quickly over recent months, supported by the new super deduction which creates a strong incentive for companies to bring forward investment. The OBR forecasts business investment to return to its pre-pandemic level by late 2022. This is a quicker recovery than the average of four and a half years that business investment took to return to pre-recession levels following the 1979, 1990 and 2008 recessions.

[a] 'Economic and Fiscal Outlook', OBR, October 2021.

Reductions in total factor productivity occur when resources across the economy are not being utilised as efficiently as they were previously. This can occur through lost investment in research and development (R&D) and inefficient reallocation of resources across firms and sectors. There is evidence of a smaller hit to R&D spending and of smaller impairments to the allocation of capital than in previous recessions, both of which will help to limit total factor productivity scarring.[b]

Evidence suggests private R&D spending in the short term has proven more resilient than other forms of business investment through the pandemic, and technology adoption has been faster and greater over the last 18 months, which has the potential to boost firm productivity in the medium term. The government is also providing further support, by increasing public investment in R&D to record levels of £20 billion by 2024-25 (including funding for EU programmes), and reforming R&D tax reliefs to better support cutting-edge research methods and refocus government support towards innovation in the UK.[c]

In some previous recessions weak bank lending has impaired the reallocation of capital between firms and sectors, but a strong financial sector and support schemes have mitigated such effects during the pandemic. The government introduced a range of business support, including loan schemes and grants, ensuring businesses could access the finance they needed through the pandemic.

Across the various loan schemes more than 1.5 million businesses accessed nearly £80 billion of finance, and business insolvencies have been lower than the pre-pandemic normal thanks to this support. The Bank of England estimates that there were at least 6,000 fewer insolvencies since the start of the pandemic, compared to pre-pandemic averages, supporting jobs and investment and reducing capital scrapping. Firm creation has also remained strong over the pandemic, further supporting jobs and helping the economy to adjust.

Policy measures put in place by the government such as the CJRS and business loan schemes have contributed to the survival of viable firms, mitigated the loss of firm-specific capital and jobs, and helped to reduce scarring. Without these measures, the level of scarring would likely have been considerably higher due to a misallocation of resources, capital shallowing and lower levels of employment.

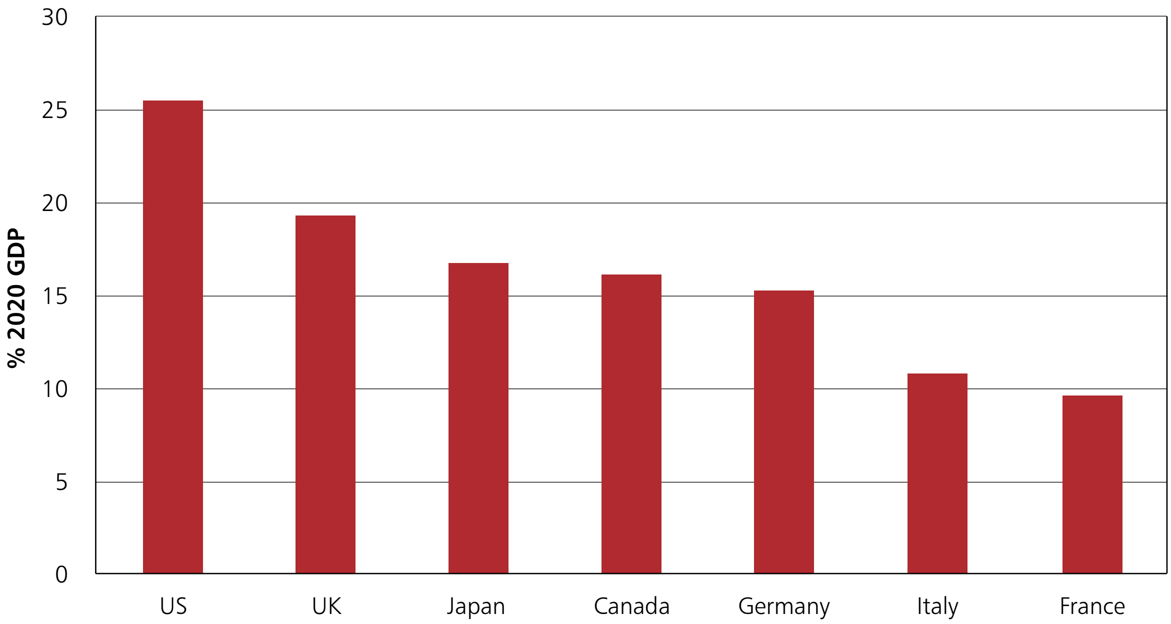
With the removal of restrictions, it is important for the medium-term health of the economy and living standards that resources are able to reallocate across the economy to their most productive uses. With vacancies now at record highs, the adjustment of the labour market should be supported by the ending of temporary support measures such as the CJRS, together with active labour market policies.

[b] Will the pandemic "scar" the economy?, Haskell, July 2021.
[c] 'The relationship between public and private R&D funding', Oxford Economics, March 2020.

Supporting the economic recovery

1.22 The government has taken unprecedented steps to support jobs, livelihoods, public services and businesses throughout the pandemic, having delivered a package of targeted, temporary support worth £323 billion over last year and this year. Accounting for Budget 2020, which included a step change in capital investment, decisions taken by this government have provided £378 billion of direct support to the economy this year and last year. Estimates from the IMF chart 1.3, show that the UK's discretionary fiscal expansion in response to COVID-19 was one of the largest and most comprehensive fiscal support packages globally.

Chart 1.3: International Monetary Fund estimates of discretionary fiscal expansion in response to COVID-19 in G7 economies



Cumulative discretionary fiscal expansion (additional spending and foregone revenue) announced or taken by G7 governments in response to the COVID-19 pandemic as of 27 September 2021, from the IMF Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic. It includes COVID-19 related measures announced since January 2020 and covers measures for implementation in 2020, 2021, and beyond. Excludes automatic stabilisers. Estimates included here are preliminary as governments are taking additional measures or finalising the details of individual measures, and exclude the updated measures and forecasts announced in this Budget.

Source: IMF Fiscal Monitor October 2021.

1.23 The furlough scheme has supported 11.7 million jobs across the whole of the UK, including 911,000 in Scotland, 470,000 in Wales and 287,000 in Northern Ireland, preserving the relationships between employers and employees through the pandemic. These interventions have helped to limit the short and long-run economic effects of the pandemic. As the OBR has said the "cost of inaction would certainly have been higher".[16]

1.24 With the majority of the adult population fully vaccinated, the completion of the roadmap and the child vaccination and booster programmes running this autumn, the government has wound down much of the emergency pandemic support, allowing the focus to shift to economic recovery.

1.25 The government is mindful that risks remain from COVID-19, especially through the coming months. The government set out its plan A for the autumn and winter in September, focusing on vaccination as the main line of defence to control the spread of the virus, alongside treatments, testing and public health advice. The government has also outlined a plan B, should COVID-19 cause a rise in hospitalisations that would put unsustainable pressure on the NHS.

[16] Coronavirus reference scenario, OBR, April 2020.

These measures aim to control transmission of the virus while seeking to minimise economic and social impacts. The government is monitoring the data closely and will only introduce further measures if needed.

1.26 The Budget and SR sets out plans to build back better and support the economic recovery. At the heart of these plans is the government's ambition to level up the country by tackling long standing regional inequalities, and ensure the economic recovery is felt across the UK. There are regional inequalities in wages, life satisfaction and productivity, as set out in Box 1.C. Within the nations and regions of the UK, London and the South East are the only two places with productivity above the UK average.

Box 1.C: Drivers of local disparities in economic outcomes

There is considerable variation in economic outcomes across the UK and narrowing these could have a significant positive impact on the UK economy. Increasing the productivity of the eight largest city regions outside of London and Edinburgh to match UK average productivity would increase UK GDP in aggregate by around 2%.[a]

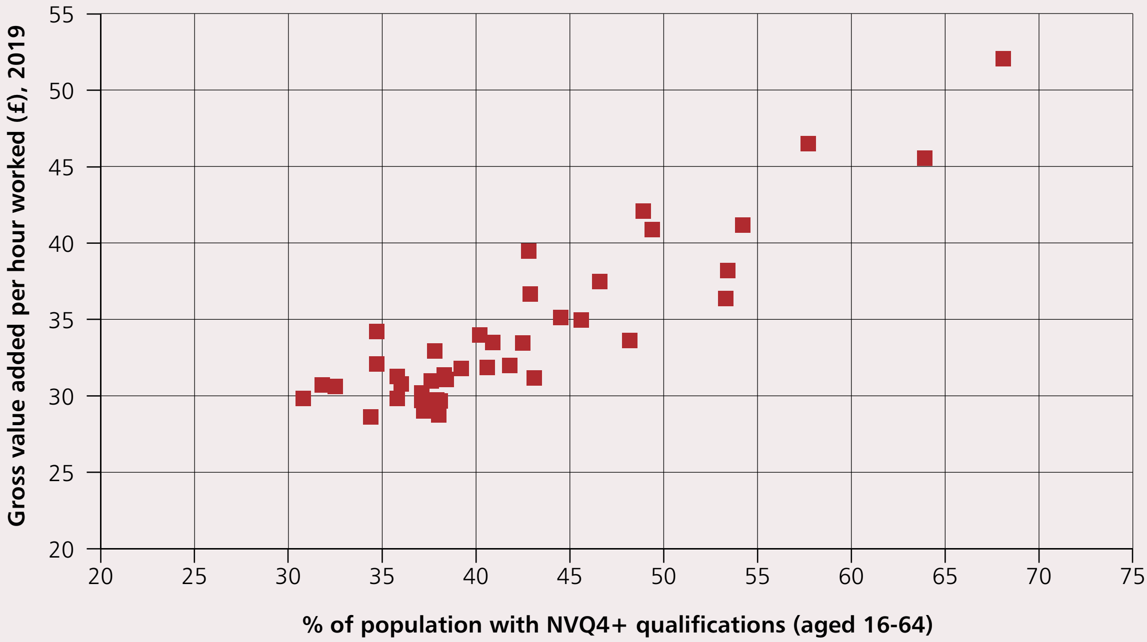
A variety of frameworks have been used to understand local disparities in economic outcomes – with many of these based on a core set of 'capitals'. The OECD Framework for Measuring Well-Being and Progress, for example, used natural capital, human capital, economic capital and social capital to understand outcomes.[b] Similarly, the New Zealand Treasury Living Standards Framework looks at natural capital, human capital, social capital and financial and physical capital alongside twelve domains of current wellbeing, while the Six Capitals research project at the Bennett Institute for Public Policy identifies physical, knowledge, social, human, natural and institutional capital.[c,d] There are complex interactions and interdependencies between these capitals which means that they can reinforce each other in improving local outcomes.

Empirical evidence points to the importance of capitals for local outcomes. For example:

- Human capital – encompassing the level of education, skills and health of the people living in a region – is the largest measurable driver of regional disparities. Higher levels of human capital will create a more skilled and therefore productive workforce, which will in turn boost wages in the long term. London has the highest percentage of its working age population with NVQ4+ qualifications (qualifications equivalent to a degree), at 58.7% of the population aged 16-64, compared to 34.4% in the North East. Variations in the share of high skilled workers explain up to 90% of place-based disparities in wages in the UK.[e] Chart 1.4 for example shows a strong positive correlation between regional productivity and the level of skills. High skills in a region will reflect both participation in and the quality of the local educational system, as well as the attractiveness of an area as a place to live and commute from, which will in turn be shaped by other capitals.

The eight largest city regions outside of London and Edinburgh are:
[a] Greater Manchester, West Midlands, West Yorkshire, Glasgow, Liverpool City Region, Sheffield City Region, West of England and Cardiff.
[b] Measuring Well-being and Progress: Well-being Research, OECD, 2009.
[c] The Living Standards Framework, New Zealand Treasury, 2019.
[d] Building Forward: Investing in a Resilient Recovery, Bennett Institute, November 2020.
[e] Area Disparities in Britain: Understanding the Contribution of People vs. Place Through Variance Decompositions - Gibbons et al. 2013.

Chart 1.4: Correlation between qualification level and productivity, by region



Level: NUTS2 Regions.   Source: Office for National Statistics.

- High levels of firm capital – such as physical and intangible investment, and the degree of competition and innovation – mean that an area is more likely to attract skilled people and is more adept at taking advantage of technological change to improve living standards. Innovation is spatially concentrated both globally and within the UK, with only a handful of places in the UK producing ten or more patents per 1000 people.[e] Given its link with productivity this is likely responsible for some of the differences in regional productivity levels in the UK.
- Higher social capital promotes a shared sense of belonging and connection within a local community. Trust in institutions and local government encourages people and local businesses to engage in public life and better shape decisions in the area in which they live – while helping to improve economic outcomes through lower transaction costs. The Community Life Survey shows that reported civil engagement for the least deprived quintile of small areas in England was nine percentage points higher than that for the most deprived quintile. Strong local institutions play a key role in strengthening civic participation, enabling communities to shape decisions that are most suited to their local area.
- The public provision of infrastructure, amenities and environmental assets helps to drive both the attractiveness of an area to prospective firms and its attractiveness as a place to live, including by shaping quality of life through environmental factors and local biodiversity.[f] The National Infrastructure Commission highlighted the importance of local transport networks, particularly public transport, in supporting growth in England's city regions.[g] Improving transport can help improve agglomeration economies and have a positive impact on both local productivity and wages.[h]

[e] Exploring the micro-geography of innovation in England: Population density, accessibility and innovation revisited, Enterprise Research Centre, March 2021.
[f] The Economics of Biodiversity: The Dasgupta Review, HM Treasury, 2021.
[g] National Infrastructure Assessment, National Infrastructure Commission, 2018.
[h] Transport evidence review, What works centre for local economic growth, 2015.

1.27 To help drive economic growth and level up the country, creating a higher wage, higher productivity economy, the government is continuing to invest in the three pillars of growth set out in the Plan for Growth at Spring Budget: infrastructure, skills and innovation. This includes significant investment in adult skills and transport networks, supporting clean energy projects to assist the transition to net zero, and doubling the number of AI scholarships to drive forward the economic recovery and help create high-skilled and high-paid jobs across the UK.

1.28 The government is committed to this economic recovery being green. The Net Zero Strategy sets out the steps the government will take to keep the UK on track for its carbon budgets and 2030 National Determined Contribution, and establishes the longer term pathway towards net zero by 2050. The Budget and SR sets out action to address the threat of climate change while driving growth and supporting the creation of green jobs across the country. The UK has already demonstrated that economic growth is compatible with reducing carbon emissions: between 1990 and 2019 the UK reduced its greenhouse gas emissions by 44% while GDP grew by 78%.

1.29 The Budget and SR provides funding to underpin the economic recovery and build back better. Although the OBR expect the output gap to be positive or closed across the forecast, they judge that the overall effect on inflation of the Budget and SR will be relatively small. Inflation is expected to peak at 4.4% in 2022 Q2, before the majority of departmental allocations at SR21 are spent.

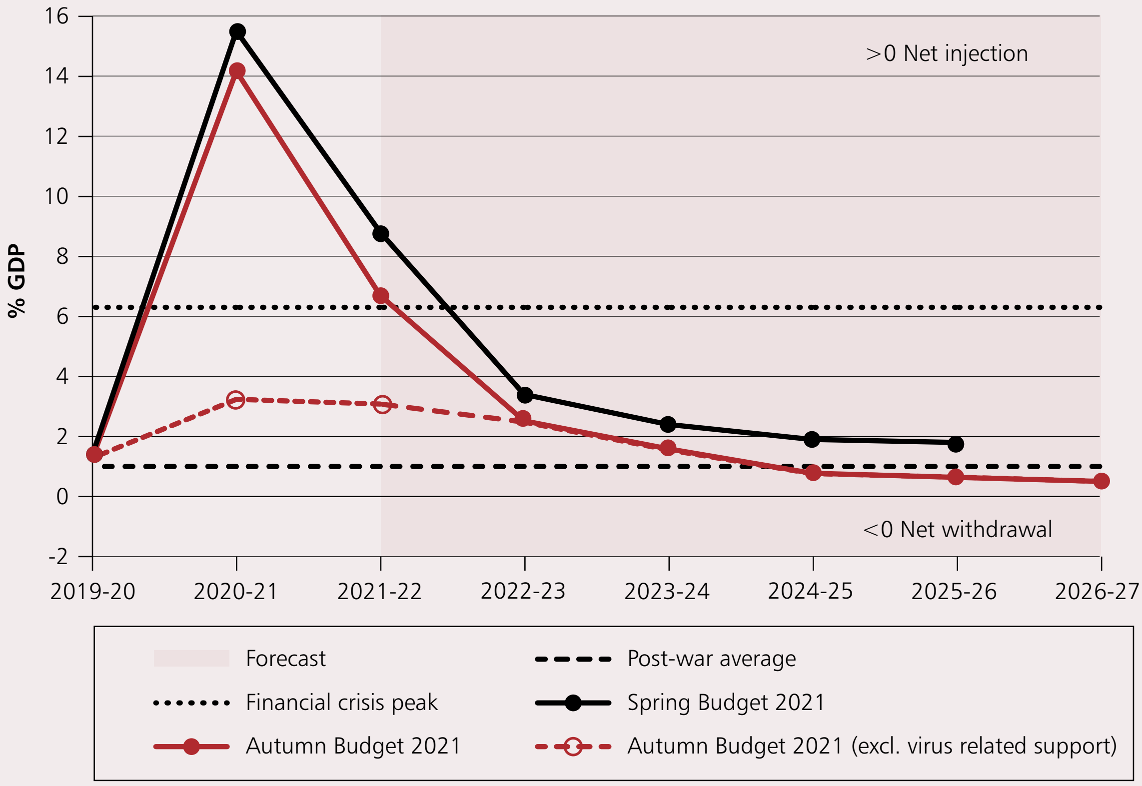
1.30 As outlined in Box 1.D, the government has provided material support to the economy through the pandemic that tapers over time, meaning borrowing returns to sustainable levels and the government meets its fiscal rules in 2024-25. This is more than two years after the economy recovers to its pre-pandemic level and a time when unemployment is forecast to be 4.2%, close to its pre-pandemic rate. This represents a balanced approach of supporting the economy and public services during the recovery from the pandemic, while ensuring the public finances remain on a sustainable path.

Box 1.D: Measuring the impact of fiscal policy on the economy

There are multiple ways of estimating the extent to which fiscal policy is supporting the economy. A top-down approach uses the level of, and change over time in, the government's budget balance. The budget balance is the difference between expenditure and revenues, and helps measure how fiscal policy is contributing directly to the level of GDP. Measures based on the budget balance can be called the "fiscal stance". The year-to-year change in that budget balance (the "fiscal impulse") shows how the fiscal stance is changing over time and reflects how fiscal policy is contributing directly to GDP growth.

Chart 1.5 illustrates a top-down view of the fiscal position, as measured by the cyclically adjusted primary deficit (CAPD).[a,b] This shows that fiscal policy has provided exceptional levels of support over 2020-21 and 2021-22 in aggregate. The majority of this support has been emergency COVID-19 policy to address the immediate effects of the pandemic (shown by comparing CAPD with its value excluding COVID-19 related policy). Fiscal support is then withdrawn to more historically average levels from 2021-22, as restrictions end and the economy continues to recover. The fiscal stance excluding COVID-19 support is broadly stable over 2020-21 to 2022-23.

Chart 1.5: Fiscal stance as measured by the cyclically adjusted primary deficit



Source: Office for Budget Responsibility and HM Treasury calculations.

These top-down approaches rely on estimates of the output gap, which has been extremely difficult to assess through the COVID-19 crisis, and do not account for the composition of fiscal policy.

[a] Exact definitions of stance and impulse vary. The IMF have noted that a number of metrics can be used as indicators of the fiscal stance. 'Guidelines for Fiscal Adjustment', International Monetary Fund.

[b] One typical fiscal aggregate used is the Cyclically Adjusted Primary Deficit (CAPD). The primary deficit takes the difference between government expenditures, less net interest payments, and revenues. Interest payments are removed as these are largely pre-determined by past fiscal positions and are affected by interest rates which are outside a government's direct control. Additionally, as a large portion of government debt is held outside the UK, changes in debt interest have less of a direct impact on the UK economy. Cyclically adjusting the deficit aims to isolate the actions of government by removing those parts of expenditure and revenue which move automatically with the economic cycle (automatic stabilisers). This process relies on correctly measuring the output gap.

It can be helpful to also look at a bottom-up view of the fiscal position. Table 1.6 sums the fiscal impact of individual policy decisions over time. Since the pandemic began, the government has provided £323 billion of COVID-19 support this year and last year. Once accounting for Budget 2020, which includes a step-change in capital investment, decisions taken by this government have provided £378 billion of direct support for the economy over this year and last year.

While the bottom-up approach highlights that the government is providing further fiscal support to underpin the recovery, the top-down approach indicates that fiscal policy is not significantly more expansionary than Spring Budget, due to underlying improvements in the economy and fiscal forecast.

Table 1.6: Total impact of policy decisions on borrowing 2020-21 to 2024-25[1]

£ billion	2020-21	2021-22	2022-23	2023-24	2024-25
(1) Budget 2020	17.9	36.4	38.5	41.2	41.9
(2) Spending Review 2020[2]	283.9	39.4	-11.6	-14.3	-15.0
(3) Spring Budget 2021[3]	6.0	58.9	7.8	-13.1	-25.0
(4) Re-costings of virus-related support measures[4]	-54.0	-13.8	0.5	0.1	-0.1
(5) Autumn Budget 2021[5]	0.0	3.0	25.3	21.9	9.8
Total[6]	**253.8**	**123.8**	**60.6**	**35.7**	**11.6**

[1] Positive numbers represent net support to the economy, including for direct COVID-19 support and wider measures at successive events

[2] As published at the Spending Review 2020, before any adjustments made as a result of the OBR's recosting process

[3] As published at Spring Budget 2021, before any adjustments made as a result of the OBR's recosting process

[4] Total recostings of virus-related support measures, from the OBR's March 2021 Economic and Fiscal Outlook (Table A.5) and October 2021 Economic and Fiscal Outlook (Table A.6)

[5] Further details of policy decisions at the Autumn Budget 2021 are given in Table 5.1

[6] Total policy decisions in 2020-21 and 2021-22 since the pandemic began is £323bn (rows 2-5), including Budget 2020 the total is £378bn

Source: Office for Budget Responsibility and HM Treasury calculations.

Economic outlook

1.31 In its latest forecast the OBR expects the UK economy to grow by 6.5% in 2021, followed by growth of 6.0% and 2.1% in 2022 and 2023, respectively. The OBR now expects the economy to regain its pre-pandemic size around the turn of the year, earlier than mid-2022 previously expected. Following the end of the furlough scheme in September, the OBR expects unemployment to peak at 5.2% in Q4 2021, equivalent to around 2 million fewer people in unemployment than suggested in the central scenario published in its July 2020 FSR. The unemployment rate is then expected to fall to 4.2% in 2024 and remain there for the remainder of the forecast period. Inflation is expected to rise further to 4.4% in Q2 2022 before returning to target by the end of 2024.

Table 1.7: Summary of the OBR's economic forecast (percentage change on year earlier, unless otherwise stated)[1]

		Forecast					
	2020	2021	2022	2023	2024	2025	2026
GDP Growth	**-9.8**	**6.5**	**6.0**	**2.1**	**1.3**	**1.6**	**1.7**
GDP Growth per capita	**-10.2**	**6.3**	**5.6**	**1.7**	**1.0**	**1.3**	**1.4**
Main components of GDP							
Household consumption[2]	-10.9	4.7	9.8	1.3	1.7	1.3	1.0
General government consumption	-6.5	14.7	2.0	1.5	1.2	1.7	2.1
Fixed investment	-8.8	5.7	8.9	3.3	-0.7	3.2	3.9
Business investment	-10.2	-2.4	15.7	4.7	-0.8	4.8	5.8
General government investment	3.5	14.7	-2.1	6.5	-1.0	1.1	1.8
Private dwellings investment[3]	-13.1	16.3	4.6	-1.4	-0.5	1.4	1.5
Change in inventories[4]	-0.5	0.1	0.2	0.0	0.0	0.0	0.0
Net trade[4]	0.8	-0.8	-2.5	0.3	0.1	-0.1	-0.2
CPI Inflation	**0.9**	**2.3**	**4.0**	**2.6**	**2.1**	**2.0**	**2.0**
Employment (millions)	**32.5**	**32.2**	**32.6**	**33.0**	**33.2**	**33.3**	**33.4**
Unemployment (% rate)	**4.6**	**4.9**	**4.8**	**4.3**	**4.2**	**4.2**	**4.2**
Productivity per hour	**0.6**	**0.5**	**0.9**	**1.3**	**1.3**	**1.3**	**1.4**

[1] All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components of GDP may not sum to total due to rounding and the statistical discrepancy.

[2] Includes households and non-profit institutions serving households.

[3] Includes transfer costs of non-produced assets.

[4] Contribution to GDP growth, percentage points.

Source: Office for Budget Responsibility.

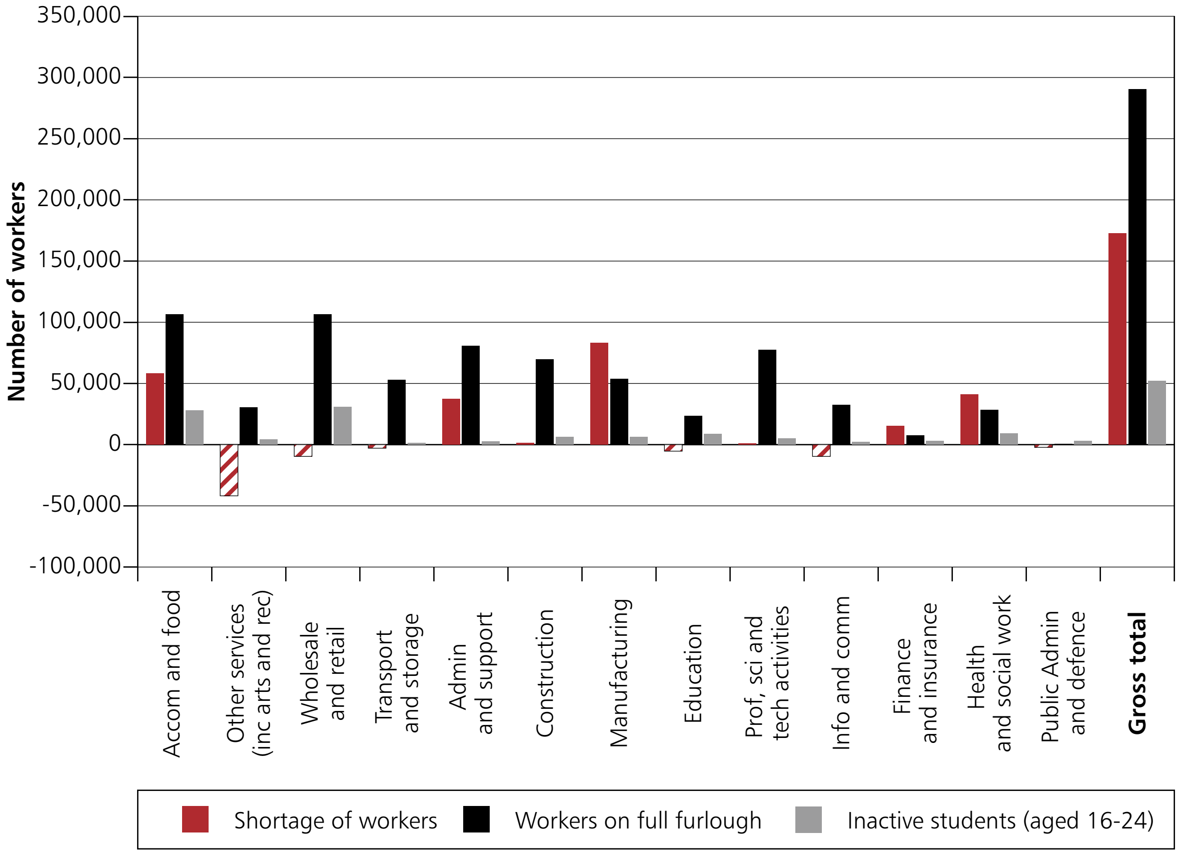
1.32 As the OBR notes in the Economic and Fiscal Outlook (EFO), ongoing global supply chain issues and labour market shortages are likely in the near term to act as a headwind to growth and push up inflation, presenting a risk to its forecast. The government is acting to help firms tackle supply chain issues and labour shortages.

1.33 Since 16 August in England, fully vaccinated individuals have not been subject to the requirement to self-isolate if they come into contact with someone who has tested positive for COVID-19. This has resulted in fewer workers self-isolating, helping to improve the availability of labour. The latest ONS survey data collected between 6 to 17 October show that 3% of adults had self-isolated in the previous seven days, compared to a high of 7% in July.

1.34 The rapid return of demand for labour has meant the ratio of unemployed workers to vacancies – a measure of the degree of slack in the labour market – is below pre-pandemic levels in some sectors. This is an indication of greater-than-usual labour shortages. The latest from the Recruitment and Employment Confederation Report on Jobs, showed reported staff availability has been declining for the past seven months with a record month on month decline in August.[17]

1.35 The speed and ease with which labour supply can adjust and recover to match demand will be a critical determinant of the next phase of the recovery. The closure of the CJRS and the return of inactive workers to employment should help to support this adjustment, while some reallocation between sectors is also likely to be required to help address some shortages (chart 1.8). The government is supporting the reallocation of labour and encouraging a high skill, higher productivity economy by taking action such as extending the £3,000 apprentice hiring incentive for employers until 31 January 2022 and expanding the Lifetime Skills Guarantee so more adults can access retraining opportunities.

Chart 1.8: Shortages of workers[1] relative to fully furloughed[2] and inactive students,[3] by sector, Q3 2021[4]



1 The red bars show the number of additional workers required to return the vacancy to unemployment ratio in each sector to its 2019 average level, holding vacancies constant at current levels. Where this is negative it is hashed and none of that sector is included in the gross total on the right.
2 Number of employees furloughed for all their usual hours.
3 Excess inactive students aged 16-24 (above 2019 Q4 levels) apportioned to sectors by the distribution of 2019 student employment aged 16-24.
4 The data used relates to several different time periods. Shortage data is from September for vacancies and 3m to August for unemployed by previous sector, furlough data is for August and student inactivity data is for 3m to August.

Source: Office for National Statistics, HMRC, HM Treasury calculations

[17] Report on Jobs: Starting pay inflation at record high as candidate availability continues to plummet, Recruitment and Employment Confederation, October 2021.

1.36 The government is working with international partners to monitor global pressures on supply chains and is taking action at home to ease pressures and support affected businesses. Transport pressures including in container shipping have not yet started to ease and prices for certain commodities, raw materials and components remain high. Where there are issues that are unique or acute in the UK, the government will continue to take appropriate action.

1.37 In the UK as in other countries, there is a shortage of Heavy Goods Vehicle (HGV) drivers. The number in the UK has fallen by 39,000 between June 2019 and June 2021.[18] Businesses have used the apprenticeship system to help train new drivers, and the government is also taking action to support the haulage industry, including:

- investing £32.5 million in roadside facilities for HGV drivers on the road
- investing in new skills bootcamps to train an additional 5,000 drivers
- increasing the number of HGV driving tests available by up to 50,000 each year
- freezing vehicle excise duty (VED) for HGVs and suspending the HGV road user levy for another 12 months from August 2022
- relaxing cabotage rules temporarily for international HGV journeys within Great Britain to provide greater resilience for supply chains
- issuing up to 5,000 short-term temporary visas for food and fuel haulage drivers to work in the UK

1.38 The OBR expects that inflation will remain elevated over 2022 and 2023, reflecting the lagged effects of recent increases in wholesale energy and other input prices. The Office of Gas and Electricity Markets (OFGEM) energy price cap has helped protect consumers by limiting the impact of recent wholesale price rises on energy bills over the winter. The Budget and SR also commits a total of £3.9 billion for England and Wales to ensure buildings are warmer and cheaper to heat. To reduce the UK's reliance on gas, the Net Zero Strategy committed to decarbonising the power system by 2035, subject to security of supply. This includes £380 million for the world-leading offshore wind sector and significant investments in nuclear: up to £1.7 billion of direct government funding to enable a large-scale nuclear plant to achieve a final investment decision this Parliament; £385 million towards advanced nuclear R&D; and £120 million for a new Future Nuclear Enabling Fund to address barriers to entry.

1.39 It can be expected that global markets will adjust as supply responds to higher prices and demand conditions normalise. However, as the OBR acknowledges, more persistent supply and demand mismatches and further increases in energy costs are possible and pose an upside risk to inflation. The OBR has noted that developments since it closed its forecast would be "consistent with inflation peaking at close to 5 per cent".[19]

1.40 These pressures will take time to ease, but the government is continuing to provide support with the cost of living. The government remains committed to raising the National Living Wage so that it reaches two-thirds of median earnings, helping the lowest paid in society. From 1 April 2022 the National Living Wage will rise to £9.50 per hour. Alongside this the government is making changes to Universal Credit to help those in work keep more of what they earn. The government is focused on investing in jobs and skills, particularly in new green industries, spreading better prospects and wages across the country. Further details of action taken at the Budget and SR to raise living standards and provide people with help towards the cost of living are set out in chapter 2.

[18] 'Fall in HGV drivers largest among middle-aged workers', ONS, October 2021.

[19] Economic and Fiscal Outlook, OBR, October 2021.

1.41 The return of inflation to the 2% target is underpinned by the UK's strong and credible macroeconomic framework which seeks to achieve strong, sustainable and balanced growth. Within this framework, the Bank of England is responsible for using monetary policy to achieve the inflation target set by government. The Bank's Monetary Policy Committee (MPC) has operational independence to set monetary policy to meet its primary objective of price stability and, subject to that, to support the economic policy of the government, including its objectives for growth and employment.

1.42 Independent monetary policy is a critical element of the UK's macroeconomic framework, alongside sustainable public finances and a resilient financial system. Low and stable inflation supports living standards and provides certainty for households and businesses, helping them make decisions about saving, investment and spending.

1.43 The Chancellor is responsible for setting the MPC's remit, which defines price stability and outlines the government's economic policy objectives. Alongside the Budget and SR, the Chancellor is restating the MPC remit to reaffirm the symmetric inflation target of 2%, as measured by the 12-month increase in the CPI, which applies at all times. Within the remit the MPC's primary objective of price stability has also been reaffirmed. The Chancellor also confirms that the Asset Purchase Facility (APF) will remain in place for the financial year 2022-23.

Fiscal context

1.44 The rebound in economic activity means that the public finances have performed better than expected in the OBR's March forecast. Public sector net borrowing (PSNB) and public sector net debt (PSND) in 2021-22 are forecast to be, respectively, £50.9 billion and 9.2 percentage points of GDP lower than expected in March.[20] Jobs and businesses have been protected through the government's Plan for Jobs, meaning that tax receipts have performed better than expected, while spending on support schemes has been lower than forecast.

1.45 These improvements mean that the government's 2021-22 financing requirement has been revised materially downwards. The government's revised financing plans for 2021-22 are summarised in Annex C.

1.46 While the costs of inaction would have been far greater, the government's package of unprecedented support for jobs and businesses has still placed significant burdens on the public finances. Although lower than previously forecast, borrowing and debt remain at historically high levels. PSNB reached £319.9 billion in 2020-21, the highest level since World War Two, and the OBR expects borrowing will remain high at £183.0 billion this year. PSND increased from 84.2% of GDP in 2019-20 to 96.6% of GDP in 2020-21, and is forecast to reach 98.2% of GDP this year.[21,22]

1.47 This additional borrowing significantly increased the government's financing requirement in the near term. Gilt issuance in 2020-21 was over two times its previous 2009-10 record and more than three times the original pre-pandemic plans for the year.[23] The government has successfully adapted its debt issuance strategy to help deliver these record levels of financing.

1.48 The use of innovative instruments has helped to support wider government policy objectives and has also contributed notably to government financing in 2021-22. The UK's inaugural sovereign green bond (or "green gilt") was launched in September 2021, and was followed by a second issuance in October 2021 as the UK begins to build out a "green yield curve".[24] National Saving and Investments (NS&I) retail Green Savings Bonds are the first sovereign green retail product of their kind in the world. These green financing instruments will help to finance important projects for tackling climate change and other environmental challenges. The government also successfully issued its second sovereign Sukuk in April 2021. The offering was more than double the size of the UK's first Sukuk issuance and demonstrates the government's ongoing commitment to Islamic finance in the UK.

1.49 While the higher level of borrowing is currently affordable as the interest rate the government pays on its debt remains close to historical lows, the public finances remain vulnerable to future shocks due to the government's large stock of debt, as set out in Box 1.E. Taxpayer money spent servicing debt is money which could have been invested in public services, and a sustained one percentage point rise in interest rates and inflation is estimated to cost an extra £20.3 billion in 2024-25, rising to £22.8 billion in 2026-27.[25]

[20] 'Economic and Fiscal Outlook', OBR, October 2021 and 'Economic and Fiscal Outlook', OBR, March 2021.

[21] 'Public Sector Finances, UK: September 2021', ONS, October 2021 and Economic and Fiscal Outlook', OBR, October 2021.

[22] On 30 September, the ONS implemented revisions to GDP estimates consistent with Blue Book 2021 – the annual methodology and data update to the UK National Accounts. The OBR forecast was closed to new public finances data before these revisions were published in the Public Sector Finances on 21 October. This means that outturn data for fiscal aggregates as a percentage of GDP used in the forecast and in the text, charts and tables in this chapter will not be consistent with these latest ONS figures. For 2020-21, these outturn data are consistent with the OBR forecast, which uses the latest nominal data published on 21 October and GDP consistent with the data used in Public Sector Finances published on 21 September, and for earlier years are fully consistent with the PSF data published on 21 September.

[23] The composition of past annual financing plans is available on the UK Debt Management Office website.

[24] A green yield curve refers to issuing green gilts at multiple maturity points, in order to build out a curve similar to the conventional gilt yield curve for regular gilts.

[25] 'Economic and Fiscal Outlook', OBR, October 2021.

Box 1.E: Sensitivity of debt interest to changes in interest rates and inflation

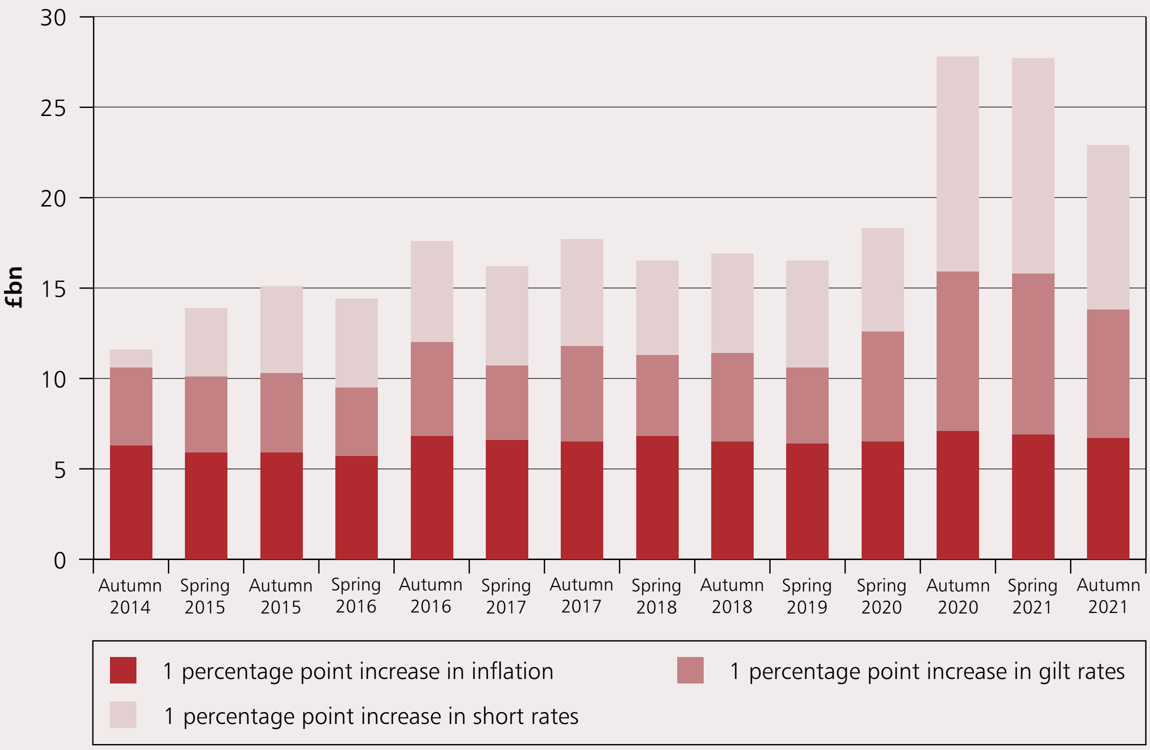
The debt interest to revenue ratio has fallen significantly over the past century.[a] However, historically high levels of debt stock leave the public finances more vulnerable to future shocks.

Chart 1.9 shows the sensitivity of debt interest payments to changes in the interest rates paid on government debt and inflation in the final year of each forecast event since autumn 2014. Extensions of the APF have increased sensitivity to changes in the level of the interest rate set by the Bank of England. OBR analysis found that the first-year fiscal impact of a one percentage point rise in interest rates was six times greater than it was just before the financial crisis, and almost twice what it was before the pandemic.[b]

Sensitivity to gilt rates has also increased which reflects the higher stock of debt due to the pandemic. Currently, a one percentage point increase in gilt rates is estimated to increase debt interest spending by £7.1 billion in the final year of the forecast, compared to £4.2 billion in spring 2019.[c]

The UK's relatively large stock of inflation-linked debt means that the government's debt interest sensitivity to inflationary pressures is high: a one percentage point increase in RPI inflation is estimated to increase spending on debt interest by £6.7 billion in 2026-27.[d] This sensitivity has remained largely stable in the past years, which in part reflects the government's strategy in recent years to reduce inflation-linked debt as a share of total issuance.

Chart 1.9: Debt interest sensitivities in the final year of the forecast, by forecast event



Source: Office for Budget Responsibility.

[a] Further detail can be found in Annex A.
[b] 'Fiscal risks report', OBR, July 2021.
[c] 'Economic and Fiscal Outlook', OBR, October 2021 and 'Economic and Fiscal Outlook', OBR, March 2019.
[d] 'Economic and Fiscal Outlook', OBR, October 2021.

Medium-term fiscal strategy and outlook

1.50 In the face of these risks, the government took early action to return the public finances to a sustainable path. As a result of the government's action over the past year and the improved economic outlook, including the reduced economic scarring, the fiscal outlook has also improved since March. PSNB is on average 1.4% lower over the forecast than was expected in March. PSNB falls across the forecast period to 1.7% of GDP in 2024-25, 0.4 percentage points lower than expected pre-pandemic. It then continues to fall over the rest of the forecast period to 1.5% in 2026-27.[26]

1.51 Given the risks associated with the UK's elevated level of debt, tough but necessary decisions were required to return the public finances to a sustainable path. This includes the fair and progressive package of measures announced at Spring Budget which ask larger, more profitable companies to contribute, and for people to contribute more too.

1.52 The introduction of a new Health and Social Care Levy builds on this action, and will allow for the funding of one of the biggest catch-up programmes in the history of the NHS and reform of the adult social care system. The pressures on the health and social care system over the long term are significant and the fairest way to manage these challenges is with the highest earning households contributing more.

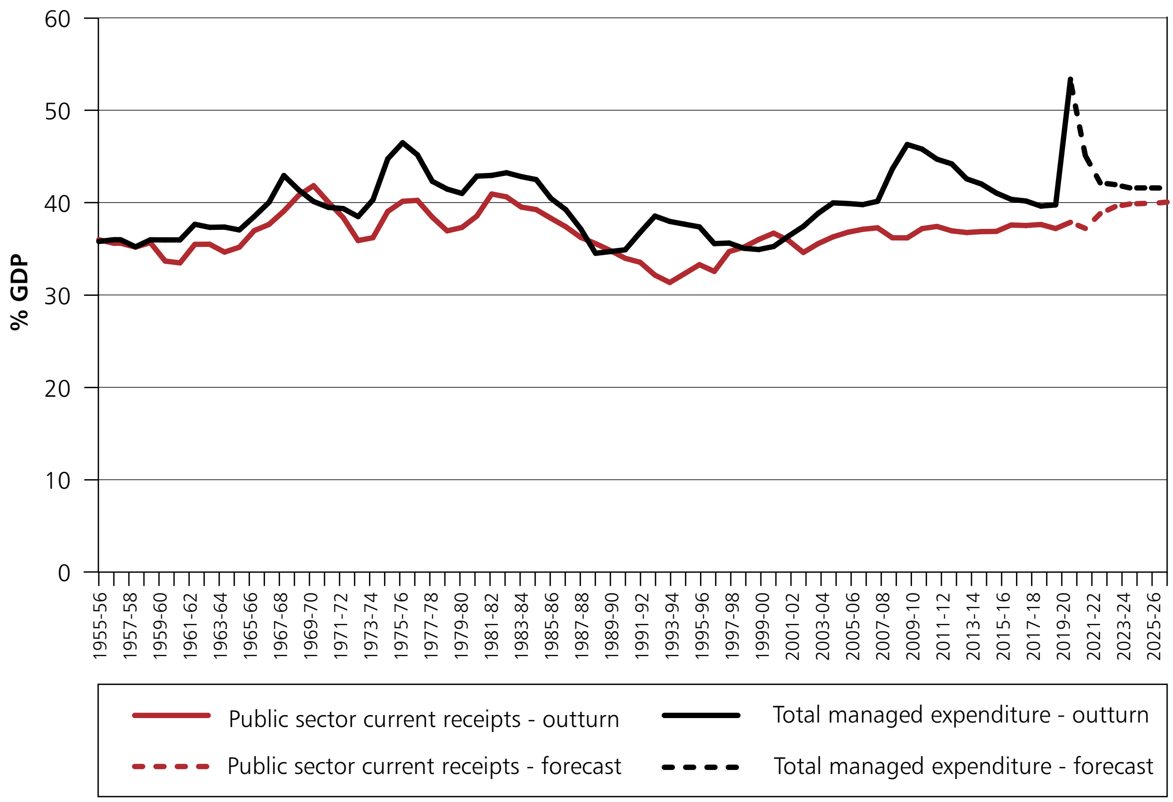
1.53 The government is also suspending the earnings link for State Pension uprating next year to ensure that the public finances remain sustainable in a manner that is fair across all generations. This approach avoids the distortion in the annual growth in earnings caused by the pandemic driving a disproportionately inflated rise in the State Pension. This action will protect taxpayers from a significant fiscal pressure, while protecting pensioners from higher costs of living.

1.54 Chart 1.10 shows that as a result of the difficult but responsible decisions taken over the past year, public sector current receipts (PSCR) are projected to rise from 37.2% of GDP in 2021-22 to 40.0% of GDP by 2026-27.[27] This has been necessary to deliver the long-term funding needed for public services, which must be funded by tax rather than additional borrowing.

[26] 'Economic and Fiscal Outlook', OBR, October 2021 and 'Economic and Fiscal Outlook', OBR, March 2021.

[27] 'Economic and Fiscal Outlook', OBR, October 2021.

Chart 1.10: Receipts and spending as a percentage of GDP

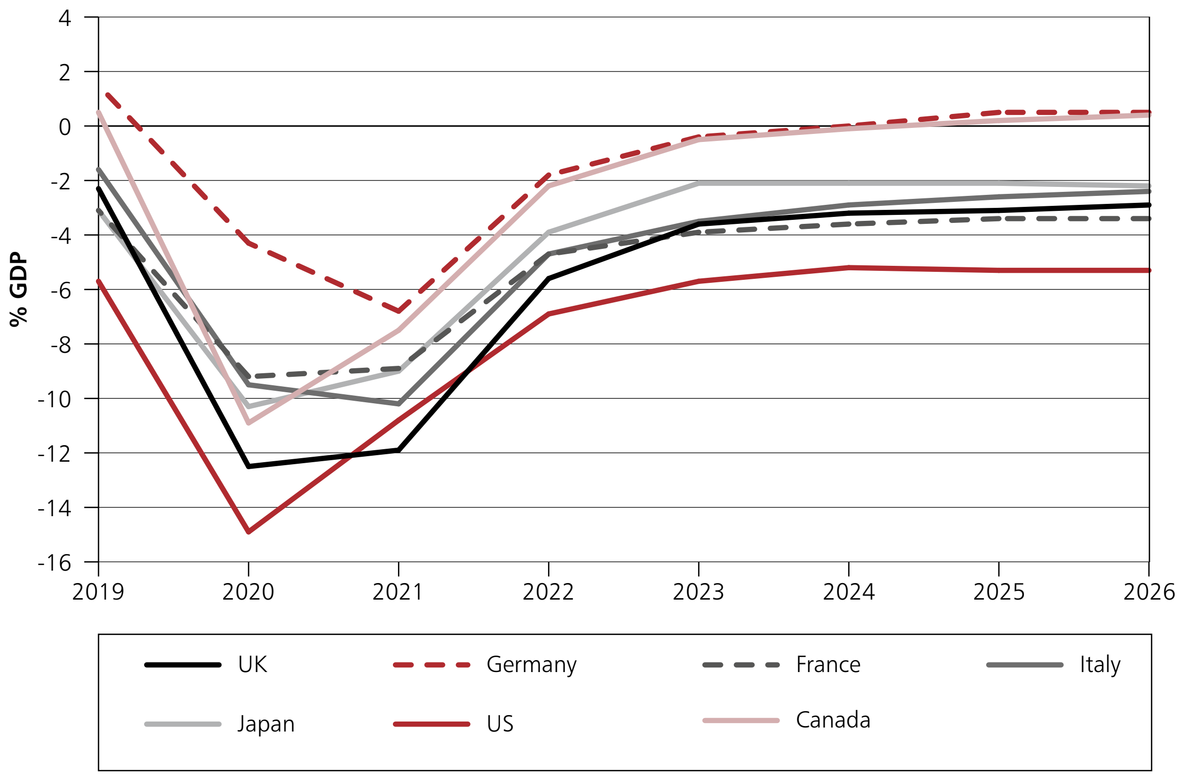


Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury calculations.

1.55 By taking early action to repair the public finances over the past year, the government is able to confirm that every department's overall spending will increase in real terms as a result of SR21, and over the Parliament, allowing for the additional provision that the government has set aside to take Official Development Assistance (ODA) to 0.7% of gross national income (GNI) in 2024-25. Further detail is set out in the Public Spending section.

1.56 Chart 1.11 shows that the UK will have had one of the largest deficits this year and last year in the G7 as a result of the government's unprecedented discretionary response to the pandemic, based on the IMF's October 2021 Fiscal Monitor. The IMF's projections, which do not take into account the action taken at the Budget and SR, show that the UK's deficit was already falling over the forecast period as a result of the decisions the government had previously taken.

Chart: 1.11 General government overall fiscal balance in G7 economies



General government overall fiscal balance published in the IMF October 2021 Fiscal Monitor. This is based on information available up to 27 September and therefore does not reflect measures announced at this Budget and the SR, or the OBR's updated forecasts published in the October EFO.

Source: IMF Fiscal Monitor October 2021.

1.57 The Budget and SR sets out the government's new fiscal rules, as outlined in detail in Annex A. Fiscal policy decisions for at least this Parliament will be guided by the following mandate:

- to have public sector net debt (excluding the Bank of England) as a percentage of GDP falling by the third year of the rolling forecast period;

1.58 The mandate for fiscal policy is further supplemented by:

- a target to balance the current budget by the third year of the rolling forecast period;
- a target to ensure that public sector net investment does not exceed 3% of GDP on average over the rolling forecast period;
- a target to ensure that expenditure on welfare is contained within a predetermined cap and margin set by the Treasury.

1.59 Consistent with the Charter for Budget Responsibility, in order to provide certainty and stability, fiscal policy in relation to the fiscal rules will generally only be adjusted at Budgets.

1.60 While the fiscal rules build on those used at Budget 2020, they reflect the significant change in economic and fiscal context from COVID-19, which led to borrowing hitting peacetime record levels.[28] PSND is at the highest level since the 1960s and the public finances are now more sensitive to changes in inflation and interest rates.[29] The new fiscal framework will ensure the public finances remain on a sustainable path over the medium term and support a strong economic recovery across the whole of the UK. Reducing underlying debt as a percentage of GDP in the medium term will reduce the risks to debt interest expenditure and rebuild fiscal

[28] 'Public finances databank', OBR, September 2021 and 'Economic and Fiscal Outlook', OBR, October 2021.
[29] 'Public finances databank', OBR, September 2021 and 'Economic and Fiscal Outlook', OBR, October 2021.

buffers. The fairest and most sustainable way to achieve this continues to be balancing current spending with tax through a current budget rule. This prevents future generations from bearing the burden of borrowing for current spending, while allowing for significant investment to level up across the UK.

1.61 Ensuring the affordability of the UK's public debt is a prerequisite for sustainable public finances. While the fiscal rules allow the government to maintain high levels of investment spending when borrowing costs are low, this must be balanced against other considerations relating to the affordability of debt servicing. This includes its sensitivity to changes in the macroeconomic context and outlook, and wider risks such as the proportion of government debt issuance held overseas. In delivering the fiscal rules, the government will therefore closely monitor the continued affordability of public debt.

1.62 As part of the government's commitment to the broadest view of fiscal sustainability, the government will seek to strengthen measures of the public sector balance sheet. The OBR has published its first forecast of public sector net worth (PSNW) which summarises the total value of the public sector's financial and non-financial assets and liabilities, providing the most complete forward look of the public finances to date. This sits alongside its forecast of public sector net financial liabilities (PSNFL), a measure of the financial balance sheet, providing a comprehensive overview of the public finances.[30]

1.63 The holistic approach that the government has taken in designing its fiscal rules and ensuring that its objectives are met in a sustainable way means the UK continues to be at the forefront of international best practice in the management of public finances.

1.64 The OBR forecast shows that the government's fiscal plan is working. As a result of the improved economic outlook and the action taken over the past year to repair the public finances, the fiscal rules are met in this forecast.

1.65 The forecast shows that PSND rises from 96.6% of GDP in 2020-21 to 98.2% of GDP this year. It then falls in every year of the forecast to reach 88.0% in 2026-27. PSND is on average 11.4% lower each year than forecast in March 2021, but 21.8% higher than the March 2020 forecast.

1.66 Chart 1.12 shows that underlying debt rises from 85.2% of GDP in 2021-22 to 85.7% in 2023-24. It then falls in each of the final three years of the forecast. Underlying debt is on average 11.0% lower each year than forecast in March 2021, but 12.5% higher than the March 2020 forecast, and there is £17.5 billion (0.6% of GDP) of headroom in the target year of 2024-25.

1.67 PSNB falls from £319.9 billion in 2020-21 to £183.0 billion in 2021-22, and then falls to £44.0 billion in the last year of the forecast. PSNB is on average £30.8 billion lower each year than forecast in March 2021, and by 2024-25 is £11.6 billion lower than forecast in March 2020.

1.68 The current budget deficit falls over the forecast period, reaching balance in 2023-24, as shown by chart 1.13, with a £25.1 billion surplus in the target year – £3.9 billion more than in the March 2020 forecast. By comparison, the current budget was not expected to be in surplus in any year in the March 2021 forecast.

1.69 Maintaining headroom against the fiscal rules – consistent with the approach taken by recent governments – improves the resilience of the public finances to the risks associated with the future paths of interest rates and inflation, as outlined in Box 1.E. This responsible approach

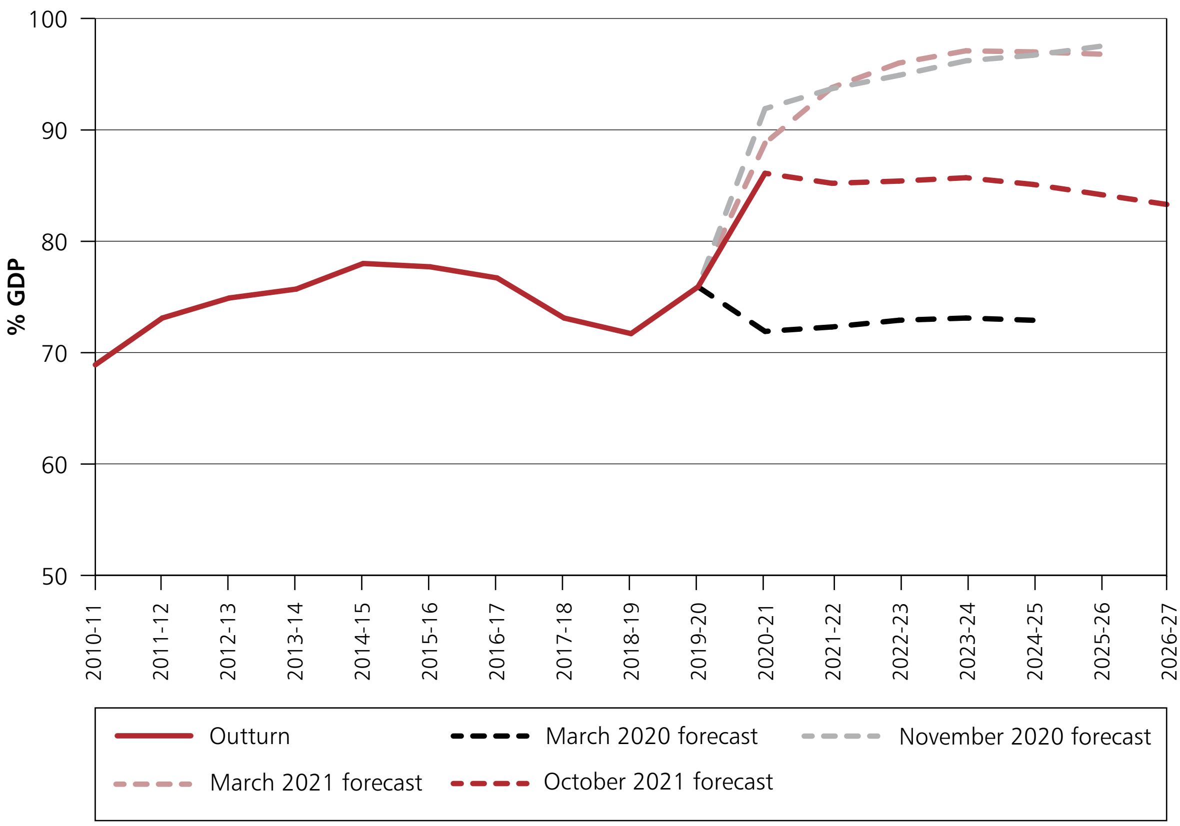
[30] PSNW is consistent with the IMGF's Government Finance Statistics Manual 2014 and summarises the total value of the public sector's assets (financial and non-financial) and its liabilities. PSNFL is a statistical aggregate summarising the total value of the public sector's financial assets and liabilities.

balances the need to invest in public services with the uncertainty surrounding the outlook for the public finances, reducing the risk that the government has to abruptly alter its plans for spending or taxes at future Budgets due to movements in the forecast.

1.70 Given the government's careful stewardship of the public finances and the strength of the recovery, the ODA fiscal tests are now forecast to be met in 2024-25, which is earlier than the OBR forecast in March. As such, SR21 provisionally sets aside ODA funding in 2024-25, to the value of the difference between 0.5% and 0.7% of GNI. This delivers on the government's commitment made to Parliament to return to spending 0.7% of GNI on ODA when on a sustainable basis the government is not borrowing for current spending and underlying debt is falling.

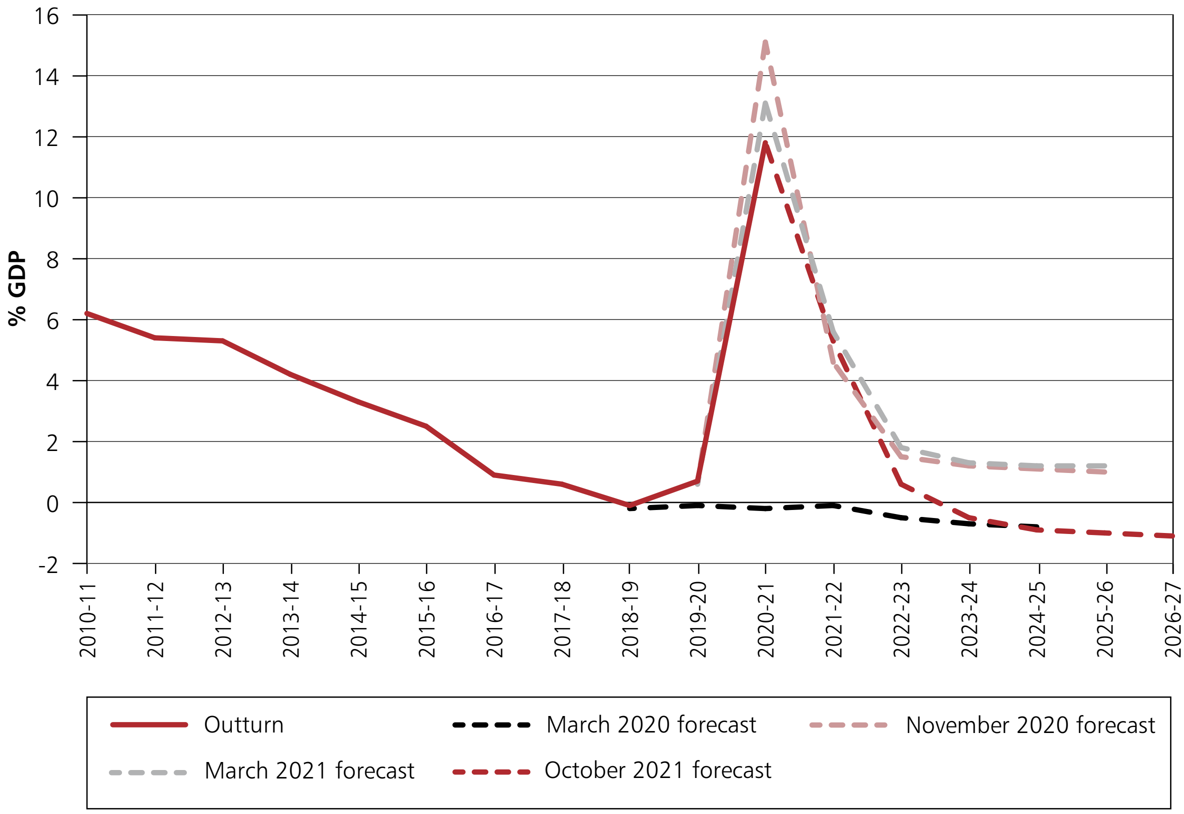
1.71 The government will continue to monitor future forecasts closely and, each year over this period, will review and confirm, in accordance with the 2015 Act, whether a return to spending 0.7% of GNI on ODA remains possible against the latest fiscal forecast.

Chart 1.12: Public sector net debt excluding the Bank of England



Source: Office for National Statistics and Office for Budget Responsibility.

Chart 1.13: Current budget deficit



Source: Office for National Statistics and Office for Budget Responsibility.

1.72 The forecast confirms that PSNI will average 2.7% of GDP over the rolling forecast period, consistent with the target set out in the government's fiscal rules.

1.73 The fiscal framework retains a welfare cap, which ensures that welfare spending is sustainable in the medium term. The level of the welfare cap will be reset using the OBR's forecast for the benefits in scope.[31] The cap will apply to spending in 2024-25 and will feature a margin that rises by 0.5% above the forecast each year to reach 2% in 2024-25. Performance against the cap will be formally assessed by the OBR at the first fiscal event of the next Parliament.

1.74 The forecast also shows that a range of measures of the balance sheet are strengthening. Table 1.14 shows that PSNW is forecast to fall to -83.4% of GDP in 2021-22, then improve every year over the forecast, reaching -68.9% of GDP by 2026-27. PSNFL is forecast to improve over the forecast from 85.4% of GDP in 2021-22 to 76.8% of GDP by 2026-27.

[31] A full list can be found in Annex A.

Table 1.14: Overview of the OBR's fiscal forecast (% GDP)

	Outturn	Forecast					
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Public sector net debt[1]	96.6	98.2	97.9	97.8	94.7	90.5	88.0
Public sector net debt ex Bank of England[1]	86.1	85.2	85.4	85.7	85.1	84.2	83.3
Public sector net financial liabilities[1]	86.0	85.4	83.9	82.8	80.8	78.9	76.8
Public sector net worth[1,2]	-83.0	-83.4	-80.9	-78.7	-75.8	-72.6	-68.9
General government gross debt	105.9	100.9	98.7	98.2	97.6	96.4	95.1
Public sector net borrowing	15.2	7.9	3.3	2.4	1.7	1.7	1.5
Public sector net investment	3.5	2.6	2.7	2.9	2.7	2.7	2.7
Current budget deficit	11.8	5.3	0.6	-0.5	-0.9	-1.0	-1.1
Cyclically-adjusted public sector net borrowing	15.1	8.3	3.9	2.7	1.8	1.7	1.5
Cyclically-adjusted current budget deficit	11.6	5.7	1.2	-0.2	-0.9	-1.0	-1.1
General government net borrowing	15.4	8.1	3.3	2.3	1.8	1.8	1.5

[1] Stock values at end of March; GDP centred on end of March.

[2] IMF Government Finance Statistics Manual (GFSM) basis

Source: Office for Budget Responsibility.

Public Spending

1.75 SR21 sets UK government departments' resource and capital DEL budgets and the devolved administrations' block grants from 2022-23 to 2024-25. Setting multi-year budgets provides planning certainty for departments and allows the government to prioritise spending that most effectively delivers its priorities for the rest of the Parliament.

Table 1.15: Total Managed Expenditure (TME)[1]

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Plans 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Current Expenditure										
Resource AME	406.2	480.2	427.2	433.5	450.7	463.7	479.0	497.0		
Resource DEL excluding depreciation	345.5	475.8	454.7	435.2	442.5	453.7	471.3	489.2	3.3%	3.1%
of which: Core RDEL excluding depreciation	*343.3*	*354.6*	*384.9*	-	-	-	-	-		
of which: Ringfenced COVID-19 funding	*2.2*	*121.2*	*69.8*	-	-	-	-	-		
Ring-fenced depreciation	38.0	33.1	48.2	52.4	54.6	56.9	59.3	61.7		
Total Public Sector Current Expenditure	**789.6**	**989.1**	**930.0**	**921.1**	**947.8**	**974.3**	**1009.6**	**1047.9**	1.9%	1.8%
Capital Expenditure										
Capital AME	24.1	32.4	15.7	17.4	22.1	21.5	21.6	22.3		
Capital DEL	70.2	93.7	99.3	106.8	111.5	111.9	117.1	121.5	1.9%	6.7%
of which: Core CDEL	*70.2*	*87.9*	*98.7*	-	-	-	-	-		
of which: Ringfenced COVID-19 funding	*0.0*	*5.8*	*0.5*	-	-	-	-	-		
Total Public Sector Gross Investment	**94.2**	**126.1**	**114.9**	**124.3**	**133.5**	**133.3**	**138.7**	**143.9**	2.9%	4.6%
Total Managed Expenditure	**883.9**	**1115.2**	**1045.0**	**1045.4**	**1081.4**	**1107.6**	**1148.3**	**1191.7**	2.0%	2.2%
Total Managed Expenditure % of GDP	*39.8%*	*53.1%*	*45.1%*	*42.1%*	*41.9%*	*41.6%*	*41.6%*	*41.6%*		
of which: Total DEL	*415.7*	*569.5*	*553.9*	*542.1*	*554.0*	*565.6*	*588.3*	*610.8*	**3.0%**	**3.8%**

[1] See Annex E for full footnotes

Source: HM Treasury Calculations and Office for Budget Responsibility EFO.

1.76 Every department's overall spending will increase in real terms as a result of SR21, and over the Parliament, allowing for the additional provision that the government has set aside to take ODA to 0.7% of GNI in 2024-25.[32,33] Total departmental spending is set to grow in real terms at 3.8% a year on average over this Parliament – a cash increase of £150 billion a year by 2024-25 (£90 billion in real terms). This is the largest real-terms increase in overall departmental spending for any Parliament this century.[34]

1.77 The government will deliver the spending plans set out at the SR21 launch on 7 September 2021, adjusted to reflect the remaining response to COVID-19 in the immediate term, cost pressures as a result of the updated inflation forecast, the updated costing for the Health and Social Care Levy, and updated estimates of the spending profiles for planned major capital programmes and projects.

1.78 Resource DEL is set to grow in cash terms by over £100 billion a year over the Parliament. This is equivalent to an average annual real increase of 3.3% from 2021-22 to 2024-25 and builds on the significant increases that the government has already delivered over the last two years.

1.79 The government will continue to deliver on its ambitious plans to invest over £600 billion in gross public sector investment over this Parliament, reaching the highest sustained levels of PSNI as a proportion of GDP since the late 1970s, as shown in chart 1.19. This is equivalent to an average annual real increase in capital DEL of 6.7% over this Parliament.

1.80 Total Managed Expenditure (TME) – the total amount of money that the government spends through departments, local authorities, other public bodies and social security – as a share of the economy is expected to increase from 39.8% in 2019-20 to a peak of 53.1% in 2020-21, before returning to 41.6% of GDP by the end of the forecast period. Table 1.15 sets out planned TME, public sector current expenditure (PSCE) and public sector gross investment (PSGI) up to 2026-27. Chart 1.20 shows the change in government spending as a share of GDP over time.

1.81 As part of the OBR forecast process, the government also provides an assumption for the future path of departmental spending. For the years beyond the SR21 period, the government has maintained the level of departmental spending as a proportion of GDP by growing resource and capital DEL in line with nominal GDP growth. Budgets beyond 2024-25 will be set at the next Spending Review.

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[32] Average annual real terms growth rates (AARG) for Foreign, Commonwealth and Development Office do not take account of the unallocated provision of £5.2 billion to take ODA to 0.7% of GNI in 2024-25.

[33] The Ministry of Defence was provided with a four-year settlement at Spending Review 2020, with a significant investment of £24 billion across total DEL expenditure. At SR21, the total DEL AARG is 1.5% from 2019-20 to 2024-25.

[34] Public Expenditure Statistical Analysis 2000 to 2021. The historic GDP deflator is from the Office for National Statistics Quarterly National Accounts June 2021 and the forecast GDP deflator from OBR Economic and Fiscal Outlook. HM Treasury calculations.

Table 1.16: Departmental Budgets - Total DEL (TDEL) excluding depreciation[1]

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
DHSC	140.5	144.9	156.4	178.5	183.8	188.6	4.1%	3.5%
DfE	68.4	71.5	76.3	83.3	86.3	86.7	2.0%	2.4%
HO	12.3	13.6	14.6	16.2	16.5	16.5	1.9%	3.6%
MoJ	8.3	9.3	9.8	11.0	12.0	11.5	3.3%	4.1%
LODs	0.6	0.6	0.7	0.8	0.8	0.8	2.1%	2.8%
MOD	39.8	42.4	46.0	47.9	48.0	48.6	-0.4%	1.5%
SIA	3.0	2.8	3.1	3.3	3.6	3.7	3.9%	4.0%
FCDO	12.6	12.5	9.7	11.1	11.4	11.8	4.4%	-5.0%
Unallocated provision to take ODA to 0.7% of GNI	-	-	-	-	-	5.2	-	-
DLUHC Local Government	7.0	5.3	8.5	11.7	12.1	12.8	9.4%	8.4%
DLUHC Levelling up, Housing and Communities	10.7	11.4	9.7	11.1	9.0	8.9	4.1%	4.7%
Levelling Up Fund	-	-	0.2	0.9	1.4	1.4	-	-
DfT	17.7	20.5	23.2	27.2	26.7	26.2	1.9%	5.5%
BEIS	13.7	20.9	17.9	19.6	23.5	23.8	7.5%	9.9%
DCMS	2.2	1.9	2.2	2.8	2.7	2.7	5.8%	2.9%
DEFRA	2.8	5.0	5.6	6.7	7.3	7.0	5.3%	8.1%
DIT	0.5	0.5	0.5	0.6	0.6	0.6	0.1%	0.2%
DWP	5.8	6.0	5.9	8.3	7.6	7.2	4.4%	2.1%
HMRC	4.3	4.7	4.8	5.9	5.5	5.2	0.0%	1.2%
HMT	0.5	0.3	0.2	0.3	0.3	0.3	0.3%	1.2%
CO	1.1	0.9	1.0	1.0	1.0	1.0	0.1%	9.6%
Scotland	32.9	35.5	36.7	40.6	41.2	41.8	2.4%	2.6%
Wales	14.2	15.8	15.9	17.7	18.0	18.2	2.6%	2.9%
Northern Ireland	12.7	13.6	13.4	14.8	15.0	15.2	2.2%	1.3%
Small and Independent Bodies	2.0	2.5	2.5	2.9	3.0	3.1	5.1%	6.7%
UKSPF	-	-	-	0.4	0.7	1.5	-	-
Reserves	-	-	15.6	15.9	14.7	14.0	-	-
Adjustment to baseline	-	-	1.5	-	-	-	-	-
IFRS16 reclassification	-	-	1.5	1.5	1.5	1.5	-	-
TDEL ex depreciation and ringfenced COVID-19 funding	**413.5**	**442.5**	**483.6**	**542.1**	**554.0**	**565.6**	**3.0%**	**3.8%**
Ringfenced COVID-19 funding	2.2	127.0	70.3	-	-	-		
TDEL ex depreciation including ringfenced COVID-19 funding	**415.7**	**569.5**	**553.9**	**542.1**	**554.0**	**565.6**		
Allowance for shortfall	-	-	-24.0	-15.2	-14.5	-13.0		
TDEL ex depreciation, post allowance for shortfall	**415.7**	**569.5**	**529.8**	**526.9**	**539.4**	**552.6**		

[1] See Annex E for full footnotes

Table 1.17: Resource DEL (RDEL) excluding depreciation[1]

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
DHSC	133.5	136.3	147.1	167.9	173.4	177.4	4.1%	3.3%
of which: NHSE&I	123.7	125.9	136.1	151.8	157.4	162.6	3.8%	3.1%
DfE	63.5	66.8	70.7	77.0	79.2	80.6	2.2%	2.4%
of which: core schools	44.4	47.6	49.8	53.8	55.3	56.8	2.2%	2.5%
HO	11.5	12.9	13.7	15.2	15.6	15.7	2.5%	3.9%
MoJ	7.8	8.2	8.4	9.3	9.8	10.1	4.1%	2.6%
LODs	0.6	0.6	0.7	0.8	0.8	0.8	2.2%	2.9%
MOD	29.5	30.6	31.5	32.4	32.2	32.4	-1.4%	-0.6%
SIA	2.3	2.3	2.2	2.3	2.4	2.5	1.7%	1.6%
FCDO	10.4	9.7	7.3	8.5	7.9	7.8	0.0%	-7.8%
Unallocated provision to take ODA to 0.7% of GNI	-	-	-	-	-	5.2	-	-
DLUHC Local Government	7.0	5.3	8.5	11.7	12.1	12.8	9.4%	8.4%
DLUHC Levelling up, Housing and Communities	2.5	2.3	1.9	2.2	2.2	2.1	1.1%	3.8%
DfT	3.5	3.6	4.4	7.8	6.8	5.7	6.8%	7.8%
BEIS	2.5	2.1	2.3	2.6	2.7	2.6	1.4%	3.6%
DCMS	1.6	1.4	1.4	2.1	1.6	1.6	2.2%	-1.5%
DEFRA	2.0	4.1	4.1	4.5	4.4	4.3	3.1%	2.5%
DIT	0.5	0.5	0.5	0.5	0.5	0.5	0.1%	0.5%
DWP	5.7	5.7	5.6	7.6	7.2	6.9	4.6%	1.3%
HMRC	4.0	4.2	4.2	5.2	4.9	4.7	1.2%	1.0%
HMT	0.4	0.3	0.2	0.3	0.3	0.3	0.9%	1.5%
CO	1.0	0.7	0.5	0.6	0.6	0.5	1.4%	0.8%
Scotland	28.6	30.3	31.6	35.0	35.7	36.3	2.5%	2.3%
Wales	12.1	12.5	13.5	15.1	15.4	15.6	2.6%	2.8%
Northern Ireland	11.4	11.9	11.7	12.9	13.2	13.4	2.1%	0.8%
Small and Independent Bodies	1.6	2.2	2.1	2.4	2.5	2.4	2.8%	6.8%
UKSPF	-	-	-	0.4	0.6	1.3	-	-
Reserves	-	-	8.1	11.0	10.9	10.3	-	-
Adjustment to baseline	-	-	2.6	-	-	-	-	-
Total RDEL ex depreciation and ringfenced COVID-19 funding	**343.3**	**354.6**	**384.9**	**435.2**	**442.5**	**453.7**	**3.3%**	**3.1%**
Ringfenced COVID-19 funding	2.2	121.2	69.8	-	-	-		
Total RDEL inc ringfenced COVID-19 funding	**345.5**	**475.8**	**454.7**	**435.2**	**442.5**	**453.7**		
Allowance for Shortfall	-	-	-13.5	-7.2	-5.8	-4.8		
Total RDEL ex depreciation, post allowance for shortfall	**345.5**	**475.8**	**441.1**	**428.0**	**436.7**	**448.9**		
Memo:								
LG Core Spending Power	**46.2**	**49.1**	**50.4**	**53.7**	**56.6**	**58.9**	**3.0%**	**2.5%**

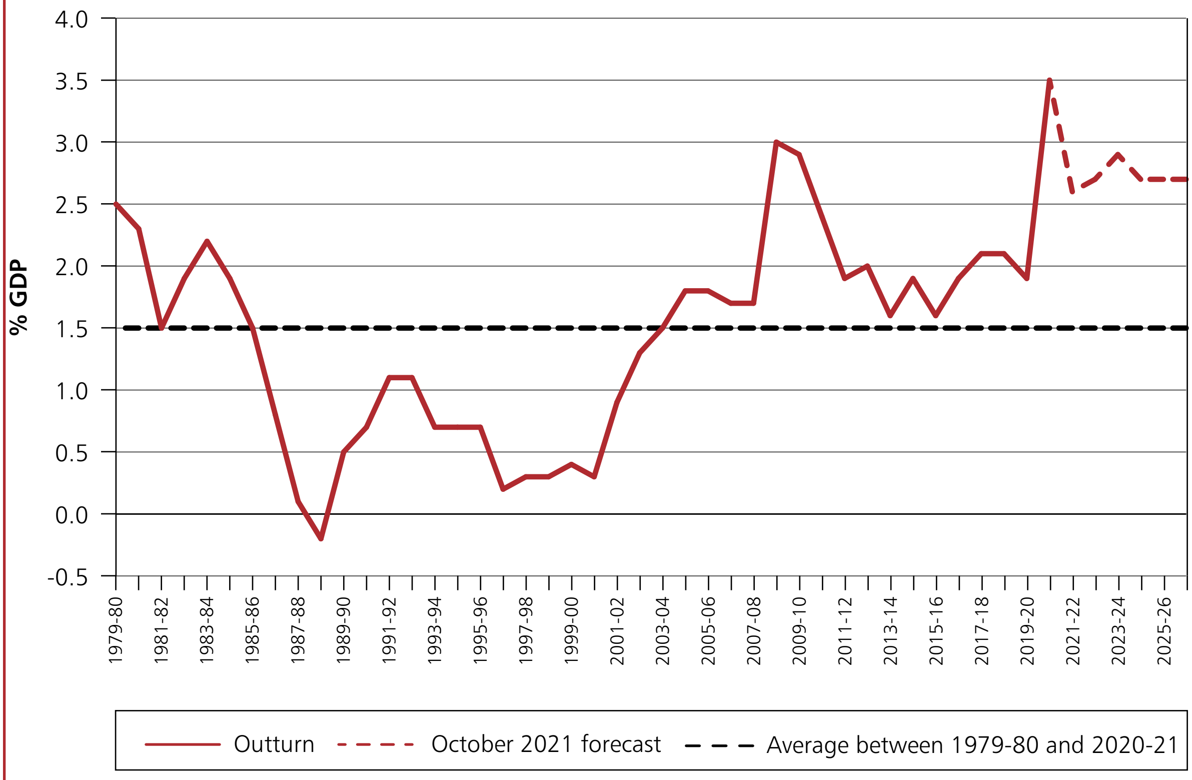
[1] See Annex E for full footnotes

Table 1.18: Departmental Capital Budgets - Capital DEL (CDEL)[1]

£ billion (current prices)	Outturn 2018-19	Outturn 2019-20	Outturn 2020-21	Plans 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
DHSC	5.9	7.0	8.6	9.4	10.6	10.4	11.2	3.8%	7.2%
DfE	5.2	4.9	4.7	5.6	6.3	7.0	6.1	0.5%	2.2%
HO	0.7	0.8	0.8	0.9	1.0	1.0	0.8	-7.0%	-2.2%
MoJ	0.4	0.5	1.1	1.4	1.7	2.2	1.4	-1.4%	20.8%
LODs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.7%	-4.7%
MOD	10.3	10.3	11.7	14.4	15.6	15.8	16.2	1.8%	6.8%
SIA	0.6	0.6	0.6	0.9	1.0	1.2	1.2	9.1%	10.2%
FCDO	3.2	2.2	2.8	2.4	2.6	3.5	4.0	16.0%	2.4%
DLUHC Levelling up, Housing and Communities	7.4	8.3	9.0	7.8	8.9	6.9	6.8	5.1%	5.0%
Levelling Up Fund	-	-	-	0.2	0.9	1.4	1.4	-	-
DfT	8.3	14.2	16.9	18.8	19.5	19.9	20.5	0.6%	4.9%
BEIS	11.0	11.2	18.8	15.6	17.0	20.8	21.2	8.3%	10.9%
DCMS	0.0	0.5	0.5	0.8	0.8	1.1	1.1	11.8%	11.6%
DEFRA	0.7	0.7	0.9	1.6	2.2	2.9	2.7	8.4%	19.6%
DIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.1%	-7.6%
DWP	0.3	0.1	0.3	0.3	0.6	0.5	0.4	1.2%	32.6%
HMRC	0.3	0.3	0.5	0.6	0.7	0.6	0.5	-9.1%	4.4%
HMT	0.1	0.1	0.0	0.0	0.0	0.0	0.0	-19.6%	-8.8%
CO	0.1	0.1	0.2	0.5	0.4	0.5	0.5	-1.3%	30.7%
Scotland	3.9	4.3	5.2	5.2	5.6	5.6	5.5	1.9%	4.5%
Wales	2.0	2.1	3.3	2.4	2.6	2.6	2.6	2.3%	3.6%
Northern Ireland	1.3	1.3	1.7	1.7	1.8	1.9	1.8	2.5%	5.6%
Small and Independent Bodies	0.2	0.4	0.3	0.4	0.5	0.5	0.6	16.8%	6.2%
UKSPF	-	-	-	-	0.0	0.1	0.2	-	-
Reserves	-	-	-	7.5	4.9	3.8	3.7	-	-
Funding for leases reclassification exercise (IFRS16)	-	-	-	1.5	1.5	1.5	1.5	-	-
Adjustment due to classification changes	-	-	-	-1.1	-	-	-	-	-
Total CDEL ex ringfenced COVID-19 funding	**62.6**	**70.2**	**87.9**	**98.7**	**106.8**	**111.5**	**111.9**	**1.9%**	**6.7%**
Temporary COVID-19 funding	-	-	5.8	0.5	-	-	-	-	-
Total CDEL inc ringfenced COVID-19 funding	**62.6**	**70.2**	**93.7**	**99.3**	**106.8**	**111.5**	**111.9**		
Remove CDEL not in PSGI	-11.8	-12.3	-21.1	-11.2	-11.9	-8.0	-8.8	-	-
Allowance for shortfall	-	-	-	-10.5	-7.9	-8.8	-8.2	-	-
Public Sector Gross Investment in CDEL	**50.8**	**58.0**	**72.7**	**77.6**	**87.0**	**94.6**	**94.9**		

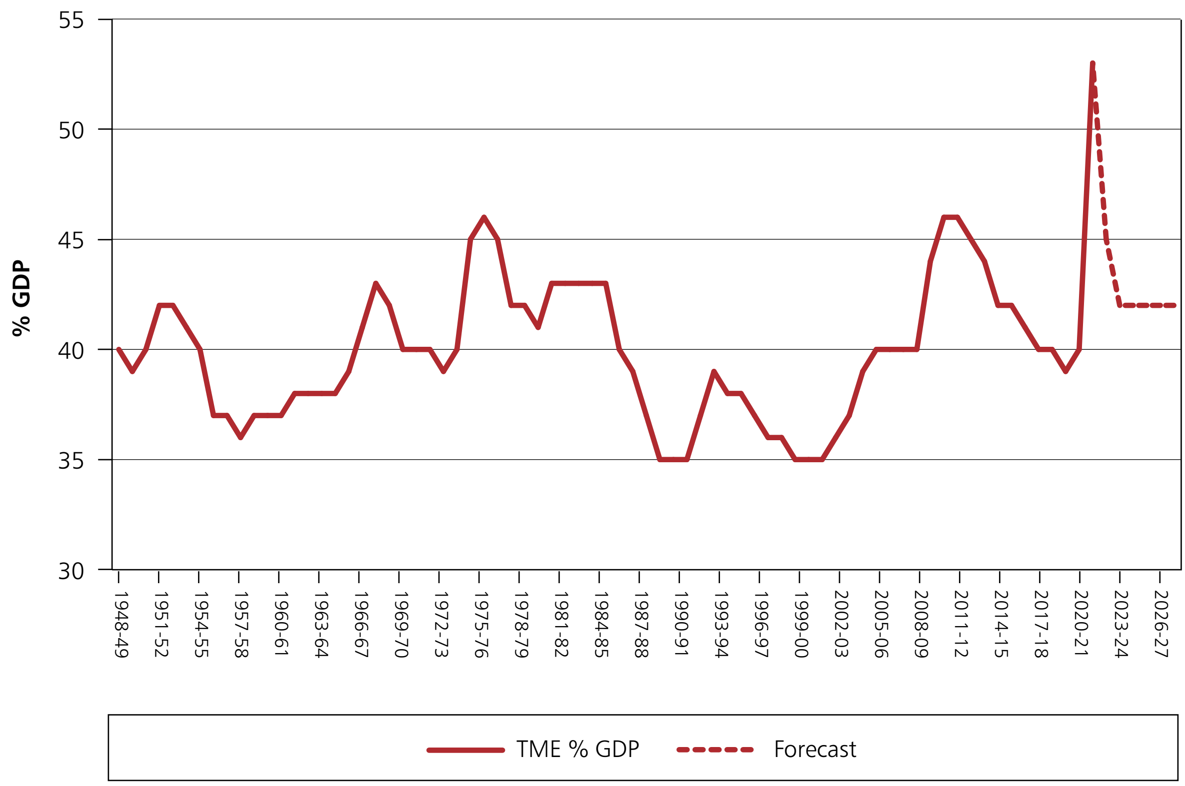
[1] See Annex E for full footnotes

Chart 1.19: Public sector net investment relative to historic average



Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury calculations.

Chart 1.20: Total Managed Expenditure (% GDP)



Source: Office for National Statistics, Office for Budget Responsibility EFO.

Public sector pay

1.82 In the face of significant uncertainty due to COVID-19, the government announced a more targeted public sector pay policy at SR20. This helped to protect jobs at a time of crisis and ensure fairness between the private and public sectors. Those working in the public sector have, on average, better remuneration packages than those in the private sector, with the pandemic also demonstrating the significant value of the greater job security offered by the public sector.[35] The temporary pause in pay rises for some public sector workers was intended to ensure that the gap between the public and private sector wages did not widen further.

1.83 SR21 announces that public sector workers will see pay rises over the next three years as the recovery in the economy and labour market allows a return to a normal pay setting process. The government will be seeking recommendations from Pay Review Bodies where applicable. To ensure fairness and the sustainability of the public finances, public sector pay growth over the next three years should retain broad parity with the private sector and continue to be affordable.

Ensuring public money is spent well

1.84 To deliver the government's priorities and meet the fiscal rules, SR21 places a renewed emphasis on ensuring that every pound of taxpayers' money is spent well and focused on the areas that make the most difference to people's daily lives.

1.85 Spending public money well requires a clear account of what the spending is trying to achieve, along with ongoing monitoring of whether it is working. As the first step to achieving this, SR21 sets out the priority outcomes that departments will deliver with their agreed funding and the metrics that will be used to measure progress towards them. Priority outcomes are set out on the relevant lead department pages in chapter 4, and a full list of priority outcomes and metrics can be found in 'Spending Review 2021: Priority outcomes and metrics'.[36]

1.86 SR21 decisions have been taken based on how spending will contribute to the delivery of these outcomes. For example, investment decisions have been informed by data and evidence on the expected contribution of proposals to meeting net zero carbon emissions by 2050 and assessed within the context of the broader suite of policies set out in the Net Zero Strategy. Spending decisions have also been guided by the government's commitment to levelling up the economy. Appraisal of investment programmes has been informed by data on regional benefits and an understanding of the specific social and economic features of different places.[37]

1.87 Successful delivery of outcomes is underpinned by investing taxpayers' money on interventions with the best chance of working. At SR21, decisions have been informed by the quality of available evidence in support of potential investment options. The Evaluation Taskforce has worked with government departments in important areas to ensure proposals are supported by robust evaluation plans. This includes embedding experimental evaluation into flagship programmes such as Help to Grow and the Youth Investment Fund, to strengthen the evidence base for future decisions. Funding has also been confirmed in areas where there is a strong evidence base that links interventions to outcomes.

1.88 To drive delivery of the government's commitments, priority outcomes and metrics will form the basis of Outcome Delivery Plans (ODPs) covering 2022-25, to ensure outcomes and evaluations agreed at SR21 are front and centre in departmental planning. ODPs will be published shortly after the start of the next financial year. The Number 10 Delivery Unit will work closely with HM Treasury, Cabinet Office and other government departments on ODPs to strengthen the approach.

[35] 'Public and private sector earnings: 2019', ONS, September 2020.
[36] Spending Review 2021: Priority outcomes and metrics.
[37] This is in line with the findings of the Green Book Review.

1.89 Departments will be required to report on progress against their ODPs. This will allow Ministers and officials to identify any priority outcomes at risk of not being achieved and take prompt action to improve performance.

1.90 Tackling difficult policy problems, which in most cases have aspects that fall under the responsibility of multiple departments, requires departments to work together. At SR21, the government has placed a renewed emphasis on joint working, agreeing additional cross-cutting priority outcomes and funding important joint programmes of work between departments. For instance, SR21 announces the first local infrastructure projects to be funded by the £4.8 billion multi-department Levelling Up Fund, removing siloes to best meet local needs – from cultural assets to local transport improvements. It also announces £201 million in 2024-25 to transform Start for Life and family help services by creating a network of Family Hubs, investing in infant and parent mental health, breastfeeding support, parenting programmes, and expanding the Supporting Families programme, delivering on key recommendations from the Early Years Healthy Development Review.[38]

1.91 The Shared Outcomes Fund (SOF) funds pilot projects to test innovative ways of working across the public sector, with an emphasis on thorough plans for evaluation. SR21 announces £200 million to continue funding the SOF over the next three years to allow the government to keep supporting pilot projects and to scale up those where the evaluation shows they work. A list of pilots funded in the second round of the SOF can be found in 'Shared Outcomes Fund Round 2: Pilot Project Summaries.'[39] SR21 also provides a further £15 million over three years for an Evaluation Accelerator Fund to improve understanding of what works.

1.92 Through SR21 the government has also taken further action to drive out inefficient spend to ensure taxpayers' money is focused on priorities. In April, the government launched an efficiency and savings review to interrogate departmental spending and consider how to capitalise on any productivity gains from the COVID-19 response. SR21 confirms savings of 5% against day-to-day central departmental budgets in 2024-25 that have been reinvested into priority areas.

1.93 These efficiencies will mean that the government can reduce non-frontline civil service headcount to 2019-20 levels by 2024-25, helping to fund increases to frontline roles. This will mean a more productive and agile civil service, taking advantage of new ways of working to continue to reduce inefficiencies and deliver better outcomes for the public.

1.94 As a result of the government's capital plans, PSNI will reach the highest sustained levels of as a proportion of GDP since the late 1970s. The government is focused on realising the value of this investment. Project Speed was established in June 2020 to support this aim, with the 50 reforms to deliver infrastructure better, faster, and greener announced in the National Infrastructure Strategy on track to be implemented by the end of this Parliament.

1.95 In addition, the government has volunteered to undertake a Public Investment Management Assessment with the IMF. This is the IMF's key tool for assessing infrastructure governance over the full investment cycle. HMT will engage with the IMF to assess the UK's public investment processes. Through this engagement, HMT will consider how the budgeting framework can be optimised to improve the delivery of large and complex capital programmes.

Contingent liabilities

1.96 Some policies include commitments which do not immediately impact the public finances. Instead, they create liabilities which may lead to future expenditure if specific events occur. They are reported as contingent liabilities. Since March, 20 new contingent liabilities with a maximum

[38] The best start for life: a vision for the 1,001 critical days

[39] Shared Outcomes Fund Round 2: Pilot Project Summaries.

exposure of £396 million have been entered into, having been approved under the Treasury's Contingent Liability Approval Framework.[40,41] This exposure figure excludes those which have unlimited exposure. Two further contingent liabilities entered into during this period have already matured, and one has crystallised.

Table 1.21: New contingent liabilities since March 2021

Department	Number of new contingent liabilities	Of which: unlimited exposure	Quantified exposure (£ million)
Business, Energy and Industrial Strategy	2	1	170
Cabinet Office	2	2	-
Digital, Culture, Media and Sport	2	1	6
Environment, Food and Rural Affairs	1	1	-
Health and Social Care	6	3	21
HM Treasury	1	0	10
Home Office	1	1	-
Levelling Up, Housing and Communities	2	0	184
Defence	3	2	5
Total	**20**	**11**	**396**

Source: HM Treasury contingent liability database.

[40] All contingent liabilities with a maximum exposure greater than £3 million and which are novel, contentious or repercussive pass through the approval framework.
[41] Written Ministerial Statements notifying Parliament of these liabilities are available on the UK Parliament website.

2 Building back better

2.1 With the economic recovery underway and emergency support winding down, Autumn Budget and Spending Review 2021 sets out the government's plans to build back better and deliver the people's priorities for the rest of the Parliament. The government will continue to invest in strong public services, take action to drive long-term growth, lead the transition to net zero, and support people and businesses.

2.2 Running through all of this is the government's ambition to level up and reduce regional inequality so that no matter where in the UK someone lives, they can reach their full potential, find rewarding work and take pride in their local area.

2.3 Spending Review 2021 (SR21) confirms that total departmental spending is set to grow in real terms at 3.8% a year on average over this Parliament – a cash increase of over £150 billion a year by 2024-25 (£90 billion in real terms). This is the largest real-terms increase in overall department spending for any Parliament this century. Every department's overall spending will increase in real terms as a result of SR21, and over the Parliament, allowing for the additional provision that the government has set aside to take ODA to 0.7% of GNI in 2024-25.

2.4 These historic levels of investment will improve the lives and livelihoods of people right across the UK. Having made these commitments, the government's priority is now to see them through with a relentless focus on delivery. The Budget and SR demonstrates the progress that has already been made, with updates on action taken since Spending Review 2020 (SR20) and Spring Budget 2021.

Strong and innovative public services

2.5 Strong public services are vital for the health, prosperity and wellbeing of people across the UK. They are also crucial to realising the government's levelling up ambitions: geographic disparities in healthy life expectancy and education and skills levels mean that people's life chances are currently determined, at least partially, by where they are born and grow up. Improving the skills, education and health levels of the population in every region and nation will help spread opportunities across the country and boost people's wellbeing, wages and prospects in the long term.

2.6 The UK already has world-class public services thanks to significant government investment, including a cash increase to core health budgets of more than 40% from 2010-11 to 2020-21.[1,2] Compared with many other countries, the UK's health service has high levels of patient satisfaction and relatively high levels of care coordination. Patients in the UK are also far less likely to be unnecessarily hospitalised for a chronic health condition than in most other European countries.[3]

[1] Annual Report and Accounts 2010/11, Department for Health and Social Care, September 2011
[2] Spring Budget 2020, HM Treasury, March 2020
[3] NHS Long Term Plan v1.2 August 2019

2.7 Public services have been at the forefront of the response to the COVID-19 pandemic across the UK. As the country looks forward, the Budget and SR invests in the recovery, reform and resilience of public services. This will mean that people across the UK can continue to access high quality services, delivered at the best value for the taxpayer.

2.8 Many of the government's actions will feed through to Barnett-based funding for the devolved administrations, enabling recovery and reform efforts in Scotland, Wales and Northern Ireland.

Public services recovery

2.9 The Budget and SR supports public services to respond to and recover from the pressures caused by COVID-19 and to reduce the resulting backlogs.

2.10 Throughout the pandemic the government has provided the NHS with unprecedented support, rolling out the vaccine programme, providing billions of personal protective equipment items and rapidly expanding hospital bed capacity. The Budget and SR confirms £9.6 billion over the SR period for COVID-19 related health spending, so that the NHS can continue to respond to and mitigate the impacts of the virus. This includes funding to build on the achievements of the vaccination programme to date, which has seen 79.2% of the UK population aged 12 and over fully vaccinated as of 23 October.[4]

2.11 As already announced, the government also plans to spend over £8 billion over the SR period for a major catch up programme that will help the NHS to provide elective care that was delayed by the pandemic. The NHS aims to undertake around 30% more elective activity by 2024-25 than was the case before the pandemic, after accounting for the impact of an improved care offer through systems transformation, and advice and guidance.[5] This will be supported by £5.9 billion capital investment for the NHS to tackle the backlog of non-emergency procedures and modernise digital technology.

2.12 In addition, SR21 reaffirms and expands support to recover children and young people's learning lost as a result of the pandemic. It provides a new package of £1.8 billion over the SR period to help schools to deliver evidence-based approaches to support the most disadvantaged pupils and more learning hours for 16-19 year-olds. This brings total investment to specifically support education recovery to £4.9 billion since academic year 2020-21.

2.13 Courts have also seen a growing backlog in cases due to COVID-19. SR21 provides almost £500 million over the next three years for the criminal justice system's recovery from COVID-19, including reducing court backlogs and increasing the number of cases dealt with by the courts. This will begin to reduce the rise in court waiting times caused by the pandemic, ensuring swifter access to justice for victims of crime.

Public services fit for the future

Health

2.14 Supporting the health and social care systems is one of the government's top priorities. Over the last decade the government has prioritised funding to improve these services. For example, core capital funding for the Department of Health and Social Care will be 57% higher in cash terms in 2024-25 than it was in 2019-20, and the number of NHS staff in Hospital and Community Health Services has grown by 20% since June 2011.[6]

[4] Vaccinations in the UK | Coronavirus in the UK (data.gov.uk), October 2021
[5] Build Back Better: Our Plan for Health and Social Care, Cabinet Office, DHSC September 2021
[6] NHS Workforce Statistics – June 2021 (Including selected provisional statistics for July 2021), NHS Digital, September 2021

2.15 The new Health and Social Care Levy, along with an increase to the rates of dividend tax, will raise around £13 billion per year for spending on health and social care across the UK. This enables significant further funding for the NHS, going above and beyond the historic long-term NHS settlement announced in 2018, and for the government's reforms to social care.

2.16 This means the NHS resource budget will rise to over £160 billion by 2024-25. In addition, SR21 provides £2.3 billion to transform diagnostic services with at least 100 community diagnostic centres across England to permanently increase diagnostic capacity and help patients receive lifesaving checks close to their homes. SR21 also confirms £4.2 billion over the next three years for 40 new hospitals and over 70 hospital upgrades.

2.17 The government will provide hundreds of millions of pounds in additional funding over the SR21 period to ensure a bigger and better trained NHS workforce. The government also remains committed to recruiting 50,000 new nurses and providing 50 million more appointments in primary care, so that everyone in England is able to receive treatment when they need it.

2.18 At the Budget and SR, the government is also delivering on its commitments to reform social care for the long term. The government has already announced £5.4 billion of additional funding to reform adult social care, to be funded by the new Health and Social Care Levy. In England this will end unpredictable costs for people across the country by introducing a cap of £86,000 for personal care costs and expanding the means tested support to people with less than £100,000 in relevant assets. At least £500 million from this package will fund an unprecedented investment in the skills, qualifications and wellbeing of the care workforce.

Education

2.19 The quality of education is a key factor in determining children and young people's wellbeing and prospects, and vital to levelling up opportunities. Spending Round 2019 (SR19) provided the biggest school funding boost in a decade.

2.20 SR21 builds on this investment, with action to level up standards and ensure that every child and young person receives a high-quality education. SR21 confirms an additional £4.7 billion by 2024-25 for the core schools budget in England, over and above the SR19 settlement for schools in 2022-23.[7] This builds on the largest cash boost for a decade provided at SR19 – together this is broadly equivalent to a cash increase of over £1,500 per pupil by 2024-25 compared to 2019-20. The government has also committed to increase teacher starting salaries to £30,000 a year, as well as a long-term school rebuilding programme to rebuild 500 schools over the next decade.

2.21 This settlement also makes available £2.6 billion over the SR21 period for new school places for children with special educational needs and disabilities (SEND) in England, more than tripling current capital funding levels to over £900 million by 2024-25. Providing sufficient high-quality places that are suitable for a range of needs will help support the most vulnerable children, so that no one is left behind.

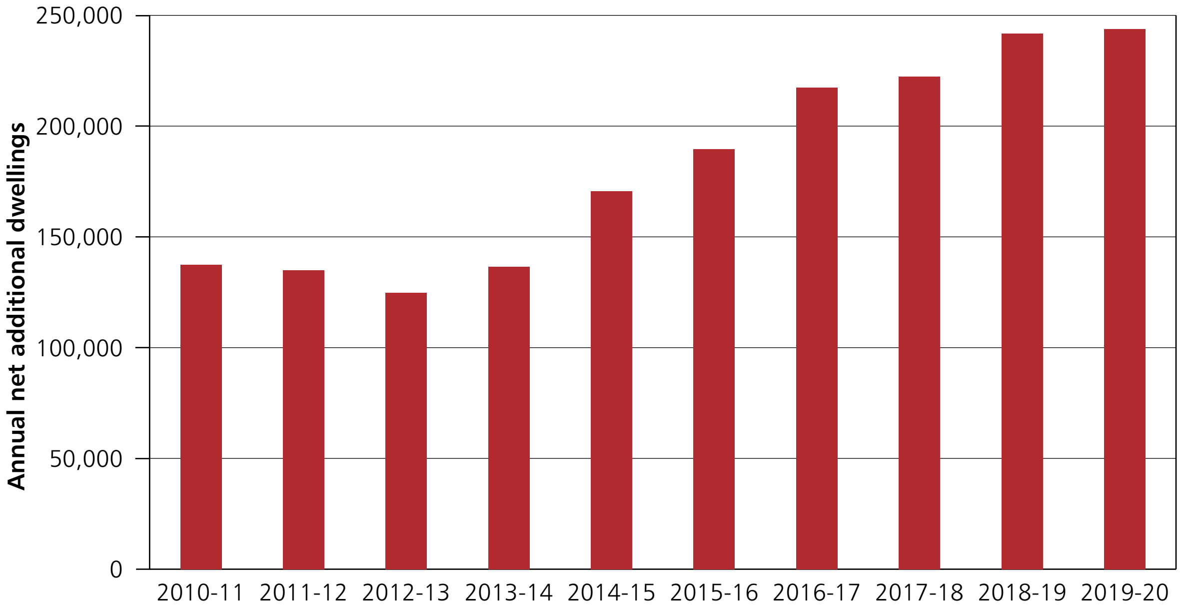
2.22 The government is committed to ensuring that vulnerable children and young people have safe and stable homes, to give them the highest chances of success. SR21 provides £104 million by 2024-25 for reforms to unregulated children's social care, and £7 million by 2024-25 to improve access to services and support for adopted children and their families. SR21 also maintains and increases capacity in secure and open residential children's homes by making available £259 million over the SR period so more children and young people can receive the care they need.

[7] Includes public sector compensation for employer costs of Health and Social Care Levy (NICs)

Housing

2.23 Over the last decade, the government has prioritised investment to boost housing supply so more people can live in safe and affordable homes. Housing supply has reached record levels in England, amounting to 244,000 homes in 2019-20, up from 137,000 in 2010-11.[8]

Chart 2.1: Net additional dwellings, England



Source: DLUHC "Live tables on housing supply: net additional dwellings".

2.24 SR21 invests a further £1.8 billion to meet the government's commitment to £10 billion investment in housing supply and unlock over 1 million new homes. SR21 also reconfirms £11.5 billion investment through the Affordable Homes Programme (2021-26), of which £7.5 billion is over the SR period - the largest cash investment in a decade, delivering up to 180,000 affordable homes. Around two thirds of the Affordable Homes Programme funding will be for homes outside London.

2.25 SR21 confirms £5 billion funding (£3 billion of which is over the SR period) for remediation of the highest risk buildings with unsafe cladding to ensure everyone can feel safe and secure in their home.

2.26 SR21 also provides £639 million resource funding by 2024-25, a cash increase of 85% compared to 2019-20[9] as part of the government's commitment to end rough sleeping. This brings total resource funding to £1.9 billion over the SR period and builds on investment made in recent years to combat rough sleeping, including the success of Everyone In, which supported over 37,000 vulnerable people during the pandemic. As a result of these investments, the number of rough sleepers has reduced from c.4,800 on any given night in 2017 to c.2,700 in 2020.[10] SR21 funding will mean the continuation of locally-led, tailored interventions to move rough sleepers into secure accommodation, and will provide drug and alcohol treatment for people sleeping rough who need it.

[8] Housing supply measured as net additional dwellings (made up of new house build completions, conversions (for example a house into flats), changes of use (for example a shop into a house), demolitions and other changes to the dwelling stock).

[9] This is based on outturn data for spend in 2019-20 where resource spend was £345 million.

[10] 'Rough Sleeping Snapshot in England: Autumn 2020', Ministry of Housing, Communities & Local Government, February 2021

Criminal justice

2.27 The safety of the public relies upon a strong and effective criminal justice system. Since 2019, the government has announced the investment of over £1.1 billion to increase police officer numbers and provide forces with the resources they need to tackle crime, and since 2016 £1.5 billion to make court and probation services more modern and efficient. At SR20, the government committed to funding the biggest prison building programme in over a century.[11]

2.28 SR21 builds on this to fund a criminal justice system fit for the future. It provides an extra £540 million by 2024-25 to recruit the final 8,000 police officers to meet the government's commitment of 20,000 additional officers by 2023, continuing to support the police in fighting crime in England and Wales. It also provides £150 million a year to continue and expand programmes that prevent crime and keep communities safe. Alongside introducing the Economic Crime (Anti-Money Laundering) Levy, the government is delivering reforms in the Economic Crime Plan and on fraud by providing new investment of £18 million in 2022-23 and £12 million per year in 2023-24 and 2024-25.

2.29 The government will also support the criminal justice system in England and Wales by funding an additional £785 million in 2024-25 to manage the increased number of offenders being brought to justice and reduce waiting times in the criminal courts. In addition, SR21 provides a further £200 million a year by 2024-25 to improve prison leavers' access to accommodation, employment support and substance misuse treatment.

Local government

2.30 SR21 provides a multi-year settlement to enable local authorities to support the ambition to level up communities across the country, with an estimated average real-terms increase of 3% a year in core spending power. This is the largest sustained rise in core spending power in more than a decade, building on year-on-year real-terms increases for local government since SR19.[12]

2.31 SR21 provides English councils with £1.6 billion of new grant funding in each of the next three years, on top of the funding to implement social care reform. This funding ensures the government can reform social care, increase investment in supporting vulnerable children and enable local authorities to continue to provide the other local services that people rely on.

Levelling up public services

- The Budget and SR takes action to ensure that every community has access to world-class public services, no matter where they live. Many of the government's actions will feed through to Barnett-based funding for the devolved administrations, levelling up public services in Scotland, Wales and Northern Ireland.

Improving health outcomes for all

- As a core part of levelling up health outcomes, the government has already committed to investing £3.1 billion over the next three years to make progress on building 40 new hospitals by 2030. Of the hospitals already announced, 30 will be built outside London and the South East of England.

[11] 'Spending Review 2020', HM Treasury, November 2020
[12] Core spending power: final local government finance; Ministry of Housing, Communities & Local Overnment, February 2021

- SR21 provides £2.3 billion to transform diagnostic services with at least 100 community diagnostic centres across England to permanently increase diagnostic capacity and help millions of patients who will benefit from earlier diagnostic tests closer to home. The government has already committed to 44 community diagnostic centres in 2021-22, of which 32 will be outside London and the South East of England.

Supporting high quality education

- To level up education outcomes, SR21 confirms an additional £4.7 billion by 2024-25 for the core schools budget in England, over and above the SR19 settlement for schools in 2022-23.
- SR21 provides a new package of £1.8 billion over the SR period for education recovery. This includes a £1 billion Recovery Premium for the next two academic years to help schools to deliver evidence-based approaches to support the most disadvantaged pupils. It also provides £324 million in 2024-25 for additional learning hours for 16-19 year-olds.

Ensuring housing is affordable for all

- SR21 reconfirms £11.5 billion to deliver up to 180,000 new affordable homes from 2021-22 onwards, representing the largest cash investment in a decade, of which 65% will be spent outside London.
- The government has also introduced a new 95% mortgage guarantee to ensure that home ownership is affordable for all.

Giving everyone access to the outdoors

- To ensure everyone can feel the mental and physical health benefits of accessing green space, SR21 commits £9 million to the new Levelling Up Parks Fund, creating over 100 new parks across the UK to ensure equal access to parks in urban areas that are deprived of green space.
- The government will fund up to 8,000 community multi-use sports and football pitches, as well as refurbish more than 4,500 tennis courts, which will improve access to sport facilities and support places most in need.

Making communities safer

- To allow everyone to feel safe in their local areas and prevent offences that fragment communities, the government is funding an additional 20,000 police officers – around 75% will be based outside London.
- SR21 continues funding for the Safer Streets Fund, which will improve security in areas particularly affected by crimes such as burglary, vehicle theft and robbery. This project has already funded a number of crime prevention projects, from upgrading security in housing estates in Humberside to delivering additional CCTV and enhanced crime prevention services in Cardiff.
- SR21 sets out further steps to protect communities from crime caused by illegal drugs, including continued funding for Project ADDER. In 2021-22, eight areas benefited from this, including Bristol, Hackney, Tower Hamlets, Wakefield, Knowsley, Liverpool, Newcastle and the Wirral.

Investing in growth

2.32 In response to the COVID-19 pandemic, the government provided unprecedented support to protect jobs and businesses across the country. Alongside this, action to give businesses the confidence to retain and rehire workers and to invest has laid the foundations for an economic recovery. This plan is working: the UK has seen faster-than-anticipated growth and a strong recovery in jobs across the country.

2.33 In the spring, the government set out plans to build back better through significant investment in innovation, infrastructure and skills, in the Plan for Growth.[13] The Budget and SR takes further steps to spread opportunity across all parts of the United Kingdom, move the UK forward on the path to net zero and support the government's vision for a Global Britain.

Unleashing innovation

2.34 Innovation and technological progress are central to driving long-term growth and improved living standards; evidence shows that countries with higher Research and Development (R&D) activity tend to have higher productivity.[14] Science and innovation will continue to underpin solutions to many of the world's greatest challenges, from economic recovery to climate change, health emergencies and national security.

2.35 The government can play a vital role in supporting science and innovation. Every pound the government spends on R&D stimulates, on average, around £2 of private investment.[15] Firms participating in UK Research and Innovation funded projects have been shown to grow employment and sales around 25% faster over six years than comparable firms.[16]

2.36 The UK starts from a position of strength, ranking fourth in the Global Innovation Index.[17] The UK is home to four of the top 20 universities globally, and has the second-most Nobel laureates of any nation.[18,19] However, Gross Expenditure on R&D in the UK in 2019 was 1.8% of GDP, lower than other advanced economies and below the OECD average of 2.5%, a trend primarily driven by low business investment in R&D.[20]

2.37 To address this, the government is increasing public R&D investment to record levels, providing £20 billion across the UK by 2024-25, including funding for EU programmes, to cement the UK as a global science and technology superpower. This is an increase of around a quarter in real terms: the largest ever over an SR period.[21] Combining the government's direct spending on R&D with the support for tax relief, total UK R&D support as a proportion of GDP is forecast to increase from 0.7% in 2018 to 1.1% in 2024-25. This is well above the latest OECD average of 0.7%.[22,23]

2.38 The Budget and SR will support the UK's world-leading research base, while also ensuring that businesses across the UK have access to the ideas, skills and finance they need to grow, driving increased productivity and leveraging in further private investment. This settlement will make significant progress towards the government's ambition to increase R&D spending to £22 billion by 2026-27, and drive economy-wide R&D investment to 2.4% of GDP in 2027. This will:

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[13] 'Build Back Better: our plan for growth', HM Treasury, March 2021
[14] 'R&D and Productivity Growth', OECD, June 2001
[15] 'The relationship between public and private R&D funding', Oxford Economics, March 2020
[16] 'Knowledge to money: Assessing the business performance effects of publicly-funded R&D grants', Vanino, Roper & Becker, September 2019
[17] 'Global Innovation Index', World Intellectual Property Organisation, 2021
[18] World University Rankings 2022, Times Higher Education
[19] List of Nobel Laureates, Nobel Prize Committee
[20] Gross domestic spending on R&D as a percentage of GDP, OECD Data
[21] Gross domestic expenditure on R&D, ONS
[22] Science and Technology Indicators, OECD, 2019
[23] R&D tax expenditure and direct government funding of BERD, 2018

- fund an increase to core funding for the UK's world-leading universities and research institutions of £1.1 billion per year more by 2024-25 compared to 2021-22 – reaffirming the government's commitment at SR20 and providing an unprecedented boost for our research base
- fund full association to Horizon Europe, enabling further collaboration with European partners. In the event that the UK is unable to associate to Horizon Europe, the funding allocated to Horizon association will go to UK government R&D programmes, including those to support new international partnerships
- establish the new Advanced Research and Invention Agency (ARIA) with £800 million allocated by 2025-26 (including £50 million from 2021-22). ARIA will carry out high-risk, high-reward research to support ground-breaking discoveries across the UK
- support world-class R&D in the aerospace sector, co-investing with industry. The government is extending its long-term commitment to the aerospace sector, guaranteeing funding for the Aerospace Technology Institute (ATI) to 2031
- support priorities agreed by the Prime Minister's new National Science and Technology Council, such as Quantum Computing, Artificial Intelligence, Bioinformatics and Space technologies
- support the government's response to the independent review led by Sir Paul Nurse into the UK research landscape
- provide funding for the UK to become the first country to launch a rocket into orbit from Europe in 2022, with the aim of becoming a leader in commercial small-satellite launch, as set out in the National Space Strategy[24]

Table 2.2: Departmental Capital Budgets (Capital DEL) on Research and Development (R&D)

£ billion (current prices)	Plans 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25
Total Capital DEL expenditure on R&D	**14.8**	**16.1**	**19.4**	**20.0**
Department for Business, Energy and Industrial Strategy	11.3	11.9	13.7	14.2
of which: Core Research[1]	4.8	5.2	5.8	5.9
of which: Innovate UK	0.7	0.7	0.8	1.1
of which: EU Programmes Association[2]	1.3	1.2	2.3	2.1
Department for Health and Social Care	1.4	1.5	1.5	2.0
Other[3]	2.1	2.8	4.1	3.8
Memo:				
Total R&D Official Development Assistance[4]	0.6	0.8	0.9	1.0

[1] Spending Review 2020 multi-year commitment to increase funding for UK Research and Innovation (UKRI) and National Academies core research.
[2] Third-country EU programme (Horizon, Euratom, ITER) participation contributions. Estimates are forecast in line with the terms agreed in the Trade and Cooperation Agreement, and using latest EU Budget and UK/EU27 economic data. Does not include Department for Food and Rural Affairs funding for Copernicus, which is calculated by the same methodology.
[3] Includes Cabinet Office; Department for Digital, Culture, Media and Sport; Department for Education; Department for Environment, Food and Rural Affairs; Department for Transport; Department for Work and Pensions; Foreign, Commonwealth and Development Office; HM Revenue and Customs; Home Office; Ministry of Defence; Ministry of Justice; and Single Intelligence Account.
[4] R&D Official Development Assistance across; Department for Business, Energy and Industrial Strategy; Department for Environment, Food and Rural Affairs; Department for Health and Social Care; and Foreign, Commonwealth and Development Office.

[24] National Space Strategy, Department for Business, Energy & Industrial Strategy and Ministry of Defence, September 2021

2.39 Private businesses drive wealth and opportunities for people by translating cutting-edge research into new processes, goods and services. While the UK has some highly innovative companies, overall private sector innovation spending is relatively low: in 2018, business investment in R&D was 0.9% of GDP, compared with an OECD average of 1.5%.[25]

2.40 The Budget and SR provides support to the UK's most innovative firms, leveraging in private sector investment and driving high-tech innovation to boost productivity across the UK. This includes providing at least £2.5 billion for Innovate UK core funding, a 36% increase across the SR21 period, to help connect companies to the capital, skills and connections needed to innovate and grow. The government is also investing in innovative green technologies in areas such as transport decarbonisation and green energy. Further detail is set out later in this chapter.

2.41 Alongside this, the government is reforming R&D tax reliefs to support modern research methods by expanding qualifying expenditure to include data and cloud costs, to more effectively capture the benefits of R&D funded by the reliefs through refocusing support towards innovation in the UK, and to target abuse and improve compliance. Further detail is set out later in this chapter.

2.42 It is vital that innovative businesses have access to the talent and skills they need. High-skilled migration boosts innovation, jobs and competitiveness. 49% of the UK's fastest-growing businesses have at least one foreign-born co-founder and approximately 40% of staff in UK fintechs are from overseas.[26,27] That is why in spring 2022, the government will launch the Scale-up, High Potential Individual, and Global Business Mobility visas to attract highly skilled people and support inward investment. The government is also launching a Global Talent Network to proactively find and bring talented people to the UK in key science and technology sectors.

2.43 To further improve productivity, SR21 funds the UK-wide Help to Grow schemes, which aim to provide world-class management training and support for digital adoption to over 100,000 SMEs. It also supports the Made Smarter adoption programme to boost the productivity of manufacturing SMEs through the use of advanced digital technologies.

2.44 To help businesses to access the funding they need to innovate and grow, in July the government launched the £375 million Future Fund: Breakthrough, to increase the supply of growth-stage venture capital to UK-based R&D intensive companies. This builds on the successes of the Future Fund, which contributed to 11% of all UK equity deals in 2020.[28]

2.45 Responding to calls from industry, the government will also consult on further changes to the regulatory charge cap for defined contribution pension schemes. This will consider options to amend the scope so that the cap can better accommodate well-designed performance fees to ensure savers can benefit from higher return investments, while unlocking institutional investment to support some of the UK's most innovative businesses. The government will continue wider policy work to understand and remove various barriers to illiquid investment.

[25] Gross domestic spending on R&D as a percentage of GDP, OECD Data
[26] 'Job Creators: The Immigrant Founders of Britain's Fastest Growing Businesses' The Entrepreneurs Network, 2019
[27] 'Kalifa Review of UK FinTech', HM Treasury, February 2021
[28] 'Small Business Equity Tracker', British Business Bank, 2021

Levelling up by helping businesses to innovate and grow

Supporting local and innovative businesses across the UK will be crucial to increasing people's access to employment opportunities, crowding in private investment, and stimulating local growth.

The Budget and SR confirms:

- the new £1.4 billion Global Britain Investment Fund, which will help spread economic opportunities more evenly across the UK by supporting investment in the UK's life sciences, offshore wind and automotive manufacturing sectors
- over £1.6 billion for the British Business Bank's (BBB) regional funds, which provide debt and equity finance to SMEs. This will expand these funds into the North East and South West of England. It will also provide for the BBB to set up new regional funds in Scotland (£150 million) and Wales (£130 million), and to build on its existing programmes in Northern Ireland (£70 million), working closely with the devolved administrations
- £150 million additional commitment for the Regional Angels programme, which reduces imbalances in access to early-stage equity finance across the UK
- continued funding for the Start Up Loans Scheme, which provides loans and mentoring to people across the UK who want to start a business. The programme has already provided over 60,000 loans to people outside London and the South-East[a]

Investment in research, development and innovation can play a critical part in levelling up by boosting business productivity, resulting in higher wages for workers, and spreading investment across the UK.[b] The government will ensure that an increased share of the record increase in government spending on research, development and innovation over the SR is invested outside London, the South East and the East of England.[c] The government will set out plans for doing this in the forthcoming Levelling Up White Paper.

[a] '£600 million milestone', British Business Bank, April 2021
[b] 'R&D Strategy and Firm Performance: What is the Long-Run Impact of Persistent R&D?', From 'R&D Strategies of Innovating Firms to Economy-Wide Technological Change', Lööf et al., 2012
[c] As defined by NUTS1 regions, ONS

Delivering an infrastructure revolution

2.46 High quality infrastructure is crucial for economic growth, productivity and competitiveness. It connects businesses to markets: well-developed transport networks and digital connectivity allow businesses to grow, innovate and attract inward investment. A 10% increase in the public capital stock – a measurement of the value of the UK's current infrastructure networks – has been linked to a 1-2% increase in GDP, partly through productivity improvements.[29] Infrastructure is also at the centre of communities, connecting people to each other and to opportunities.

2.47 With the publication of the National Infrastructure Strategy (NIS) last year, the government set out its long-term plans for infrastructure investment across the UK, including through road, rail and digital infrastructure.[30] The Budget and SR sets out how the government will deliver on this commitment and go further, providing new investment to benefit every part of the UK. It builds on last year's multiyear settlement with over £100 billion of investment in economic infrastructure for this spending review period, bringing the total committed to economic infrastructure since the publication of the NIS to over £130 billion.[31]

[29] 'What Have We Learned from Three Decades of Research on the Productivity of Public Capital?', Bom & Ligthart, 2014
[30] 'National Infrastructure Strategy', HM Treasury, November 2020
[31] The definition of economic infrastructure as defined by the NIC remit is energy, transport, water and wastewater (drainage and sewerage), waste, flood risk management and digital communications.

2.48 There has already been significant progress on delivering the commitments made in the NIS and at SR20:

- the UK Infrastructure Bank (UKIB) opened for business in June and is expected to unlock more than £40 billion of infrastructure investment. UKIB has already supported a £107 million loan to Tees Valley Combined Authority to develop a site for manufacturing wind turbine blades, which will help create new jobs in the region and across the UK.[32]
- Coventry has taken significant steps towards becoming the UK's first all-electric bus city, helping to make everyday journeys quieter, smoother and greener.[33] Funding was put in place in March 2021, and bus infrastructure and purchases are in delivery phase
- over 90% of the £850 million M4 Junction 3-12 upgrade has been completed and will be open for road users in spring 2022.
- in July, a further 15 Town Deals were confirmed, allocating £335 million to revitalise towns across England, meaning all 101 Town Deals have now been announced as part of the £3.6 billion Towns Fund.[34]

2.49 The government is focused on continuing to deliver infrastructure better, faster and greener. Project Speed was established in June 2020 to accelerate and improve infrastructure delivery across the UK, with the 50 reforms announced in the NIS on track to be implemented by the end of this Parliament. These are already generating benefits – such as accelerating the delivery of the A66 by a third, so that people will benefit from the new road 5 years earlier than originally planned.[35]

2.50 The advice of the National Infrastructure Commission (NIC) significantly informed the NIS, with the government fully or partially accepting over 80% of its recommendations made in the 2018 National Infrastructure Assessment.[36]

2.51 To reflect the introduction of legally binding climate targets, the NIC will now have an additional objective to consider how its advice can support climate resilience and the transition to net zero carbon emissions by 2050.[37] It will also consider potential interactions between its infrastructure recommendations, the government's legal target to halt biodiversity loss by 2030 and implementing biodiversity net gain.

2.52 The government has also revised the NIC's fiscal remit, a planning guideline to ensure that the Commission's recommendations are affordable and prioritised appropriately. The new remit requires the NIC to demonstrate that its recommendations are consistent with and can be accommodated within gross public investment in economic infrastructure of between 1.1% and 1.3% of GDP each year from 2025 to 2055.[38] This new remit reflects the government's long-term commitment to transforming UK infrastructure, while recognising the importance of fiscal sustainability.

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[32] First UKIB Investment Goes Green, UK Infrastructure Bank, October 2021
[33] News Story, Department for Transport, January 2021
[34] Town Deals: Full list of 101 offers, Department for Levelling Up, Housing and Communities, July 2021
[35] 'National Infrastructure Strategy', HM Treasury, November 2020
[36] 'Response to the National Infrastructure Assessment', HM Treasury, November 2020
[37] 'NIC Charter' and 'NIC Framework', HM Treasury, October 2021
[38] The remit applies to both the next National Infrastructure Assessment and future specific studies. Remit letter to the National Infrastructure Commission, HM Treasury, October 2021

Levelling up by connecting communities

SR21 makes further road, rail, digital and local infrastructure investments to support economic growth and make everyday travel more accessible. These include:

Improving the quality of local transport links with:

- an unprecedented investment package of £5.7 billion for eight English city regions to transform local transport networks through London-style integrated settlements. This includes:
  - £830 million to West Yorkshire for schemes such as the A61 improvements for buses, cyclists and pedestrians between Leeds and Wakefield;
  - £1 billion to Greater Manchester for schemes such as the next generation Metrolink tram-train vehicles;
  - £1 billion to the West Midlands for schemes such as completing the Wednesbury to Brierley Hill metro extension and Sprint Phase 2;
  - £710 million to Liverpool City Region for schemes such as battery power for new Merseyrail trains to expand the reach of the existing network;
  - £570 million to South Yorkshire for schemes such as starting the renewal of the Supertram;
  - £310 million to the Tees Valley for schemes such as upgrading Middlesbrough and Darlington stations and improving local rail links;
  - £540 million to the West of England for schemes such as a fully prioritised bus route between Bristol and Bath.
- investment in cycling, fulfilling the Prime Minister's commitments to build hundreds of miles of high-quality cycle lanes across England, provide bike training for every child, and a new e-bike support programme.
- more than £3 billion of bus investment across the Parliament, including a new dedicated commitment of £1.2 billion for bus transformation deals in England, to deliver London-style services, fares and infrastructure improvements, and a further £355 million new funding for zero emission buses.

Upgrading strategic and local roads in England by investing:

- £24 billion between 2020-21 and 2024-25 in strategic roads, delivering upgrades such as the A66 Trans-Pennine.
- over £8 billion to fill millions of potholes a year, resurface roads and repair bridges, as well as delivering over 50 vital local road upgrades including the A509 Isham Bypass, A259 Bognor Regis and A350 Chippenham Bypass which will progress to the next stage of development.

Enhancing and expanding rail networks across the UK by:

- confirming over £35 billion of rail investment over the SR21 period including High Speed Two, rail enhancements and vital renewals to boost connectivity across the country – focusing on the Midlands and the North.
- continuing to spend £500 million to restore transport services lost in the Beeching cuts of the 1960s and improve local connectivity. This includes £13 million to develop proposals to reinstate passenger services between Totton and Fawley in Hampshire, re-open railway stations in Wellington in Somerset and Cullompton in Devon, and develop thirteen early-stage proposals to restore rail connections across England and Wales, including schemes at Darlington and Weardale; Ashton and Stockport; Middlewich and Gadbrook Park; and Buckley Wells and Rawtenstall.

Investing in high-quality, everyday infrastructure by:

- investing £1.7 billion via the first round of the Levelling Up Fund in 105 projects to improve everyday life, from regeneration in Tower Hamlets, to a sustainable transport project in Renfrewshire and cultural assets in Powys.
- continuing the successful High Street Heritage Action Zone programme in England to revive 67 historic high streets - from regenerating the high streets of Plymouth's city centre, to restoring activity in the historic buildings of Wakefield.[a]

Supporting greater digital connectivity and tackling rural isolation by:

- continuing the government's landmark £5 billion investment in Project Gigabit to support the rollout of gigabit capable broadband in hard-to-reach areas across the whole of the UK.
- providing £180 million over the next three years as part of the government's £500 million investment for the Shared Rural Network, to deliver high-quality 4G mobile coverage to 95% of the UK. This ground-breaking partnership with industry will provide additional coverage to 280,000 premises and will have major benefits in rural areas, particularly for Scotland, Wales and Northern Ireland.[b]

[a] Heritage Action Zones, Historic England
[b] 'National Infrastructure Strategy, HM Treasury', November 2020

Boosting skills

2.53 Giving people in all regions the opportunity to gain skills is crucial for productivity growth, and to level up the country: improvements in skills accounted for 20% of the UK's productivity growth before the financial crisis.[39] The UK has a strong foundation of advanced skills and world-class universities: the share of the population with tertiary education is over 7 percentage points higher than the OECD average.[40]

2.54 However, the UK lags behind international comparators on technical and basic skills: only 18% of adults have a vocational qualification, compared to the OECD average of 27%.[41] That is why the government is investing in high-quality technical education, boosting opportunities for people to upskill and retrain, increasing apprenticeships funding, and helping adults to improve their numeracy.

2.55 The government is helping young people and adults to access the training they need to reach their full potential through:

[39] 'UK skills and productivity in an international context', BIS, December 2015
[40] 'Education at a glance', OECD, 2021
[41] Ibid, OECD, 2020

- an additional £1.6 billion by 2024-25 for 16-19 year-olds' education in England, maintaining funding rates in real terms per student and representing a 28% real terms increase from 2019-20.[42] This means colleges will be funded for the 110,000 extra students they will be teaching by 2024-25, and provides additional hours in the classroom for up to 100,000 T Levels students, giving young people a high-quality technical education. It also funds 40 additional hours of learning per student per year for 16-19 year-olds
- meeting the government's commitment to the National Skills Fund, by providing a 29% real terms increase in adult skills funding from 2019-20 to 2024-25.[43] This will expand the Lifetime Skills Guarantee so more adults in England can access funding for in-demand Level 3 courses, and scale up Skills Bootcamps. Additionally, the government is launching the innovative Multiply programme, providing opportunities for adults across the whole of the UK to develop their numeracy skills. Flexible courses and an online platform will help people improve their confidence with numbers and learn around their busy lives
- providing £2.8 billion in capital investment in skills. This funding will include: improvements to the condition of post-16 estate, new places in post-16 education; more specialist equipment and facilities for T Levels; and delivery of the commitment to 20 Institutes of Technology across England. It will also help to provide the skills that local areas need in key sectors like biosciences, through industry-standard equipment and facilities

2.56 Apprenticeships – jobs with training – provide businesses the opportunity to build the skilled workforce they need in order to grow. There are already over 600 different kinds of apprenticeships across all sectors.[44] Many major employers are using apprenticeships to fill vacancies that are often reported as 'hard to fill'. For example, ASDA, Aldi and the Co-operative Group have used the apprenticeship system and their apprenticeship levy contributions to fully fund new HGV drivers in the acquisition of their category C and E licences.

2.57 The government is increasing apprenticeships funding to £2.7 billion by 2024-25 – the first increase since 2019-20. As part of this, the government is continuing to meet 95% of the apprenticeship training cost for employers who do not pay the Apprenticeship Levy and delivering apprenticeship system improvements for all employers. These include:

- an enhanced recruitment service by May 2022 for small and medium-sized enterprises (SMEs), helping them hire new apprentices
- supporting flexible apprenticeship training models to ensure that apprenticeship training continues to meet the needs of employers. By April 2022, the government will consider changes to the provider payment profiles aimed at giving employers more choice over how the apprenticeship training is delivered, and explore the streamlining of existing additional employer support payments so that they go directly to employers
- introducing a return on investment tool in October 2022 to ensure employers can see the benefits apprentices create in their business

2.58 In addition, to ensure businesses get the talent they need, the SR confirms that the government is extending the £3,000 apprentice hiring incentive for employers until 31 January 2022 and investing approximately £10 million a year over the SR in the Sector Based Work Academy Programme (SWAPs). SWAPs give unemployed people the opportunity to undertake work experience, learn new skills and retrain into high-demand sectors in their local area.

[42] This includes the £691 million invested in 16-19 education across SR19 and SR20. Budgets set at SR15. Spending Review 2015, HM Treasury, November 2015

[43] Based on the adult skills funding baseline at SR19, and the investment of £138 million at SR19 and £414 million at SR20

[44] 'Apprenticeship standards, Institute for apprenticeships', October 2021

2.59 As set out later in this chapter, in addition to investment in skills, the government is continuing or expanding the most successful Plan for Jobs schemes and introducing a new package of measures – taking the total DWP spend on labour market support to more than £6 billion over the next three years. SR21 will invest over £900 million for each year of the SR period on work coaches, help those affected by long term unemployment by continuing the Restart scheme, and provide targeted additional support for people across Great Britain who may need extra help to get into work and progress.

Levelling up by investing in people

Equipping young people and adults with the skills that employers demand is a vital step towards spreading economic opportunities across the country. For example, Level 3 qualifications (equivalent to A-level) make people more employable and, on average, result in a 16% earnings boost.[a] SR21 provides a significant package of support to level up skills across the country, including through

- investment in 16-19 year-old education, which will particularly benefit people in the North East, North West, Yorkshire and the Humber, as well as the East and West Midlands. These areas all lag behind London and the South East in terms of percentage of 19 year-olds who attain Level 2 and 3 qualifications (equivalent to GCSE and A-level)[b]
- £68 million (by 2024-25) to level up the adult skills system and ensure local areas can spend funding where it's needed most
- confirming £1.5 billion capital investment to raise the condition of the Further Education (FE) college estate across England. This will allow more students, no matter where they are, to learn in modern buildings, well equipped to teach high-value subjects
- launching the Multiply programme as part of the UKSPF, which will equip people with better numeracy skills across the UK, making a difference to employment chances and earnings.[c] In England, this will particularly help people in the North East, West Midlands and Yorkshire and the Humber, which currently have the highest proportion of adults with low numeracy[d]
- confirming funding to open 20 Institutes of Technology (IoTs) throughout England, which will bring together employers with further and higher education providers in local areas to provide technical qualifications. There are IoTs already open in Dudley, Lincolnshire and Yorkshire
- increasing apprenticeships funding to £2.7 billion by 2024-25 to help businesses across England build the skilled workforce they need, including meeting 95% of the apprenticeship training cost for smaller employers who do not pay the Apprenticeship Levy

[a] 'Measuring the Net Present Value of Further Education in England', Department for Education, May 2021
[b] 'Level 2 and 3 attainment by young people aged 19', National Statistics, Academic Year 2019/20
[c] 'The Long-term Effect of Vocational Qualifications on Labour Market Outcomes', Department for Business Innovation and Skills, June 2011
[d] 'Counting on the Recovery', Pro Bono Economics, April 2021

Supporting people and businesses

2.60 Investment in infrastructure, innovation and skills is vital to create jobs and improve living standards, as set out later in this chapter. In addition, the Budget and SR sets out a package of pro-enterprise measures to support businesses up and down the country, helping them invest and grow as they recover from the impact of the pandemic.

2.61 The Budget and SR builds on the success of the Plan for Jobs to help more people who are out of work find jobs, help people in work gain the skills they need to progress, and ensure that work pays. This builds on significant support provided to jobs and businesses across the country through the pandemic, as shown in figure 2.3.

2.62 As set out in Chapter 1 Economy and public finances, global factors have pushed up inflation in many advanced economies, including in the UK. While the OBR expects inflation to remain elevated across 2022 and 2023, the government is committed to price stability and the Chancellor has re-affirmed the Bank of England's 2% CPI inflation target at the Budget. The strong recovery in the labour market has been accompanied by rising wages, which will help to support household living standards in the face of price increases.

2.63 Alongside this, the Budget and SR sets out the steps the government is taking to ensure that work pays and to help people keep more of what they earn, as well as providing targeted extra support to vulnerable households this winter.

2.64 The cumulative effect of government decisions since SR19, including those at this Budget and SR, will benefit the lowest-income households the most, as a proportion of income.[45]

2.65 Where tax or spending policies do not cover the whole of the UK, the UK government has allocated funding to the devolved administrations in the usual way, which they can choose to use to support public services, individuals or businesses in Scotland, Wales and Northern Ireland.

Delivering on Spring Budget tax commitments

Reducing the burden of business rates

2.66 Following a review, the government will reduce the burden of business rates in England by over £7 billion over the next five years, and make the system fairer, more responsive and more supportive of investment.

2.67 Up to 400,000 retail, hospitality and leisure properties will be eligible for a new, temporary £1.7 billion of business rates relief next year. This will provide support until the next revaluation, helping the businesses that make UK high streets and town centres successful evolve and adapt to changing consumer demands. Apart from reliefs in response to COVID-19, this is the biggest single-year cut to business rates in 30 years.

2.68 The government is also freezing the business rates multiplier in 2022-23, a tax cut worth £4.6 billion over the next five years. This will support all ratepayers, large and small, meaning bills are 3% lower than without the freeze.

2.69 From 2023, a new business rates relief will support investment in property improvements so that no business will face higher business rates bills for 12 months after making qualifying improvements to a property they occupy. This will enable businesses to adapt to meet rising demand and make improvements to their premises that support net zero targets and enhance productivity as employees return to the workplace.

[45] 'Impact on Households: Distributional Analysis to Accompany Budget and Spending Review 2021', HM Treasury, October 2021

Figure 2.3: Covid Economic Support Map

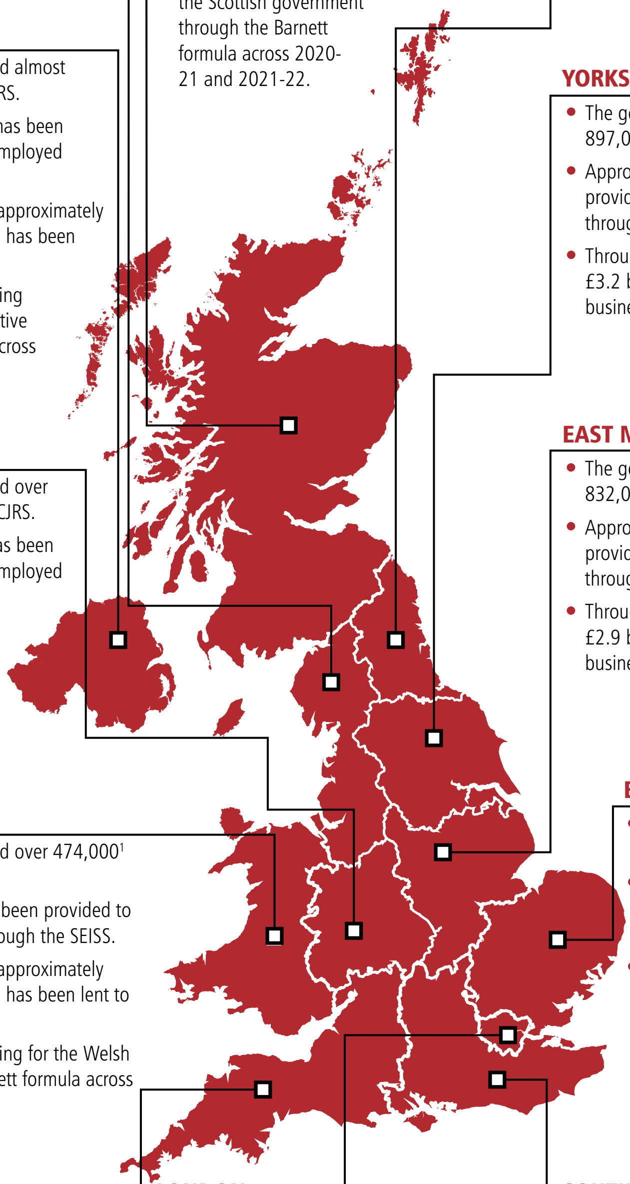
NORTH WEST
- The government has supported over 1,237,000[1] jobs through the CJRS.
- Approximately £2.4 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £4.8 billion and £2.7 billion[3] has been lent to business respectively.

SCOTLAND
- The government has supported over 911,000[1] jobs through the CJRS.
- Approximately £1.7 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £2.7 billion and £1.4 billion[3] has been lent to business respectively.
- £12.7 billion in additional funding for the Scottish government through the Barnett formula across 2020-21 and 2021-22.

NORTH EAST
- The government has supported over 417,000[1] jobs through the CJRS.
- Approximately £702 million[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £1.3 billion and £695 million[3] has been lent to business respectively.

NORTHERN IRELAND
- The government has supported almost 287,000[1] jobs through the CJRS.
- Approximately £770 million[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £1.3 billion and £785 million[3] has been lent to business respectively.
- £4.5 billion in additional funding for the Northern Ireland Executive through the Barnett formula across 2020-21 and 2021-22

YORKSHIRE AND THE HUMBER
- The government has supported over 897,000[1] jobs through the CJRS.
- Approximately £1.8 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £3.2 billion and £1.8 billion[3] has been lent to business respectively.



WEST MIDLANDS
- The government has supported over 1,023,000[1] jobs through the CJRS.
- Approximately £2.1 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £3.8 billion and £2.1 billion[3] has been lent to businesses respectively.

EAST MIDLANDS
- The government has supported over 832,000[1] jobs through the CJRS.
- Approximately £1.7 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £2.9 billion and £1.8 billion[3] has been lent to business respectively.

WALES
- The government has supported over 474,000[1] jobs through the CJRS.
- Approximately £1 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £1.6 billion and £713 million[3] has been lent to business respectively.
- £7.6 billion in additional funding for the Welsh government through the Barnett formula across 2020-21 and 2021-22.

EAST OF ENGLAND
- The government has supported over 1,056,000[1] jobs through the CJRS.
- Approximately £3.1 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £4.5 billion and £2.5 billion[3] has been lent to business respectively.

SOUTH WEST
- The government has supported over 975,000[1] jobs through the CJRS.
- Approximately £2.5 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £3.6 billion and £2.1 billion[3] has been lent to business respectively.

LONDON
- The government has supported over 1,637,000[1] jobs through the CJRS.
- Approximately £5.6 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £10.8 billion and £5.5 billion[3] has been lent to business respectively.

SOUTH EAST
- The government has supported over 1,562,000[1] jobs through the CJRS.
- Approximately £4.3 billion[2] has been provided to support the self-employed through the SEISS.
- Through the BBLS and CBILs, approximately £6.5 billion and £3.9 billion[3] has been lent to business respectively.

[1]Coronavirus Job Retention Scheme (CJRS) – Source: HMRC Coronavirus Job Retention Scheme Statistics: 7 October 2021. Analysis of claims for support in paying the wages of staff on furlough for periods up to 31 August 2021. The data used includes claims submitted to HMRC by 14 September 2021.
[2]Self-Employed Income Support Scheme (SEISS) – Source: HMRC Self-Employed Income Support Scheme Statistics: October 2021. Data covers SEISS claims submitted for all grants from the start of the scheme up to 15 September 2021.
[3]Bounce Back Loan Scheme (BBLS)/ Coronavirus Business Interruption Loan Scheme (CBILS) – Source: British Business Bank: Analysis of final Coronavirus loan scheme data shows £79.3 billion of loans to 1.67 million businesses, evenly distributed across whole of the UK. Data covers BBLS and CBILS from the start of the schemes to their closure.

2.70 From 2023, the government will introduce exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a new 100% relief for eligible heat networks, to support the decarbonisation of buildings.

2.71 The government will also continue to explore the arguments for and against a UK-wide Online Sales Tax, the revenue from which would be used to reduce business rates for retailers with properties in England and with the block grants of the Devolved Administrations increased in the usual way. The government will publish a consultation shortly.

Reforming UK R&D tax reliefs

2.72 The UK tax system provides very generous support to encourage companies to conduct R&D activity, worth 0.25% of GDP in 2018 compared to an OECD average of 0.1% of GDP.[46] However, UK businesses invest less than half the OECD average in R&D.

2.73 Following the consultation launched at Spring Budget 2021, the government is announcing reforms to R&D tax credits.

2.74 To ensure the R&D tax reliefs continue to support cutting edge R&D methods, the government will expand qualifying expenditure to include data and cloud computing costs, reinforcing the UK's status as a science superpower.

2.75 While UK companies claimed tax relief on £47.5 billion of R&D expenditure in 2019, the ONS estimates that businesses only carried out £25.9 billion of privately-financed R&D in the UK.[47] This gap is partly explained by companies being able to claim for activity taking place overseas. This suggests that the UK is not effectively capturing the benefits of R&D funded by the UK taxpayer through the reliefs. Many other countries, including Australia and the USA, do not offer relief for R&D activities performed overseas.

2.76 To more effectively capture the benefits of the reliefs, including improved skills, know-how and understanding, the government will refocus the reliefs towards innovation in the UK.

2.77 The government will also set out plans to tackle abuse of and improve compliance with the R&D tax reliefs later in the autumn.

Completion of the Bank Corporation Tax Surcharge review

2.78 At Spring Budget 2021 the government announced a review of the Bank Corporation Tax Surcharge to establish an appropriate rate in light of the upcoming increase in the main rate of corporation tax from 19% to 25%. The Budget announces the completion of that review.

2.79 To ensure that banks continue to pay their fair share of tax, while maintaining the UK's financial services competitiveness and safeguarding British jobs and tax revenue, the government is setting the rate of the surcharge at 3% from April 2023. This new rate ensures that banks will continue to pay a higher rate of overall corporation tax than other companies (28% versus 25%) and a higher rate than they did previously (27%).

2.80 The government will also raise the annual allowance within the surcharge to £100 million to ensure that the tax system is supportive of growth within the UK banking market, promoting competition to the benefit of consumers.

[46] OECD Main Science and Technology Indicators database, OECD, Research and Development (R&D) – Gross Domestic Spending on R&D, latest data published September 2021

[47] 'Research and Development Tax Credits Statistics: September 2021', HMRC, September 2021

Helping businesses invest and create jobs

2.81 Through the Budget and SR, the government is building on the unprecedented support for business over the pandemic by taking further action to help them to recover, invest, grow, and create jobs.

2.82 The government will support UK businesses by extending the temporary £1 million level of the Annual Investment Allowance to 31 March 2023. This will provide businesses with more upfront support, encouraging them to bring forward investment, and making tax simpler for any business investing between £200,000 and £1 million.

2.83 The Recovery Loan Scheme will also be extended until 30 June 2022 to ensure that lenders continue to have the confidence to lend to small and medium-sized businesses. Finance will be available up to a maximum of £2 million per business, supporting them to recover from the impact of the pandemic and to grow. The government guarantee will be reduced from 80% to 70% to encourage the lending market to move towards normality as the economy continues to recover.

2.84 To help businesses across the UK access the finance they need to invest and grow, as set out in section 2.2 Investing in growth, the government is:

- confirming over £1.6 billion for the British Business Bank's Regional Funds to provide debt and equity finance to SMEs, and to expand the Regional Angels programme
- providing funding for Start Up Loans to deliver 33,000 loans to entrepreneurs across the UK looking to start or grow their business

2.85 In addition, the Help to Grow scheme will provide further productivity support to over 100,000 SMEs around the UK through world class management training and support for digital adoption.

Support for hard-hit sectors

2.86 In sectors where the pandemic's impacts are still being felt, the government is helping to preserve jobs and expertise, including by extending the Airport and Ground Operations Support Scheme (AGOSS) in England for a further six months, funding the Film & TV Production Restart Scheme and through the Live Events Reinsurance Scheme.

2.87 The UK's cultural sectors will benefit from temporary rate uplifts to the Theatre, Orchestra and Museums & Galleries Exhibition tax reliefs. SR21 also provides £42 million to support the UK's world-leading creative industries, including supporting SMEs to scale up and providing bespoke support for the UK's independent film and video game industries.

2.88 The government is also supporting the haulage sector by continuing to freeze Vehicle Excise Duty (VED) for heavy goods vehicles (HGVs) in 2022-23 and suspending the HGV Road User Levy for another 12 months from August 2022. This is in addition to steps being taken to resolve HGV driver shortages, including 5,000 time-limited visas, additional HGV driver testing capacity and £32.5 million to improve roadside HGV facilities.

Raising living standards across the UK

2.89 As the economy continues to recover and grow, the government is taking action through the Plan for Jobs to help people get into work and to gain the skills they need to progress. The UK's unemployment rate is lower than the US, Canada, France, and Spain,[48] falling to 4.5% in the three months to August,[49] there are record levels of job vacancies,[50] and the total number of paid employees is above pre-crisis levels.[51]

2.90 To continue to boost employment, wages and living standards, the government is continuing or extending the most successful Plan for Jobs schemes and introducing a new package of measures – taking the total DWP spend on labour market support to more than £6 billion over the SR period. This includes:

- continuing to invest over £900 million for each year of this SR on work coaches who will provide effective support to help job seekers on Universal Credit move into work and, for the first time ever, help people progress once in work
- helping those affected by long-term unemployment by continuing the Restart scheme, which provides up to 12 months of intensive, tailored employment support worth approximately £2,000 per person to help jobseekers increase the prospects of finding a job

2.91 As part of this package, the government is also providing targeted additional support for people who may need extra help to get into work and progress. This includes workers leaving the furlough scheme and making a Universal Credit claim who will be prioritised through the Job Finding Support scheme, and older workers who will benefit from additional support to return to, or remain in, work. In addition, young people will continue to benefit from the extension of existing schemes, and jobseekers with disabilities will benefit from extra work coach support.

2.92 As set out earlier in this chapter, giving people the opportunity to boost their skills is crucial to helping them progress and crucial to levelling up the country. The Budget and SR invests in people's skills, including through a total investment over the Parliament of £3.8 billion by 2024-25. SR21 will expand access to high-demand Level 3 courses and Skills Bootcamps; invest £2.8 billion of capital investment in skills; and increase apprenticeship funding, including extending the £3,000 apprenticeship hiring incentive until 31 January 2022.

2.93 Through Universal Credit, the government has designed a modern benefit system that ensures it always pays to work and withdraws support at a steady rate as claimants move into work, replacing the old legacy system which applied effective tax rates of over 90% to lower earners in some cases.

2.94 The Budget builds on that, taking further steps to make work pay for low income working households on Universal Credit by:

- reducing the taper rate in Universal Credit from 63% to 55%, meaning Universal Credit claimants will be able to keep an additional 8p for every £1 of net income they earn
- increasing the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced – the Work Allowances – by £500 a year

2.95 These changes represent an effective tax cut for low income working households in receipt of UC worth £2.2 billion a year in 2022-23. They will allow working households to keep more of what they earn and strengthen incentives to move into and progress in work.

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[48] Labour Market Statistics, OECD, Harmonised unemployment rate (HUR) (indicator), data for September 2021
[49] 'Labour Force Survey, 3 months to August 2021', ONS, October 2021
[50] 'Vacancy Survey, 3 months to September 2021', ONS, October 2021
[51] HMRC Real Time Information on number of paid employees, September 2021 data, ONS, October 2021

2.96 Alongside this, the government is making sure that work pays for everyone across the UK, with a 6.6% increase to the National Living Wage (NLW) to £9.50 an hour, starting on 1 April 2022. This forecast real-terms pay increase will help support the living standards of millions of low paid workers, and is consistent with the government's long-term ambition for the NLW to reach two-thirds of median earnings and apply to workers aged 21 and over by 2024, provided economic conditions allow. The government is also increasing the National Minimum Wages, so young people and apprentices will also see pay increases.

2.97 Recognising that fuel is a major cost for households and businesses, the government will keep fuel duty frozen at 57.95 pence per litre UK-wide for 2022-23. This is the twelfth consecutive freeze, worth £7.85 billion over the next five years and saving the average UK car driver a cumulative £1,900, compared to the pre-2010 escalator. In addition, the duty rates on beer, cider, wine and spirits will be frozen for another year, saving consumers £3 billion over the next five years, and providing further support to the hospitality industry and its suppliers as they recover from the pandemic. Together, these duty freezes will save consumers more than £10 billion over the next 5 years.

2.98 The government is also providing targeted support for the most vulnerable this winter. To help households with the cost of essentials such as food, clothing and utilities, the government announced the £500 million Household Support Fund on 30 September, which will provide £421 million to Local Authorities in England. Local Authorities are best placed to direct help to those who need it most, and at least 50% of the funding will be used to support households with children.

2.99 This builds on existing government support with the cost of living, such as the energy price cap, the Winter Fuel Payment, and the £140 rebate for around 2.2 million low-income households through the Warm Homes discount.[52] In total government will provide £247 billion of support this year through the welfare system, including £41 billion through Universal Credit and £105 billion through the State Pension.

Support for veterans

2.100 To ensure that servicemen and women who have been injured in service of their country get the support they need, the government will provide an additional £5 million in 2022-23 for research into surgery techniques for amputees with blast injuries; new treatments for mental health issues, including post-traumatic stress disorder; new technology to enable wounded, injured and sick veterans to rebuild their lives; data and digital projects to explore better use of technology for heath; and research and treatment for mild traumatic brain injury. The new fund will be administered by the Office for Veterans' Affairs (OVA) in the Cabinet Office, working with the Department of Health and Social Care (DHSC), the Ministry of Defence (MOD) and in collaboration with the charitable sector where appropriate. Further details will be announced in due course.

[52] 'Warm Home Discount Scheme 2021/2022: government response to consultation on extending the scheme', Department for Business, Energy and Industrial Strategy, February 2021

Levelling up by supporting families and early years

Supporting families and children across the country to get the best start in life is a crucial part of the government's ambition to level up. There is strong evidence that the first 1,001 days of a child's life have a significant impact on their health, wellbeing, and opportunities throughout the rest of their lives.[a] The Budget and SR:

- invests £500 million over the next three years to transform 'Start for Life' and family help services in half of the council areas across England. This will fund a network of Family Hubs, Start for Life services, perinatal mental health support, breastfeeding services and parenting programmes. It will also expand the Supporting Families programme, providing up to 300,000 families with high quality, multidisciplinary support. Trials of innovative workforce models for health visitors will also be funded in a smaller number of council areas to test approaches to improve the support available to new parents.
- provides over £200 million per year to continue the holiday activities and food programme, providing healthy food and enriching activities for disadvantaged children in England, delivering the government's Flexible Childcare Fund commitment.
- maintains the Public Health Grant in real terms, enabling Local Authorities across the country to continue delivering frontline services like child health visits.
- increases the hourly rate to be paid to early years providers for the government's free hours offers, building on increases at SR19 and SR20.

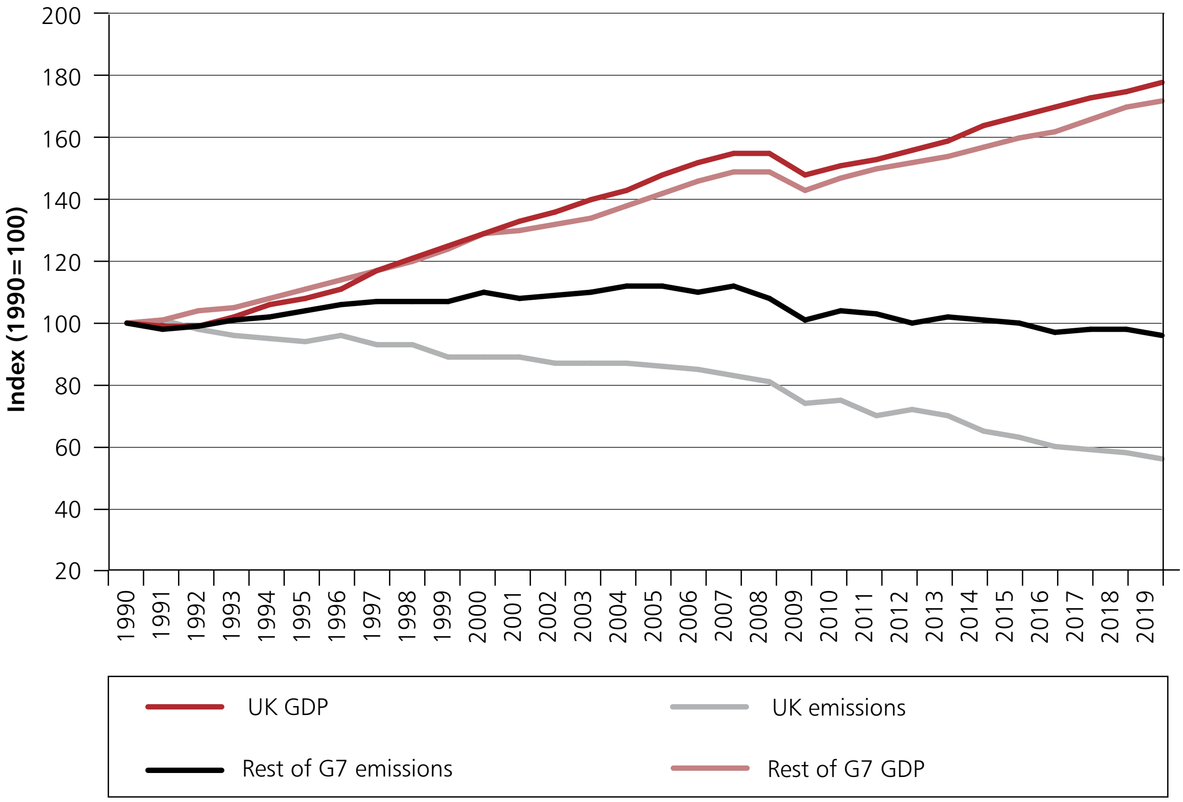
[a] 'The best start in life: a vision for the 1,001 critical days', Department of Health and Social Care, March 2021

Building back greener

2.101 As the UK builds back better from COVID-19, the government is focused on addressing the threat posed by climate change. The Net Zero Strategy (NZS) sets out the government's plans to build back greener and realise the significant wider economic and social benefits of delivering the UK's 2050 net zero emissions target.[53,54]

2.102 Between 1990 and 2019, the UK reduced its greenhouse gas emissions by 44% while GDP grew by 78%, as demonstrated in the chart below. The NZS sets out the action the government will take to keep the UK on track for its carbon budgets and 2030 Nationally Determined Contribution, and establishes the longer-term pathway towards net zero by 2050.

Chart 2.4: UK and G7 greenhouse gas emissions and GDP, 1990-2019[1]



[1]UK production emissions, excluding international aviation and shipping, measured in million metric tonnes of carbon dioxide equivalent, indexed to 1990 levels.

Source: World Bank, UNFCCC National Inventory Submissions, Office for National Statistics, BEIS Greenhouse Gas Inventory.

2.103 The NZS confirmed £26 billion of public capital investment since the Ten Point Plan. The Budget and SR confirms that since March 2021 the government will have committed a total of £30 billion of domestic investment for the green industrial revolution.[55]

2.104 The government's priority is to ensure that the transition to net zero is inclusive, fair, and sustainable for all, and works with the grain of consumer choice: no one will be required to rip out their existing boiler or scrap their current car.

[53] 'Net Zero Strategy: Build Back Greener', Department for Business, Energy & Industrial Strategy, October 2021
[54] 'UK becomes first major economy to pass net zero emissions law', Department for Business, Energy & Industrial Strategy, June 2019
[55] £30bn includes capital and resource expenditure, excludes administration budgets

2.105 The government also remains on track to meet its £11.6 billion commitment on International Climate Finance over 2021-26, investing an expected £6.6 billion over the next three years. The government will continue to lead the world in climate action by promoting a vision for a cleaner, greener world including by hosting COP26 in Glasgow. More detail is set out later in this chapter.

Greener transport

2.106 Transport is the highest emitting sector in the UK, accounting for 32% of domestic emissions in 2019.[56] Building on the action taken at SR20, the Budget and SR confirms a total of £6.1 billion to support the policies and strategy set out in the Transport Decarbonisation Plan.[57]

2.107 The Budget and SR provides £416 million of UK-wide R&D funding for programmes to help commercialise low and zero emission transport technologies, including trials of three zero emission HGV technologies, and a multi-year Clean Maritime Demonstration Competition. In addition, £180 million is provided to kick-start the development of commercial-scale UK sustainable aviation fuel (SAF) plants and a SAF clearing house to test and certify new fuels.

2.108 The Budget and SR confirms additional funding to support the government's commitment to end the sale of new petrol and diesel cars and vans in 2030 and all new diesel vehicles by 2040. To support the uptake of electric vehicles, the government will provide an additional £620 million for public charging in residential areas and targeted plug-in vehicle grants, building on the £1.9 billion committed at SR20. The SR and Budget also announces an increase in capital support to £817 million over the SR21 period for the electrification of UK vehicles and their supply chains. This will ensure the automotive sector is globally competitive and at the forefront of the transition to net zero.

2.109 The Budget and SR delivers a step change in bus and cycling investment, making progress towards the commitments in Bus Back Better and Gear Change.[58,59] This includes providing over £3 billion over the Parliament, including a new dedicated commitment of £1.2 billion for bus transformation deals to deliver London-style services, fares and infrastructure improvements. It also confirms a further £355 million of new funding for zero emission buses, and an allocation of £70 million Zero Emission Bus Regional Areas funding to deliver buses and related infrastructure in Warrington, Leicester, Milton Keynes, Kent, and Cambridgeshire and Peterborough.

2.110 The Budget and SR also provides over £2 billion of investment in cycling and walking over the Parliament to build hundreds of miles of high-quality, segregated bike lanes and other facilities to improve cyclists' safety. This includes £710 million of new investment in active travel funding over the next three years, building on SR20 and funding for new schemes through city region settlements.

Warmer, greener buildings

2.111 The UK's old, inefficient building stock accounts for 17% of domestic emissions.[60] Complementing the regulatory plans set out in the Heat and Buildings Strategy,[61] the Budget and SR commits a total of £3.9 billion for England and Wales to ensure buildings are warmer and cheaper to heat, while supporting jobs across the country.

[56] 'Net Zero Strategy: Build Back Greener', Department for Business, Energy & Industrial Strategy, October 2021
[57] 'Transport decarbonisation plan', Department for Transport, July 2021
[58] 'Bus back better', Department for Transport, March 2021
[59] 'Gear change: a bold vision for cycling and walking', Department for Transport, July 2020
[60] ibid, Department for Business, Energy & Industrial Strategy, 2021
[61] 'Heat and Buildings strategy', Department for Business, Energy & Industrial Strategy, October 2021

2.112 The government is investing £450 million to grow the heat pump market in England and Wales as part of the ambition to work with industry to reduce the costs of heat pumps by 25-50% by 2025. The Budget and SR continues support for heat networks in England with £338 million to encourage private investment. These measures will help meet the government's target of installing 600,000 heat pumps per annum by 2028.

2.113 In addition, the government is providing business rates exemptions and relief in England for eligible green technologies to support the decarbonisation of non-domestic buildings, more detail is set out earlier in this chapter.

2.114 To support tens of thousands of households in England on low incomes, make their homes more energy efficient and reduce their energy bills, the Budget and SR provides £950 million for the Home Upgrade Grant and £800 million for the Social Housing Decarbonisation Fund. It also allocates £1.4 billion to help decarbonise the public sector estate in England. Together, these schemes will help increase supply chain capacity, support thousands of green jobs, reduce fuel poverty and ensure a more equitable transition to net zero.

Decarbonising energy and industry through new technologies

2.115 The UK's energy and industrial sectors will play a central role in the transition to net zero. Building on the Energy White Paper published in December 2020, the government has announced a new ambition for all of the UK's electricity to be from low carbon sources by 2035, subject to security of supply.[62]

2.116 The Budget and SR invests in key new industries, including reaffirming UK-wide investment of £240 million for the Net Zero Hydrogen Fund and £1 billion for the Carbon Capture Usage & Storage (CCUS) Infrastructure Fund. In addition, it invests in emerging low carbon technologies to create new jobs across the UK. It confirms funding for the £1 billion Net Zero Innovation Portfolio, as announced in the Ten Point Plan, which is accelerating near-to-market low-carbon technology innovations. The £385 million Advanced Nuclear Fund is developing the next generation of small and advanced modular reactor technologies.[63]

2.117 The UK is a world leader in renewables and has installed more offshore wind capacity than any other country.[64] The government is investing to deliver its 2035 low carbon electricity generation ambition, secure the UK's supply of low-cost energy, and to meet the increased electricity demand of decarbonising other sectors, such as heating and transport. The Budget and SR will:

- provide up to £1.7 billion of new direct government funding to enable a final investment decision in a large-scale nuclear project this Parliament, subject to value for money and approvals. The government is in active negotiations with EDF over the Sizewell C project
- provide £120 million for a new Future Nuclear Enabling Fund to address barriers to entry for nuclear projects
- provide £380 million for the UK's world-leading offshore wind sector, boosting jobs and investment across the Union

[62] 'Energy white paper: Powering our net zero future', Department for Business, Energy & Industrial Strategy, December 2020
[63] Includes £100m from the Net Zero Innovation Portfolio
[64] 'The ten point plan for a green industrial revolution', HM Government, November 2020 and RenewableUK (2020)

Levelling up by creating green jobs across the country

The Budget and SR will create thousands of green jobs across the UK focused in the industrial heartlands in Northern England, Scotland and Wales.

For example, the Budget and SR:

- selects CCUS clusters in Hynet and East Coast Cluster to be deployed by the mid-2020s. The government will also continue to engage with the Acorn cluster in Scotland as a reserve, to ensure it can continue its development and planning. This has the potential to transform economic opportunities in Teesside, the Humber, Merseyside, North Wales and the North East of Scotland over the next decade.
- invests £140 million to establish the Industrial Decarbonisation and Hydrogen Revenue Support scheme and £240 million in the Net Zero Hydrogen Fund. These funds will work together to support innovative hydrogen production projects across the UK, such as the Holyhead Hydrogen Hub which will receive £4.8 million.
- confirms the £160 million investment in offshore wind power hubs to create and safeguard at least 2,500 jobs in Teesside, Humberside and the North-East, ultimately enabling the sector to support up to 60,000 jobs by 2030.
- confirms £27 million for the Aberdeen Energy Transition Zone, helping to transform North East Scotland into a globally integrated energy cluster, and £5 million for the Global Underwater Hub, supporting the growth of green technologies across the subsea sector in Aberdeen and the North and South of England.
- confirms £315 million for the Industrial Energy Transformation Fund which will help firms cut their carbon emissions and reduce energy bills. This will support industrial clusters in Teesside, Humberside, East Scotland, Merseyside, South Wales and Southampton.

Protecting and enhancing the natural environment

2.118 The government is committed to leaving the environment in a better state than we found it. The government agrees with the Dasgupta Review's central conclusion that nature, and the biodiversity that underpins it, ultimately sustains economies, livelihoods and well-being.[65]

2.119 Funding provided at the Budget and SR will improve the natural environment and support the goals of the 25 Year Environment Plan, while making a vital contribution to carbon emissions targets.[66] It includes:

- more than £250 million to protect and restore nature in England in support of the UK's world-leading target to halt biodiversity decline by 2030
- a further £625 million for the Nature for Climate Fund, ensuring total spend of more than £750 million by 2025 on peat restoration and woodland creation and management. This will support the government's commitment to plant at least 7,500 hectares of trees a year in England by 2025 and restore 35,000 hectares of peat during this Parliament
- setting an ambitious new target to raise at least £500 million in private finance to support nature's recovery every year by 2027 in England, rising to more than £1 billion by 2030. This will be supported by a range of measures, including £30 million public investment in a Big Nature Impact Fund, as well as £140 million to assess the extent and condition of the country's natural habitats

[65] 'Government commits to 'nature-positive' future in response to Dasgupta review', HM Treasury, June 2021
[66] '25 Year Environment Plan', Department for Environment, Food & Rural Affairs, January 2018

- more than £300 million to implement free, separate food waste collections in every local authority in England from 2025.

Table 2.5: Net zero and other green DEL & AME expenditure[1]

£ billion (current prices)	Plans 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25
Total core net zero spend	**4.4**	**5.5**	**8.0**	**7.7**
Transport	**1.5**	**1.9**	**2.0**	**1.8**
of which: Cars and vans	0.7	0.8	1.0	1.0
of which: Public transport and active travel	0.7	1.0	1.0	0.8
of which: Sustainable aviation fuel	0.0	0.1	0.1	0.1
Buildings	**2.5**	**2.0**	**2.5**	**2.7**
of which: Energy efficiency	1.3	0.7	1.1	1.3
of which: Clean heat[2]	1.2	1.3	1.4	1.4
CCUS, hydrogen and industrial decarbonisation	**0.0**	**0.1**	**0.5**	**0.8**
of which: Carbon capture, usage and storage[3]	0.0	0.0	0.3	0.4
of which: Hydrogen	0.0	0.0	0.1	0.1
of which: Industrial decarbonisation	0.0	0.1	0.2	0.2
Net zero energy	**0.2**	**0.8**	**2.1**	**1.3**
of which: Energy security	0.1	0.7	1.9	1.2
of which: Offshore wind	0.1	0.1	0.1	0.1
Natural environment and waste[4]	**0.1**	**0.2**	**0.6**	**0.4**
of which: Tree planting and peat restoration	0.1	0.2	0.2	0.3
of which: Food waste collection	0.0	0.0	0.3	0.1
Net zero innovation[5]	**0.0**	**0.4**	**0.4**	**0.7**
Total other green spend[6]	**0.9**	**1.0**	**1.1**	**1.2**
of which: Flood defences[7]	0.9	0.9	0.9	1.0
Total core net zero and other green spend	**5.3**	**6.5**	**9.1**	**8.9**

[1]Excludes administration budgets.

[2]Includes previously committed funding under the Renewable Heat Incentive.

[3]The £1 billion Carbon Capture Usage and Storage (CCUS) Infrastructure Fund is spread over a longer time period than as announced at Spending Review 2020 reflecting information received from project developers in the CCUS cluster.

[4]Includes air quality spending.

[5]Includes innovation and R&D spending for: the Department for Business, Energy & Industrial Strategy; the Department for Transport; and the Department for Environment, Food & Rural Affairs.

[6]Includes biodiversity spending.

[7]The Ten Point Plan for a Green Industrial Revolution included a commitment for £5.2 billion flood defence spending. £1.4 billion will fall into the next Spending Review period.

Levelling Up

2.120 As the country recovers from the impact of COVID-19, the government is re-doubling its efforts to level up the economy and ensure that the benefits of building back better are felt across the UK. People's opportunities in life should not be determined by the area in which they live; this principle is at the heart of the commitments made at the Budget and SR.

2.121 The government's approach to levelling up is underpinned by four principles:

- spreading opportunity and improving public services, particularly where they are weaker
- boosting living standards, particularly where they are lower
- restoring local pride
- empowering local leaders and communities.

2.122 The Budget and SR will create tangible improvements in people's daily lives and life chances across the UK. Better local transport and more affordable housing will ensure people can live where they want and have access to good jobs. Greater access to skills training and a boost in local enterprise will create more rewarding employment opportunities. And the regeneration of town centres will create new hubs of economic activity and restore pride in place.

2.123 The policies referenced in this chapter are just some of the highlights from the Budget and SR's levelling up agenda. Further detail on the steps the government is taking to level up can be found throughout chapter 2.

2.124 The government will publish the Levelling Up White Paper by the end of the year, setting out in more detail the framework and next steps towards levelling up opportunities and boosting livelihoods across the country.

2.125 Full details of local and regional investment in England, and investment in Scotland, Wales and Northern Ireland can be found in the Regions and Nations Factsheets published alongside the Budget and SR.[67]

Spreading opportunity and improving public services

2.126 Improving outcomes in education, skills and health is essential to helping people into jobs and improving their prospects. Evidence suggests that between 60% and 90% of area-level disparities in wages in the UK can be explained by differences in human capital, which encompasses these three areas.[68] Investing in people is therefore at the centre of the government's levelling up agenda.

2.127 The UK Shared Prosperity Fund (UKSPF) is the centrepiece of this ambition, worth over £2.6 billion over the next three years. It is the successor to the EU Structural Fund programme and will better tailor funding to local needs across the UK. The UKSPF will rise to £1.5 billion a year by 2024-25.

2.128 Alongside the ambitious investments in skills set out earlier in chapter 2, the UKSPF will support a range of skills and employment focused programmes, including, as a first priority, the £560 million UK-wide adult numeracy programme, Multiply, that will equip hundreds of thousands more adults with functional numeracy skills across the UK. In England, this will

[67] 'Regions and Nations Factsheets', HM Treasury, October 2021
[68] 'Area Disparities in Britain: Understanding the Contribution of People vs. Place Through Variance Decompositions', Gibbons et al, October 2013

particularly benefit the North East, West Midlands and Yorkshire and the Humber, which currently have the highest rates of poor numeracy in England. Multiply will help individuals to further their career potential and improve access to better paying jobs.

2.129 To support young people to get the best start in life, the government will also invest £560 million in youth services in England over the next three years. This will provide up to 300 youth facilities – targeted at areas most in need – through the Youth Investment Fund, and support young people to develop skills and confidence outside school through the National Citizen Service.

2.130 The Budget and SR also makes further commitments to ensure that every community has access to supportive and reliable public services. This includes providing a greater number of vulnerable families in England with the trusted support they need through a £200 million increase in funding for the Supporting Families Programme.

2.131 SR21 provides funding for at least 100 Community Diagnostic Centres in England, making testing more accessible and improving health outcomes. Of the 44 centres committed to in 2021-22, 32 will be established outside London and the South East, boosting diagnostic capacity in areas where it is needed most.

2.132 On top of this, the government will improve access to high quality and affordable housing; the £11.5 billion Affordable Homes Programme will deliver up to 180,000 homes by 2028-29, with 65% of the funding for delivery of homes outside London.

2.133 Further detail on how the government is levelling up public services, including health, education and housing across the UK, can be found earlier in this chapter.

Boosting living standards

2.134 A vibrant private sector that supports regional and national productivity is vital to raising living standards. The UK has significant disparities in productivity – for example, knowledge-intensive services are on average around 60% more productive in London compared to the rest of the UK.[69] The Budget and SR therefore announces action to support businesses to grow, creating new job opportunities and boosting productivity.

2.135 Through the Budget and SR the government will reinforce its efforts to ensure small and medium sized enterprises (SMEs) can access the finance they need, wherever they are across the UK. SR21 commits an additional £150 million to the UK-wide Regional Angels Programme over the SR period and expands the British Business Bank's Regional Funds into the North East and South West of England. It also provides additional funding to the BBB to set up new funds in Scotland (£150 million) and Wales (£130 million), and to build on its existing programmes in Northern Ireland (£70 million), working closely with the devolved administrations. The new £1.4 billion Global Britain Investment Fund will ensure that economic opportunities are spread more evenly across the UK by supporting investment in the UK's life sciences, offshore wind and automotive manufacturing sectors.

2.136 At Spring Budget 2021, the government announced 8 Freeports in 8 English regions, which will encourage businesses from around the world to create new hubs of global trade that will transform economic prospects and job opportunities for local communities.[70] The first tax

[69] 'Regional firm-level productivity analysis for the non-financial business economy, Great Britain', Office for National Statistics, April 2018. Knowledge intensive business services (KIBS) are services heavily reliant on professional knowledge and are based on the share of tertiary educated persons. ONS regional estimates of KIBS productivity from 2015 (GVA per worker) were multiplied by business register and employment survey 2015 data to get regional KIBS GVA. These were then split into London and Great Britain estimates, converted back to GVA per worker and compared to produce the 60% figure.
[70] 'Spring Budget 2021', HM Treasury, March 2021

sites will be in Humber, Teesside and Thames, and those Freeports will be able to begin initial operations from November. The government remains committed to establishing at least one Freeport in Scotland, Wales and Northern Ireland.

2.137 SR21 also makes targeted investments to ensure all communities have access to high-quality physical infrastructure that is crucial to everyday life and to local economic opportunity. For example, enhancing transport infrastructure improves local productivity and wages.[71] SR21 confirms over £35 billion of rail investment over the period including High Speed Two, rail enhancements and vital renewals to boost connectivity across the country, focusing on the Midlands and the North.

2.138 The government is committing further development funding from the Restoring Your Railway Fund for schemes to reinstate passenger services between Totton and Fawley in Hampshire, reopen stations in Somerset and Devon and develop thirteen early-stage proposals to restore passenger rail connections across England and Wales.

2.139 To enhance the quality of people's everyday journeys and ensure that everyone has reliable access to their workplaces, town centres and high streets, SR21 is providing a substantial package of investment to improve local transport networks. This includes £1.2 billion of new dedicated funding for bus transformation deals to deliver London-style services, fares and infrastructure improvements in England; a further £355 million of new funding for zero emission buses; and an allocation of £70 million Zero Emission Bus Regional Areas funding to deliver buses and related infrastructure in Warrington, Leicester, Milton Keynes, Kent, and Cambridgeshire and Peterborough. SR21 also provides over £8 billion of investment for local roads maintenance and upgrades over this Parliament.

2.140 On top of this, the government is delivering an unprecedented £5.7 billion investment package over 5 years for London-style integrated transport settlements that will transform local networks in eight English city regions, subject to the creation of appropriate governance to agree and deliver funding.

2.141 Finally, to support greater digital connectivity and tackle the issue of rural isolation, the Budget and SR also funds the ambitious targets to deliver gigabit capable broadband and 4G across the UK through Project Gigabit and the Shared Rural Network. These programmes will particularly benefit rural and hard-to-reach places.

2.142 Further detail on how the Budget and SR is improving living standards through investment in enterprise and infrastructure earlier in this chapter.

Restoring local pride

2.143 Levelling up is also about ensuring that people across the UK can feel proud of where they live and be a part of their community – whether in a large city, town or rural area. Good quality civic infrastructure strengthens local communities and local economies, contributing to higher civic engagement.

2.144 SR21 therefore announces the first £1.7 billion of allocations through the Levelling Up Fund, including over £342 million for Scotland, Wales and Northern Ireland, which will fund over 100 projects to improve local infrastructure. These include a new medical training facility in Bolton; a new marketplace in Aberdeen city centre; investment in the local fishing community in Newhaven; and the redevelopment of the Theatr Bryndcheiniog Arts Centre in Brecon.

[71] 'Evidence Review 7: Transport', What works centre for local economic growth, July 2015

2.145 In addition, to help communities across the UK protect and manage their most treasured assets, the Budget and SR announces the first 21 projects that will benefit from the £150 million Community Ownership Fund. These include building the John Jenkins Stadium in Portsmouth, acquiring the Old Town Hall as part of a new museum development in Whithorn in Scotland, supporting the Ty'n Llan pub in Llandwrog in Wales, and developing a new community digital hub in Cushendall in Northern Ireland.

2.146 To allow people to feel safe in their communities, police and crime commissioners and local authorities will receive more support to improve security in areas badly affected by crime, through the Safer Streets Fund in England and Wales.

2.147 To ensure every region across the UK has access to the green spaces that are vital to people's physical and mental health, the Budget and SR announces the £9 million Levelling Up Parks Fund, funding over 100 new parks in 2022-23 to ensure equal access to parks in urban areas that are deprived of green space.

2.148 The government is also funding the UK's bids to host the 2025 Women's Rugby World Cup and the 2026 Tour de France Grand Depart, aiming to bring more world class sporting events to places across the UK. The government will also provide up to £2 million for Liverpool City Region Combined Authority to develop a business case for a new waterfront attraction celebrating the work and legacy of the Beatles, and consider future funding for this project subject to the business case.

2.149 Further information on how the government is restoring pride in people's local areas can be found earlier in this chapter.

Empowering local leaders and communities

2.150 Enabling strong, accountable leadership across the UK will give every region the tools to change for the better. The Levelling Up White Paper will provide further information on the government's plans to enable more areas to agree ambitious devolution deals, where there is local support, and to strengthen existing devolution arrangements to ensure local leaders can get on and deliver. The government has already committed to £7.5 billion of unringfenced 'gainshare' investment funding over 30 years, as part of nine devolution deals agreed with city regions across England, with around £750 million being delivered over SR21.

2.151 The Budget and SR also continues funding for the Places for Growth programme, which aims to move 22,000 civil service roles outside London by 2030, to bring policymakers closer to the communities they serve.

Figure 2.6: Investment across the UK

Full details of local and regional investment in England, and investment in Scotland, Wales and Northern Ireland can be found in the Regions and Nations Factsheets published alongside the Budget and Spending Review.

NORTH WEST:

- 12 places including Salford and Pendle to benefit from over £232 million in local infrastructure improvements through the Levelling Up Fund.
- Over £600,000 for 3 projects in Leigh, Marple and Clayton-le-Moors from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop three early-stage proposals to reinstate passenger rail links between: Ashton and Stockport; Middlewich and Gadbrook Park; and Buckley Wells and Rawtenstall.

NORTHERN IRELAND:

- 11 places including Omagh and Dundonald benefit from almost £49 million in local infrastructure improvements through the Levelling Up Fund.
- £300,000 for the Glens Digital Hub in Cushendall from the first round of the Community Ownership Fund to protect valued community assets.
- Additional £70 million funding for the British Business Bank to build on its existing programmes, working closely with local partners.

WEST MIDLANDS:

- 11 places including Bromsgrove and Kidderminster to benefit from almost £196 million in local infrastructure improvements through the Levelling Up Fund.
- £2.6 million to amplify Coventry's year as UK City of Culture 2021.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop two early-stage proposals to reinstate passenger rail links between Stoke and Leek and Oswestry and Gobowen.

WALES:

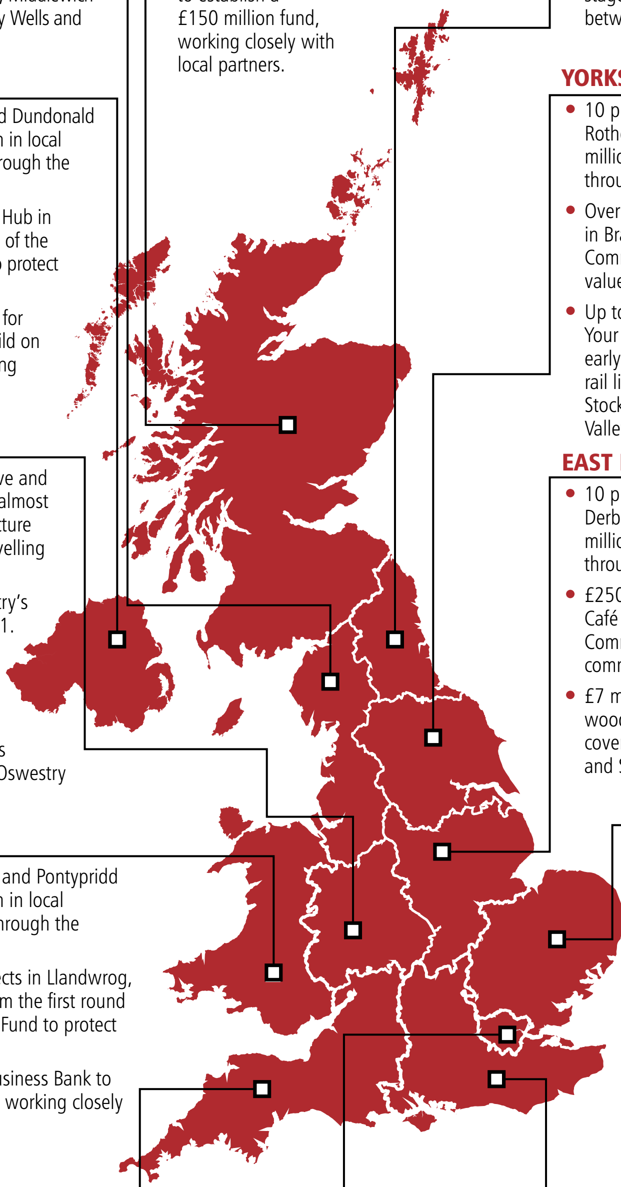
- 10 places including Wrexham and Pontypridd benefit from over £121 million in local infrastructure improvements through the Levelling Up Fund.
- Over £460,000 for three projects in Llandwrog, Pen-y-Waun, and Tredegar from the first round of the Community Ownership Fund to protect valued community assets.
- New funding for the British Business Bank to establish a £130 million fund, working closely with local partners.

SOUTH WEST:

- 6 places including the Isles of Scilly and Gloucester benefit from over £131 million in local infrastructure improvements through the Levelling Up Fund.
- £175,000 for the Rising Sun pub in Woodcroft from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop three early-stage proposals to reinstate passenger rail links between Tavistock and Plymouth; reopen Corsham Station; and reopen Stonehouse Bristol Road rail station.

SCOTLAND:

- 8 places including Aberdeen and Inverness benefit from almost £172 million in local infrastructure improvements through the Levelling Up Fund.
- Over £1 million for five projects in Whithorn, Inverie, New Galloway, Kinloch Rannoch and Callander from the first round of the Community Ownership Fund to protect valued community assets.
- New funding for the British Business Bank to establish a £150 million fund, working closely with local partners.



LONDON:

- 6 places including Brent and Tower Hamlets to benefit from almost £65 million local infrastructure improvements through the Levelling Up Fund.
- Strategic roads investments will benefit London, including the Lower Thames Crossing, increasing capacity across the Thames east of London by over 90%.
- £1 billion annual investment in London's transport system through Business Rates Retention.

NORTH EAST:

- 5 places including Stockton-on-Tees and Newcastle upon Tyne to benefit from almost £100 million in local infrastructure improvements through the Levelling Up Fund.
- £600,000 for 2 projects in North Shields and Whitley Bay from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 through the Restoring Your Railway 'Ideas Fund' to develop an early-stage proposal to reinstate passenger rail links between Darlington and Weardale.

YORKSHIRE AND THE HUMBER:

- 10 places including Doncaster and Rotherham to benefit from almost £187 million in local infrastructure improvements through the Levelling Up Fund.
- Over £200,000 for the Jubilee Centre in Bradford from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop three early-stage proposals to reinstate passenger rail links between: Beverley and York; Stocksbridge and Sheffield Victoria (Don Valley Line); and on the Askern Branch Line.

EAST MIDLANDS:

- 10 places including Lincolnshire and Derbyshire to benefit from almost £203 million in local infrastructure improvements through the Levelling Up Fund.
- £250,000 for the Hub Community Centre and Café in Thurnby from the first round of the Community Ownership Fund to protect valued community assets.
- £7 million for the National Forest to support woodland creation in the East Midlands, covering parts of Derbyshire, Leicestershire and Staffordshire.

EAST OF ENGLAND:

- 5 places including Luton and Peterborough to benefit from almost £87 million in local infrastructure improvements through the Levelling Up Fund.
- Over £96,000 for the Racehorse Inn in Westhall from the first round of the Community Ownership Fund to protect valued community assets.
- Allocation of share of £70 million Zero Emission Bus (ZEBRA) funding to Cambridgeshire & Peterborough to transition around 30 buses to zero emission.

SOUTH EAST:

- 11 places including the Isle of Wight and Thanet benefit from almost £151 million in local infrastructure improvements through the Levelling Up Fund.
- Over £1.4 million for 3 projects in Portsmouth, East Boldre and Bethersden from the first round of the Community Ownership Fund to protect valued community assets.
- £7 million development funding to reintroduce rail passenger services between Totton and Fawley in Hampshire.

Advancing Global Britain

2.152 The Integrated Review set out a clear vision for the UK as a problem-solving and burden-sharing nation, firmly committed to an open and resilient international order, and fit for a more competitive world.[72]

2.153 The Budget and SR makes further progress towards this vision. SR21 ensures the UK will remain a development superpower and one of the largest official development assistance (ODA) donors in the G7, and that the UK will continue to lead the world and work with our partners to tackle the most pressing challenges such as climate change and pandemic preparedness. This will build on substantial progress made under the UK's 2021 G7 presidency, including an agreement at the Summit in June to drive an intensified effort to vaccinate the world by 2022, and to create a global pandemic radar.[73] [74]

Development and diplomacy

2.154 SR21 ensures the UK remains a world leader in development. SR21 provides departments with £11.4 billion of ODA in 2022-23, £11.8 billion in 2023-24 and £12.3 billion in 2024-25. This will enable the UK to spend the equivalent of 0.5% of GNI on current forecasts, and will see the ODA budget grow by 23% by 2024-25 compared to the £10 billion allocated at SR20.

2.155 The government remains committed to the International Development (Official Development Assistance Target) Act 2015 and to spending 0.7% of GNI on ODA once the fiscal situation allows. As a result of the government's careful stewardship of the public finances and the strength of the recovery, the ODA fiscal tests are now forecast to be met in 2024-25,[75] which is earlier than the OBR forecast in March.

2.156 As such, SR21 provisionally sets aside additional unallocated ODA funding in 2024-25, to the value of the difference between 0.5% and 0.7% of GNI. This delivers on the government's commitment made to Parliament to return to spending 0.7% of GNI on ODA when, on a sustainable basis, the government is not borrowing for day-to-day spending and underlying debt is falling. The government will continue to monitor future forecasts closely and, each year over this period, will review and confirm, in accordance with the 2015 Act, whether a return to spending 0.7% of GNI on ODA is possible against the latest fiscal forecast.

2.157 The departmental ODA allocations that SR21 provides will ensure that the UK remains one of the largest ODA spenders globally and well above the OECD average,[76] and will enable increased funding for the highest UK development priorities, including on women and girls, humanitarian assistance, clean and green infrastructure financing, nature and tackling climate change.

2.158 SR21 provides at least £2.4 billion over the next three years to unlock finance for green growth, including a new strategic initiative to support clean and green infrastructure through UK-backed investment, loans and expertise. This takes forward G7 Leaders' commitment to build back better by delivering a step change in development infrastructure financing. It will also increase funding supporting women and girls, including to help many more girls receive a quality education, with the aim of achieving the global target to get 40 million girls into school and have 20 million more girls reading by the age of 10.

[72] 'Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy', Cabinet Office, March 2021 CP 403'
[73] 'COVID-19 response: Summer 2021', HM Government, July 2021
[74] 'PM announces plan for 'Global Pandemic Radar'', Prime Minister's Office, 21 May 2021
[75] 'Written Ministerial Statement UIN HCWS172', The Chancellor of the Exchequer, 12 July 2021
[76] 'Detailed Note', OECD, 13 April 2021

2.159 The UK is committed to supporting access to finance for low-income countries. At the 2021 IMF Annual Meetings, the UK announced a new loan of 1 billion Special Drawing Rights (SDR) to the Poverty Reduction and Growth Trust, the IMF's concessional lending arm.[77] This is part of the UK's commitment to channel up to around 20% of the SDRs allocated to it by the IMF in August 2021, in support of G7 Leaders' call for a global channelling of $100 billion to countries most in need.

2.160 SR21 provides funding to ensure the UK will continue to retain one of the largest overseas diplomatic networks of any nation.[78] The government will also continue to invest in the British Council and BBC World Service in recognition of the important soft-power role these organisations play.

Tackling global challenges

2.161 The UK is catalysing action from the international community to address the most pressing issues, from COVID-19 to climate change and future pandemic preparedness, while defending its interests and demonstrating its values.

2.162 With the Presidency of COP26, the UK will lead international efforts to agree ambitious action on climate change. The UK has championed work to secure enhanced commitments from all developed countries and international financial institutions to deliver the $100 billion per year climate finance mobilisation goal through to 2025. The UK will support more than £1 billion of activities in 2021-22 as part of the government's flagship, five-year £11.6 billion International Climate Finance target and £3 billion target to protect and restore nature and biodiversity. The government will spend a minimum of £6.6 billion on International Climate Finance over the SR21 period and at least £1.7 billion on nature and biodiversity.

2.163 At the Budget and SR the government is increasing public investment in R&D to £20 billion by 2024-25 (including funding for EU programmes), representing an increase of around a quarter in real terms over the SR21 period. SR21 increases R&D spending focused on solving problems faced by developing countries from £0.6 billion in 2021-22 to £1 billion in 2024-25, including for research tackling global health and climate threats. Further detail on announcements which will allow UK researchers and businesses to continue to push the frontiers of knowledge, and support collaboration with international partners, is set out earlier in this chapter.

2.164 The government is working closely with the international community to accelerate the end of the acute phase of the COVID-19 pandemic and secure economic recovery. This builds on the government's key role in funding the development and equitable rollout of vaccines, therapeutics and diagnostics (VTDs). For example, the UK government funded the early development of the Oxford vaccine and supported the partnership with AstraZeneca, which has enabled over a billion doses to be made available at a non-profit price globally.

2.165 The UK is demonstrating its values in action through the Afghan citizens' resettlement scheme. Funding will be made available for the UK's commitment to welcome up to 20,000 Afghan citizens over the coming years, including £20,520 per person for Local Authorities who settle Afghan families, with an additional £17 million available to top up housing costs and an extra £20 million pot of flexible funding. Those who have assisted the UK efforts in Afghanistan and vulnerable people will be prioritised.

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[77] 'Factsheet: Special drawing Rights (SDR)', International Monetary Fund, 5 August 2021

[78] 'Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy', Cabinet Office, March 2021, CP 403

Defence and Security

2.166 Decisions taken at SR20 provide the largest sustained increase in defence spending since the Cold War.[79] SR20 provided an increase in defence spending of over £24 billion in cash terms over the next four years against the 2020-21 budget.

2.167 This sustained increase enables the reshaping of the UK's Armed Forces for the age of digital warfare and investment in a range of key capabilities – including a naval shipbuilding pipeline, enhancing cyber capabilities and renewing the nuclear deterrent – and provides for at least £6.6 billion in defence R&D spending. Since SR20, these allocations have been set out in more detail in the Defence Command Paper and progress has been made on delivering them,[80] including through the founding of Space Command, and starting construction on the first Type 31 frigate.

2.168 This investment reinforces the UK's pivotal role in NATO, exceeding the NATO target of spending at least 2% of GDP on defence in every year of the settlement. The UK maintains its position as the largest European spender on defence in NATO and the second largest in the Alliance.[81]

2.169 By maintaining funding for counter-terrorism policing in England and Wales and investing further in the UK Intelligence Community (UKIC), the government will maintain and develop world-leading capabilities to counter national security threats to the UK.

[79] 'Spending Review 2020', HM Treasury, November 2020, CP 330
[80] 'Defence in a competitive age', Ministry of Defence, March 2021, CP 411
[81] 'Defence Expenditure of NATO Countries (2014-2021)', NATO, 11 June 2021

Seizing the opportunities of Brexit

2.170 Since the UK's exit from the EU and the end of the transition period, the government has taken the opportunity to do things differently, following the principles set out in the government's consultation on reforming the framework for better regulation.[82] The government will continue to use its new-found agility, flexibility, and freedom to implement a 21st century plan for Britain, starting a new chapter in both how the UK engages the world, and the way things are done at home.

2.171 The government recently set out a suite of individual regulatory reforms aimed at improving digitisation and unleashing innovation,[83] and will continue to invest in and transform the sovereign health regulator, the Medicines and Healthcare products Regulatory Agency (MHRA), which played a crucial role in the approval of vaccines during the pandemic. Through the Budget and SR, the government is taking further action to ensure the UK's regulatory and legal framework works in the best interests of the UK.

2.172 The Budget and SR also provides resources to further the ambitions of the UK's independent trade policy, supporting the government's mission to make UK the best place in the world to do business.

Reforming the tax system to deliver better outcomes for the UK

2.173 The Budget takes advantage of the flexibility provided by being outside EU structures to outline changes to the tax system to support UK business and improve the lives of citizens.

2.174 As set out in more detail in earlier in this chapter, the government is also acting to ensure the UK more effectively captures the benefits of R&D funded by the UK taxpayer through the reliefs, by refocusing government support towards innovation in the UK. This was not possible while part of the EU.

Making it easier for shipping companies to move to the UK

2.175 The Budget announces that the government will make substantive reforms to the UK's Tonnage Tax regime for the first time since it was introduced in 2000. These reforms aim to increase the number of firms basing their headquarters in the UK, boosting the UK's world-leading maritime services industry.

2.176 The UK flag has a reputation for maintaining the highest international standards and the government wants more ships to benefit from this by registering in the UK. The government will therefore remove any requirement for ships in the UK Tonnage Tax regime to fly the flag of any EU country now the UK has left the EU, and instead focus on boosting the use of the UK flag when determining which companies can participate in the regime.

2.177 Among other changes, the government will make it easier for shipping companies to participate in the Tonnage Tax regime by reducing the lock-in period from 10 years to 8 years to align more closely with shipping cycles. HMRC will be given more discretion to admit companies into the regime outside of the initial window of opportunity where there is a good reason. HMRC will also review guidance on which vessels and operations qualify for the regime to take account of developments in technology and the shipping market since the tax was introduced.

[82] 'Reforming the Framework for Better Regulation: a consultation', Department for Business, Energy & Industrial Strategy, July 2021
[83] 'Brexit opportunities: regulatory reforms', Cabinet Office, 16 September 2021

Alcohol duty reform

2.178 Now that the UK is free to set its own law in this area, the government is reforming alcohol duties to best suit national priorities. The alcohol duty regime will undergo a major simplification, overhauling an outdated system full of historical anomalies, making the regime fairer and more conducive to product innovation in response to evolving consumer tastes.

2.179 The government will radically simplify the duty system, reducing the number of main rates from 15 to 6, and taxing all products in proportion to their alcohol content, enabling businesses to bring new products to market with fewer tax complications. All tax categories (e.g. beer, wine) will move to a standardised set of bands, with rates for products between 1.2-3.4% alcohol by volume (ABV), 3.5-8.4% ABV, 8.5-22% ABV, and above 22% ABV. Above 8.5% ABV, all products across all categories will pay the same rate of duty if they have the same proportion of alcohol content. The government will also simplify the way businesses register and pay for duty, ending the practice where individual products have different administrative rules.

2.180 Alcohol will be taxed in a progressive manner, ensuring higher strength products incur proportionately more duty, addressing the problem of harmful high-strength products being sold too cheaply. The government will introduce new rates for low strength drinks below 3.5% ABV to encourage manufacturers to develop new products at lower ABVs, giving consumers greater choice and greater options to drink responsibly. These rates will also be the same for all product categories.

2.181 The government will also introduce a new small producer relief, building on the success of the Small Brewers Relief, for cidermakers and other producers of lower ABV drinks. This will allow small producers to diversify their product range to other products below 8.5% ABV while still benefitting from reduced rates.

2.182 To recognise the importance of pubs, and support responsible drinking, the government will cut duty rates on draught beer and cider by 5%, taking 3p off a pint. This is the biggest beer duty cut for 50 years and the biggest cut to cider duty since 1923.[84] In addition, the duty rates on beer, cider, wine and spirits will be frozen for another year, saving consumers £3 billion over the next five years, and providing further support to the hospitality industry and its suppliers as they recover from the pandemic.

A better-connected United Kingdom

2.183 The government is introducing a package of Air Passenger Duty (APD) reforms that will bolster UK air connectivity through a 50% cut in domestic APD, and further align with UK environmental objectives by adding a new ultra-long-haul distance band.

2.184 Following consultation, the government will introduce a new domestic band for APD set at £6.50. The rate will apply to all flights between airports in England, Scotland, Wales and Northern Ireland (excluding private jets). As a result, around 9 million passengers will pay less APD in 2023-24. This will benefit connectivity between Great Britain and Northern Ireland.

2.185 In addition, the government is increasing the number of international distance bands from two to three, with the new distance bands set at 0-2,000 miles; 2,000-5,500 miles and 5,500 miles plus. The rates will be £13; £87 and £91 respectively for economy passengers. This will align APD more closely with environmental objectives by ensuring that those who fly furthest incur the greatest level of duty.

2.186 A summary of consultation responses received from stakeholders has been published alongside the Budget and SR.

[84] Internal HMT calculations, based on historic values of inflation and previous Finance Acts

Making loss relief fairer

2.187 The government will legislate in Finance Bill 2021-22 to abolish Cross-Border Group Relief (CBGR) and other related loss reliefs from 27 October 2021. Now that the UK has left the EU, it is no longer bound by EU law and can depart from this historic position, which conflicts with UK policy interests. This ensures equal treatment of companies in EU and non-EU countries and protects the UK Exchequer against unfair outcomes.

Freeports

2.188 At Spring Budget 2021, the government announced 8 Freeports in 8 English regions, which will encourage businesses from around the world to create new hubs of global trade that will transform economic prospects and job opportunities for local communities. The first tax sites will be in Humber, Teesside and Thames, and those Freeports will be able to begin initial operations from November. The government remains committed to establishing at least one Freeport in Scotland, Wales and Northern Ireland.

Deepening trade ties across the globe

2.189 The UK is charting a new course as an independent trading nation. SR21 provides a £67.6 million cash increase for the Department for International Trade (DIT) over the Parliament to enable HMG to transform its services for exporters and investors, maintain increased capacity to secure world class free trade agreements and continue to support the rules-based international trading system. This will enable the finalisation of free trade agreements with Australia and New Zealand and the continued pursuit of new agreements with the USA, the Gulf Cooperation Council, Canada, Mexico and India, as well as UK membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

2.190 The government is designing a border which simplifies processes for traders and travellers and helps to uphold the security and biosecurity of the UK. SR21 provides over £1 billion of funding for new transformational programmes, including £180 million to build a UK Single Trade Window which will reduce the cost of trade by streamlining trader interactions with border agencies.

2.191 The government will also consult in the new year on customs processes, the intermediaries market and transit to seek the views and expertise of businesses and ensure that government and industry can work in partnership together to deliver a world class customs regime.

3 Delivering for all parts of the UK

3.1 The government is focused on the things that matter most to people across the UK. Whether in England, Scotland, Wales or Northern Ireland, people care about the health of their family and friends, having the education and skills for the jobs of tomorrow, and investments that will deliver green growth. The UK is better placed to meet these shared goals when all parts act together, drawing on its combined fiscal strength and contributions from businesses and citizens across the whole country.

3.2 The Autumn Budget and Spending Review 2021 provides both UK-wide support and targeted funding to meet local needs. It also provides the devolved administrations (DAs) with an additional £8.7 billion per year on average through the Barnett formula over the SR period, on top of their combined annual baseline funding of £66 billion. This will enable further investment in areas such as schools, housing, health and social care, and transport across Scotland, Wales and Northern Ireland.[1]

3.3 In addition to this, the government is confirming an extra £1.3 billion for 2021-22 so that the DAs continue to have sufficient funding certainty to plan in-year spending.

A UK-wide approach for UK-wide priorities

Addressing UK-wide health and social care challenges

3.4 Ministers and officials from the UK government worked closely with the DAs and other partners during the pandemic and will continue to do so to aid recovery and deliver for all citizens. Government support during the COVID-19 pandemic via the Coronavirus Job Retention Scheme (CJRS) protected 911,000 jobs in Scotland, 470,000 in Wales and 287,000 in Northern Ireland, while the Self-Employment Income Support Scheme (SEISS) supported 175,000 people in Scotland, 122,000 in Wales and 84,000 in Northern Ireland.[2]

3.5 To support health and social care across the UK, from April 2022 the government will raise around £13 billion per year through the new Health and Social Care Levy and an increase to the rates of dividend tax. This investment will allow the UK government and DAs to tackle the electives backlog in the NHS, put the NHS on a sustainable footing and address the long-term challenges in social care.

Investing in growth

3.6 The Budget and SR delivers on the Plan for Growth and the Innovation Strategy by taking steps to spread opportunity across all parts of the UK.[3,4]

[1] Internal HMT calculation.
[2] Coronavirus Job Retention Scheme statistics: 7 October 2021, HMRC, October 2021. Furlough cumulative figures are based on claims made by 14 September 2021, while self-employment cumulative figures are based on claims made by 15 September 2021.
[3] Build Back Better: our plan for growth, HM Treasury, March 2021.
[4] UK Innovation Strategy: leading the future by creating it, BEIS, July 2021.

3.7 SR21 invests a record £20 billion by 2024-25 in Research and Development (R&D).[5] The government will ensure that an increased share of the record increase in government spending on R&D over the SR21 period is invested outside the Greater South East, and will set out the plan for doing this in the forthcoming Levelling Up White Paper. The investment will build on the support provided throughout the UK via current programmes such as the Strength in Places Fund and the Catapult network.

3.8 The government is also fully funding association to EU science programmes including Horizon Europe, enabling further collaboration with European partners. In the event that the UK is unable to associate to Horizon Europe, the funding allocated to Horizon association will go to UK government R&D programmes, including those to support new international partnerships.

3.9 The government is also reforming R&D tax reliefs to ensure that they better support cutting-edge research methods and that the UK more effectively captures the benefits of R&D funded by the UK taxpayer through the reliefs.

3.10 Through the Budget and SR, the government will reinforce its efforts to ensure that small and medium sized enterprises (SMEs) can access the finance they need across the UK, including through British Business Bank (BBB) programmes, such as the Start Up Loans Scheme and the Regional Angels Fund. SR21 also provides additional funding to the BBB to set up new regional funds in Scotland (£150 million) and Wales (£130 million), and to build on its existing programmes in Northern Ireland (£70 million), working closely with the DAs.

3.11 The Help to Grow scheme will provide further productivity support to over 100,000 SMEs around the UK through world class management training and support for digital adoption.

3.12 The new £1.4 billion Global Britain Investment Fund will help spread economic opportunities more evenly across the UK by supporting investment in the UK's life sciences, offshore wind and automotive manufacturing sectors.

Supporting people and businesses

3.13 Through the Budget and SR the government will help support the living standards of millions of low paid workers in all parts of the UK. On 1 April 2022 the National Living Wage (NLW) will rise by 6.6% to £9.50 an hour. Young people and apprentices will also see increases in the National Minimum Wage (NMW) rates.

3.14 On top of this, the government is taking steps to allow low income working households to keep more of what they earn by reducing the taper rate in Universal Credit (UC) from 63% to 55%, as well as increasing work allowances in UC by £500 a year. These changes will apply across Great Britain, and funding is being provided to the Northern Ireland Executive to implement equivalent measures.

3.15 Recognising that fuel is a major cost for households and businesses, the government will keep fuel duty frozen at 57.95 pence per litre for 2022-23. This is the twelfth consecutive freeze, saving the average UK car driver a cumulative £1,900, compared to the pre-2010 escalator.[6]

3.16 The duty rates on beer, cider, wine and spirits will be frozen for another year, saving consumers £3 billion over the next five years and supporting the hospitality industry and its suppliers as they recover from the pandemic. The continued alcohol duty freeze also means that Scotch whisky is facing the lowest real-terms tax rate since 1918.[7]

[5] Gross domestic expenditure on research and development, ONS, 2019.
[6] Internal HMT and HMRC calculation.
[7] Figure represents the cumulative fiscal cost over the scorecard period, as set out in Chapter 5: Policy decisions.

3.17 This Budget and SR continues or extends the most successful Plan for Jobs schemes and introduces a new package of measures across Great Britain. This includes continuing to invest over £900 million for each year of the SR on work coaches who will help jobseekers on Universal Credit move into work and progress once in work, on support for older workers via an enhanced 50+ offer, and on jobseekers with disabilities who will benefit from extra work coach support. In addition, young people will continue to benefit from the extension of the Kickstart Scheme and Youth Offer. The Northern Ireland Executive will receive funding through the Barnett formula.

3.18 The government will support UK businesses by extending the temporary £1 million level of the Annual Investment Allowance to 31 March 2023. This will provide businesses with more upfront support, encouraging them to bring forward investment, and making tax simpler for any business investing between £200,000 and £1 million.

3.19 The Budget announces that Vehicle Excise Duty (VED) rates for heavy goods vehicles (HGVs) will remain frozen in 2022-23, and the HGV Levy will be suspended for another 12 months from August 2022, in order to support the haulage sector.

3.20 To support businesses and jobs across the UK that have been badly impacted by the COVID-19 pandemic, the government is funding the Live Events Reinsurance Scheme and the recently extended Film & TV Production Restart Scheme. This will support UK events and productions to thrive and plan with certainty. The government is also temporarily increasing the rates of the Theatre, Orchestra and Museum and Galleries Exhibition tax reliefs. The extension of the Recovery Loan Scheme until 30 June 2022, with a 70% government guarantee for lenders on loans up to £2 million, will ensure that lenders continue to have the confidence to lend to SMEs.

Building back greener

3.21 COP26 will shortly be hosted in Glasgow. To help meet the UK's shared ambition to reach net zero carbon emissions by 2050, the government is investing at-scale in green energy. This will turbo charge regions across the UK that are already at the forefront of this important endeavour and will create green jobs and opportunities.

3.22 The government is taking advantage of the transformative shift to a greener economy through the £240 million Net Zero Hydrogen Fund, which will support over 8,000 jobs and unlock £4 billion worth of investment by 2030 across the UK.[8] The fund will continue to support the Holyhead Hydrogen Hub in Wales. The Budget and SR also includes over £380 million for the UK's world-leading offshore wind sector, which is boosting jobs and investment across England, Scotland, Wales and Northern Ireland.

3.23 The Budget and SR reconfirms the £1 billion Carbon Capture Usage and Storage (CCUS) Infrastructure Fund, supporting the ambition for CCUS in four industrial clusters by 2030. This is part of plans to bring together CCUS, hydrogen and renewable energy, creating attractive investment opportunities for business. The Hynet cluster has been selected as one of the first clusters, bringing investment to North Wales, with the Acorn cluster in Scotland as a reserve.

3.24 The Budget and SR also provides £140 million to establish the Industrial Decarbonisation and Hydrogen Revenue Support scheme (IDHRS) which supports hydrogen production and heavy industrial firms that adopt CCUS, and confirms funding for the Aberdeen Energy Transition Zone and the Global Underwater Hub which will be headquartered in Aberdeen.

[8] The Ten Point Plan for a Green Industrial Revolution, BEIS, November 2020.

3.25 In addition, the £1 billion Net Zero Innovation Portfolio, as announced in the Ten Point Plan, will accelerate near-to-market low-carbon energy innovations across the UK. The Budget and SR also confirms £315 million for the Industrial Energy Transformation Fund, which will help business across England, Scotland, Wales and Northern Ireland cut their carbon emissions and reduce energy bills.

3.26 To ensure the foundations are in place to meet the demand of decarbonisation, the Budget and SR invests further in nuclear technology. The £385 million Advanced Nuclear Fund will develop the next generation of small and advanced modular reactor technologies, while the new £120 million Future Nuclear Enabling Fund will help nuclear projects address barriers to entry. There are several potential nuclear sites across England and Wales, including the Wylfa site in Anglesey.

3.27 To advance the decarbonisation of transport, the Budget and SR announces an increase in capital support to £817 million over the SR period for the electrification of UK vehicles and their supply chains. This will ensure the automotive sector is globally competitive and at the forefront of the transition to net zero. Building on the success of the Clean Maritime Demonstration Competition, the government is also extending this to a multi-year programme, delivering demonstrations and technology trials of clean maritime vessels and infrastructure to decarbonise the maritime sector. This is part of the government's commitment to a UK Shipping Office for Reducing Emissions (UK-SHORE).

Advancing global Britain and seizing the opportunities of Brexit

3.28 The UK's overseas diplomatic network ensures that the interests of people in England, Scotland, Wales and Northern Ireland are promoted and protected internationally. The UK will continue to retain one of the largest overseas diplomatic networks of any nation. The Budget and SR will provide over £31 billion to the Foreign, Commonwealth and Development Office over the SR period to continue projecting the UK's global and development priorities, including global action on climate change and clean energy, health, trade and security.

3.29 The Budget and SR also maintains the government's commitment to defence as set out at Spending Review 2020 (SR20), including using local skills to grow industry capability in the UK – such as directly supporting almost 19,000 jobs in industry in Scotland, Wales and Northern Ireland. This investment includes Scottish shipyards, which will benefit from the shipbuilding pipeline including the new Type 26 and Type 31 frigates, missile development in Northern Ireland, the electronics industry in Wales and many others.[9]

3.30 Following the UK's exit from the EU, the Budget announces that the government will modernise the UK's Tonnage Tax regime, bringing jobs and investment to nations and regions around the UK, including coastal communities. The government also remains committed to establishing at least one Freeport in each of Scotland, Wales and Northern Ireland.

Levelling-up across the UK

3.31 Through UK-wide funds like the UK Shared Prosperity Fund (UKSPF) and the Levelling up Fund (LUF), the government is investing in local priorities across the UK targeted at places in need. As part of this, the Budget and SR reaffirms that total funding through the UKSPF will at a minimum match the size of EU Funds in each nation and in Cornwall, each year.

[9] Ministry of Defence Command Paper 2021 – Defence in a Competitive Age, MoD, March 2021

3.32 Over £2.6 billion of investment through the UKSPF will enable local areas to invest in people, community and local business, including Multiply, a new adult numeracy programme which will provide hundreds of thousands of people across England, Scotland, Wales and Northern Ireland with essential numeracy skills needed for life and work.

3.33 The Budget and SR will help to better connect all parts of the UK. In anticipation of the final recommendations of Sir Peter Hendy's Union Connectivity Review, the government will build on the existing £20 million union connectivity development funding by setting aside an additional £22.5 million to address recommendations on improving UK-wide connectivity, working with the DAs.

3.34 To make travel across the UK more accessible, a 50% cut in Air Passenger Duty will apply to flights between airports in England, Scotland, Wales and Northern Ireland (with the exception of private jets). This will make travel cheaper for around 9 million passengers in 2023-24, and benefit connectivity between Northern Ireland and Great Britain.[10]

3.35 The government will improve digital connectivity, continuing its landmark £5 billion investment in Project Gigabit to support the rollout of gigabit capable broadband in hard-to-reach areas across the whole of the UK. The government will also provide £180 million over the next three years as part of its £500 million investment in the Shared Rural Network, to deliver 4G mobile coverage to 95% of the UK.

3.36 To support infrastructure investment and create new job opportunities, the UK Infrastructure Bank (UKIB), is now operational and is expected to support more than £40 billion of investment. The work of UKIB will complement the work of development banks in Scotland and Wales to support regional and local economic growth across the UK.

Strengthening and celebrating a sense of pride in the UK

3.37 The government is proud of the UK's multi-layered identity and wants to celebrate the unique contributions made by every part of the UK. To help communities across the UK to protect and manage treasured local assets that contribute to pride in place the Budget and SR is announcing the first 21 projects to benefit from the £150 million Community Ownership Fund. The Fund is being delivered over at least 8 bidding rounds and will invest at least £12.3 million in Scotland, £7.1 million in Wales, and £4.3 million in Northern Ireland over the SR period.

3.38 The government is investing over £480 million to celebrate significant occasions in 2022 like the Queen's Platinum Jubilee, the Commonwealth Games and Unboxed: Creativity in the UK – which will include the Dandelion creative festival across Scotland; various live events in Wales as part of the multiplatform, multilingual GALWAD story; and the "Our Place in Space" sculpture trail which includes locations in Derry/Londonderry and Belfast.

3.39 The government is supporting Olympians and Paralympians to prepare for a successful Paris 2024 Olympic and Paralympic Games and is committing funding for the UK and Ireland's bid to host the 2030 men's Football World Cup. To support the World Cup bid, the Budget and SR is investing £205 million across the SR to build or improve up to 8,000 community multi-use sports and football pitches across the UK. The government is also funding the UK's bids to host the 2025 women's Rugby World Cup and the 2026 Tour de France Grand Depart, aiming to bring more world class sporting events to the UK.

[10] Based on internal HMRC calculations. This figure represents the estimated number of chargeable passengers on domestic flights in 2023-24.

3.40 The Budget and SR maintains funding for the UK City of Culture programme, which honours the great cultural diversity of cities across the UK through culture-led regeneration. The government will also invest £9 million to deliver over 100 new green spaces across the UK, and £22 million for the refurbishment of more than 4,500 tennis courts which will improve access to sport facilities, targeted at places most in need across Great Britain.

3.41 To drive the profitability of the UK's world-leading creative industries, the government is providing a total of £42 million over the SR period, including providing bespoke support for the UK's independent film and video game sectors.

3.42 The UK's history of recognising the importance of cultural and academic exchange will be further deepened by funding the continuation of the Turing Scheme for the next three years, including £110 million for the Academic Year 2022/23. This provides funding for thousands of students across the UK to go on life-changing placements and exchanges overseas.

Scotland, Wales and Northern Ireland

3.43 In addition to UK-wide policies, from which Scotland, Wales and Northern Ireland will benefit, the Budget and SR will also fund specific projects tailored to their individual circumstances.

Box 3.A: Measures applying in Scotland

The government is providing the Scottish Government with an additional £4.6 billion per year on average through the Barnett formula over the SR21 period, on top of its annual baseline funding of £36.7 billion. The Scottish Government is also receiving an additional £605 million this year.

In addition, the Budget and SR:

- provides the Scottish Government with £1.9 billion for farmers and land managers and £42.2 million to support fisheries, over the SR. The government has extended the recommendations of the Bew Review so that additional funding will continue to be provided to farmers in Scotland over the next three years
- announces £172 million will be allocated to Scotland in round one of the Levelling Up Fund, including to the redevelopment of Inverness Castle, the renovation of the Westfield Roundabout in Falkirk, and a new marketplace in Aberdeen City Centre
- announces £1.07 million will be allocated to five projects in Whithorn, Inverie, New Galloway, Kinloch Rannoch and Callander from the first round of the Community Ownership Fund
- announces new funding for the British Business Bank to establish a £150 million fund for Scotland, working closely with local partners
- announces up to £1 million (subject to business case) to support the delivery of an Extreme E race in Scotland – the 2022 Hebrides X-Prix. The event will highlight the climate challenges faced by different ecosystems and showcase Hebridean Green Hydrogen to a global audience.
- announces up to £3 million over three years to boost Glasgow's cultural offer (subject to a business case). This funding will be directed to the Burrell Collection, recognising its important cultural and economic contribution to Scotland and the UK. It will enable the museum – which has undergone a major transformation – to bring its collections to life and attract new audiences as it reopens.
- confirms a further £8 million from Project Gigabit to deliver full fibre to 3,600 premises in Scotland including Aberdeenshire, Angus, Highland, Moray and Perth and Kinross

- expands the existing trade and investment hub in Edinburgh, which will ensure the benefits of the UK's global trade policy are channeled to Scotland

The government is also continuing to deliver on important existing commitments in Scotland, including:

- £1.49 billion investment into 12 City and Growth Deals spanning the whole of Scotland, which will continue to drive local economic growth in places such as Ayrshire, Edinburgh, Inverness and the Highlands
- £27 million for the Aberdeen Energy Transition Zone and £5 million for the Global Underwater Hub, which will help support Scotland's standing as a world-leader in clean energy. The investment builds on the government's commitment to deliver a North Sea Transition Deal and will ensure Scotland plays a leading role in meeting the UK's Net Zero ambitions
- funding the green transition of 12 distilleries across Scotland via the £10 million Green Distilleries competition, helping them to accelerate the commercialization of innovative low-carbon production processes

Box 3.B: Measures applying in Wales

The government is also providing the Welsh Government with an additional £2.5 billion per year on average through the Barnett formula over the SR21 period, on top of its annual baseline funding of £15.9 billion. The Welsh Government is also receiving an additional £425 million this year.

In addition, the Budget and SR:

- provides the Welsh Government with £0.9 billion for farmers and land managers and £6.2 million to support fisheries, over the SR. The government has extended the recommendations of the Bew Review so that additional funding will continue to be provided to farmers in Wales over the next three years
- announces £121 million will be allocated to Wales via round one of the Levelling Up Fund, including to revitalise the Pontcysyllte Aqueduct and Canal World Heritage Site, an important dualling of the A4119 in South Wales, and to redevelop the Theatr Brycheiniog Arts Centre in Brecon
- announces over £464,000 will be allocated to three projects in Llandwrog, Pen-y-Waun, and Tredegar from the first round of the Community Ownership Fund
- announces new funding for the British Business Bank to establish a £130 million fund for Wales, working closely with local partners
- announces accelerated funding for the Cardiff City Region Deal, bringing forward £105 million for the remaining nine years of the Deal from 2022-23 onwards. This will fast-track support, including for advanced manufacturing capability in the region
- provides up to £50,000 to develop an early-stage proposal to reinstate passenger rail services betweeen Gaerwen and Amlwch on Anglesey
- establishes a Veterans Commissioner for Wales, who will work to improve the lives and opportunities of the Welsh veterans' community, recognising their contribution to UK Armed Forces
- establishes a new trade and investment hub in Cardiff, which will ensure the benefits of the UK's global trade policy are channeled to Wales

The government is also continuing to deliver on important existing commitments in Wales, including:

- £791 million investment in four City and Growth Deals spanning the whole of Wales, which will continue to drive economic growth in Cardiff, Swansea Bay, North Wales and Mid Wales

- the £240 million Net Zero Hydrogen Fund, which will support clean hydrogen projects, such as the Holyhead Hydrogen Hub, which received £4.8 million at Spring Budget. This will support up to 500 green jobs across the UK
- £30 million towards the construction of the Global Centre of Rail Excellence, a train testing facility
- confirming funding for the final year of the police officer recruitment uplift, which will deliver an additional 20,000 police officers in England and Wales by 2023. Funding was provided to forces in Wales to recruit 302 additional officers in 2020-21 and 297 in 2021-22

Box 3.C: Measures applying in Northern Ireland

The government is providing the Northern Ireland Executive with an additional £1.6 billion per year on average through the Barnett formula over the SR21 period, on top of its annual baseline funding of £13.4 billion. The Northern Ireland Executive is also receiving an additional £235 million this year.

In addition, the Budget and SR:

- provides the Northern Ireland Executive with £1 billion for farmers and land managers and £9.3 million to support fisheries, over the SR
- announces £49 million will be allocated to Northern Ireland via round one of the Levelling Up Fund, including upgrades to electric vehicle charging networks across the country, the redevelopment of a derelict Ministry of Defence site in Derry/Londonderry into an urban community farm, and into improved sports facilities in Portrush
- announces £300,000 will be allocated to the Glens Digital Hub in Cushendall from the first round of the Community Ownership Fund
- provides an additional £70 million funding for the British Business Bank to build on its existing programmes in Northern Ireland, working closely with local partners
- establishes a new trade and investment hub in Belfast, which will ensure the benefits of the UK's global trade policy are channeled to Northern Ireland
- announces £14.9 million for the Tackling Paramilitarism Programme (TPP) over the SR, contributing to a safer Northern Ireland.

The government is also continuing to deliver on existing commitments to Northern Ireland, including:

- £617 million for four City and Growth Deals spanning the whole of Northern Ireland, which will continue to drive economic growth in places such as Derry/Londonderry and Causeway Coast and Glens
- the £400 million New Deal for Northern Ireland which invests in Northern Ireland's infrastructure, boosting its economic growth, increasing its competitiveness and supporting the operation of its businesses

4 Departmental settlements

Department of Health and Social Care

Table 4.1: Department of Health and Social Care

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL[1]	133.5	136.3	147.1	167.9	173.4	177.4	4.1%	3.3%
of which: NHS England and Improvement	123.7	125.9	136.1	151.8	157.4	162.6	3.8%	3.1%
Capital DEL[1]	7.0	8.6	9.4	10.6	10.4	11.2	3.8%	7.2%
Total DEL[1]	**140.5**	**144.9**	**156.4**	**178.5**	**183.8**	**188.6**	**4.1%**	**3.5%**
Ringfenced COVID-19 DEL	0.0	47.4	33.8	-	-	-	-	-
Total DEL including ringfenced COVID-19 DEL	140.5	192.3	190.3	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

4.1 The Department of Health and Social Care (DHSC) settlement provides a £43.9 billion cash increase in core resource spending over the Parliament to £177.4 billion in 2024-25, which is equivalent to a real-terms growth rate of 4.1% on average over the SR21 period. Capital spending is set to increase by £4.2 billion in cash terms over the Parliament to £11.2 billion in 2024-25, which is a 3.8% real-terms growth rate over the SR21 period. As a result, the DHSC core capital budget will reach its highest real-terms level since 2010.

4.2 The settlement is supported by revenue raised from the new Health and Social Care Levy and an increase to the rates of dividend tax, which includes funding to extend the Long-Term Plan funding settlement to the end of the SR21 period. This means that total NHS resource spending is projected to grow by 3.8% each year on average in real terms over the SR21 period. The OBR forecast shows the amount available for health and social care across the UK has increased from the Levy announcement in September, further boosting investment in health services.

4.3 SR21 provides the NHS with the future resources it needs to tackle COVID-19 and confirms its funding to tackle the elective backlog, where patients need non-emergency tests or treatment. On top of more than £97 billion allocated for the COVID-19 response across health and care services up to September 2021, the settlement confirms the following:

- £9.6 billion over the SR21 period for key COVID-19 programmes and related health spending. This will allow for a continued COVID-19 vaccination programme, principally booster campaigns to help to maintain high levels of immunity, and a targeted testing operation including essential surveillance. The government will set out further detail about the approach during the SR21 period in due course.

- over £8 billion the government plans to spend over the SR21 period to tackle the elective backlog, as announced as part of the Health and Social Care Levy. This includes delivering millions more checks, scans and procedures, and ultimately aiming to deliver around 30% more elective activity by 2024-25 than before the pandemic, after accounting for the impact of an improved care offer through system transformation, and advice and guidance. In addition, the government has provided the NHS with the additional resources it needs to continue to meet the higher running costs associated with COVID-19, and to repair the impact of this crisis on its financial position.

4.4 To transform and improve healthcare outcomes for people, health services will need to do things more efficiently than ever before. **The DHSC settlement provides investment for a step-change in the quality and efficiency of care through:**

- confirmation of £4.2 billion over the SR21 period to make progress on building 40 new hospitals by 2030, with 30 of the hospitals already announced to be built outside London and the South East, and to upgrade more than 70 hospitals
- £2.3 billion over the SR21 period to transform diagnostic services with at least 100 community diagnostic centres (CDCs) across England to permanently increase diagnostic capacity. The CDCs will be new one-stop-shops for checks, scans and tests (such as MRI, CT scans, ultrasound and more) benefitting millions of patients who can access earlier diagnostic tests closer to home
- £2.1 billion over the SR21 period for innovative use of digital technology so hospitals and other care organisations are as connected and efficient as possible, freeing up valuable NHS staff time and ensuring the best care for patients wherever they are
- £1.5 billion over the SR21 period for new surgical hubs, increased bed capacity and equipment to help elective services recover, including surgeries and other medical procedures
- around £300 million over the SR21 period to complete the programme to replace mental health dormitories with single en suite rooms
- a new budget of £150 million over the SR21 period to invest in NHS mental health facilities linked to A&E and to enhance patient safety in mental health units.

4.5 This SR21 settlement will keep building a bigger, better trained NHS workforce. The government will provide hundreds of millions of pounds in additional funding over the SR21 period to underpin:

- funding the training of some of the biggest undergraduate intakes of medical students and nurses ever
- in addition, continuing to support a strong pipeline of new midwives and allied health professionals, who are key to delivering the full range of NHS services
- reaffirming the government's existing commitments for 50,000 more nurses and 50 million more primary care appointments.

4.6 SR21 will support **ground-breaking, innovative research to establish the UK as a global life sciences superpower**. The settlement provides £5 billion over the SR21 period for health-related research and development (R&D). This includes the largest ever cash uplift for health R&D, with an increase of £605 million on 2021-22 funding by 2024-25 which means the investment will rise to £2 billion by the end of the SR21 period. This will support:

- vital new research funded by the National Institute for Health Research addressing some of the UK's most significant healthcare challenges – including confirming £40 million new investment in social care research, and £30 million to support investment in research skills and training to level up opportunities for underrepresented groups, particularly in nursing, midwifery, and the allied health professions
- £95 million for the Office for Life Sciences for delivery of the government's Life Sciences Vision, including launching the Prime Minister's healthcare missions in cancer, obesity and mental health and to address systemic barriers to the access and uptake of cutting-edge innovations in the NHS
- the UK's world leading genomics industry, including Generation Genome, a new pioneering newborn screening programme to detect over 200 rare diseases, and 'Diverse Data', to increase representation of minority groups in genomic research
- research for cutting-edge COVID-19 treatments. Substantial funding has already been provided to procure over 700,000 patient courses of two antiviral treatments to be deployed from this winter, subject to regulatory approval. SR21 confirms £33 million in 2022-23 to deploy these COVID-19 antivirals through a national study.

4.7 The settlement will **improve and protect the nation's health, and reduce health disparities through:**

- maintaining the Public Health Grant in real terms over the SR21 period, enabling local authorities to invest in prevention and frontline services like child health visits
- continuing the £100 million investment per year announced at SR20 to help people achieve and maintain a healthy weight
- investing in the Start for Life offer for families, reaching an additional £66 million in 2024-25, including breastfeeding advice and parent-infant mental health support.

4.8 SR21 will **improve social care outcomes through an affordable, high-quality and sustainable adult social care system**. In September the government confirmed £5.4 billion for adult social care over the next three years though the Health and Social Care Levy. SR21 confirms:

- £3.6 billion will go directly to local government over the SR21 period to implement the cap on personal care costs and changes to the means test. This funding will also help local authorities better sustain their local care markets by moving towards a fairer cost of care
- £1.7 billion over three years to improve the wider social care system, including the quality and integration of care. At least £500 million of this will be allocated to improve qualifications, skills and wellbeing across the adult social care workforce
- additional funding through the local government settlement to ensure all local authorities are able to meet core pressures in adult social care.

4.9 The settlement will support the delivery of the following priority outcomes:

- improve healthcare outcomes by providing high-quality, integrated and sustainable care at the right time in the right place, by tackling the electives backlog, and by improving infrastructure and transforming technology
- protect the public's health through the health and social care system's response to COVID-19
- improve healthcare outcomes through a well-supported workforce

- improve, protect and level up the nation's health, including reducing health disparities[1]
- improve social care outcomes through an affordable, high-quality and sustainable adult social care system.[2]

Department for Education

Table 4.2: Department for Education

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL[1]	63.5	66.8	70.7	77.0	79.2	80.6	2.2%	2.4%
of which: Core Schools[2]	44.4	47.6	49.8	53.8	55.3	56.8	2.2%	2.5%
Capital DEL[1]	4.9	4.7	5.6	6.3	7.0	6.1	0.5%	2.2%
Total DEL[1]	**68.4**	**71.5**	**76.3**	**83.3**	**86.3**	**86.7**	**2.0%**	**2.4%**
Ringfenced COVID-19 DEL	0.0	1.4	0.5	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	68.4	73.0	76.9	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.
[2] Includes public sector compensation for employer costs of Health and Social Care Levy (NICs).

4.10 The Department for Education (DfE) settlement provides a £18.4 billion cash increase over the Parliament to £86.7 billion in 2024-25, which is equivalent to a real-terms growth rate of 2% per year on average over the SR21 period. The settlement provides significant investment in skills and supports the government's commitment to level up education, through additional funding for schools and a package of support to recover lost learning.

4.11 SR21 confirms an additional £4.7 billion[3] by 2024-25 for the core schools budget in England. This builds on the largest cash boost for a decade provided at SR19 – together this is broadly equivalent to a cash increase of over £1,500 per pupil by 2024-25 compared to 2019-20. SR21 will also level up education standards in schools by:

- reaffirming the government's SR20 commitment to a long-term school rebuilding programme, rebuilding 500 schools in England over the next decade
- supporting delivery of the government's commitment to increase teacher starting salaries to £30,000.

4.12 The settlement **reaffirms and expands the government's commitment to help the most disadvantaged pupils recover learning lost due to the pandemic**, bringing total investment to specifically support education recovery to £4.9 billion since academic year 2020-21. It provides over £3.2 billion over the SR21 period, including:

- a new package of £1.8 billion over the SR21 period that is directly targeting education recovery. This includes a £1 billion Recovery Premium for the next two academic years for schools. Primary schools will continue to benefit from an additional £145 per eligible pupil, while the amount per eligible pupil in secondary schools will nearly double. In broad terms this will mean an average secondary school could attract up to £70,000 per year. It also

[1] This is a cross-cutting outcome. HO, DfE, MoJ, Defra, DCMS, and DfT are contributing departments
[2] This is a cross-cutting outcome. DLUHC is a contributing department.
[3] Includes public sector compensation for employer costs of Health and Social Care Levy (NICs)

provides £324 million in 2024-25 for additional learning hours for 16-19 year olds. This funding increases the average hours funded in 16-19 education by 40 hours, bringing us closer to high performing countries

- reaffirming £1.4 billion to deliver up to six million tutoring courses for disadvantaged pupils and to expand existing teacher training and development, progressing the government's ambition to train up to 500,000 teachers over three academic years.

4.13 Total spending on skills will increase over the Parliament by £3.8 billion by 2024-25, equivalent to a cash increase of 42% (26% in real terms) compared to 2019-20. This includes:

- an additional £1.6 billion by 2024-25 for 16-19 year olds' education in England, maintaining funding rates in real terms per student, and providing a 28% real terms increase in 16-19 funding from 2019-20. This provides additional hours in the classroom for up to 100,000 T Levels students by 2024-25, giving young people a high-quality technical education to help them progress into work and further study. It also funds 40 additional hours learning per student per year for 16-19 year olds
- £2.8 billion capital investment across the SR21 period so young people and adults can learn in high-quality facilities, establish Institutes of Technology across England, and raise the condition of further education colleges in England
- opportunities for adults across the whole of the UK to develop their numeracy skills through £560 million across the SR21 period for the Multiply programme, funded through the UK Shared Prosperity Fund
- a total investment of £554 million by 2024-25 to substantially increase retraining and upskilling opportunities for adults. This provides a 29% real terms uplift in adult skills funding compared to 2019-20 and meets the government's commitment to a National Skills Fund. This includes giving more adults access to courses at Level 3 in in-demand areas such as engineering and digital skills, scales up Skills Bootcamps, supports reforms to the adult skills funding system, and invests in the skills local employers need
- increasing apprenticeships funding to £2.7 billion by 2024-25. Building on the measures announced at SR20 and Budget 2021, SR21 will also make further improvements to the apprenticeship system for employers. Further details are set out in chapter 2.

4.14 The settlement **provides all children with the best start in life through high-quality education, childcare and family services, raising standards and helping parents to work**. It provides new funding of £208 million by 2024-25, including:

- £170 million by 2024-25 to increase the hourly rate to be paid to early years providers, to deliver the government's free hours offers. This builds on the £44 million increase confirmed at SR20
- £18 million in 2024-25 to create a network of family hubs to improve access to services for families, and £20 million in 2024-25 for parenting support
- reaffirming £150 million over the SR21 period for training of early years staff to support children's learning and development, as part of the £1.4 billion announced in June 2021 to help children catch up on lost learning.

4.15 The settlement will continue to **support the most disadvantaged and vulnerable children and young people through high quality education and local services, so that no one is left behind**. It makes available £2.6 billion over the SR21 period for school places for children with special educational needs and disabilities, more than tripling current capital funding levels to over £900 million by 2024-25. In addition, SR21 offers:

- over £200 million a year for the continuation of the holiday activities and food programme, providing enriching activities and healthy meals for disadvantaged children during school holidays
- a new funding package of £104 million by 2024-25 to take forwards reforms to unregulated provision in children's social care, improving safeguarding standards for some of our most vulnerable children and young people
- £7 million in 2024-25 to implement DfE's Adoption Strategy 'Achieving Excellence Everywhere', to improve access to services and support for adopted children and their families
- £259 million over the SR21 period to maintain capacity and expand provision in secure and open residential children's homes. This will provide high quality, safe homes for some of our most vulnerable children and young people.

4.16 SR21 also provides funding for the continuation of the Turing Scheme for the next three years, including £110 million for the academic year 2022/23, **funding thousands of students across the UK to go on placements and exchanges overseas**. The government will set out further details of the Higher Education settlement alongside the response to the Augar report, which will be published in the coming weeks.

4.17 The settlement will support the delivery of the following priority outcomes:

- level up productivity and employment by improving the skills pipeline and supporting people to work[4]
- level up education standards in every part of the country and support children and young people to catch up on learning lost due to COVID-19
- support the most disadvantaged and vulnerable children and young people through high-quality education and local services so that no one is left behind[5]
- support families and provide the best start in life for all, through improved family services and high-quality early education and childcare to raise standards and help parents to work.[6]

[4] This is a cross-cutting outcome. Contributing departments are BEIS, DCMS, DLUHC, DWP and HO.
[5] This is a cross-cutting outcome. Contributing departments are DCMS, DHSC, DLUHC, DWP, HO and MoJ.
[6] This is a cross-cutting outcome. Contributing departments are DWP and HMRC.

Home Office

Table 4.3: Home Office

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL[1]	11.5	12.9	13.7	15.2	15.6	15.7	2.5%	3.9%
Capital DEL[1]	0.8	0.8	0.9	1.0	1.0	0.8	-7.0%	-2.2%
Total DEL[1]	**12.3**	**13.6**	**14.6**	**16.2**	**16.5**	**16.5**	**1.9%**	**3.6%**
Ringfenced COVID-19 DEL	0.0	1.7	0.0	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	12.3	15.3	14.6	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

4.18 The Home Office (HO) settlement provides a £4.2 billion cash increase over the Parliament, to £16.5 billion in 2024-25, which is equivalent to a real-terms growth rate of 1.9% per year on average over the SR21 period. The settlement enables the HO to continue fighting crime, promote economic prosperity and support the vulnerable from around the world.

4.19 The settlement **supports the police to fight crime, and delivers the government commitment of 20,000 additional officers by 2023**, providing:

- an extra £540 million by 2024-25 to complete recruitment of the final 8,000 officers, taking the total to 148,000 officers by 2023. This will be a 16% increase compared to 2019
- £42 million for new programmes that reduce crime and drugs misuse, on top of £108 million to continue existing programmes. This brings total investment to £150 million a year to continue and expand programmes that prevent crime and keep our communities safe, including continuing the Safer Streets Fund and more enforcement to tackle drug misuse, including through the County Lines programme and Project ADDER
- new investment of £18 million in 2022-23 and £12 million in both 2023-24 and 2024-25 for tackling money laundering and fraud. This is alongside the introduction of the Economic Crime (Anti-Money Laundering) Levy, which will provide additional funding from 2023-24, and will deliver the reforms in the Economic Crime Plan and stop criminals laundering money in the UK.

4.20 The settlement also provides Police and Crime Commissioners (PCCs) in England with the flexibility to increase funding in each year of the SR21 period with a £10 council tax referendum limit.[7] If all PCCs in England and Wales were to take full advantage of this flexibility, this would raise up to an additional £774 million by 2024-25 based on current forecasts.

4.21 The settlement will **keep the public safer from terrorism**, by continuing to support the delivery of the Counter-Terrorism Operations Centre. This will enhance the government's ability to discover and prevent attacks.

4.22 The settlement also **gives the emergency services the tools they need, by implementing a modern, 4G-enabled communications infrastructure** to replace their current radio system. It provides £125 million resource funding in 2022-23 and a saving of

[7] Council Tax policy in Wales is devolved. The precept limit does not apply there.

£17 million by 2024-25, and £121 million capital funding for the Emergency Services Mobile Communications Programme over the SR21 period, meaning they will have technology that is more cost-effective and fit for the future.

4.23 The HO settlement will **protect the border and enable the legitimate movement of people and goods**, by providing:

- £41 million resource funding by 2024-25 and £461 million capital funding over the SR21 period for the Future Borders and Immigration System (FBIS). Having established the points-based immigration system following the end of free movement for EEA citizens, the FBIS programme will begin work towards the introduction of Electronic Travel Authorisations for non-UK visitors, enhanced watch-listing and move towards greater automation for passengers on arrival. These changes will aid the government's ambition to have the most effective border in the world by 2025
- £347 million by 2024-25 to deliver new UK sovereign functions following EU Exit, including over 1,000 Border Force officers to deliver customs and transit arrangements for goods
- £270 million capital funding over the SR21 period to enhance the UK's nuclear detection capability at the border.

4.24 The HO settlement also provides **additional funding to reduce illegal migration and deliver the government's New Plan for Immigration**. The settlement provides:

- an additional £85 million resource funding by 2024-25, on top of the continuation of £110 million in 2021-22, bringing total investment to £195 million resource funding by 2024-25 and £50 million capital funding over the SR21 period for the New Plan for Immigration. This funding will strengthen border security, improve our asylum caseworking system, and encourage more Local Authorities to participate in assisting asylum seekers
- an additional £74 million capital funding over the SR21 period, as part of the National Shipbuilding Strategy, to replace the Border Force fleet of five cutters and six coastal patrol vessels. This maintains our maritime capability to tackle serious and organised crime, the smuggling of illicit goods, and illegal migration.

4.25 The HO settlement **demonstrates Global Britain in action, resettling 20,000 refugees from Afghanistan and supporting vulnerable people in our asylum system**. This includes an additional £468 million by 2024-25 to protect vulnerable people by providing subsistence, accommodation and assistance to people seeking asylum in line with HO's statutory duties. Funding will also be made available to resettle 20,000 refugees from Afghanistan to the UK over the next five years under the Afghan citizens resettlement scheme. This will include £20,520 per person for Local Authorities who resettle Afghan families, with an additional £17 million available for housing costs and an extra £20 million pot of flexible funding.

4.26 The settlement will support the delivery of the following priority outcomes:

- reduce crime[8]
- reduce the risk from terrorism to the UK and UK interests overseas[9]
- enable the legitimate movement of people and goods to support economic prosperity
- tackle illegal migration, remove those with no right to be here and protect the vulnerable.[10]

[8] This is a cross-cutting outcome. Contributing departments are DCMS, DfE, DHSC, DLUHC, DWP, HMRC, FCDO, LODS and MoJ

[9] This is a cross-cutting outcome. Contributing departments are CO, FCDO and MOD.

[10] This is a cross-cutting outcome. Contributing departments are CO, FCDO and MoJ.

Ministry of Justice

Table 4.4: Ministry of Justice

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL[1]	7.8	8.2	8.4	9.3	9.8	10.1	4.1%	2.6%
Capital DEL[1]	0.5	1.1	1.4	1.7	2.2	1.4	-1.4%	20.8%
Total DEL[1]	**8.3**	**9.3**	**9.8**	**11.0**	**12.0**	**11.5**	**3.3%**	**4.1%**
Ringfenced COVID-19 DEL	0.0	0.4	0.2	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	8.3	9.7	10.0	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

4.27 The Ministry of Justice settlement provides a £3.2 billion cash increase over the Parliament to £11.5 billion in 2024-25, which is equivalent to a real-terms growth rate of 3.3% per year on average over the SR21 period. This funding will ensure that the justice system is equipped to respond to the impact of COVID-19 and to rising demand over the next three years, and will continue transformational reform programmes to make justice more efficient and effective.

4.28 SR21 will **expand capacity across the criminal justice system** to meet increased demand from the recruitment of 20,000 extra police officers. The settlement provides an additional £644 million a year by 2024-25 across courts, prisons and probation services to manage more offenders being brought to justice.

4.29 To **ensure swift access to justice**, the government is investing over £1 billion over the SR period to increase capacity and efficiency across the court estate and recover from the impacts of COVID-19. This includes:

- £477 million to fund the criminal justice system's recovery from COVID-19. This funding will help to improve waiting times for victims of crime and start to reduce Crown Court backlogs caused by the pandemic from 60,000 today down to 53,000
- £324 million to increase capacity in the civil, family and tribunal jurisdictions to continue tackling backlogs and improve timeliness
- over £200 million to complete the department's flagship £1.3 billion court reform programme by 2024-25, delivering a more modern and efficient justice system for users.

4.30 To protect the public from serious offenders, **SR21 will continue the biggest prison building programme in more than a century**. Building on the government's commitment at SR20, the settlement confirms £3.8 billion of investment across England and Wales over three years to deliver 20,000 additional prison places by the mid-2020s. This will support the transition towards a more efficient, safe and environmentally sustainable prison estate.

4.31 SR21 will **deliver access to justice** by continuing to invest across the justice system and expanding the support available for users. It will:

- give additional funding to increase the thresholds for means-tested legal aid, to expand access to justice to those who cannot afford it and increase the capacity of the civil legal aid sector. As a result, millions more people could be eligible for legal aid at the magistrates' court and for civil legal aid. It will also invest in the sustainability of the civil legal aid market, along with other potential changes to criminal legal aid

- bolster support for victims of crime by increasing annual funding for Ministry of Justice victim support services to over £185 million by 2024-25, an uplift of 85% from 2019-20. This will increase the number of Independent Sexual and Domestic Violence Advisors to over 1,000 and fund other key services such as crisis helplines.

4.32 The settlement **continues investment in probation services and provides significant wider investment in new initiatives to reduce reoffending and beat crime**. SR21 will:

- build on the investment in prison leaver rehabilitation announced earlier this year, with £200 million a year by 2024-25 to improve prison leavers' access to accommodation, employment support and substance misuse treatment and introduce further measures for early intervention to tackle youth offending
- make permanent the additional £155 million per year provided at SR19 and SR20 for the new unified probation service, to support rehabilitation and improve public protection, a 15% increase on 2019-20 funding
- provide £75 million a year by 2024-25 to expand the use of GPS-enabled and alcohol-abstinence-monitoring electronic tagging of offenders.

4.33 The settlement will support the delivery of the following priority outcomes:

- protect the public from serious offenders and improve the safety and security of our prisons
- reduce reoffending
- deliver swift access to justice.[11]

Law Officers' Departments

Table 4.5: Law Officers' Department

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL[1]	0.6	0.6	0.7	0.8	0.8	0.8	2.2%	2.9%
Capital DEL[1]	0.0	0.0	0.0	0.0	0.0	0.0	-6.7%	-4.7%
Total DEL[1]	**0.6**	**0.6**	**0.7**	**0.8**	**0.8**	**0.8**	**2.1%**	**2.8%**
Ringfenced COVID-19 DEL	0.0	0.0	0.0	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	0.6	0.6	0.7	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

4.34 The Law Officers' Departments settlement provides a £183 million resource cash increase over the Parliament for the Crown Prosecution Service (CPS), Serious Fraud Office (SFO), HM Procurator General and Treasury Solicitor, which is equivalent to a real-terms growth rate of 2.2% per year on average over the SR21 period.

4.35 SR21 provides an over £80 million cash increase in resource funding for the CPS by 2024-25. It ensures the CPS can continue to support the work of 20,000 additional police officers and go further to improve its response to rape and sexual assault cases in line with the

[11] This is a cross-cutting outcome. Contributing departments are BEIS, DfE, DWP, HO and LODs.

ambitions set out in the government's end-to-end Rape Review. It also delivers increased CPS investment in digital innovation and delivers annual increases to core funding for the SFO to fight fraud, bribery, and corruption.

4.36 The settlement will support the delivery of the following priority outcomes:

- improve public safety by delivering justice through independent and fair prosecutions
- enhance the effectiveness of the criminal justice system through timely prosecutions and improved casework quality
- protect society through the independent investigation and prosecution of top tier crimes involving serious or complex fraud, bribery and corruption.

Foreign, Commonwealth and Development Office

Table 4.6: Foreign, Commonwealth and Development Office

£ billion[1]	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL[2 3]	10.4	9.7	7.3	8.5	7.9	7.8	0.0%	-7.8%
Capital DEL[2 4]	2.2	2.8	2.4	2.6	3.5	4.0	16.0%	2.4%
Total DEL[2]	**12.6**	**12.5**	**9.7**	**11.1**	**11.4**	**11.8**	**4.4%**	**-5.0%**
Ringfenced COVID-19 DEL	0.0	0.1	0.1	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	12.6	12.6	9.8	-	-	-	-	-

[1] All years include the Conflict Stability and Security Fund, and 2019-20 to 2020-21 include the Prosperity Fund.

[2] Excluding ringfenced COVID-19 DEL.

[3] The FCDO's Resource DEL AARGs have been adjusted for time-limited funding and planned self-financed expenditure in 2024-25, and do not include any of the unallocated provision to take Official Development Assistance to 0.7% of GNI.

[4] The Foreign, Commonwealth and Development Office (FCDO) capital DEL (CDEL) average annual real terms growth (AARG) has been adjusted to account for CDEL to capital AME switches for CDC. 2021-22 and SR21 figures include CDC in CDEL.

4.37 The Foreign Commonwealth and Development Office (FCDO) settlement, which includes funding for the Conflict, Stability and Security Fund (CSSF), provides a £2.1 billion cash increase over the SR21 period to £11.8 billion in 2024-25, which is equivalent to a real-terms growth rate of 4.4% per year on average. This will support the vision set out by the Prime Minister in the Integrated Review, shaping the international order of the future and underpinning democratic and free societies. Over the SR21 period the FCDO will promote a positive, confident, outward-looking Global Britain: boosting economic, development and security ties to challenge malign actors, promote our values, and deliver for people in the UK.

4.38 The FCDO will build economic partnerships, seizing opportunities from investment and free trade which benefit the whole of the UK and unlock the mutual advantages of growth for our allies and partners. It will also strengthen the security and resilience of the UK and our allies, defending the UK's interests around the world.

4.39 The settlement will enable FCDO to **increase funding for the highest UK development priorities** – including on women and girls, humanitarian assistance, clean and green infrastructure financing, climate and nature – including through increased bilateral programming. It provides:

- significant funding for International Climate Finance (ICF), consistent with the UK's commitment to provide at least £11.6 billion ICF over five years, and to spend at least £3 billion to protect and restore nature and biodiversity over the same period
- at least £2.4 billion over the next three years to unlock finance for green growth, including a new strategic initiative to support clean and green infrastructure through UK-backed investment, loans and expertise. This takes forward the G7 Leaders' commitment to build back better by delivering a step change in development infrastructure financing
- increased funding to support women and girls, including to help many more girls get a quality education – one of the best ways to support economic and social development. This will help achieve the global target to get 40 million girls into school and have 20 million more girls reading by the age of 10
- £3 billion over the SR21 period for humanitarian preparedness and response efforts, enabling continued UK leadership in providing life-saving assistance in current crises, such as in Afghanistan, and future crises
- continued support for COVID-19 and global health, in line with the UK's leading role providing equitable access to COVID-19 vaccines, therapeutics and diagnostics, and to support the strengthening of health systems to manage future pandemics and global risks. It funds the donation of the remaining 70 million doses of COVID-19 vaccines to meet the Prime Minister's commitment to donate 100 million surplus doses by June 2022, as part of the G7 dose-sharing commitments, to drive an intensified effort to vaccinate the world by 2022.

4.40 The settlement will make FCDO's **overseas estate secure, green and fit for the future by**:

- continuing capital investment of over £100 million over the SR21 period to support improvements to the FCDO's technology platform and cyber security infrastructure, making the UK safer and more resilient to global threats
- meeting FCDO's target of reducing energy consumption by 20% by 2025 through funding for green energy and energy efficiency investments
- further significant increases in the department's presence in East Kilbride, ensuring that the FCDO is delivering for the whole of the UK.

4.41 SR21 will support the **UK to shape the open international order of the future and deliver the UK's strategic priorities** by:

- ensuring that the FCDO remains an agile and capable organisation, retaining one of the largest overseas diplomatic networks in the world and building an efficient and capable workforce with the skills to meet the diplomacy and development challenges of the modern world
- delivering increased funding for the highest UK development priorities
- funding the FCDO to continue to support British nationals and dependents overseas, by providing modern, round-the-clock consular services and agile crisis support, including through funding for IT infrastructure
- investing further in the British Council and BBC World Service, in recognition of the important role these organisations play.

4.42 The settlement will support the delivery of the following priority outcomes:

- strengthen the security and resilience of the UK and our allies by defending our interests around the world
- promote Global Britain by using the UK's development leadership to empower and protect the freedom of women and girls, to provide reliable, honest infrastructure financing, and to support humanitarian needs
- support British nationals overseas by providing modern, round-the-clock consular services and agile crisis support.

Official Development Assistance (ODA)

4.43 SR21 provides departments with £11.4 billion of ODA in 2022-23, £11.8 billion in 2023-24 and £12.3 billion in 2024-25. This will enable the UK to spend the equivalent of 0.5% of GNI on ODA, on current forecasts, and will see the ODA budget grow by 23% by 2024-25 compared to the £10 billion allocated at SR20. It ensures that the **UK remains one of the largest ODA spenders in the world** and well above the OECD average, demonstrating leadership on some of the biggest challenges facing the world, including girls' education, COVID-19 and green investment.

4.44 The government remains committed to the International Development (Official Development Assistance Target) Act 2015 and to spending 0.7% of GNI as ODA once the fiscal situation allows. Given the government's careful stewardship of the public finances and the strength of the recovery, the ODA fiscal tests are now forecast to be met in 2024-25[12], which is earlier than the OBR forecast in March. **As such, SR21 provisionally sets aside additional unallocated ODA funding in 2024-25, to the value of the difference between 0.5% and 0.7% of GNI.** This delivers on the government's commitment made to Parliament to return to spending 0.7% of GNI on ODA when on a sustainable basis the government is not borrowing for day-to-day spending and underlying debt is falling.

4.45 The government will continue to monitor future forecasts closely and, each year over the period, will review and confirm, in accordance with the 2015 Act, whether a return to spending 0.7% of GNI on ODA is possible against the latest fiscal forecast. Should future forecasts deteriorate, decisions on the provisional ODA funding for 2024-25 will be made through annual reviews of the ODA budget.

Conflict Stability and Security Fund

4.46 SR21 provides more than £875 million of funding to the cross-government Conflict, Stability and Security Fund (CSSF) in each year of the Spending Review period. The CSSF will continue to operate in an agile and flexible way to allow the government to respond to emerging national security priorities, in line with the Integrated Review. The Fund will also dedicate resources to tackle the increased threat posed by the deterioration of the security situation in Afghanistan. The CSSF will use a blend of ODA and non-ODA funding to maximise the integration of the UK's development, defence, diplomatic and security capabilities. It also retains funding for UK contributions to UN peacekeeping missions and responsibility for the cross- government Rapid Response Mechanism.

[12] 'Written Ministerial Statement UIN HCWS172', The Chancellor of the Exchequer, 12 July 2021.

Department for Levelling Up, Housing and Communities

Table 4.7: Department for Levelling up, Housing and Communities

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25[1]	Average annual real terms growth 2019-20 to 2024-25[1 2]
Resource DEL[3]	2.5	2.3	1.9	2.2	2.2	2.1	1.1%	3.8%
Capital DEL[3 4]	8.3	9.0	7.8	8.9	6.9	6.8	5.1%	5.0%
Total DEL[3]	**10.7**	**11.4**	**9.7**	**11.1**	**9.0**	**8.9**	**4.1%**	**4.7%**
Ringfenced COVID-19 DEL	0.0	0.5	0.2	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	10.7	11.8	9.9	-	-	-	-	-

[1] The DLUHC Levelling Up, Housing and Communities Capital DEL budget up to 2022-23 includes time-limited funding for financial transactions for the Help to Buy scheme. The AARGs have been adjusted to reflect this.

[2] The DLUHC Levelling Up, Housing and Communities outturn figures in 2019-20 include £0.9 billion of transfers, largely from DLUHC Local Government. For consistency the average annual real terms growth (AARG) from 2019-20 to 2024-25 is calculated excluding them.

[3] Excluding ringfenced COVID-19 DEL.

[4] The Levelling Up Fund will be allocated between DLUHC and Department for Transport (DfT) in due course. It is not included in DLUHC or DfT's Capital DEL.

Table 4.8: UK Shared Prosperity Fund

£ billion	Plans 2022-23	Plans 2023-24	Plans 2024-25
Total DEL	**0.4**	**0.7**	**1.5**
of which: Resource DEL	0.4	0.6	1.3
of which: Capital DEL	0.0	0.1	0.2

4.47 The Department for Levelling Up, Housing and Communities (DLUHC) settlement provides a £2.6 billion cash increase over the Parliament to £8.9 billion in 2024-25,[13] which represents an annual average 4.7% increase in spending above inflation. The settlement supports hundreds of places across the UK to level up and helps unlock hundreds of thousands of new homes.

4.48 SR21 sets out a **significant package to support levelling up and ensure people's opportunities in life are not determined by the area in which they live**. The settlement announces:

- the first 105 places to receive funding for local transport, cultural assets and regeneration from the £4.8 billion Levelling Up Fund
- the first 21 projects to receive funding from the £150 million Community Ownership Fund, which will help communities protect and manage their most treasured assets across at least 8 bidding rounds
- over £2.6 billion for the UK Shared Prosperity Fund (UKSPF) to help people access new opportunities across the UK. Supporting local priorities, the UKSPF will include a new initiative ('Multiply') to help hundreds of thousands of adults across the UK improve their numeracy skills

[13] For consistency, this cash increase is calculated on the same basis as the growth rate in the table, adjusting for time-limited funding for the Help to Buy scheme and £0.9 billion of RDEL transfers in 2019-20.

- the continued regeneration of some 170 high streets, town centres and local communities across England through the Towns Fund
- up to £200 million to deliver eight Freeports in England, creating regions that will flourish as hubs for global trade and investment
- £9 million in 2022-23 to fund more than 100 green spaces across the UK on unused, undeveloped, or derelict land that will broaden accessibility for all
- the continued provision of 'gainshare' investment funding, worth around £750 million over three years, to nine city regions across England as part of devolution deals.

4.49 SR21 demonstrates the government's commitment to investing in safe and affordable housing by confirming a settlement of nearly £24 billion for housing, up to 2025-26. The settlement:

- announces an additional £1.8 billion for housing supply, to deliver £10 billion investment since the start of this Parliament and unlock over 1 million new homes over the SR21 period and beyond. This includes £300 million locally-led grant funding that will be distributed to Mayoral Combined Authorities and Local Authorities to unlock smaller brownfield sites for housing and improve communities in line with their priorities, and £1.5 billion to regenerate underused land and deliver transport links and community facilities, unlocking 160,000 homes in total
- reconfirms £11.5 billion investment through the Affordable Homes Programme (2021-26) of which £7.5 billion is over the SR21 period - the largest cash investment in a decade and delivering up to 180,000 affordable homes. 65% of the funding will be for homes outside London
- provides an additional £65 million investment to improve the planning regime, through a new digital system which will ensure more certainty and better outcomes for the environment, growth and quality of design
- confirms over £5 billion to remove unsafe cladding from the highest-risk buildings, of which £3 billion is over the SR21 period.

4.50 Building on the reduction in rough sleeping numbers by over a third between 2019 and 2020, **and as part of the government's commitment to end rough sleeping, SR21 provides £639 million resource funding by 2024-25, a cash increase of 85% compared to 2019-20. This brings total funding to £1.9 billion resource and £109 million capital investment over SR21**. This will:

- build on the investment and progress made since 2017 – where the number of people sleeping rough on a single night has been brought down from 4,751 to 2,688 in 2020
- continue funding the Rough Sleeping Initiative, which invests in locally-led, tailored interventions to move rough sleepers into secure accommodation, where they can get the help they need to rebuild their lives; provide drug and alcohol treatment for people sleeping rough who need it; and support for those who are experiencing or at risk of homelessness through the Homelessness Prevention Grant
- complete delivery of 6,000 homes under the Rough Sleeping Accommodation Programme to create housing pathways to get people off the street into longer-term accommodation
- form part of a cross-government approach to address the drivers of rough sleeping, including funding for reoffending initiatives of £200 million a year by 2024-25 which includes delivery of transitional accommodation for prison leavers and treatment for substance misuse.

4.51 The settlement **delivers for all parts of the UK**, through:

- £1.7 billion allocated in the first bidding round of the Levelling Up Fund, of which 10.1% has been allocated in Scotland, 7.2% in Wales and 2.9% in Northern Ireland
- the Community Ownership Fund is being delivered directly by the UK Government across the UK and the first round will support five projects in Scotland, three projects in Wales and one project in Northern Ireland.

4.52 The priority outcomes for the department published in their Outcome Delivery Plan in July and reflecting the department's new responsibilities on UK governance and devolution policy are[14]:

- raise productivity and empower places so that everyone across the country can benefit from levelling up[15]
- more, better quality, safer, greener and more affordable homes
- maintain the Union, and ensure that its strength and benefits are clear, visible and recognised by all citizens[16]
- end rough sleeping through more effective prevention and crisis intervention services and reduce homelessness by enabling local authorities to fully meet their statutory duties[17]
- a sustainable and resilient local government sector that delivers priority services and empowers communities.

Local Government

Table 4.9: Local Government

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL[1 2]	7.5	8.6	9.1	10.8	12.1	12.7	9.4%	8.4%
of which: Adult Social Care reform	-	-	-	0.2	1.4	2.0	-	-
Core Spending Power (CSP)	46.2	49.1	50.4	53.7	56.6	58.9	3.0%	2.5%

[1] Excluding ringfenced COVID-19 DEL.

[2] Local Government DEL presented here is not reduced by the switch from DEL to AME for Business Rate Retention Pilots and does not include DEL compensation for new business rates measures announced at Budget 2021. Figures for 2019-20 and 2020-21 also reflect other adjustments for business rates and the New Homes Bonus. Therefore, the figures in this table do not match the outturn figures presented in the total DEL table.

4.53 Core spending power for local authorities is estimated to increase by an average of 3% in real-terms each year over the SR21 period. This follows year-on-year real-terms increases since SR19.

4.54 The government is providing councils with £4.8 billion of new grant funding over the SR21 period for social care and other services. This represents the largest annual increases in local government core funding in over a decade.

[14] These are the relevant priority outcomes and metrics for the department as published in their Outcome Delivery Plan in July, and also reflect the department's new responsibilities on UK governance and devolution policy. They are subject to review.

[15] This is a cross-cutting outcome. Contributing departments are BEIS, DCMS, Defra, DfE, DfT, DIT and DWP.

[16] This is a cross-cutting outcome. Contributing departments are the Office of the Secretary of State for Scotland, Northern Ireland Office and the Office of the Secretary of State for Wales.

[17] This is a cross-cutting outcome. Contributing departments are DfE, DHSC, DWP, HO and MoJ.

4.55 On 7 September, the government set out a series of reforms for the adult social care sector, worth £5.4 billion over the SR21 period. These reforms include:

- ending unpredictable costs for people across the country by introducing a cap of £86,000 for personal care costs and expanding means tested support to people with less than £100,000 in relevant assets
- at least £500 million of investment in the adult social care workforce, and further investment to improve the quality of services and integration with the NHS.

4.56 The settlement confirms that £3.6 billion of this will be routed through local authorities in order to implement the charging reforms and support local authorities to better sustain their local care market by moving towards a fairer cost for care. Further detail will be set out by the government in due course.

4.57 The £4.8 billion of new grant funding includes an additional £200 million for the cross-government Supporting Families programme, around a 40% real-terms uplift in funding for the programme by 2024-25, taking total planned investment across the next three years to nearly £700 million. This funding will help up to 300,000 more families facing multiple, interconnected issues access effective whole-family support and improve their life outcomes.

4.58 SR21 also **provides funding to strengthen local authority functions vital for the delivery of public services**:

- £37.8 million of additional funding over the SR21 period to tackle cyber security challenges facing councils and invest in local authority cyber resilience, protecting vital services and data. Together with maintaining the funding that was announced at SR20, this will bring the total funding for cyber to £85.8 million over the SR21 period
- £34.5 million of additional funding over the SR21 period to further strengthen local delivery and transparency. This funding will help strengthen the sector's procurement and commercial capacity, establish the Audit Reporting and Governance Authority as the new local audit systems leader, and help local councils meet new transparency requirements.

4.59 To **ensure that all local authorities have access to the resources they need to deliver core services such as children's social care, road maintenance and waste management, the referendum threshold for increases in council tax is expected to remain at 2% per year**. In addition, local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year.

4.60 The Department for Levelling Up, Housing and Communities (DLUHC) will set out full details of the council tax referendum principles and proposed approach to allocating grant funding through the Local Government Finance Settlement.

4.61 The government has concluded its review of the business rates system. To support businesses in the near term, the government has decided to freeze the business rates multiplier in 2022-23, saving businesses in England an estimated £4.6 billion over the next five years. The government has also announced a range of other measures, including a new, one year Retail, Hospitality and Leisure relief, and support for investment in property improvements and green technology. Local authorities will be fully compensated for all measures announced in the review.

Department for Transport

Table 4.10: Department for Transport

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL[1 2]	3.5	3.6	4.4	7.8	6.8	5.7	6.8%	7.8%
Capital DEL[1]	14.2	16.9	18.8	19.5	19.9	20.5	0.6%	4.9%
Total DEL[1]	**17.7**	**20.5**	**23.2**	**27.2**	**26.7**	**26.2**	**1.9%**	**5.5%**
Ringfenced COVID-19 DEL	0.6	12.9	4.9	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	18.3	33.4	28.1	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

[2] The Department for Transport's resource DEL allocation falls over the SR period as rail revenues are forecast to recover, thereby reducing the subsidy that is required. Funding to support the rail sector is categorised as ringfenced COVID-19 DEL in 2019-20, 2020-21 and 2021-22, and resource DEL from 2022-23 onwards.

4.62 The Department for Transport (DfT) settlement provides a £8.5 billion cash increase over the Parliament to £26.2 billion in 2024-2025, which is equivalent to a real-terms growth rate of 1.9% per year on average over the SR21 period. This will improve the journeys people make every day and enhance connectivity between our cities and regions to level up the country, as well as taking action to decarbonise the transport sector.

4.63 SR21 builds on the progress made at SR20 to **boost connectivity across all parts of the country**. The settlement delivers:

- over £35 billion of rail investment over the SR21 period including High Speed Two, rail enhancements and vital renewals to improve passenger journeys and connectivity across the country – focusing on the Midlands and the North
- £24 billion of strategic roads investment from 2020 to 2025, delivering over 60 upgrades, including the largest scheme in a generation – the Lower Thames Crossing – and major upgrades to the A66, A428, A417 and A12
- £23 million of new funding in anticipation of the final recommendations of Sir Peter Hendy's Union Connectivity Review. This will build on the existing £20 million union connectivity development fund and broader transport investment to improve UK-wide connectivity.

4.64 The settlement **will make the journeys that people make every day faster and more reliable**. This includes:

- £5.7 billion over five years for City Region Sustainable Transport Settlements. This will fund projects such as the Sheffield Supertram renewal and the Wednesbury to Brierley Hill metro extension in the West Midlands
- £2.7 billion over the next 3 years for local roads maintenance in places not receiving City Region Settlements - enough to fill in millions of potholes a year, repair dozens of bridges and resurface thousands of miles of roads
- £2.6 billion from 2020-2025 to deliver a long-term pipeline of over 50 vital local road upgrades including the A509 Isham Bypass, A259 Bognor Regis and A350 Chippenham Bypass which will progress to the next stage of development.

4.65 The government will invest over **£5 billion in buses and cycling** during this Parliament. SR21 delivers a step change in investment, delivering the commitments in Bus Back Better and Gear Change. This includes:

- over £3 billion of bus investment across the Parliament, including £1.2 billion new funding for bus transformation deals to deliver London-style improvements in fares, services and infrastructure. It also confirms a further £355 million of new funding for zero emission buses, and an allocation of £70 million Zero Emission Bus funding to deliver buses and related infrastructure in Warrington, Leicester, Milton Keynes, Kent, and Cambridgeshire & Peterborough. This builds on significant zero emission and bus recovery funding, a reformed Bus Service Operators Grant, and funding for new schemes through City Region Settlements
- more than £2 billion of investment in cycling and walking over the Parliament, including £710 million of new active travel funding at SR21. This funding will build hundreds of miles of high quality, segregated cycle lanes, provide cycle training for every child and deliver an e-bike support programme to make cycling more accessible.

4.66 SR21 will help to achieve the **government's net zero ambitions through the decarbonisation of transport**. The settlement delivers:

- £620 million of additional investment to support the transition to electric vehicles, on top of the £1.9 billion committed at SR20. This new funding will be spent on public chargepoints in residential areas and targeted plug-in vehicle grants
- £180 million to support the development of sustainable aviation fuel (SAF) plants and a SAF testing and certification centre
- £300 million for R&D programmes to help commercialise low and zero emission technologies, including trials of three zero emission HGV technologies on UK roads and a multi-year clean maritime demonstration competition.

4.67 SR21 will support rail services and invest in **reforms to help the railways become more customer focused and financially sustainable**, as set out in the Williams-Shapps Plan for Rail. This settlement provides £5.7 billion over three years to keep essential rail services running as we emerge from the pandemic and deliver reforms which enable the railway to become a modern and efficient service. This includes:

- £360 million to modernise ticketing and retail systems, including delivering Pay as You Go ticketing to passengers outside of London
- £205 million to begin the mobilisation of Great British Railways, bringing new leadership to deliver a better co-ordinated and higher performing railway.

4.68 The settlement will support the delivery of the following priority outcomes:

- improve connectivity across the UK and grow and level up the economy by enhancing the transport network on time and on budget
- tackle climate change and improve air quality, including by decarbonising transport
- build confidence in the transport network as the country recovers from COVID-19 and improve transport users' experience, ensuring that the network is safe, reliable and inclusive.

4.69 In addition to the SR21 settlement, the government will continue to progress with the £500 million commitment to restore transport links previously lost in the Beeching cuts of the 1960s. This includes:

- £7 million development funding from 2021-22 to 2024-25 to reopen passenger services between Totton and Fawley in Hampshire and £5 million development funding over the SR period to reopen rail stations in Wellington, Somerset and Cullompton, Devon. These investments will help reconnect local communities and support regional growth
- £650,000 to pay for feasibility work on 13 successful 'Ideas Fund' proposals for new lines and stations reinstating passenger links from: Stoke to Leek; Darlington to Weardale; Ashton to Stockport; Oswestry to Gobowen; Beverley to York; Middlewich and Gadbrook Park; Buckley Wells to Rawtenstall; Stocksbridge to Sheffield Victoria; Tavistock to Plymouth; Gaerwen to Amlwch; the Askern Branch line; and to re-open Corsham station and Stonehouse Bristol Road station.

Department for Business, Energy and Industrial Strategy

Table 4.11: Department for Business, Energy and Industrial Strategy

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25[1]
Resource DEL[2]	2.5	2.1	2.3	2.6	2.7	2.6	1.4%	3.6%
Capital DEL[2]	11.2	18.8	15.6	17.0	20.8	21.2	8.3%	10.9%
Total DEL[2]	**13.7**	**20.9**	**17.9**	**19.6**	**23.5**	**23.8**	**7.5%**	**9.9%**
Ringfenced COVID-19 DEL	0.0	25.4	6.3	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	13.7	46.3	24.2	-	-	-	-	-

[1] The Department for Business, Energy and Industrial Strategy outturn figures in 2019-20 include some time-limited funding. For consistency the annual average real-growth (AARGs) from 2019-20 to 2024-25 is calculated excluding this.
[2] Excluding ringfenced COVID-19 DEL.

4.70 The Department for Business, Energy and Industrial Strategy (BEIS) settlement provides a £10.1 billion cash increase over the Parliament to £23.8 billion in 2024-25, which is equivalent to a real-terms growth rate of 7.5% per year on average over the SR21 period. This funding supports innovation, helps the UK achieve its goal of reaching net zero by 2050 and delivers on the Plan for Growth.[18]

4.71 At SR21, the government is increasing public investment in R&D to £20 billion by 2024-25 (including funding for EU programmes), representing an increase of around a quarter in real terms over the SR21 period. Within this, the government is increasing BEIS's funding for R&D to £14.2bn per annum by 2024-25, an increase of almost £3 billion compared to 2021-22. This will **deliver on the government's Innovation Strategy**, unleashing innovation and accelerating pioneering scientific and technological breakthroughs throughout the country, boosting productivity and creating high skilled, high paid jobs by:

- increasing core funding for the UK's world-leading universities and research institutions by £1.1 billion per year by 2024-25 compared to 2021-22 – reaffirming the commitment made at SR20 and providing an unprecedented boost for our world-leading research base
- providing significant support for business-driven innovation, with funding for core Innovate UK programmes increasing to around £1 billion per year by 2024-25, driving high-tech innovation and leveraging in private investment

[18] 'Plan for Growth', HM Treasury, March 2021

- fully funding for association to Horizon Europe, enabling further collaboration with European partners
- providing significant backing for priorities identified by the new National Science and Technology Council including AI, quantum computing and space technologies
- investing £800 million by 2025-26 for the new Advanced Research and Invention Agency (which includes the £50 million provided in 2021-22), supporting ground- breaking discoveries that could transform people's lives for the better
- providing funding for the UK to become the first country to launch a rocket into orbit from Europe in 2022 with the aim of becoming a leader in commercial small- satellite launch, as set out in the National Space Strategy
- increasing R&D investment levels outside the Greater South-East (GSE), as government investments in research, development and innovation grows over the next three years. The government will set out the plan for doing this in the forthcoming Levelling Up White Paper
- extending our long-term commitment to the aerospace sector, guaranteeing funding for the Aerospace Technology Institute to 2031, co-investing with industry in world-class research and development.

4.72 To help reduce UK greenhouse gas emissions to reach **net zero by 2050 and support the government's commitment to build back greener** this settlement provides £15 billion for BEIS over the SR21 period as part of the Net Zero Strategy, including:

- reconfirming the £1 billion Carbon Capture Usage and Storage (CCUS) Infrastructure Fund and £240 million Net Zero Hydrogen Fund, supporting the government's ambition for CCUS in four industrial clusters and 5GW of hydrogen production by 2030. SR21 also provides up to £140 million to create the Industrial Decarbonisation and Hydrogen Revenue Support scheme to establish hydrogen producers and CCUS for heavy industry
- up to £1.7 billion of new direct government funding to enable a large-scale nuclear project to take a final investment decision this Parliament, subject to value for money and approvals. The government is in active negotiations with EDF over the Sizewell C project
- confirming the £1 billion Net Zero Innovation Portfolio which is delivering innovation grants for next-generation technologies
- £380 million for the UK's world-leading offshore wind sector, supporting our target of 40 gigawatts by 2030 and including up to £230 million as part of the new Global Britain Investment Fund
- £3.9 billion for energy efficiency improvements and clean heat installation in buildings, making the transition to net zero cheaper and easier for households, while making their homes warmer. This also support the decarbonisation of the public estate.

4.73 To help businesses thrive and address regional finance gaps, the government invested £484 million into the British Business Bank (BBB) at SR20 and developed the Help to Grow Schemes. This settlement builds on this work, **making the UK best place in the world to start, grow and invest in a business** through:

- providing over £1.4 billion across the SR21 period to reinforce the BBB's efforts to ensure that small and medium sized enterprises (SMEs) can access the finance they need across the UK. This is through BBB programmes such as the Start-Up Loans scheme, the Regional Angels Programme and expanding Regional Funds

- providing additional funding to the BBB to set up new Regional Funds in Scotland and Wales, and to build on its existing programmes in Northern Ireland, working closely with the devolved administrations
- £196 million in 2024-25 for the Help to Grow Schemes, enabling over 100,000 SMEs over the SR21 period to access training and tools to boost their productivity and performance
- providing £63 million over the SR21 period to support reform of Companies House, to tackle the exploitation of UK corporate vehicles by criminals.

4.74 To ensure that **economic opportunities are spread more evenly across the UK**, this settlement announces £1.4 billion over the SR21 period for the Global Britain Investment Fund to support investment in the UK's life sciences, offshore wind and automotive manufacturing sectors. This includes:

- £817 million for the electrification of UK vehicles and their supply chains, to support investment in zero emission vehicle manufacturing, gigafactories and the electric vehicle supply chain. This will ensure the UK's automotive sector is at the forefront of the transition to zero emission vehicles
- £354 million for life sciences manufacturing, including medicines, diagnostics and vaccines, to increase health resilience and create thousands of jobs in our world-leading life sciences industry
- up to £230 million for the governments world-leading offshore wind sector.

4.75 The settlement will support the delivery of the following priority outcomes:

- unleash innovation and accelerate science and technology throughout the country, through increased private and public investment, to increase productivity and UK global influence
- reduce UK greenhouse gas emissions to net zero by 2050, while supporting green jobs and mobilising investment to deliver a green industrial revolution across the UK[19]
- boost enterprise by making the UK the best place in the world to start, grow and invest in a business
- help businesses to bounce back from the impacts of COVID-19 and support renewed investment in the economy.

[19] This is a cross-cutting outcome. Contributing departments are Defra, DfT, DLUHC and HMT.

Department for Digital, Culture, Media and Sport

Table 4.12: Department for Digital, Culture, Media and Sport

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25[1]
Resource DEL[2]	1.6	1.4	1.4	2.1	1.6	1.6	2.2%	-1.5%
Capital DEL[2]	0.6	0.5	0.8	0.8	1.1	1.1	11.8%	11.6%
Total DEL[2]	**2.2**	**1.9**	**2.2**	**2.8**	**2.7**	**2.7**	**5.8%**	**2.9%**
Ringfenced COVID-19 DEL	0.0	2.0	0.3	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	2.2	3.9	2.5	-	-	-	-	-

[1] The Department for Digital, Culture, Media and Sport (DCMS) outturn resource DEL (RDEL) figures in 2019-20 include time-limited funding, for example relating to the Commonwealth Games 2022. For consistency the RDEL average annual real terms growth (AARG) from 2019-20 to 2024-25 is calculated excluding these. The DCMS total DEL AARG from 2019-20 to 2024-25 is 2.9%; the RDEL AARG reflects factors including the shift of some spending on youth services from resource into capital.

[2] Excluding ringfenced COVID-19 DEL.

4.76 The Department for Digital, Culture, Media and Sport (DCMS) settlement provides a £0.6 billion cash increase over the Parliament to £2.7 billion in 2024-25, which is equivalent to a real-terms growth rate of 2.9% per year on average over the SR21 period. The settlement invests in digital connectivity, culture, innovative industries and community cohesion across the UK, supporting a thriving and connected society.

4.77 The UK will benefit from improved digital connectivity and mobile coverage through a landmark investment to deliver one of the largest ever upgrades to our digital infrastructure. The settlement:

- confirms investment of £1.2 billion (from 2021-22 to 2024-25) of the £5 billion Project Gigabit commitment to level up all parts of the UK with a target of 85% high-quality, gigabit capable broadband coverage by 2025
- provides £180 million over the next three years as part of the government's £500 million investment for the Shared Rural Network, to deliver high-quality 4G mobile coverage to 95% of the UK. This ground-breaking partnership with industry will provide additional coverage to 280,000 premises with major benefits in rural areas, particularly in Scotland, Wales and Northern Ireland.

4.78 The government is increasing support for the UK's world-leading tech sector at SR21 with over £160 million of investment from 2022-23 to 2024-25 into new and innovative industries and minimising the risk of digital harms to the UK's economy, security and society. The settlement commits:

- more than £50 million over the SR21 period to ensure the UK continues to be a world-leader in its approach to digital technologies. This includes a doubling of AI and data scholarships, and funding an ambitious agenda on data policy and digital identities
- over £110 million over the SR21 period for the government's new online safety regime through the passage and implementation of the Online Safety Bill, delivering on the government's commitment to make the UK the safest place to be online.

4.79 The settlement will **grow the UK's world-leading culture and heritage sectors, building on unprecedented government support during the pandemic** by:

- investing over £850 million over the SR21 period for cultural and heritage infrastructure to safeguard national treasures and boost culture in local communities and on high streets
- providing £52 million in new funding for museums and cultural and sporting bodies next year to support recovery from COVID-19 and an additional £49 million in 2024-25 to thrive thereafter
- Providing £14 million in each year of the SR21 to support our world-leading creative industries, including supporting SMEs to scale up and providing bespoke support for the UK's independent film and video game industries
- funding the £800 million Live Events Reinsurance Scheme and an extension to the £500 million Film & TV Production Restart Scheme, to enable UK events and productions to thrive and plan with certainty
- committing to work with relevant Arms' Length Bodies and their sponsoring departments to update and codify the operational and financial freedoms first introduced in 2013 for such organisations, to ensure that the freedoms are fit for purpose and that all stakeholders understand their scope going forward.

4.80 To reduce inequalities of participation in society and support the government's ambition to level up the country, the settlement invests in world-class sports and youth facilities, including, over the SR21 period:

- £205 million to transform grassroots football infrastructure and multi-use sports facilities by rolling out up to 8,000 state-of-the-art community pitches and £22 million to refurbish more than 4,500 public tennis courts
- £560 million for youth services in England, including funding the government's commitment to a Youth Investment Fund which will deliver up to 300 youth facilities in areas most in need.

4.81 Communities and nations across the UK will benefit from funding for major events which unite our nation, including the historic UK and Ireland bid to host the 2030 men's Football World Cup and ceremonial occasions, such as the Queen's Platinum Jubilee in 2022. These events will bring communities together as the UK comes out of the pandemic, supported by:

- over £480 million funding in 2022-23 for a year of celebration across the UK in 2022, when communities and nations will celebrate the Commonwealth Games, Unboxed: Creativity in the UK and the Queen's Platinum Jubilee
- a 44% increase to the UK Sport budget from SR20 to 2024-25 to support Team GB and ParalympicsGB athletes to prepare for a successful Paris 2024 Olympic and Paralympic Games
- funding for the UK and Ireland's bid to host the 2030 men's Football World Cup, and the UK's bids to host both the 2025 women's Rugby World Cup and the 2026 Tour de France Grand Depart
- funding to deliver the UEFA Women's European Championships, hosted across England in 2022.

4.82 The settlement will support the delivery of the following priority outcomes:

- increase economic growth and productivity through improved digital connectivity[20]

[20] This is a cross-cutting outcome. Contributing departments are DfT and DLUHC.

- increase growth through expanding the use of data and digital technology and increasing innovation, while minimising digital harms to the UK's economy, security and society
- grow and evolve our sectors domestically and globally, in particular those most affected by COVID-19, including culture, sport, civil society, and the creative industries
- enhance the cohesiveness of our communities and nations across all parts of the UK including through major events and ceremonial occasions, and reduce inequalities of participation in society, particularly among young people.

Department for Environment, Food & Rural Affairs

Table 4.13: Department for Environment Food & Rural Affairs

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25[1]	2019-20 to 2024-25[1]
Resource DEL[2]	2.0	4.1	4.1	4.5	4.4	4.3	3.1%	2.5%
Capital DEL[2]	0.7	0.9	1.6	2.2	2.9	2.7	8.4%	19.6%
Total DEL[2]	**2.8**	**5.0**	**5.6**	**6.7**	**7.3**	**7.0**	**5.3%**	**8.1%**
Ringfenced COVID-19 DEL	0.0	0.3	0.0	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	2.8	5.3	5.6	-	-	-	-	-

[1] The Department for Environment, Food and Rural Affairs settlement includes Common Agricultural Policy (CAP) EU replacement funding. The average annual real growth rates (AARGs) from 2019-20 to 2024-25 and from 2021-22 to 2024-25 have been adjusted to reflect the underlying growth in the settlement excluding CAP EU replacement funding.
[2] Excluding ringfenced COVID-19 DEL.

4.83 The Department for Environment, Food & Rural Affairs (DEFRA) settlement provides a £4.3 billion cash increase over the Parliament, to £7.0 billion in 2024-25, which is equivalent to a real-terms growth rate of 5.3% per year on average over the SR21 period. The settlement will help the UK achieve its goal of reaching net zero and halting biodiversity loss, increase resilience to flooding and coastal destruction, support innovation, and progress the levelling up agenda.

4.84 The settlement delivers against the goals of the 25 Year Environment Plan for nature's recovery and the new legally binding target to halt biodiversity loss by 2030. This includes more than £250 million in public investment over three years to include:

- implementing the Environment Bill including biodiversity net gain for development and Local Nature Recovery Strategies
- supporting the 30-by-30 target by designating at least 15 new National Nature Reserves and up to 8,500 hectares of new Sites of Special Scientific Interest, while bringing over 50,000 hectares of existing sites into favourable recovering condition
- expanding the Species Recovery Programme, alongside new grants, to support up to 500 of the most threatened and iconic species including curlews, water voles, and red squirrels
- tackling nutrient pollution in rivers and streams.

4.85 SR21 also sets a stretching new target to raise at least £500 million in private finance for nature's recovery every year by 2027 and more than £1 billion a year by 2030.

4.86 The settlement will play an important role in helping deliver net zero by:

- providing a further £625 million for the Nature for Climate Fund, ensuring total spend of more than £750 million by 2025 on peat restoration and woodland creation and management
- funding to implement free, separate food waste collections in every English local authority from 2025, supporting the near elimination of biodegradable municipal waste to landfill by 2028.

4.87 DEFRA will play a key role in making the UK a scientific superpower. This includes:

- £140 million over three years to scale-up the Natural Capital and Ecosystems Assessment which will map the extent, condition, and biodiversity of England's natural habitats
- digitising the Kew Gardens' Herbarium and making this unique collection of plant and fungal specimens available to climate and biodiversity researchers worldwide
- at least £75 million for research and innovation in support of net zero in partnership with industry across agriculture, soils and peat, waste, and land use.

4.88 To reduce the likelihood and impact of flooding, the settlement reaffirms a doubling of investment from the last 6-year Flood and Coastal Erosion Risk Management programme, investing £5.2 billion to better protect 336,000 properties across England from flooding. The government will also invest an additional £27 million to support flooding incident and emergency response activities and an additional £22 million each year for the maintenance of flood defences.

4.89 The government will seize the opportunity of EU exit to increase the sustainability, productivity and resilience of the agriculture, fishing, food, and drink sectors by:

- fulfilling the commitment to maintain total farm support in every nation of the UK worth a cumulative £3.7 billion a year
- progressing the Agricultural Transition in England including the roll out of Environmental Land Management schemes to pay farmers for delivering climate and environmental benefits while producing the nation's food
- confirming the £100 million investment in the UK Seafood Fund to improve the long-term sustainability of the UK fisheries sector.

4.90 The settlement will support the delivery of the following priority outcomes:

- improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife[21]
- reduce greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero
- reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities and the environment
- increase the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhance biosecurity at the border and raise animal welfare standards.

[21] This is a cross-cutting outcome. Contributing departments are DfT and DLUHC.

Department for International Trade

Table 4.14: Department for International Trade

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL[1]	0.5	0.5	0.5	0.5	0.5	0.5	0.1%	0.5%
Capital DEL[1]	0.0	0.0	0.0	0.0	0.0	0.0	-1.1%	-7.6%
Total DEL[1]	**0.5**	**0.5**	**0.5**	**0.6**	**0.6**	**0.6**	**0.1%**	**0.2%**
Ringfenced COVID-19 DEL	0.0	0.0	0.0	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	0.5	0.5	0.5	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

4.91 The settlement for the Department for International Trade (DIT) provides a £67.6 million cash increase over the Parliament to £552.8 million in 2024-25, which increases DIT's budget in real terms over the SR21 period. The settlement maintains increased trade negotiations capacity, supports investment and export promotion service transformation, and allows the UK to continue to champion the rules-based international trading system.

4.92 The settlement will help DIT to **secure world class free trade agreements and reduce market access barriers**. It will:

- maintain the increased trade negotiation capacity put in place at SR20, enabling the finalisation of free trade agreements with Australia and New Zealand, the continued pursuit of new agreements with the USA, the Gulf Cooperation Council, Canada, Mexico and India, as well as UK membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership
- support more businesses to overcome market access barriers overseas, including through continued funding for DIT's EU market access hub.

4.93 SR21 will **encourage economic growth and a green industrial revolution across all parts of the UK through attracting and retaining inward investment** by providing:

- improved digital services for investors into the UK
- continued expansion of the Global Entrepreneur Programme and the establishment of a new Global Talent Network to attract the best global talent in Science and Technology to the UK
- improved support for major investors through the Office for Investment, encouraging investment into all parts of the UK with a focus on enabling the green industrial revolution.

4.94 To **support UK business to take full advantage of trade opportunities and facilitate UK exports**, alongside the government's refreshed Export Strategy that will be published in the coming months, SR21 includes:

- over £45 million funding over the SR21 period for the digital transformation of DIT's export support services, delivered through an expansion of DIT's new EU- focused Export Support Service to cover all markets.

4.95 The settlement supports the UK to continue to **champion the rules-based international trading system and operate the UK's new sovereign trading system**, including:

- ensuring the UK can effectively deal with trade disputes
- focusing DIT's overseas network on key international trade priorities.

4.96 SR21 also ensures DIT will continue to relocate posts from London to new Trade and Investment Hubs in Scotland, Wales, Northern Ireland and the north of England. DIT will have moved more than 500 civil service roles from London by the end of 2024-25 to ensure the benefits of the UK's global trade policy are channelled to all parts of the UK and build stronger links between the regions and DIT's support for exports and investment.

4.97 The settlement will support the delivery of the following priority outcomes:

- secure world-class free trade agreements and reduce market access barriers, ensuring that consumers and businesses can benefit from both[22]
- encourage economic growth and a green industrial revolution across all parts of the UK through attracting and retaining inward investment
- support UK business to take full advantage of trade opportunities, including those arising from delivering Free Trade Agreements, facilitating UK exports
- champion the rules-based international trading system and operate the UK's new trading system, including protecting UK businesses from unfair trade practices.

Department for Work and Pensions

Table 4.15: Department for Work and Pensions

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL[1]	5.7	5.7	5.6	7.6	7.2	6.9	4.6%	1.3%
Capital DEL[1]	0.1	0.3	0.3	0.6	0.5	0.4	1.2%	32.6%
Total DEL[1]	**5.8**	**6.0**	**5.9**	**8.3**	**7.6**	**7.2**	**4.4%**	**2.1%**
Ringfenced COVID-19 DEL	0.0	1.0	4.1	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	5.8	6.9	10.1	-	-	-	-	-

[1] Excluding ringfenced COVID-19 DEL.

4.98 The Department for Work and Pensions (DWP) resource settlement provides a £1.2 billion increase over the Parliament to £6.9 billion in 2024-25. This is equivalent to a real-terms growth rate of 1.3% per year on average between 2019-20 and 2024-25. The department will receive £1.5 billion in capital funding over the SR21 period. Total DEL rises to £7.2 billion in 2024-25. Building on the success of labour market programmes introduced in the Plan for Jobs, SR21 provides further funding to support people into work, and to enhance the welfare system to deliver for working-age and pensioner customers alike.

[22] This is a cross-cutting outcome. Contributing departments are BEIS, CO, DCMS, Defra, DfT, DHSC, FCDO, HMT and MoJ.

4.99 Building on the Plan for Jobs and £3.6 billion of additional funding provided at SR20, the settlement **provides more than £6 billion over the SR21 period to maximise employment across the country**. This includes:

- continuing to invest over £900 million for each year of the SR on work coaches, to ensure all unemployed claimants on Universal Credit (UC) who are looking for work can benefit from personalised work search support. This follows the doubling of work coaches in the Plan for Jobs
- continuing the Restart scheme to provide up to 12 months of intensive and tailored support to long-term unemployed people, with providers incentivised to help as many people as possible into work
- funding approximately £10 million a year in the Sector-Based Work Academy Programme to continue supporting jobseekers who want to change sectors
- funding to extend the Kickstart scheme to March 2022, which has supported nearly 95,000 young people to date, and investing over £60 million over the next three years in the Youth Offer, which helps young jobseekers gain new skills, build their confidence and find lasting work
- over £20 million over the next three years for a new, enhanced offer for claimants aged 50 and over to ensure they receive the support they need to return to, or remain in work and benefit from fuller working lives
- a further £90 million to extend the Job Entry Targeted Support programme for another year, continuing to provide support for those unemployed for over three months
- £99 million over the next three years to expand work coach support in UC to help people progress once in work
- £339 million per year for the continued funding of existing disability employment programmes such as the Access to Work scheme and the Work and Health programme
- an additional £156 million over the SR21 period to provide job finding support for disabled people, with a focus on additional work coaches.

4.100 Additionally, the government is prioritising support for those coming off furlough and making a UC claim by providing immediate referral to the online Job Finding Support programme. The offer will run until the end of December 2021.

4.101 SR21 supports the government's plan **to complete the rollout of UC by March 2025**. The effectiveness of UC as a modern, responsive benefits system has been demonstrated throughout the pandemic, during which it has supported more people than ever before and handled an unprecedented number of new claims. SR21 supports the transition of legacy claimants onto UC, providing:

- £504 million resource and £54 million capital funding to complete its rollout over the next three years
- £113 million for the Future Support Offer, to support new claimants in making a claim for UC across the SR21 period.

4.102 SR21 provides £5.5 billion across the SR21 period enabling DWP to **continue delivering a high quality welfare system for working-age and pensioner customers alike**. This includes:

- £2.6 billion over the SR21 period for digital activity to support the delivery of benefits and transform how customers interact with the welfare system, including £310 million new resource spending and £213 million new capital investment
- £2.8 billion over the SR21 period to maintain and upgrade DWP estates, of which £496 million is new resource funding and £492 million is new capital investment, to ensure customers can access their services in high quality facilities
- £90 million resource spending and £13 million capital spending to continue to fund SB21 measures to tackle Fraud and Error in the benefits system over the SR21 period
- further investment in the Reducing Parental Conflict programme to test what works in disadvantaged families.

4.103 The government is providing funding to **help those in financial difficulties through**:

- additional funding over the SR21 period for the Money and Pensions Service's (MaPS) provision of debt advice and funding for Debt Relief Order (DRO) administration in England, to ensure more people can access free, high-quality debt advice
- the Household Support Fund, announced 30 September, which provides Local Authorities in England with £421 million of additional support for vulnerable households to cover the cost of essentials such as food and energy bills this winter. Local Authorities will ensure this fund reaches those who need it most, and 50% of the funding is ringfenced for households with children.

4.104 The settlement will support the delivery of the following priority outcomes:

- maximise employment across the country to aid economic recovery following COVID-19[23]
- improve opportunities for all through work, including groups that are currently under-represented in the workforce
- address poverty through enabling progression in the workforce and increasing financial resilience[24]
- deliver a reliable, high-quality welfare and pensions system which customers have confidence in.

[23] This is a cross-cutting outcome. Contributing departments are BEIS, DfE, DLUHC and HMT.

[24] This is a cross-cutting outcome. Contributing departments are DfE, DLUHC and HMT.

HM Revenue and Customs

Table 4.16: HM Revenue and Customs

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25[1]	2019-20 to 2024-25
Resource DEL[2]	4.0	4.2	4.2	5.2	4.9	4.7	1.2%	1.0%
Capital DEL[2]	0.3	0.5	0.6	0.7	0.6	0.5	-9.1%	4.4%
Total DEL[2]	**4.3**	**4.7**	**4.8**	**5.9**	**5.5**	**5.2**	**0.0%**	**1.2%**
COVID-19 DEL	0.0	0.3	0.8	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	4.3	5.0	5.6	-	-	-	-	-

[1] The HM Revenue and Customs capital DEL average annual real growth (AARG) reflect time-limited funding in 2021-22 for EU Exit and IT transformation.

[2] Excluding ringfenced COVID-19 DEL.

4.105 The HM Revenue and Customs (HMRC) settlement provides a £0.9 billion cash increase over the Parliament to £5.2 billion in 2024-25, which is equivalent to a real-terms growth rate of 1.2% per year on average. The funding will ensure the department can continue to support taxpayers to get their tax right, deliver a secure and efficient customs border, and continue its transformation into one of the most digitally advanced tax authorities in the world.

4.106 SR21 provides HMRC with the resources it needs to continue **bearing down on tax avoidance and evasion**. This funding will enable HMRC to combat non-compliance and help fund vital public services, by:

- allocating an additional £292 million across three years for more resources to tackle the tax gap and ensure that those who should pay, do
- providing £55 million next year for the Taxpayer Protection Taskforce announced at Spring Budget 2021, expanding HMRC's compliance work whilst continuing to pursue those who have abused the government's COVID-19 support schemes.

4.107 HMRC's settlement also continues the government's ambition to **build a modern, digital tax system fit for the 21st century**, by:

- extending Making Tax Digital, as previously announced, helping to make tax simpler for businesses and reducing the scope for errors. This is forecast to generate up to £1.6 billion in additional tax revenues by 2026-27
- providing a further £136 million investment over the SR21 period to deliver the Single Customer Record and Account. This will create a simpler, faster and better customer experience, allowing taxpayers to see and manage all their tax affairs in one place.

4.108 SR21 delivers significant levels of investment to **modernise HMRC's IT systems and improve the quality, resilience and security of its digital services**, by:

- providing £468 million over the next three years, building on the £98 million allocated in 2021-22, to reduce the risk of system failures, enhance the department's ability to defend against cyberattacks and support the continued digitisation and modernisation of the tax system

- providing £277 million over the SR21 period to transform the way HMRC procures IT services, creating more opportunities for smaller businesses to compete for contracts and delivering greater technological innovation. This builds on the £135 million allocated at SR20.

4.109 The settlement also **supports the government's strategy to improve our international competitiveness and create a truly global Britain**. It provides £2.3 billion across the SR21 period to facilitate trade and deliver a secure and effective border through:

- £838 million over the three years to 2024-25 to complete the delivery of critical customs IT, including the new Customs Declaration Service
- £107 million next year for the Trader Support Service, which helps traders move goods into Northern Ireland.

4.110 The government is investing in the Valuation Office Agency (VOA) to upgrade digital capabilities and ensure a high-quality service for taxpayers. The settlement increases the VOA's annual budget to more than £170 million by 2024-25, with the VOA receiving more than £500 million over the next three years. The settlement delivers:

- £80 million of funding to support Revaluation in England
- funding to implement the Fundamental Review of Business Rates for England, including more frequent revaluations and greater transparency on valuations.

4.111 The settlement will support the delivery of the following priority outcomes:

- collect the right tax and pay out the right financial support
- make it easy to get tax right and hard to bend or break the rules
- maintain taxpayers' consent through fair treatment and protect society from harm.

HM Treasury

Table 4.17: HM Treasury

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25[1]
Resource DEL[2]	0.4	0.3	0.2	0.3	0.3	0.3	0.9%	1.5%
Capital DEL[2]	0.1	0.0	0.0	0.0	0.0	0.0	-19.6%	-8.8%
Total DEL[2]	**0.5**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3%**	**1.2%**
Ringfenced COVID-19 DEL	0.0	0.0	0.0	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	0.5	0.3	0.2	-	-	-	-	-

[1] HM Treasury outturn figures in 2019-20 include time-limited funding. For consistency the average annual real growth (AARG) from 2019-20 to 2024-25 is calculated excluding this.
[2] Excluding ringfenced COVID-19 DEL.

4.112 The HM Treasury (HMT) settlement provides a real terms growth rate of 0.3% per year on average over the SR21 period. The settlement will allow HMT to deliver the Darlington Economic Campus and deliver on its objectives over the SR21 period.

4.113 The government's ambitious levelling up agenda will benefit from investment to decentralise policy decision making outside of London, **making the Civil Service more representative of the people it serves**. The settlement:

- includes continued investment into the new Darlington Economic Campus
- provides funding to continue to support the UK Infrastructure Bank, based in Leeds, and deliver its mission to support regional growth across the UK and tackle climate change.

4.114 SR21 will **ensure that HM Treasury is equipped to fulfil its role of delivering economic growth and levelling up, managing the public finances and ensuring stability of the macro-economic environment**. The settlement provides funding to:

- ensure the department is equipped to capitalise on its new sovereign responsibilities arising from EU Exit
- facilitate the development of new innovative data where it supports key economic objectives, through £5 million in 2024-25 of continued investment into the Economic Data Innovation Fund
- seed fund a new Centre for Finance, Innovation and Technology, to tackle barriers to growth and accelerate the UK fintech sector.

4.115 The settlement will support the delivery of the following priority outcomes:

- place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes
- level up the economy, by ensuring strong employment and increasing productivity across all parts of the UK
- ensure the stability of the macro-economic environment and financial system.

Cabinet Office

Table 4.18: Cabinet Office

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25[1]
Resource DEL[2]	1.0	0.7	0.5	0.6	0.6	0.5	1.4%	0.8%
Capital DEL[2]	0.1	0.2	0.5	0.4	0.5	0.5	-1.3%	30.7%
Total DEL[2]	**1.1**	**0.9**	**1.0**	**1.0**	**1.0**	**1.0**	**0.1%**	**9.6%**
Ringfenced COVID-19 DEL	0.0	0.8	0.1	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	1.1	1.8	1.1	-	-	-	-	-

[1] The Cabinet Office outturn figures in 2019-20 include time-limited funding. For consistency the average annual real terms growth (AARG) from 2019-20 to 2024-25 is calculated excluding this.

[2] Excluding ringfenced COVID-19 DEL.

4.116 The Cabinet Office (CO) settlement provides a real-terms growth rate of 0.1% per year on average over the SR21 period. The settlement supports the movement of government jobs outside London, simplifies access to government services and bolsters UK cyber security.

4.117 The settlement demonstrates the government's **commitment to levelling up the UK by ensuring government careers are accessible outside of London**. An investment of £348 million to build new government offices in regional 'hubs' will enable the Civil Service to recruit from across the UK: from Cardiff to Darlington to Glasgow, increasing diversity of thought within decision making.

4.118 **The settlement means citizens and businesses will benefit from investment in programmes to transform the way they interact with government services**, including by:

- providing £60 million resource DEL in 2024-2025 to establish a Single Trade Window, which will reduce the cost of trade by streamlining trader interactions with border agencies
- funding to progress development of 'One Login', a new system to allow users to access government services – from paying taxes to registering births - through a single portal
- providing funding to the Government Digital Service to maintain and develop government information services, including GOV.UK.

4.119 The government will continue to ensure the taxpayer receives value for money and drive better outcomes. The settlement provides £15 million, over three years, for an evaluation accelerator fund administered by the joint Cabinet Office and Treasury Evaluation Taskforce to fill strategic evidence gaps across government.

4.120 The settlement allows veterans to benefit from a new £5 million Veterans' Health Innovation Fund in 2022-23. This will help ensure veterans who have suffered physical injury or mental health challenges during their service, can access the most innovative and trailblazing new treatments.

4.121 The settlement also includes funding to support the implementation of the Trade Cooperation Agreement and arrangements in respect of Northern Ireland.

4.122 The settlement will support the delivery of the following priority outcomes:

- seize the opportunities of Brexit, through creating the world's most effective border to increase UK prosperity and enhance security[25]
- secure a safe, prosperous and resilient UK by coordinating national security and crisis response, realising strategic advantage through science and technology, and the implementation of the Integrated Review[26]
- advance equality of opportunity across the UK
- increase the efficiency, effectiveness and accountability of government through modernising and reforming the work of the Government Functions.

Devolved administrations

Table 4.19: Devolved administrations

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25[1]	2019-20 to 2024-25[1]
Scottish Government								
Resource DEL[2]	28.6	30.3	31.6	35.0	35.7	36.3	2.5%	2.3%
Capital DEL[2]	4.3	5.2	5.2	5.6	5.6	5.5	1.9%	4.5%
Total DEL[2]	**32.9**	**35.5**	**36.7**	**40.6**	**41.2**	**41.8**	**2.4%**	**2.6%**
Welsh Government								
Resource DEL[2]	12.1	12.5	13.5	15.1	15.4	15.6	2.6%	2.8%
Capital DEL[2]	2.1	3.3	2.4	2.6	2.6	2.6	2.3%	3.6%
Total DEL[2]	**14.2**	**15.8**	**15.9**	**17.7**	**18.0**	**18.2**	**2.6%**	**2.9%**
Northern Ireland Executive								
Resource DEL[2]	11.4	11.9	11.7	12.9	13.2	13.4	2.1%	0.8%[3]
Capital DEL[2]	1.3	1.7	1.7	1.8	1.9	1.8	2.5%	5.6%
Total DEL[2]	**12.7**	**13.6**	**13.4**	**14.8**	**15.0**	**15.2**	**2.2%**	**1.3%**

[1] Average annual real growth (ARRG) rates for capital DEL use adjusted figures for 2019-20 and 2021-22, largely to exclude Barnett funding on time-limited departmental spending that is similarly excluded from departmental growth rates.
[2] Excluding DEL funding through the Barnett formula generated by UK government departmental spending on COVID-19.
[3] The Northern Ireland Executive resource DEL for 2019-20 includes one-off funding that reduces this average annual growth rate.

4.123 The government is providing the devolved administrations with a £15.4 billion cash increase over the Parliament to £75.2 billion in 2024-25, which is equivalent to a real-terms growth rate of 2.4% per year on average over the SR21 period.

4.124 This includes **providing the devolved administrations with an additional £8.7 billion per year on average through the Barnett formula over the SR21 period**, on top of their combined annual baseline of £66 billion. This will enable further investment in areas such as schools, housing, health and social care, and transport. These settlements have been determined in accordance with the latest edition of the Statement of Funding Policy, which has been published today.

4.125 The additional funding provided through the Barnett formula over the SR21 period comprises an average of:

[25] This is a cross-cutting outcome. Contributing departments are Defra, HMRC and HO.
[26] This is a cross-cutting outcome. Contributing departments are BEIS, DCMS, Defra, DfE, DHSC, DIT, DfT, DLUHC, FCDO, HMT, HO and MOD.

- £4.6 billion per year for the Scottish Government, with £4.1 billion of resource and £0.5 billion of capital
- £2.5 billion per year for the Welsh Government, with £2.3 billion of resource and £0.2 billion of capital
- £1.6 billion per year for the Northern Ireland Executive, with £1.4 billion of resource and £0.2 billion of capital.

4.126 On top of this Barnett-based funding, the government has committed to maintain funding for farmers and land managers and for fisheries in all parts of the UK and in every year of this Parliament.

4.127 For farmers and land managers, the government is providing £3.7 billion across Scotland, Wales and Northern Ireland over the SR21 period, supplementing the remaining EU funding for agri-environment and rural development projects. The government is also providing £57.8 million for the devolved administrations to support fisheries over the SR21 period.

4.128 These SR21 settlements provide substantial additional funding to the devolved administrations. Alongside the publication of the OBR's updated forecasts today, which inform block grant adjustments for tax and welfare devolution, this means the devolved administrations have the funding and the certainty they need to set their own multi-year budgets.

Single Intelligence Account

Table 4.20: Single Intelligence Account

£ billion	Outturn 2019-20[1]	Outturn 2020-21	Baseline 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL[3]	2.3	2.3	2.2	2.3	2.4	2.5	1.7%	1.6%
Capital DEL[3]	0.6	0.6	0.9	1.0	1.2	1.2	9.1%	10.2%
Total DEL[3]	**3.0**	**2.8**	**3.1**	**3.3**	**3.6**	**3.7**	**3.9%**	**4.0%**
Ringfenced COVID-19 DEL	0.0	0.0	0.0	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	3.0	2.8	3.1	-	-	-	-	-

[1] The Single Intelligence Account outturn figures in 2019-20 include £0.3 billion transfers from other departments. For consistency the average annual real terms growth rate (AARG) from 2019-20 to 2024-25 is calculated excluding them.
[2] Outturn figures for 2020-21 are provisional; the final outturn data for departments is available in their Annual Reports and Accounts.
[3] Excluding ringfenced COVID-19 DEL.

4.129 The Single Intelligence Account (SIA) settlement provides a £0.7 billion cash increase over the Parliament to £3.7 billion in 2024-25, net of transfers. This provides a real-terms growth rate of 4.0% per year on average over the same period. This supports the delivery of the priorities set out in the Integrated Review and will ensure the UK Intelligence Community (UKIC) can continue to retain their world-leading capabilities to counter national security threats to the UK.

4.130 SR21 will deliver a **significant increase in investment in the Indo-Pacific to support the UK's interests in the region**:

- the settlement will support the UK's interests in the Indo-Pacific over the SR21 period, where the peace and security of the region is increasingly important to the prosperity of the UK and our global priorities

- this includes substantial new investments in supporting the UK's economic security and resilience, protecting our science and technology and countering threats.

4.131 The settlement **funds the delivery of the digital transformation of UKIC** over the SR21 period. This will further enhance UKIC capabilities which will ensure our intelligence and security agencies are able to stay ahead in an evolving digital environment.

4.132 The settlement also supports **the delivery of the world-leading Counter Terrorism Operations Centre (CTOC) which co-locates UKIC and counter-terrorism policing**:

- CTOC brings together UKIC, counter-terrorism policing and other parts of the criminal justice system together in one location
- this new, fully-integrated approach will keep the public safer from terrorism by enhancing the ability to discover and prevent attacks and improve the speed of response.

4.133 The settlement also **reaffirms the £695 million of additional R&D funding between 2021-22 to 2024-25 announced at SR20**. This will support the development of UKIC's cutting-edge capabilities to better protect the UK's interests.

National Cyber Security Programme

4.134 SR21 provides a **£114 million increase in the National Cyber Security Programme** across the period, enabling the UK to keep adapting, innovating and investing to maintain and extend its competitive edge as a responsible, democratic cyber power.

4.135 **In total the government is investing £2.6 billion in cyber and legacy IT over the SR21 period**, with a particular emphasis on improving the government's own cyber security. This is in addition to the funding agreed for the National Cyber Force. The government will shortly publish further details on the strategy for cyber.

Small departments and independent bodies

Table 4.21: Small departments and independent bodies (Resource DEL excluding depreciation)

£ million	Outturn 2019-20[1]	Outturn 2020-21[1]	Baseline 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25
Office of the Secretary of State for Scotland & Office for the Advocate General for Scotland	11.6	13.2	11.4	13.4	13.7	13.8
Northern Ireland Office	37.4	26.5	24.8	30.9	27.6	27.1
Office of the Secretary of State for Wales	4.5	4.5	5.1	5.7	5.9	6.0
National Savings and Investments	118.7	162.0	143.0	198.8	247.8	208.9
Charity Commission	24.9	26.9	28.3	29.8	29.0	29.3
Competition and Markets Authority	92.2	88.0	109.6	112.5	127.9	130.5
UK Statistics Authority	295.0	447.3	207.3	339.7	319.2	294.0
HM Land Registry[3]	-	320.4	358.2	391.2	389.2	383.7
Office for Standards in Education, Children's Services and Skills[4]	127.5	112.5	128.8	132.3	132.4	132.4
Office of Qualifications and Examinations Regulation[5]	19.1	24.9	19.3	27.2	28.1	28.9
Food Standards Agency	87.6	94.3	102.7	112.7	113.0	112.9
The National Archives	29.7	30.4	37.8	38.7	38.7	38.8
UK Supreme Court	4.9	5.2	5.5	6.3	6.3	6.3
Economic Regulators[6]	neg	neg	neg	neg	neg	neg

£ million	Outturn 2019-20[1]	Outturn 2020-21[1]	Baseline 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25
Independent Bodies[7]	699.7	857.9	916.4	992.9	1008.7	1026.7
Total	**1553.0**	**2209.9**	**2098.7**	**2433.8**	**2489.4**	**2441.0**

[1] 2019-20 and 2020-21 figures reflect outturn in PESA.

[2] Baselines are adjusted to represent ongoing spend, with one-off or time-limited spend, including ringfenced COVID-19 funding, removed.

[3] Prior to 20-21, HM Land Registry (HMLR) operated as a Trading Fund and did not receive DEL budgets from HMT. In 20-21 HMLR was reclassified as a Non-Ministerial Department.

[4] The Office for Standards in Education, Children's Services and Skills plans for 2022-23, 2023-24 and 2024-25 are not inclusive of in-year transfers from the Department of Education to deliver certain functions.

[5] The Office of Qualifications and Examinations Regulation plans for 2022-23, 2023-24 and 2024-25 take into account the permanent transfer of funding from the Department for Education.

[6] The economic regulators and income or levy-funded bodies include: the Government Actuary's Department (GAD), the Office of Gas and Electricity Markets (Ofgem), the Office of Rail and Road (ORR), Water Services Regulation Authority (Ofwat) and UK Export Finance (UKEF).

[7] Independent Bodies include: the Electoral Commission, House of Commons, House of Lords, Parliamentary Works Sponsor Body, Parliamentary and Health Service Ombudsman, Independent Parliamentary Standards Authority (IPSA), the Local Government Boundary Commission for England (LGBCE) and the National Audit Office (NAO). They are not formally subject to the Spending Review process and their plans reflect forecasted values which may be subject to change.

4.136 The settlement for small departments and independent bodies includes:

- the Territorial Offices – the Office of the Secretary of State for Scotland & the Advocate General for Scotland, the Office of the Secretary of State for Wales, and the Northern Ireland Office (NIO) will receive funding to support the UK government in delivering for all parts of the UK and to support economic growth in Scotland, Wales and Northern Ireland, respectively. The NIO continues to be funded to support greater inclusion, tolerance, and openness in a safer Northern Ireland and to support responsive governance in Northern Ireland
- funding for the National Savings and Investments (NS&I) to become a self-service digital business, able to respond more nimbly to government, customer and wider market needs, with greater efficiency
- £130.5 million by 2024-25 for the Competition and Markets Authority (CMA) to ensure it can continue to promote competition for the benefit of consumers. This includes additional funding to roll out the dedicated Digital Markets Unit within the CMA, as government looks to legislate for a new digital markets regime that will place the UK at the global frontier
- £294 million for the UK Statistics Authority in 2024-25. This will fund the ongoing delivery of high-quality core statistics, including a new Labour Market Survey to improve existing economic statistics and inform policy making, and delivery of the government's Integrated Data Service which will radically improve the availability of cross-cutting data across government, and more widely across other sectors in order to support improved policy outcomes
- An increase to UK Export Finance's resource budgets over the SR21 period, funded from premium income, to allow increased support for UK exporters and continued implementation of UKEF's Climate Change Strategy
- £112.9 million by 2024-25 for the Food Standards Agency (FSA) to deliver an effective food regulatory regime, giving confidence to consumers, businesses and the UK's trading partners, including through its expanded role following EU Exit.

Priority outcomes

4.137 The settlement for the Territorial Offices will support the following priority outcomes for the:

Office of the Secretary of State for Scotland & Office of the Advocate General for Scotland

- support economic growth in Scotland
- strengthen and sustain the Union and Scotland's role within it
- increase the visibility of the UK government's commitment to Scotland.

Northern Ireland Office

- support the levelling up of Northern Ireland's economy with the rest of the UK
- support greater inclusion, tolerance, and openness in Northern Ireland
- contribute to a safer Northern Ireland, where terrorist and paramilitary groups are less able to cause harm to communities
- ensure that governance in Northern Ireland is responsive, transparent and able to deliver effective public services.

Office of the Secretary of State for Wales

- support economic growth in Wales
- strengthen and sustain the Union and Wales's role within it
- increase the visibility of the UK government's commitment to Wales.

5 Policy decisions

5.1 The following chapter sets out all Autumn Budget 2021 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Budget.

5.2 Table 5.1 shows the cost or yield of all Autumn Budget 2021 decisions with a direct effect on PSNB in the years up to 2026-27. This includes tax measures, changes to Departmental Expenditure Limits (DEL) and measures affecting annually managed expenditure (AME).

5.3 The government is also publishing the methodology underpinning the calculation of the fiscal impact of each policy decision. This is included in 'Autumn Budget 2021: policy costings' published alongside the Budget.

5.4 The supplementary document 'Overview of Tax Legislation and Rates', published alongside the Budget, provides a more detailed explanation of tax measures.

Table 5.1: Autumn Budget 2021 policy decisions (£ million)[1]

	£ million	Head[2]	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Spending Review 2021								
1	Resource DEL: adjustment to spending envelope and spending assumption[3]	Spend	0	-24,820	-19,165	-12,010	-10,165	-10,755
2	*Memo: returning ODA spend to 0.7% GNI*		*0*	*0*	*0*	*-5,220*	*-5,410*	*-5,615*
3	Capital DEL: adjustment to spending envelope and spending assumption[4]	Spend	0	-540	-3,940	+170	+540	+525
Local government								
4	Local Authorities: reserves implications of Council Tax referendum principles	Spend	0	+20	+35	+55	+55	+60
5	Business Rates: continuation of retention pilots between 2022-23 and 2024-25	Spend	0	-105	-130	-155	-15	0
Build Back Better: Plan for Health and Social Care								
6	Plan for Health and Social Care: spending	Spend	0	-14,050	-11,880	-13,035	-13,415	-13,910
7	Health and Social Care Levy introduced from April 2022: gross yield[5]	Tax	+45	+16,505	+16,805	+16,905	+17,290	+17,875
8	*Memo: reduction in yield due to passthrough to wages by employers*		*0*	*-2,060*	*-2,620*	*-2,720*	*-2,825*	*-2,935*

£ million		Head[2]	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
9	*Memo: compensation for the additional cost to public sector employers*	*Spend*	*0*	*-1,735*	*-1,765*	*-1,800*	*-1,865*	*-1,935*
10	*Memo: net yield available to allocate to health and social care[6]*		*0*	*+12,710*	*+12,420*	*+12,385*	*+12,600*	*+13,005*
11	Increase rates of dividend tax by 1.25% from April 2022	Tax	-15	+1,340	-540	+650	+815	+905
Raising living standards and supporting individuals with the cost of living across the UK								
12	Universal Credit: reduce taper rate from 63p to 55p and £500 p.a. increase in work allowances from 1 December 2021	Spend	-745	-2,220	-2,385	-2,490	-2,755	-2,980
13	Fuel Duty: one year freeze in 2022-23	Tax	0	-1,510	-1,550	-1,580	-1,595	-1,615
14	Alcohol Duty: reform to alcohol duties	Tax	0	-20	-115	-125	-140	-155
15	Alcohol Duty: one year freeze from February 2022	Tax	-80	-545	-560	-585	-600	-620
16	Universal Credit: maintain the surplus earnings de minimis threshold at £2,500 per month in 2022-23	Spend	0	-70	0	0	0	0
17	Shared Accommodation Rate (SAR): exemptions for victims of domestic abuse and victims of modern slavery	Spend	0	-5	-10	*	0	0
Supporting businesses and jobs								
18	Business Rates: 50% relief for Retail, Hospitality and Leisure sectors in 2022-23, £110,000 cash cap[7]	Tax	+35	-1,860	+40	-10	0	0
19	Business Rates: freezing the multiplier in 2022-23	Tax	+15	-845	-900	-965	-965	-970
20	Business Rates: relief for property improvements from 2023-24	Tax	0	+5	-145	-140	-145	-150
21	Business Rates: support for green technology from 2023-24	Tax	0	*	-40	-40	-45	-50
22	Business Rates: extending the supporting small business and transitional relief schemes in 2022-23	Tax	*	-30	*	0	0	0
23	Business Rates: administrative changes to clarify eligibility for the smaller business multiplier	Tax	0	0	0	-5	-5	-5
24	Annual Investment Allowance: extension of £1m level until 31 March 2023	Tax	-65	-240	-165	+115	+60	+50

£ million		Head[2]	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
25	Museum, Galleries and Exhibition Tax Relief (MGETR) sunset clause: extend to March 2024	Spend	0	0	-5	-10	-5	0
26	Theatre, Orchestra & MGETR Tax Relief: two-year tapered rate increase from April 2022	Spend	-5	-40	-115	-70	-15	0
27	HGV Road User Levy: suspend from August 2022 to 31 July 2023	Tax	0	-145	-80	-10	-10	-10
28	Vehicle Excise Duty: freeze rates for HGVs in 2022-23	Tax	0	-10	-10	-15	-15	-15
29	Bank Surcharge: set at 3% and raise the surcharge allowance to £100m	Tax	0	-220	-830	-975	-995	-1,020
30	Asset Holding Companies tax regime from April 2022	Tax	0	0	-5	-10	-15	-20
Other measures								
31	Air Passenger Duty: introduction of a new reduced domestic band and ultra-long haul distance band	Tax	0	0	-35	-35	-30	-30
32	Capital Gains Tax: increase property disposal payment window from 30 to 60 days	Tax	-60	-5	-5	-5	-5	-5
33	Starting rate for savings tax band: maintain at £5,000 for 2022-23	Tax	0	0	+5	+5	+5	+5
34	Adult ISA subscription limit: maintain at £20,000 for 2022-23	Tax	0	0	+5	+10	+15	+20
35	Carbon Price Support rates: maintain in 2023-24	Tax	0	0	-15	-15	-10	-10
36	Car fuel benefit charge: uprate by CPI in 2022-23	Tax	+5	+5	+5	+5	+5	0
37	Van benefit charge: uprate by CPI in 2022-23	Tax	0	+5	+5	+5	+5	+5
38	Aggregates Levy: freeze in 2022-23	Tax	0	-25	-25	-25	-25	-25
39	Tobacco Duty: increase hand rolling tobacco duty by an additional 4% and minimum excise duty by an additional 1% in 2022-23	Tax	+15	+25	+25	+25	+25	+25
40	Moving back the Pension Credit to Housing Benefit merger date from October 2023 to April 2025	Spend	0	0	+5	+50	+95	+125
41	Net Pay pension schemes: 20% top-up for eligible individuals on contributions from April 2024	Spend	0	0	0	0	-10	-15
42	BBC commercial arm borrowing limit: stepped increase from £350m to £750m	Spend	0	-15	-45	-40	+20	+95
43	HM Land Registry: increase caseworker capacity	Tax	-5	+65	+50	+35	+35	+40

£ million		Head[2]	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
44	Removing cross-border group relief	Tax	*	+5	+5	+5	+5	+5
45	Residential Property Developer Tax: 4% rate	Tax	0	+200	+215	+225	+235	+250
Previously announced								
46	State Pension and Pension Credit: uprate with Double Lock in 2022-23	Spend	0	+5,415	+5,780	+6,115	+6,455	+6,730
47	Economic Crime (Anti-Money Laundering) Levy	Tax	0	+95	+100	+100	+105	+105
48	Freeports (reliefs on Stamp Duty, Enhanced Capital Allowances, Structures and Buildings Allowance, NICs and Business Rates)	Tax	-5	-25	-40	-60	-75	-65
49	Self-Employment Income Support Scheme fifth grant: design choices relating to the financial impact declaration	Spend	-170	+20	0	0	0	0
50	Business Rates: COVID-19 additional relief fund	Tax	-1,555	+35	-10	0	0	0
51	Business Rates: ruling out COVID-19 as a Material Change in Circumstance	Tax	-485	0	0	0	0	0
52	Right to Buy: changes to rules under which Local Authorities can retain and spend receipts from Right to Buy sales	Spend	+245	+250	+195	+90	0	-30
53	Super-deduction: extension to background plant and machinery	Tax	-115	-120	-35	+5	+15	+20
54	Real Estate Investment Trusts: amendments	Tax	0	-5	-5	-5	-5	-5
55	Extension of eligibility for bereavement benefits to cohabitees with children	Spend	0	-120	-30	-25	-25	-20
56	DWP Disability Green Paper: measures	Spend	0	+15	+40	+15	-15	-5
57	Universal Credit: reintroduce Minimum Income Floor from 1 August 2021	Spend	-10	-15	-20	0	0	0
58	Reform of penalties for late submission and late payment of tax for Income Tax Self Assessment: change to implementation date	Tax	0	0	0	-15	+30	+80
59	Making Tax Digital for Income Tax Self Assessment: change to implementation date and digital prompts	Tax	0	0	-25	-195	-205	-15

£ million		Head[2]	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
60	Income Tax: basis periods reform for the self-employed from April 2024 with transition year in 2023-24	Tax	0	0	+25	+820	+510	+360
61	Notification of uncertain tax treatment: changes to scope	Tax	-5	-10	-15	-15	-20	-15
62	Access to benefits for arrivals under the Afghan Relocations and Assistance Policy and the Afghan Citizens Resettlement Scheme	Spend	-5	-5	-5	-5	*	*
63	Clamping down on promoters of tax avoidance	Tax	+5	+25	+30	+25	+25	+20
64	Public Service Pensions Remedy (McCloud)	Spend	0	0	-585	-740	-610	-550
Financial Transactions								
65	Public sector net borrowing impact of changes to financial transactions and guarantees	Spend	-25	-20	+5	*	*	-5
	Total policy decisions[8]		**-2,985**	**-25,345**	**-21,855**	**-9,780**	**-7,455**	**-7,705**
	Total spending policy decisions[8]		-715	-38,040	-34,020	-23,885	-21,730	-22,670
	Total tax policy decisions[8]		-2,270	+12,695	+12,165	+14,105	+14,275	+14,965

*Negligible.

[1] Costings reflect the OBR's latest economic and fiscal determinants.

[2] Many measures have both tax and spend impacts. Measures are identified as tax or spend on the basis of their largest impact.

[3] Includes funding for the remaining response to COVID-19 in the immediate term and for cost pressures as a result of the updated inflation forecast.

[4] Adjusted to reflect updated estimates of the spending profiles for planned major capital programmes and projects.

[5] Gross yield reflects total direct tax raised from the Health and Social Care Levy.

[6] Net yield reflects total amount available to allocate after accounting for (1) the reduction in yield due to passthrough to wages by employers and (2) compensation for the additional cost to public sector employers.

[7] Business rates are deductible for corporation tax and income tax self-assessment. Increased business rates relief reduces the amount of business rates paid and so increases these other tax receipts.

[8] Totals may not sum due to rounding.

National living wage and welfare

5.5 National Living Wage (NLW) and National Minimum Wage (NMW) – Following the recommendations of the independent Low Pay Commission, the government will increase the NLW for individuals aged 23 and over by 6.6% from £8.91 to £9.50 an hour effective from 1 April 2022. In total, the annual gross earnings of a full-time worker on the NLW will have increased by over £5,000 since its introduction in April 2016. The government has also accepted the LPC's recommendations for the other NMW rates to apply from April 2022 including:

- increasing the rate for 21 to 22 year olds by 9.8% from £8.36 to £9.18 per hour
- increasing the rate for 18 to 20 year olds by 4.1% from £6.56 to £6.83 per hour
- increasing the rate for 16 to 17 year olds by 4.1% from £4.62 to £4.81 per hour
- increasing the rate for apprentices by 11.9% from £4.30 to £4.81 per hour
- increasing the accommodation offset rate by 4.1% from £8.36 to £8.70 per hour

5.6 Universal Credit taper and work allowance – To help people progress in work, and allow working households on Universal Credit to keep more of what they earn, the government will:

- reduce the taper rate that applies in Universal Credit from 63% to 55% by 1 December 2021 so working households will keep more of every pound they earn
- increase the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced – the Work Allowances – by £500 a year by 1 December 2021

These changes will directly benefit 1.9 million working households.

5.7 Extending Child Benefit due to COVID-related exam cancellations in 2021/22 – In May 2021 the government legislated to ensure all child benefit claimants with children in their last year of full time non-advanced education would be paid child benefit up to 31 August, if exam cancellations due to COVID-19 would have otherwise prevented them from being entitled to three months of child benefit payments.

5.8 Day 1 access to benefits for those arriving to the UK from Afghanistan – The government has ensured that individuals coming to the UK from Afghanistan, including those under the Home Office resettlement schemes, are eligible for Child Benefit and DWP income-related benefits from their first day in the UK.

5.9 Extension of eligibility for bereavement benefits to cohabitees with children – As announced in July 2021, the government will extend eligibility for both Bereavement Support Payments and Widowed Parents Allowance for people with children who were cohabiting with a partner but who were not married or in a civil partnership. This will come into effect once the Remedial Order is approved by Parliament.

5.10 Moving back the Pension Credit to Housing Benefit merger date – The government's plans to create a new housing element of Pension Credit, replacing pensioner Housing Benefit, are now intended to take effect in 2025, to align with the full rollout of working-age Housing Benefit into Universal Credit.

5.11 Shared Accommodation Rate exemptions for victims of domestic abuse and victims of modern slavery – The government will bring forward exemptions to the Shared Accommodation Rate for victims of domestic abuse and victims of modern slavery, from October 2023 to October 2022. These vulnerable claimants will be able to claim the higher 1-bedroom self-contained Local Housing Allowance rate.

5.12 Extending the increase in the Universal Credit surplus earnings threshold 2061 – The government will continue the temporary increase in the surplus earnings threshold to £2,500 for Universal Credit claimants until April 2023, when the threshold will reduce to £300.

5.13 Industrial Injuries Disablement Benefit: Dupuytren's Contracture guidance update – This measure implements the new 2020 guidance from the Industrial Injuries Advisory Council to assist healthcare professionals in identifying what constitutes Dupuytren's Contracture, a progressive disorder of the hand. It is an eligible condition for Industrial Injuries Disablement Benefit which can be claimed for injuries caused by work.

5.14 Extension of Employment and Support Allowance COVID-19 regulations – Individuals affected by COVID-19 will continue to benefit from temporary changes to new style Employment and Support Allowance (ESA) until 24 March 2022. These changes enable eligible individuals to claim new style ESA from the first day of absence from work, rather than the eighth day.

5.15 Health and Disability Green Paper – The Health and Disability Green Paper, published on 20 July 2021, sought to tackle issues with the disability benefits system, including how it can better meet the needs of disabled people and those with health conditions. Two changes announced in it are being scored at this Budget. The first expands the Special Rules for Terminal Illness (SRTI) so that people are eligible if they are reasonably expected to be in their final 12 months of life, rather than 6 months as currently. SRTI allows these individuals to make fast-tracked claims to a number of disability benefits. The second change removes the proposed 18 month minimum award period for those receiving Personal Independence Payment (PIP), which will allow for more targeted efforts to meet the government commitment to reduce the frequency of assessments. The minimum award period was originally proposed to reduce the frequency of health assessments. However, the government has since decided that this objective can be more effectively met by better triaging of cases and testing a new Severe Disability Group, which would simplify the process for people with severe life-long disabilities or health conditions.

Investing in growth

Creating a dynamic and open economy

5.16 High-Skilled Migration – The government is implementing changes to the UK's immigration system to attract highly-skilled people to the UK. This includes a new Scale-up Visa, launching in spring 2022, that will help the UK's fastest-growing businesses to access overseas talent. The visa will be open to applicants who pass the language proficiency requirement and have a high-skilled job offer from an eligible business with a salary of at least £33,000.

5.17 Global Talent Network – Alongside immigration system reforms, the government will launch a Global Talent Network to bring highly skilled people to the UK in key science and technology sectors. This network will work with businesses and research institutions to identify UK skills needs and source talent in overseas campuses, innovation hubs and research institutions to bring to the UK. A concierge service will also be available to support people moving to the UK. The Global Talent Network will launch in 2022 in the Bay Area and Boston in the US, and Bengaluru in India. The government will also maintain the expanded Department for International Trade (DIT) Global Entrepreneur Programme. This will allow the programme to continue to expand its global footprint to bring an extra 100 innovative, highly skilled entrepreneurs to the UK each year.

5.18 BBC commercial borrowing – The government will more than double the borrowing limit of the BBC's commercial arm to £750 million in stepped phases between 2022-23 and 2026-27, subject to confirmation on oversight arrangements. This will enable the BBC to fund a commercial growth strategy, benefitting the creative economy across every part of the UK.

5.19 Corporate Re-domiciliation – The government intends to make it possible for companies to re-domicile and therefore easier to relocate to the UK and is seeking views on how best to do this.[1] This will allow companies to take advantage of the UK's world-class infrastructure and skills, while promoting jobs, innovation and investment in the UK.

Making markets work better

5.20 National Savings & Investment (NS&I) Green Savings Bond – Green Savings Bonds were made available to customers via NS&I on 22 October and will be on sale for a minimum of 3 months. The NS&I Green Savings Bonds are a 3-year fixed-term savings product with an interest rate of 0.65% and customers can invest between £100 and £100,000. As with all NS&I products, the Green Savings Bonds come with a HM Treasury-backed 100% guarantee. A world-first, this innovative product will be closely linked to the UK Government Green Financing Framework and will provide UK savers with the opportunity to contribute towards the government's environmental agenda and take part in the collective effort to tackle climate change.

5.21 Consulting on further regulatory changes to support pensions investment in long-term, productive assets – Following recommendations from the Taskforce for Innovation, Growth and Regulatory Reform and the Productive Finance Working Group, the government will consult before the end of the year on further changes to the regulatory charge cap for defined contribution auto-enrolment pension schemes to enable pension savers to benefit from better growth in their long-term investments. The consultation will specifically consider amendments to the scope of the cap to better accommodate well-designed performance fees and enable investments into the UK's most productive assets, while continuing to protect savers.

Supporting businesses and sectors

5.22 Recovery Loan Scheme – The Recovery Loan Scheme will also be extended until 30 June 2022 to ensure that lenders continue to have the confidence to lend to small and medium-sized businesses. Finance will be available up to a maximum of £2 million per business, supporting their recovery and growth following the pandemic. The government guarantee will be reduced from 80% to 70% to encourage the lending market to move towards normality as the economy continues to recover.

5.23 Airports and Ground Operations Support Scheme (AGOSS) Extension – The government is extending the Airport and Ground Operations Support Scheme (AGOSS) for a further six months, through to the end of the 21-22 financial year. This will provide commercial airports and ground handlers in England with support for their fixed costs of up to £4 million, capped at their business rates liabilities over this period, and subject to appropriate conditions.

5.24 Help to Grow Schemes – Announced at Spring Budget, Help to Grow will enable over 100,000 SMEs to boost their productivity through world-class management training and support for digital adoption.

[1] 'Corporate re-domiciliation: Consultation on the Government's proposals', BEIS, HMRC and HM Treasury, October 2021

- Help to Grow: Management has launched in over 20 business schools across the UK, with thousands of businesses due to benefit from the industry-led curriculum, 1:1 mentoring, and alumni network offer.
- Help to Grow: Digital will provide SMEs with impartial, high-quality advice on how to use productivity-enhancing software that can benefit their business. In December, SMEs will be able to access support through the online platform and vouchers, to help businesses with the costs of adopting new software.

Driving growth across every region and nation of the UK

5.25 Review of the National Infrastructure Commission (NIC) Fiscal Remit – The NIC's fiscal remit provides a technical guideline to ensure that its recommendations to government are affordable and prioritised appropriately. Recognising the government's ambitious plans to transform the UK's infrastructure, but reflecting the importance of fiscal sustainability, the government has revised the remit. The NIC must now make recommendations on public sector investment in economic infrastructure in a range between 1.1% and 1.3% of GDP each year from 2025 to 2055.[2] The remit applies to both the next National Infrastructure Assessment and future specific studies.

5.26 New NIC Surface water flooding study – The government will commission a new NIC study, to report by November 2022, on the effective management of surface water flooding in England.[3] This will assess the current approaches to managing surface water and consider the role of a range of interventions including both traditional built infrastructure and nature-based solutions.

5.27 English Freeports tax site designation – At Spring Budget 2021, the government announced 8 Freeports in 8 English regions, which will encourage businesses from around the world to create new hubs of global trade that will transform economic prospects and job opportunities for local communities. The first tax sites will be in Humber, Teesside and Thames, and those Freeports will be able to begin initial operations from November. If needed, the government may, at an appropriate point, introduce further guidance for businesses claiming Freeport tax reliefs, to reflect the outcome of ongoing discussions between the UK and EU about the Northern Ireland Protocol. The government remains committed to establishing at least one Freeport in Scotland, Wales and Northern Ireland.

Tax

Personal tax

5.28 The Health and Social Care Levy – As announced by the Prime Minister on 7 September 2021, the government has legislated for a new 1.25% Health and Social Care Levy (the Levy), to fund an historic investment in the NHS and social care. The Levy will apply UK-wide, to the same population and income as Class 1 (Employee, Employer) and Class 4 (Self-Employed) National Insurance contributions (NICs), and to the main and additional rates. The Levy will not apply to Class 2 NICs or Class 3 NICs. The Levy will be effectively introduced from April 2022, when NICs for working age employees, self-employed people and employers will increase by 1.25% and be added to the existing NHS allocation. From April 2023, once HMRC's systems are updated, the 1.25% Levy will be formally separated out and will also apply to the earnings of individuals working above State Pension age, and NICs rates will return to their 2021-22 levels. From April 2023, receipts from the Levy will go to those responsible for health and social care across all parts of the UK.

[2] Remit letter to the National Infrastructure Commission, HM Treasury, October 2021
[3] NIC Surface Water Flooding Study: Terms of Reference, HM Treasury, October 2021

5.29 Dividend rates – As announced on by the Prime Minister on 7 September 2021, legislation will be introduced in the Finance Bill 2021-22 to increase the rates of income tax applicable to dividend income by 1.25%. The dividend ordinary rate will be set at 8.75%, the dividend upper rate will be set at 33.75% and the dividend additional rate will be set at 39.35%. The dividend trust rate will also increase to 39.35% to remain in line with the dividend additional rate. The changes will apply UK-wide and will take effect from 6 April 2022. In England, revenue from this increase will help to fund the health and social care settlement announced in September with the Barnett formula applying in the normal way. This change will ensure those with dividend income make a contribution in line with that made by employees and the self-employed on their earnings.

5.30 National Insurance contributions (NICs) rates and thresholds – The government will use the September CPI figure of 3.1% as the basis for uprating National Insurance limits and thresholds, and the rates of Class 2 and 3 NICs, for 2022-23. This excludes the Upper Earnings Limit and Upper Profits Limit which will be maintained at current levels in line with the higher rate threshold for income tax.

5.31 Clarification of income tax treatment of Household Support Fund payments – The government will legislate in Spring 2022 by Statutory Instrument to clarify that payments through the Household Support Fund, and equivalent schemes in the devolved administrations, are not subject to income tax.

5.32 Regulation making powers for national emergencies – The government will introduce regulation-making powers that would allow ministers to take decisions to provide income tax and NICs reliefs on specific expenses or benefits-in-kind in the event of a disaster or emergency of national significance.

Pensions and savings

5.33 State Pension uprating – The earnings data series has been distorted by the pandemic. The government is therefore legislating to temporarily suspend the earnings element of the 'Triple Lock' used to uprate the State Pension and Pension Credit. Instead, for 2022-23 the new and basic State Pension, Pension Credit and survivors' benefits in industrial death benefit will increase by the higher of CPI or 2.5%, protecting pensioners from higher costs of living and protecting taxpayers from the significant additional fiscal pressure created by the statistical anomaly.

5.34 Pensions tax relief administration: Top-up for low earners in Net Pay arrangements – In 2025-26 the government will introduce a system to make top-up payments in respect of contributions made in 2024-25 onwards directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement. These top-ups will help to better align outcomes with equivalent savers saving into pension schemes using Relief at Source. An estimated 1.2 million individuals could benefit by an average of £53 a year. A response to the Call for Evidence on pensions tax relief administration providing further details is also being published at the Budget and Spending Review[4].

5.35 Starting rate for savings tax band – The band of savings income that is subject to the 0% starting tax rate will remain at its current level of £5,000 for 2022-23.

5.36 Individual Savings Account (ISA) annual subscription limit – The adult ISA annual subscription limit for 2022-23 will be maintained at £20,000.

5.37 Junior ISA and Child Trust Fund annual subscription limit – The annual subscription limit for Junior ISAs and Child Trust Funds for 2022-23 will be maintained at £9,000.

[4] Pensions tax relief administration: call for evidence response, HM Treasury, October 2021

Corporation tax reliefs

5.38 Research and Development (R&D) tax reliefs – Following the consultation launched at Spring Budget 2021, R&D tax reliefs will be reformed to support modern research methods by expanding qualifying expenditure to include data and cloud costs, to more effectively capture the benefits of R&D funded by the reliefs through refocusing support towards innovation in the UK, and to target abuse and improve compliance. These changes will be legislated for in Finance Bill 2022-23 and take effect from April 2023. Further details of these changes and next steps for the review will be set out as part of the government's further tax administration and maintenance announcements later in the autumn.

5.39 Annual Investment Allowance extension (AIA) – The government will support UK businesses by extending the temporary £1 million level of the Annual Investment Allowance to 31 March 2023. This will provide businesses with more upfront support, encouraging them to bring forward investment, and making tax simpler for any business investing between £200,000 and £1 million.

5.40 Abolition of Cross-border Group Relief (CBGR) – The government will legislate in Finance Bill 2021-22 to abolish CBGR and other related loss reliefs from 27 October 2021.

5.41 Museums and Galleries Exhibition Tax Relief (MGETR) – MGETR will be extended for a further two years until 31 March 2024, continuing the government's support for charitable companies to put on high-quality museum and gallery exhibitions.

5.42 Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and MGETR –The government will increase the headline rates of relief for TTR, OTR and MGETR:

- from 27 October 2021, the headline rates of relief for the TTR and the MGETR will temporarily increase from 20% (for non-touring productions) and 25% (for touring productions) to 45% and 50%
- from 1 April 2023, the rates will be reduced to 30% and 35% and will return to 20% and 25% on 1 April 2024. For MGETR, the relief will expire on 1 April 2024 and no expenditure from this date will be eligible for relief
- from 27 October 2021, OTR rates will temporarily increase from 25% to 50%, reducing to 35% from 1 April 2023 and returning to 25% on 1 April 2024
- from 1 April 2022, changes will be made to better target MGETR, TTR and OTR and ensure that they continue to be safeguarded from abuse

5.43 Film Tax Relief (FTR) and High-End TV Tax Relief (HETR) – From 1 April 2022, production companies will be able to switch between claiming FTR or HETR during production, ensuring that relief is not lost should a company decide to change their distribution method.

Business rates

5.44 Business rates: final report of the review of business rates – The conclusions of the government's review of business rates are published alongside the Budget. To reduce the burden of business rates in England, support investment, and make the system more responsive, the government will:

- freeze the business rates multiplier for a second year, from 1 April 2022 until 31 March 2023, keeping the multipliers at 49.9p and 51.2p
- introduce a new temporary business rates relief for eligible retail, hospitality and leisure properties for 2022-23. Eligible properties will receive 50% relief, up to a £110,000 per business cap

- introduce a 100% improvement relief for business rates. This will provide 12 months relief from higher bills for occupiers where eligible improvements to an existing property increase the rateable value. The government will consult on how best to implement this relief, which will take effect in 2023 and be reviewed in 2028
- introduce from 1 April 2023 until 31 March 2035 targeted business rate exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible heat networks, to support the decarbonisation of non-domestic buildings
- increase the frequency of business rates revaluations so that they take place every 3 years instead of every 5 years, starting in 2023
- provide additional funding to the Valuation Office Agency to support the delivery of the new revaluation cycle. Further detail on this is set out as part of the SR21
- extend transitional relief for small and medium-sized businesses, and the supporting small business scheme, for 1 year. This will restrict bill increases to 15% for small properties (up to a rateable value of £20,000 or £28,000 in Greater London) and 25% for medium properties (up to a rateable value of £100,000), subject to subsidy control limits

English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. The block grants of the Devolved Administrations will be increased in the usual way.

5.45 Online Sales Tax consultation (OST) – The government will also continue to explore the arguments for and against a UK-wide OST. The government will publish a consultation shortly. If introduced, the revenue from an OST would be used to reduce business rates for retailers in England. The block grants of the Devolved Administrations would be increased in the usual way.

Property tax

5.46 Residential Property Developer Tax (RPDT) – As announced in February 2021, the government will introduce a new tax from April 2022 on the profits that companies and corporate groups derive from UK residential property development, to ensure that the largest developers make a fair contribution to help pay for building safety remediation. The tax will be charged at 4% on profits exceeding an annual allowance of £25 million.

5.47 Capital Gains Tax (CGT): property payment window – From 27 October 2021 the deadline for residents to report and pay CGT after selling UK residential property will increase from 30 days after the completion date to 60 days. For non-UK residents disposing of property in the UK, this deadline will also increase from 30 days to 60 days. This will ensure that taxpayers have sufficient time to report and pay CGT, as recommended by the Office of Tax Simplification. When mixed-use property is disposed of by UK residents, legislation will also clarify that the 60 day payment window will only apply to the residential element of the property gain.

Energy, environment and transport taxes

5.48 Aviation tax reform – From 1 April 2023 to support connectivity across the UK the government will be introducing a new domestic band for Air Passenger Duty (APD), covering flights within the UK. In addition, the government will introduce a new ultra-long-haul band, covering destinations with capitals located more than 5,500 miles from London to align APD more closely with the government's environmental objectives.

5.49 APD rates – For the tax year 2023-24, the economy rate for the domestic band will be set at £6.50. The rates for the short- and long-haul bands will increase in line with RPI, meaning that the short-haul economy rate will remain frozen at £13 and the long-haul economy rate will increase by £3. The economy rate for the ultra-long-haul band will be set at £91, £4 greater than the long-haul band. This applies across the UK except for the direct long-haul rates for Northern Ireland which are devolved.

5.50 Company Car Tax (CCT) – As announced at Budget 2020, the government confirms that the CCT rates already announced for 2022-23 will remain frozen until 2024-25.

5.51 Vehicle Excise Duty (VED) – The government will uprate VED rates for cars, vans and motorcycles in line with RPI from 1 April 2022.

5.52 VED and Levy rates for heavy goods vehicles (HGVs) – To support the haulage sector and pandemic recovery efforts, the government will continue to freeze HGV VED for 2022-23 and suspend the HGV Levy for another 12 months from August 2022.

5.53 Company vehicles – From 6 April 2022, the van benefit charge and the car and van fuel benefit charges will increase in line with CPI.

5.54 Tonnage Tax reform – The government will introduce a package of measures to reform the UK's Tonnage Tax regime from April 2022. These reforms aim to see more firms basing their headquarters in the UK, using the UK's world-leading maritime services industry, and flying the UK flag. As part of these reforms, the Government will:

- remove any requirement for ships in the UK Tonnage Tax regime to fly the flag of any EU country now the UK has left the EU, and instead focus on boosting the use of the UK flag when determining which companies can participate in the regime. The UK flag has a reputation for maintaining the highest international standards and the government wants more ships to benefit from this by registering in the UK
- make it easier for shipping companies to participate in the Tonnage Tax regime by reducing the lock-in period from 10 years to 8 years to align more closely with shipping cycles. HMRC will be given more discretion to admit companies into the regime outside of the initial window of opportunity where there is a good reason. HMRC will also review guidance on which vessels and operations qualify for the regime to take account of developments in technology and the shipping market since the tax was introduced
- raise from 10% to 15% the permitted limit for qualifying secondary (ancillary, passenger-related) income in HMRC practice guidance, following a review by HMRC aimed at smoothing administration
- explore how best to make use of existing powers regarding the training commitment
- review whether to include ship management within scope of the Tonnage Tax regime, and whether the existing limit that can be claimed in capital allowances by organisations leasing ships to Tonnage Tax participants remains appropriate

5.55 Fuel duty rates – The government will freeze fuel duty UK-wide in 2022-23. This is the twelfth consecutive year of the freeze, cumulatively saving the average UK car driver £1,900 compared with the pre-2010 escalator.

5.56 Carbon Price Support (CPS) rates for 2023/24 – The government will continue the freeze on Carbon Price Support rates to maintain a cost of £18 per tonne of carbon dioxide in Great Britain from 2023-24.

5.57 Aggregates Levy – The government will freeze the Aggregates Levy rate for 2022-23 but intends to return to index-linking in future.

Indirect taxes

5.58 Alcohol Duty Reform – The government intends to restructure alcohol duty so that all beverages will be taxed in direct proportion to their alcohol content. To simplify the regime, the government intends to reduce the number of main rates from 15 to 6, with common thresholds for each set of bands across product categories, and rates will be harmonised for drinks at 8.5% ABV or above. To encourage innovation, the government intends to introduce reduced rates for products below 3.5% ABV. The government also intends to introduce a common small producer relief, so to reduce the tax burden on smaller producers of wine, cider, spirits and made-wine below 8.5% ABV. Alongside this, a new relief that recognises the importance of pubs and supports responsible drinking will be introduced, with duty rates on draft beer and cider being cut by 5%. The government is publishing a consultation on the detail of these reforms, which will close on 30 January 2022. The government will continue to discuss the application of these reforms to Northern Ireland with the EU during the consultation period of the review.

5.59 Alcohol duties – To help people with the cost of living, the duty rates on beer, cider, wine and spirits will be frozen for another year.

5.60 Tobacco duties – Duty rates on all tobacco products will increase by RPI + 2%. The rate on hand-rolling tobacco will increase by RPI + 6% and the minimum excise tax will increase by RPI +3% this year. These changes will take effect from 6pm on 27 October 2021.

5.61 Gaming duties – The government will legislate in Finance Bill 2021-22 to raise the Gross Gaming Yield bandings for gaming duty in line with RPI.

5.62 Second-hand margin scheme: interim arrangement for Northern Ireland

The government will legislate, should a relevant agreement be reached with the EU, to extend the VAT margin scheme to apply in Northern Ireland on a limited basis in respect of motor vehicles sourced from Great Britain for the period until the Second-hand Motor Vehicle Export Refund Scheme is implemented. As a result, motor vehicles first registered in the United Kingdom prior to 1 January 2021 will be available to sell under the VAT margin scheme in Northern Ireland during that time period.

5.63 Second-hand Motor Vehicle Export Refund Scheme – The government will legislate to be able to introduce a Second-Hand Motor Vehicle Export Refund Scheme. Under such a scheme, businesses that remove used motor vehicles from Great Britain for resale in Northern Ireland or the EU may be able to claim a refund of VAT following export. This will ensure that Northern Ireland motor vehicle dealers will remain in a comparable position as those applying the VAT margin scheme elsewhere in the UK.

5.64 VAT: Exemption for dental prostheses imports – The government will extend the current VAT exemption for dental prostheses supplied by registered dentists and other dental care professionals or dental technicians to imports of dental prostheses by these persons. This will ensure the VAT treatment for such prostheses supplied into and within the United Kingdom, including between Great Britain and Northern Ireland, is consistent.

Other business taxes

5.65 Asset Holding Companies (AHC) Tax Regime and Real Estate Investment Trusts (REITs): Amendments – Following two consultations, the government is introducing a new framework for the taxation of companies that are used by funds and institutional investors to make their investments – asset holding companies (AHCs). These new rules, which cover the taxation of AHCs as well as payments made by AHCs (including changes to the remittance basis), will help to build on the UK's strengths as an asset management hub by enhancing the attractiveness of the UK as a location for AHC establishment. Targeted changes are also being made to the tax rules for REITs. These tax changes, which will take effect from April 2022, will support activity and jobs across the UK.

5.66 Update on UK funds regime review – The government remains committed to its ongoing review of the UK's funds regime. In addition to the AHCs and REITs reforms, the FCA has now published its rules for the new Long-Term Asset fund, a structure which will be supported by the recommendations of the Productive Finance Working Group, published last month. The government will also publish its response to the call for input on the broader elements of the UK funds regime review, as well as a consultation on options to simplify the VAT treatment of fund management fees, in the coming months.

5.67 Bank corporation tax surcharge changes – Following the government's announcement at Spring Budget to increase the corporation tax rate to 25% the rate of the surcharge will be set at 3% from April 2023. This will ensure that the combined rate of tax on banks' profits is comparable to the UK's major global competitors for banking business, whilst ensuring that banks continue to pay a higher rate on profits than most other companies in the UK, and more than they do now. The annual allowance for groups will also be raised to £100 million to support growth for small and mid-sized banks within the UK banking market and promote competition to the benefit of consumers.

5.68 Corporation tax: Response to accountancy change for insurance contracts – The government is introducing powers in Finance Bill 2021-22 to lay regulations for insurance companies to spread the transitional impact of IFRS (International Financial Reporting Standard) 17 for tax purposes and to revoke the requirement for life insurers to spread acquisition expenses over seven years for tax purposes. The government will consult on the design of these rules.

5.69 Taxation of securitisations and insurance-linked securities – The government will legislate in Finance Bill 2021-22 to introduce a power enabling changes to be made to Stamp Duty and Stamp Duty Reserve Tax in relation to securitisation and insurance-linked securities (ILS) arrangements. This will increase the government's flexibility in responding to the evolving nature of the securitisation and ILS markets.

Tax administration and non-compliance

5.70 Basis period reform – The government will legislate in Finance Bill 2021-22 to reform income tax basis periods so businesses' profit or loss for a tax year will be the profit or loss arising in the tax year itself, regardless of its accounting date. This removes the complex basis period rules, the need to charge tax on profits twice and the need for overlap relief. The transition to the new rules will take place in 2023-24 and the new rules will come into force from 6 April 2024.

5.71 Office of Tax Simplification (OTS): Board Governance – In advance of the conclusions of the Review of the OTS which will be published later in the autumn, the government will legislate in Finance Bill 2021-22 to increase the independent representation on the OTS Board by two members, for a total overall membership of ten.

5.72 Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) – As announced on 23 September 2021, the government will give sole traders and landlords, with income over £10,000 an extra year to prepare for MTD. MTD for ITSA will now be introduced from 6 April 2024. General partnerships will not be required to join MTD for ITSA until 6 April 2025.

5.73 Reform of penalties for late submission and late payment of tax for ITSA – As announced on 23 September 2021, the new regime of penalties for the late filing and late payment of tax for ITSA will now come into effect on 6 April 2024 for those taxpayers required to submit digital quarterly updates through MTD, and 6 April 2025 for all other ITSA taxpayers. The new regime of penalties for VAT will come into effect for VAT taxpayers from periods starting on or after 1 April 2022, as announced at Budget 2021.

5.74 Clamping down on promoters of tax avoidance – The government will legislate in Finance Bill 2021-22 for further measures to clamp down on promoters of tax avoidance. The package of measures, which will take effect following Royal Assent, will:

- allow HMRC to freeze a promoter's assets so that the penalties they are liable for are paid
- deter offshore promoters by introducing a new penalty on the UK entities that support them
- provide for the closing down of companies and partnerships that promote tax avoidance schemes, and
- support taxpayers to steer clear of avoidance schemes or exit avoidance quickly, by sharing more information on promoters and their schemes

5.75 Tax administration and maintenance announcements – The government will bring forward a further set of tax administration and maintenance announcements later in the autumn. This follows a similar set of announcements published in the Command Paper, "Tax policies and consultations (Spring 2021)[5]."

[5] 'Tax policies and consultations (Spring 2021)', HM Treasury and HM Revenue & Customs, March 2021

A The government's fiscal framework

Summary

A.1 The fiscal framework introduced at this Budget and Spending Review (SR) will return the public finances to a sustainable path over the medium term and support a strong economic recovery across the whole of the UK. The framework allows the space to provide public services with the resources they need, including investing responsibly in infrastructure right across the country, while delivering on the government's commitment to pay for current spending through taxes. Fiscal policy decisions for at least this Parliament will be guided by the following mandate:

- to have public sector net debt (excluding the Bank of England) as a percentage of GDP falling by the third year of the rolling forecast period;

A.2 The Treasury's mandate for fiscal policy is supplemented by:

- a target to balance the current budget by the third year of the rolling forecast period;

A.3 To allow significant investment in capital while keeping control of borrowing and debt, the Treasury's mandate for fiscal policy is further supplemented by:

- a target to ensure that public sector net investment (PSNI) does not exceed 3% of GDP on average over the rolling forecast period;

A.4 To ensure that expenditure on welfare remains sustainable, the Treasury's mandate for fiscal policy is further supplemented by:

- a target to ensure that expenditure on welfare is contained within a predetermined cap and margin set by the Treasury.

A.5 In order to provide certainty and stability, fiscal policy in relation to the fiscal rules will generally only be adjusted at Budgets. As outlined in the revised draft Charter for Budget Responsibility ('the Charter'), the Budget Report will explain how Budget policy measures maintain the path of the public finances in a position consistent with the objectives, mandate and supplementary targets for fiscal policy.

A.6 While the fiscal rules build on those used at Budget 2020, they reflect the significant change in economic and fiscal context from COVID-19, which led to borrowing hitting peacetime record levels.[1,2] Public sector net debt (PSND) is at the highest level since the 1960s and the public finances are now more sensitive to changes in inflation and interest rates.[3] The government will therefore reduce debt as a percentage of GDP in the medium term, reducing the risks to debt interest expenditure and rebuilding fiscal buffers. The fairest and most

[1] 'Public finances databank', OBR, September 2021 & 'Economic and Fiscal Outlook', OBR, October 2021.
[2] On 30 September, the ONS implemented revisions to GDP estimates consistent with Blue Book 2021 the annual methodology and data update to the UK National Accounts. The OBR forecast was closed to new public finances data before these revisions were published in the Public Sector Finances on 21 October. This means that outturn data for fiscal aggregates as a percentage of GDP used in the forecast and in the text, charts and tables in this annex will not be consistent with these latest ONS figures. For 2020-21, these outturn data are consistent with the OBR forecast, which uses the latest nominal data published on 21 October and GDP consistent with the data used in Public Sector Finances published on 21 September, and for earlier years are fully consistent with the PSF data published on 21 September.
[3] 'Public finances databank', OBR, September 2021 & 'Economic and Fiscal Outlook', OBR, October 2021.

sustainable way to achieve this continues to be balancing current spending with tax through a current budget rule. This prevents future generations from bearing the burden of borrowing for current spending, while allowing for significant investment to level up across the UK.

A.7 The fiscal rules are a central part of a credible and robust fiscal framework. The framework applies to the whole of the UK, reflecting united fiscal strength. The Charter additionally sets out wider considerations for the management of fiscal policy, on both debt affordability and the public sector balance sheet. At present, government borrowing costs are low by historical standards, and the government is responding by maintaining PSNI at a high level. However, low current borrowing costs must be balanced against other considerations relating to the affordability of debt servicing, including its sensitivity to changes in the macroeconomic situation and outlook, and wider risks such as the proportion of government debt issuance held overseas. To assess the public finances from a broader perspective, taking into account the entire public sector balance sheet, the government will also aim to strengthen over time a range of measures of the public sector balance sheet, such as PSND, public sector net financial liabilities (PSNFL) and public sector net worth (PSNW) through effective management of assets, liabilities and risks.

Introduction

A.8 At Budget 2020, HM Treasury announced that the fiscal framework would be reviewed to ensure it remained appropriate for the macroeconomic environment. The government's vaccine programme has allowed life to return closer to normal and the unprecedented package of economic support means that the economy is better placed to recover strongly. It is therefore the right time to confirm the new fiscal framework. The updated framework is designed to support the economy and ensure sustainable public finances in the wake of the significant macroeconomic shock caused by the pandemic. In developing its fiscal framework, the government has engaged with international organisations and experts.

A.9 Since the introduction of the Budget Responsibility and National Audit Act 2011, the UK government has been required to set out a fiscal mandate to Parliament. By imposing numerical limits on fiscal aggregates, fiscal rules impose constraints to ensure governments pursue sustainable fiscal policies and help to anchor market expectations. International evidence shows that the use of fiscal rules is, on average, correlated with stronger fiscal positions.[4]

A.10 The Office for Budget Responsibility (OBR) has been a central pillar of the framework since its inception in 2010. Their independent forecasts are adopted as the official forecast for the UK government, bringing greater transparency and credibility to economic and fiscal forecasts. The OBR is widely praised, with the Organisation for Economic Co-operation and Development (OECD) remarking that it "is considered by many as a model independent fiscal institution."[5] Evidence suggests that fiscal rules and independent fiscal institutions have been found to be highly complementary, with fiscal councils like the OBR leading to more fiscally sustainable outcomes.[6] Rules enshrined in the Charter and independently assessed by the OBR combines the benefits of both approaches.

A.11 Fiscal rules remain a key tool for supporting fiscal discipline worldwide, with the International Monetary Fund (IMF) noting in its October 2021 Fiscal Monitor that "sound fiscal frameworks can enhance credibility, market access, and ultimately fiscal space."[7] Measures of the debt-to-GDP ratio are well understood and widely used as fiscal targets internationally, although the precise definitions can vary. Canada set out a new fiscal anchor in April 2021 to reduce debt-

[4] Second-Generation Fiscal Rules: Balancing Simplicity, Flexibility, and Enforceability, IMF, 2016.
[5] Independent Fiscal Institutions Review: Office for Budget Responsibility (OBR) of the United Kingdom, OECD, 2020.
[6] Strengthening Post-Crisis Fiscal Credibility: Fiscal Councils on the Rise – A New Data Set, IMF, 2014.
[7] Fiscal Monitor: Strengthening the Credibility of Public Finances, IMF, 2021.

to-GDP over the medium term and unwind COVID-19 related deficits.[8] Australia's medium-term fiscal objectives are to stabilise and reduce debt-to-GDP, as part of a strategy announced in May 2021 to be pursued when unemployment returns to below pre-crisis levels.[9] The EU has now formally begun the process of reviewing the EU fiscal rules, which it plans to reinstate in 2023, and is expected to continue to include a rule to reduce high levels of debt when it reinstates its fiscal rules, which currently set a benchmark for debt at 60% of GDP and deficits at 3% of GDP.[10] An update is expected in early 2022. Germany's debt brake, which has been suspended for three consecutive years (2020-2022), is expected to be reintroduced in 2023, pending the results of the German coalition negotiations.[11]

A.12 Updating the fiscal rules at this point is also in line with recommendations from international organisations. In their 2020 Article IV report on the UK, the IMF suggested instituting an updated fiscal framework that looks to reverse the rise in public debt ratios, "once uncertainty abates" and the recovery is underway.[12] In their latest World Economic Outlook, the IMF also highlight the importance of credible fiscal frameworks in keeping expectations for inflation anchored.[13] Similarly, the OECD, in their 2020 Economic Survey, recommended using the framework review to develop a set of rules that balanced "responding to the immediate crisis while maintaining the sustainability of the public finances."[14]

A.13 The new fiscal rules will guide fiscal policy for at least this Parliament – supporting the economic recovery and the delivery of this government's priorities. To ensure fiscal policy appropriately reflects any changes to fiscal and macroeconomic conditions that may have occurred, the rules will be reviewed at the start of each Parliament. This provides the right balance between providing a clear medium-term fiscal strategy, with the flexibility to adjust that strategy appropriately to the changing environment.

A.14 The Charter confirms the revised framework including the fiscal rules.[15] Some fiscal policies, to a varying extent, are devolved in Wales, Scotland and Northern Ireland. This Charter applies to the UK as a whole and the fiscal arrangements of the devolved administrations are set out elsewhere, for example in the Scottish and Welsh governments fiscal frameworks.

Supporting economic growth and macroeconomic stability

A.15 Strong, sustainable and balanced growth is the government's overarching macroeconomic objective. As shown during the pandemic and in response to other economic shocks, fiscal policy can play a key role in supporting employment and household incomes, and in underpinning macroeconomic stability. The government's fiscal rules are designed so that fiscal policy can continue to support the economy as it recovers and in the future. Firstly, the government's fiscal rules do not require the current budget to be in balance until the third year of the rolling forecast period, allowing fiscal policy to support the economy to secure a durable recovery and tackle public service backlogs caused by COVID-19. Secondly, the three-year rolling target means fiscal policy will not need to tighten unnecessarily in response to future shocks, allowing the automatic stabilisers of fiscal policy to operate over a one to two year horizon and therefore helping to stabilise economic growth and support monetary policy if interest rates

[8] Overview - Our Shared Economic and Social Foundations — Challenges and Opportunities Ahead | Budget 2021, Government of Canada, April 2021.
[9] Budget Paper No. 1 - Budget Strategy and Outlook, Australian government, May 2021.
[10] The EU economy after COVID-19: implications for economic governance, European Commission, 2021.
[11] Federal Ministry of Finance - Emerging from the crisis with sound fiscal policy and optimism, German Federal Ministry of Finance, 2021.
[12] United Kingdom IMF Article IV Mission, IMF, 2020.
[13] World Economic Outlook, IMF, October 2021.
[14] Economic Survey of the United Kingdom, OECD, 2020.
[15] Charter for Budget Responsibility, HM Treasury, 2021.

remain low.[16] Finally, by ensuring the sustainability of the public finances, the fiscal rules create the stable conditions required for economic growth, help to anchor inflation expectations and provide space in the future to respond to economic shocks if needed.

A.16 As part of the fiscal framework, an escape clause is needed to deal with more severe events which the fiscal rules are not designed to accommodate. As set out in the Charter, "In the event of a significant negative shock to the UK economy, the Treasury may temporarily suspend the fiscal mandate and supplementary targets and make a statement to Parliament. At each subsequent Budget, the Chancellor of the Exchequer must present to Parliament the government's plan to return to a position where the temporary suspension will be lifted." While the rules ensure fiscal discipline in normal times, the escape clause allows for more active fiscal policy during a large shock in a way that is within the framework's intended purpose. A clearly defined process of accountability to Parliament for triggering the escape clause supports transparency and therefore credibility.

Ensuring debt is on a sustainable path

A.17 As a result of the pandemic, borrowing reached £319.9 billion (15.2% of GDP) in 2020-21, the highest level since World War Two, and the OBR expect borrowing of £183.0 billion (7.9% of GDP) in 2021-22. PSND has reached the highest level since the early 1960s, with public sector net debt excluding the Bank of England (PSND ex BoE) expected to rise by nearly 10 percentage points of GDP from 75.9% of GDP in 2019-20 to a peak of 85.7% of GDP by the end of 2023-24.[17]

A.18 Outside of a large shock such as this, it would be irresponsible for the government to allow debt as a share of the economy to rise further. The risks created by the current high debt levels include:

- The increase in the UK's debt level following the pandemic, as well as the shortening of its average maturity, have left the UK's public finances more exposed to increases in interest rates and inflation. OBR analysis found that the first-year fiscal impact of a one percentage point rise in interest rates was six times greater than it was just before the financial crisis, and almost twice what it was before the pandemic.[18] If interest rates and inflation were to rise, increases in the costs of managing public debt would divert money away from vital public services. While debt service costs are currently low, a sustained one percentage point rise in interest rates and inflation is estimated to cost an extra £20.3 billion in 2024-25 and rising to £22.8 billion in 2026-27.[19]
- The UK has faced two 'once in a generation' shocks in just over a decade, highlighting the importance of being able to provide support for the economy, individuals and businesses when most needed. Such levels of support would not have been possible without the reduction in the deficit over the past decade which is why it is important to build space during more 'normal' times. As the OBR have concluded, "in the absence of perfect foresight, fiscal space may be the single most valuable risk management tool"; and by some metrics, the UK government's pandemic response reduced its fiscal space by more than in some euro area countries and the United States.[20,21]

[16] The government has judged that rolling rules deliver flexibility better than a cyclically adjusted rule, in part because it is challenging to judge the economy's cyclical position in real-time.

[17] 'Public finances databank', OBR, September 2021 & 'Economic and Fiscal Outlook', OBR, October 2021.

[18] 'Fiscal Risks Report, OBR, July 2021.

[19] 'Economic and Fiscal Outlook', OBR, October 2021.

[20] 'Fiscal Risks Report', OBR, July 2021.

[21] Designing a New Fiscal Framework: Understanding and Confronting Uncertainty, Chadha, Küçük & Pabst, The National Institute for Economic and Social Research (NIESR), April 2021.

- Long-term challenges, including climate change and the UK's ageing population, will see fiscal pressures starting to build over the coming decades, as highlighted in recent OBR reports.[22] It is vital for the government to rebuild its fiscal buffers to tackle these challenges with strong and stable public finances.

A.19 These factors mean that, over time, it will be critical to bring down the level of debt and reduce exposure to risks, which will be the job of many generations and governments to come. Keeping debt under control by limiting borrowing for current spending in normal times is important to prevent future generations paying for the costs of current spending.

A.20 The rule to ensure PSND ex BoE as a percentage of GDP is falling by the third year of the rolling forecast horizon provides a clear path to achieving this. The government has not set a specific target level for debt. As discussed in Box A.1, debt sustainability is a complex issue and there is no single threshold above which debt might begin to compromise fiscal sustainability or macroeconomic performance. Instead, the government aims to achieve a falling trajectory for debt given the heightened level of risk, as well as evidence suggesting debt trajectories are important to macroeconomic performance.[23]

[22] 'Fiscal Sustainability Report', OBR, 2020 & 'Fiscal Risks Report', OBR, 2021.

[23] Debt and Growth: Is There a Magic Threshold?, IMF, 2014.

Box A.1: Assessing debt sustainability

Debt sustainability is a forward-looking concept that depends on institutional strength, the outlook for the macroeconomy, fiscal position, and government financing, as well as wider exposure to contingent liabilities and risks, all of which will contribute to perceptions of the government's overall fiscal health. A well-rounded assessment therefore requires monitoring of a range of approaches:[a]

- Debt sustainability is often assessed through projections of the debt-to-GDP ratio, the path of which is determined by the growth rate of economic output and the growth rate of debt (or the level of borrowing).[b] The UK's medium-term debt trajectory and performance against its fiscal rules are assessed by the OBR through these types of projections across a five-year forecast period. Longer-term fiscal assessments are provided by the OBR in their Fiscal Sustainability Reports and by international organisations such as the OECD.[c]

- The balance sheet approach complements traditional debt sustainability analysis by considering the government's entire balance sheet, which captures a broader set of assets and liabilities than headline public debt metrics, for example public service pension liabilities and infrastructure assets. This helps to assess the government's ability to manage its total risks and liabilities, avoiding fiscal illusions. To incorporate this type of assessment, the fiscal framework includes an aim for the management of fiscal policy to strengthen measures of the public sector balance sheet over time and will be informed by the OBR's projections of the public sector balance sheet, putting the UK at the forefront of best practice in public financial management.

- The Early Warning System approach, used widely by international organisations such as the IMF, OECD and European Commission, assesses the performance of fiscal variables in response to shocks. Through its commitment to monitor closely the affordability of public debt and its sensitivity to changes in the macroeconomic context and outlook, the fiscal framework incorporates this type of approach to monitoring debt sustainability. Liquidity and financing risks can also be considered within this approach by monitoring the evolution of a government's Gross Financing Needs (GFN) and testing how they respond to illustrative shocks. The government sets out its financing plans in advance of the new fiscal year in the Debt Management Report, the latest version of which was published alongside Spring Budget 2021.[d]

The IMF have revised their framework for assessing debt sustainability and sovereign risk – called the Market Access Countries Sovereign Risk and Debt Sustainability Framework (MAC SRDSF).[e] The framework assesses near-, medium-, and long-term risk and captures a range of the above approaches which are then incorporated into a holistic assessment of a country's debt sustainability.

[a] 'Analytical Framework for Fiscal Sustainability: A Review', Pradhan, 2019.
[b] 'The burden of debt and national income', Domar, The American Economic Review, December 1944.
[c] 'Fiscal Sustainability Report', OBR, 2020 & 'The Long Game: Fiscal Outlooks to 2060 Underline Need for Structural Reform', OECD, 2021.
[d] Debt management report 2021 to 2022, HM Treasury, March 2021.
[e] Review of the Debt Sustainability Framework for Market Access Countries, IMF, 2021.

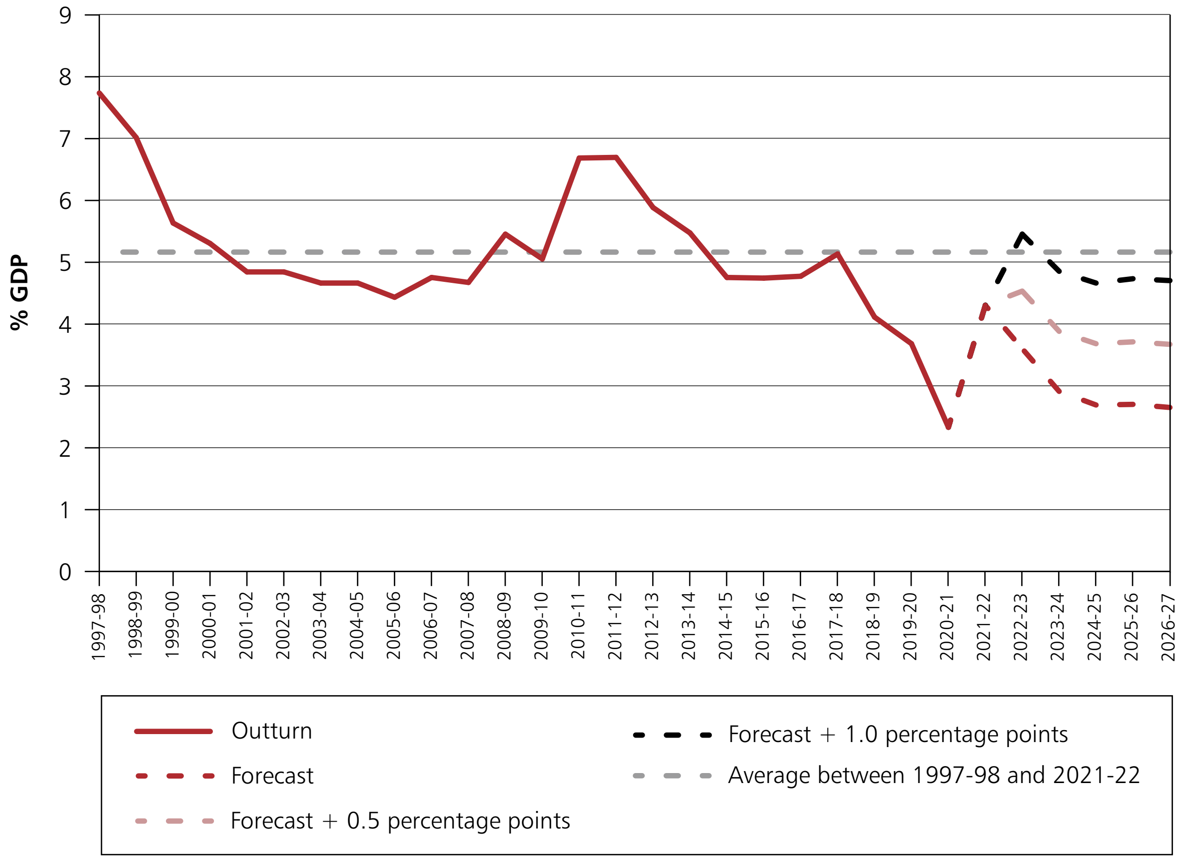
A.21 The government has chosen to focus on PSND ex BoE because excluding the Bank of England's contributions to public sector net debt through valuations effects associated with its quantitative easing programme and term funding schemes better reflects the impact of government decisions. As the Institute for Fiscal Studies have said, "it is often appropriate to focus on debt excluding the Bank of England when evaluating the fiscal situation."[24] The Treasury will continue to monitor headline debt metrics such as public sector net debt.

A.22 Ensuring the affordability of the UK's public debt is one of the key aims for the management of fiscal policy. The government will therefore closely monitor debt interest expenditure, its sensitivity to changes in the macroeconomic context and outlook, and wider risks such as the proportion of government debt issuance held overseas. Chart 1.A shows that debt interest costs are currently below the long run average since 1997-98 of 5.2% of government revenues. However, debt interest spending is now far more sensitive to changes

[24] 'The IFS Green Budget', IFS, 2021.

in short-term interest rates and inflation. This is due to a higher initial stock of debt including inflation-linked gilts, following the impact of COVID-19 and extensions of the Bank of England's Asset Purchase Facility (APF) that have reduced the effective maturity of government debt by substituting fixed-rate gilts with an average maturity of around thirteen years with floating rate central bank reserves.[25] Changing economic circumstances outside of the government's direct control could therefore quickly lead to rising debt servicing costs. Just a one percentage point increase in interest rates (which would still leave interest rates at low levels historically) would push debt interest payments to 4.1% of government revenues in 2026-27.[26] Chart 1.A shows that the combined impact of an illustrative interest rate and inflation shock could push the debt interest to revenue ratio above the historic average.

Chart A1: Debt interest to revenue ratio with illustrative interest rate & RPI shocks



The debt interest to revenue ratio is defined as public sector net interest paid (gross interest paid less interest received) as a proportion of non-interest receipts. For illustrative rate and RPI shocks all increases are assumed to take effect at the beginning of 2022-23 and continue throughout the forecast.

Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury calculations.

A.23 To mitigate these risks through the new fiscal framework, the government will seek to take action to reduce its exposure to debt interest risks rather than waiting for them to arise. As discussed in Box A.2, the design of the framework has considered the latest academic discussions on the role of fiscal policy in a low interest rate environment by seeking to reduce the UK's exposure to the risks of elevated levels of public debt, whilst also allowing room to take advantage of low interest rates by borrowing to invest to support economic growth.

[25] 'Economic and Fiscal Outlook', OBR, March 2021.

[26] 'Economic and Fiscal Outlook', OBR, October 2021 & HM Treasury calculations based on an illustrative interest rate shock that is assumed to take effect at the beginning of 2022-23 and continue throughout the forecast.

Box A.2: The Role of Fiscal Policy in a Low Interest Rate Environment

The current macroeconomic context of low interest rates has incited a rich discussion of the role of public debt. On the one hand, several influential commentators have highlighted that low interest rates reduce the costs of public debt because governments can roll over debt with little or no fiscal cost when the growth rate of output is above the effective interest rate on government debt. This could allow governments to absorb higher levels of debt without compromising sustainability and could thus support a more active role for fiscal policy.[27] However, other key commentators have challenged the assumption that interest rates will remain continually low, which is important given the recent shortening in the effective maturity of government debt which has made the public finances more sensitive to rising interest rates.[28] Public debt in the UK is high historically, yet debt service costs have fallen.[29] However, the low interest rate environment that has coincided with the pandemic and helped the UK absorb the rise in debt may not last forever, and commentators highlight that this capacity to absorb debt should not be taken for granted.[30]

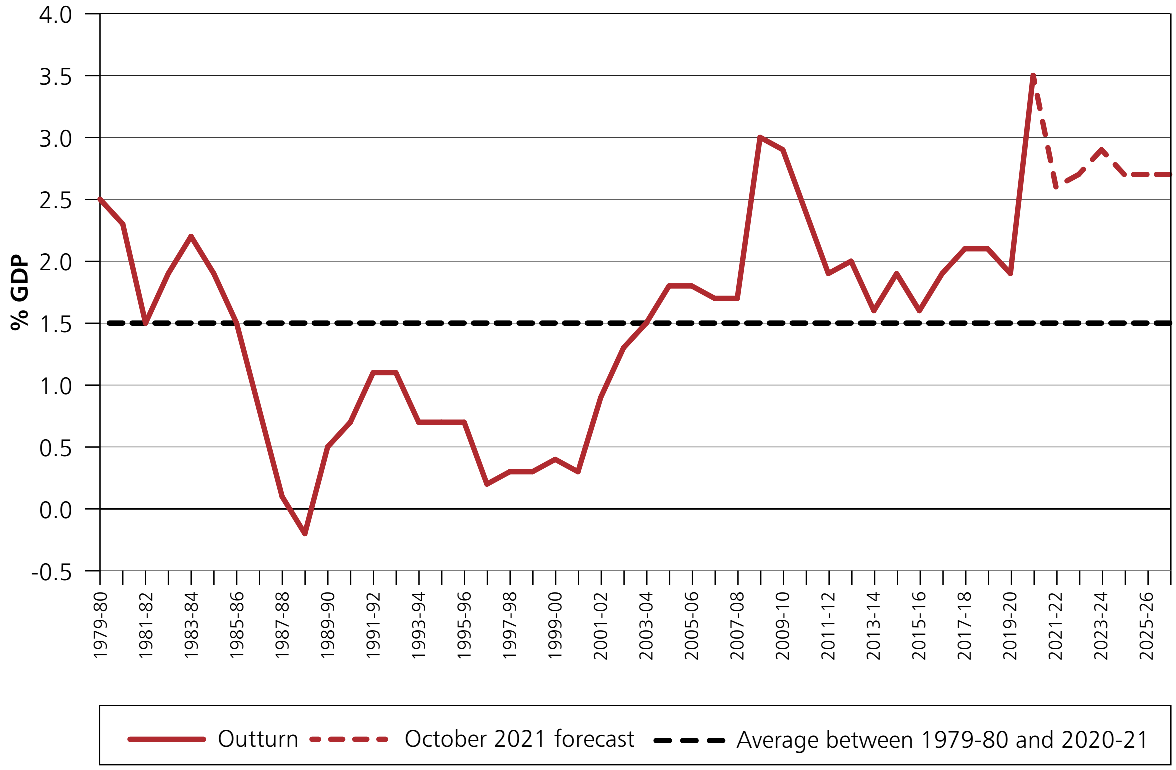
Controlling current spending while investing in capital projects that can drive future growth

A.25 The government's fiscal framework includes a target to achieve current budget balance by the third year of the rolling forecast period. A version of a current budget rule has existed for two-thirds of the period since the introduction of fiscal rules in 1997. It implies that all current spending, including spending on debt interest, is met with equivalent government revenues and that government borrowing is used only to fund investment to avoid burdening future generations with today's costs.

A.26 The government can therefore deliver on the significant uplift in capital investment announced in March 2020, and delivered at SR 2021, supporting economic growth and helping to build fiscal resilience. Chart 1.B shows that current plans will deliver the highest sustained level of PSNI as a proportion of GDP since the late 1970s. The Charter sets out a target to ensure that PSNI does not exceed 3% of GDP on average over the rolling forecast period, to allow for significant investment in capital while ensuring this is consistent with plans for debt to fall over the medium term.

[27] 'Public Debt and Low Interest Rates', Blanchard, American Economic Review, April 2019 & 'A Reconsideration of Fiscal Policy in the Era of Low Interest Rates', Furman & Summers, 2020.
[28] 'Fiscal Resiliency in a Deeply Uncertain World: The Role of Semiautonomous Discretion', Orszag, Rubin & Stiglitz, 2021.
[29] Public finances databank, OBR, September 2021 & 'Economic and Fiscal Outlook', OBR, October 2021.
[30] 'Is Higher Debt an (Almost) Free Lunch', Rogoff, 2021.

Chart A2: Public sector net investment relative to historic average



Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury calculations.

A.27 While some academics and international organisations recommend expenditure targets, the government should be able to make trade-offs on both expenditure and taxation to meet its objectives in a sustainable way that is fair across generations. Additionally, the government already operates an effective spending control through setting medium-term spending plans at SRs. While preparations for EU Exit and the uncertainty of the pandemic necessitated short-term exercises at recent SRs, the return to medium-term planning at this SR brings certainty, as well as improving efficiency of government spending and enabling the government to trade-off its priorities in the round. Given their benefits, beyond this SR the government intends to continue to conduct multiyear spending reviews unless exceptional circumstances require a different approach as they have in recent years.

A.28 To reflect the impact of COVID-19 whilst continuing to support sustainable welfare spending over the medium-term, the level of the welfare cap and pathway is being reset using the OBR's forecast for benefits in scope (see list in Table 1.B). A provision has also been added to the Charter setting conditions for the cap to be reviewed in the event of significant economic shocks in future. The welfare cap will continue to apply to spending in 2024-25 and includes a margin that rises by 0.5% above the forecast each year to reach 2% in 2024-25, in order to manage unavoidable fluctuations in the forecast and ensure that policy action is not triggered by these. Performance against the cap will be assessed by the OBR at the first fiscal event of a new Parliament, and the cap will be breached if spending in scope exceeds the cap plus margin at the point of assessment.

Table A.1: New welfare cap (£ billion, unless otherwise stated)

	2021-22	2022-23	2023-24	2024-25
Cap	-	-	-	138.3
Interim pathway	126.9	129.8	134.9	-
Margin (%)	0.5	1.0	1.5	2.0
Cap, pathway and margin	127.5	131.1	136.9	141.1

Source: HM Treasury.

Table A.2: Benefits in scope of the welfare cap

In scope	Not in scope
Attendance Allowance[1]	Benefits paid from DEL[2]
Bereavement benefits	Jobseeker's Allowance (and its passported HB)
Carer's Allowance	Northern Ireland social security outside welfare cap
Child Benefit (including Guardian's Allowance)	State Pension (basic and additional)
Christmas Bonus	Transfers within government (e.g. Over 75s TV licenses)
Disability Living Allowance[1]	Universal Credit payments to jobseekers[3]
Employment and Support Allowance	
Financial Assistance Scheme	
Housing Benefit (except HB passported from JSA)	
Incapacity Benefit	
Income Support	
Industrial injuries benefits[1]	
Maternity Allowance	
Northern Ireland social security in welfare cap	
Other DWP benefits < £0.1 billion pa in welfare cap	
Pension Credit	
Personal Independence Payment	
Personal tax credits	
Severe Disablement Allowance[1]	
Social Fund – Cold Weather Payments	
Statutory Adoption Pay	
Statutory Maternity Pay	
Statutory Paternity Pay	
Tax-Free Childcare	
Universal Credit (except payments to jobseekers)	
Winter Fuel Payment	

[1] Including linked Scottish Governement block grant addition.
[2] These payments are subject to firm spending control through the usual DEL process.
[3] Claimants in 'Intensive Work Search' conditionality group

Source: HM Treasury.

New balance sheet metrics in the fiscal framework

A.29 The ability to report and forecast the full public sector balance sheet alongside other fiscal statistics is an emerging area of fiscal analysis in the UK and around the world. Balance sheet analysis provides an additional view of fiscal sustainability, by revealing the full nature of public assets and non-debt liabilities and has support from organisations like the IMF.[31]

A.30 The OBR began publishing forecasts for PSNFL, a measure of the financial balance sheet, in 2016 and assesses the UK government's balance sheet in their Fiscal Sustainability Reports.[32] In 2019 the Office for National Statistics (ONS) published PSNW in line with the IMF's Government Finance Statistics Manual 2014 which includes both financial and non-financial assets and liabilities and is closest of the fiscal metrics to the comprehensiveness of the Whole of Government Accounts.[33] The OBR has today produced its first indicative projection of PSNW. These developments enable the government to incorporate the balance sheet into the wider fiscal framework, providing a fuller outlook to inform policy decisions. The short-term impact of balance sheet transactions including asset sales, guarantees, loans and equity investments can differ considerably from the long-term impact on public finances. Forecasting PSNW ensures the full impact is reflected as policy decisions are being made.

A.31 The Charter sets out an aim for the management of fiscal policy to "strengthen over time a range of measures of the public sector balance sheet such as public sector net debt, public sector net financial liabilities and public sector net worth through effective management of assets, liabilities and risks." As one of the early adopters of this type of approach, it puts the UK at the forefront of best practice in public financial management.

[31] 'Fiscal Monitor: Managing Public Wealth', IMF, October 2018.

[32] 'Fiscal Sustainability Report', OBR, 2018 & Public sector net financial liabilities, OBR, 2017.

[33] The UK national balance sheet estimates, ONS, 2019.

B Impacts on Equalities

B.1 The actions taken at Autumn Budget and Spending Review 2021 support the government's ambition of creating a fairer and more equal society, that reduces discrimination and disadvantage for all.

B.2 The government has ensured that public services are equipped to support people across the UK and across all spectrums of society. The government's Plan for Growth will enable the economy to thrive whilst ensuring there is equality of opportunity in order to build back better.[1]

B.3 At SR21 the government has taken steps to reduce inequalities. This is consistent with the government's commitment to pay due regard to equality impacts, in line with its legal obligations and responsibilities under the Public Sector Equality Duty (PSED) in the Equality Act 2010.[2] The three aims of the PSED to which public sector bodies, including government departments, must pay 'due regard' in their work are:

- preventing unlawful discrimination for those sharing any of the nine 'protected characteristics'
- promoting equality of opportunity for those sharing protected characteristics
- fostering good relations between those sharing protected characteristics and those who do not.

B.4 The protected characteristics are: race, sex, disability, sexual orientation, age, gender-reassignment, religious/other belief, pregnancy/maternity and, for the purpose of the duty not to discriminate, marriage/civil partnership.

B.5 HM Treasury has worked with departments across government in the lead up to SR21 to ensure compliance with these legal requirements and the Chancellor and other ministers have carefully considered the impact of decisions on those sharing protected characteristics. HM Treasury and HM Revenue and Customs have published Tax Information and Impact Notes (TIINs) for individual tax measures in the Budget that include, in summary form, assessments of their expected equalities impacts.

B.6 Government departments are responsible for ensuring that equalities impacts are appropriately considered in their areas of policy, including the duty to pay 'due regard' to the aims of the PSED.[3]

Illustrative examples

B.7 This section provides illustrative examples of where spending allocations at SR21 will help those sharing the relevant protected characteristics. This indicative list focuses on those protected characteristics most likely to be disproportionately affected by the decisions taken: age, disability, race and sex.

[1] 'Build Back Better: Our plan for growth', HM Treasury, March 2021
[2] 'Equality Act 2010'
[3] Further detail on the government's legal obligation is set out at gov.uk

Age

B.8 The decisions made at SR21 will provide support to individuals at different stages of their lives, for instance:

- investing more than £60 million over the next three years to help 16-24 year-old jobseekers gain new skills, build confidence and find lasting work through the extension of the Youth Offer to 2025. This is in addition to the Kickstart scheme, which has been extended to March 2022. Youth-focused labour market policies will help support young people into work across Great Britain
- announcing an enhanced offer for workers aged 50 and over to ensure that older workers receive the support they need to remain in or return to work and benefit from fuller working lives
- investment in schools to improve the educational outcomes of all children by confirming an additional £4.7 billion by 2024-25 for the core schools funding in England, over and above the SR19 settlement for schools in 2022-23.

Disability

B.9 The government has ensured that decisions at SR21 have considered the possible impact on disabled people to ensure that their specific needs are taken into account. This has been reflected in the spending allocations, for instance:

- over £1.1 billion of investment in targeted support helping those with disabilities to get into work, including the continuation of Access to Work and additional work coach support for disabled people
- £2.6 billion of new funding across the next three years for new school places for children with special educational needs and disabilities
- £300 million of funding by 2024-25 will complete the programme to replace over 1200 beds in mental health dormitories across more than 50 sites with single, en suite rooms. This change will support patients suffering with mental illness by improving their care, safety and sense of dignity.

Race

B.10 Decisions at SR21 consider the protected characteristic of race. For instance:

- investment in adult skills through the National Skills Fund and apprenticeships will benefit adult learners from some ethnic minorities, whose representation in further education exceeds the population average, with the proportion of apprenticeships taken up by people from a Black, Asian or other ethnic minority backgrounds increasing in recent years
- £9.6 billion of funding over the SR21 period for important COVID-19 programmes and related health spending. This includes funding for the continuation of the COVID-19 vaccine programme and booster campaigns, which are expected to have a proportionally higher positive health impact on some ethnic minority communities
- continued funding for British Business Bank programmes such as Start-Up Loans, which provide funding and mentoring to people starting a business. This will benefit ethnic minority entrepreneurs who have been issued 21% of the loans under this programme whilst making up just 4% of the SME population.

Sex

B.11 Impacts on gender equality have been carefully considered throughout SR21 to reflect this government's commitment to full, genuine gender equality. For instance:

- increases in the National Living Wage (NLW) and the National Minimum Wage (NMW) will likely benefit women, who are more likely to be on the NLW and the NMW
- the government is continuing and increasing the funding provided in 2021-22 for victim support services, including Independent Sexual and Domestic Violence Advisors. This will help victims of sexual and domestic violence, who are predominantly women, as they engage with the criminal justice system
- the Innovation Strategy affirms the importance of Equality, Diversity and Inclusion programmes, highlighting that many groups of people are under-represented among innovators. A number of programmes within Innovate UK (e.g., Women in Innovation and Young Innovators) are aimed at supporting economic growth from under-represented groups through grants, mentoring, coaching and business support.

Further steps being taken

B.12 Evidence provided by departments to HM Treasury also included assessments of the effect of policies on other protected groups. Illustrative examples include:

- £500 million on an early years and families package that will provide services for parents and babies, carers and children, benefiting mothers during pregnancy and maternity
- the LGBT community is disproportionately affected by domestic abuse and sexual violence and will be supported by continued funding for victims' services including Independent Sexual and Domestic Violence Advisors and the Rape Support Fund
- there will be increased support through accommodation and subsistence for refugees and asylum seekers who have fled their country in fear of persecution because of their religious beliefs, sexual orientation or gender identity.

C Financing

C.1 This annex sets out revisions to the government's financing plans for 2021-22, which were previously updated on 23 April 2021.[1] Further details of the revised financing remit for 2021-22, including progress against the remit to date, can be found on the website of the UK Debt Management Office (DMO).[2] The government's debt management framework remains as set out in the 'Debt management report 2021-22'.[3]

Debt management objective

C.2 The debt management objective, as set out in the 'Debt management report 2021-22', is "to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy."

Debt management policy

C.3 While decisions on debt management policy must be taken with a long-term perspective, specific decisions on funding the government's gross financing requirement are taken annually. Those decisions are announced in advance of the forthcoming financial year and are typically updated in April (a technical adjustment to reflect outturn data from the previous year) and as the Office for Budget Responsibility (OBR) publishes subsequent fiscal projections.

Financing arithmetic

C.4 The updated financing arithmetic for 2021-22 is set out in Table C.1.

C.5 The OBR's October 2021 forecast for the 2021-22 central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail), which is referred to as CGNCR (ex NRAM, B&B, and NR) is £157.6 billion, which represents a downward revision of £82.8 billion from Spring Budget 2021. This measure is used in the financing arithmetic as it reflects the forecast cash requirement of the Exchequer. The relationship between public sector net borrowing and CGNCR (ex NRAM, B&B, and NR) is set out in the OBR's October 2021 'Economic and fiscal outlook'.

C.6 This change will be met by a downward revision of £82.8 billion to the net financing requirement (NFR) for the DMO in 2021-22. The updated forecast for the NFR comprises: CGNCR (ex NRAM, B&B, and NR), financing for projected gilt redemptions, and any adjustments carried forward from previous financial years; less the net contribution to financing from National Savings and Investments (NS&I) and any other ad hoc in-year contributions to financing. In line with standard practice, the government will adhere to the full funding rule and the downward revision to the DMO's NFR will be delivered through: a decrease in gross gilt issuance this year of £57.8 billion; and a £25.0 billion reduction in the stock of Treasury bills for debt management purposes.

[1] 'Revision to the DMO's financing remit 2021-22', UK Debt Management Office, April 2021.
[2] UK Debt Management Office (website).
[3] 'Debt management report 2021-22', HM Treasury, March 2021.

Table C.1: Financing arithmetic in 2021-22 (£ billion)[1]

	Debt Management Report 2021-22	April 2021-22[2]	Autumn Budget 2021-22
CGNCR (ex NRAM, B&B, and NR)[3]	240.4	240.4	157.6
Gilt redemptions	79.3	79.3	79.3
Financing adjustment carried forward from previous financial years[4]	-16.0	-58.8	-58.8
Gross financing requirement	**303.7**	**260.9**	**178.1**
less:			
NS&I net financing[5]	6.0	6.0	6.0
Sale of UK sovereign Sukuk	0.0	0.5	0.5
Other financing	0.0	0.0	0.0
Net financing requirement (NFR) for the Debt Management Office (DMO)	**297.7**	**254.4**	**171.6**
DMO's NFR will be financed through:			
Gilt sales, through sales of:			
Short conventional gilts	87.0	72.0	53.5
Medium conventional gilts[6]	65.4	53.5	55.1
Long conventional gilts[6]	82.8	73.2	59.9
Index-linked gilts	32.7	28.4	26.3
Unallocated amount of gilts	28.0	25.5	0.0
Total gilt sales for debt financing	**295.9**	**252.6**	**194.8**
Total net contribution of Treasury bills for debt financing	**1.8**	**1.8**	**-23.2**
Total financing	**297.7**	**254.4**	**171.6**
DMO net cash position	2.3	2.3	2.3

[1] Figures may not sum due to rounding.
[2] Following the 'Debt management report 2021-22' in March 2021, the financing arithmetic was updated in April 2021 to reflect the outturn of the previous financial year's CGNCR (excluding NRAM ltd, Bradford & Bingley, and Network Rail), which changes the financing adjustment and gross financing requirement. The sale of the second UK sovereign Sukuk was also reported in the financing arithmetic at this point.
[3] Central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail).
[4] The - £58.8 billion financing adjustment in 2021-22 carried forward from previous years reflects the 2020-21 outturn for the CGNCR (ex NRAM, B&B, and NR), as first published on 23 April 2021 and an increase of £1.8 billion in the planned DMO end-financial year net cash position to £2.3 billion.
[5] The proceeds from the sale of the NS&I Green Savings Bonds do not form part of the annual net financing target. They will be reported as part of the financing arithmetic before the financial year's end.
[6] Includes green gilt issuance. More detail is provided in paragraph C.12.

Source: Debt Management Office, HM Treasury, National Savings & Investments and Office for Budget Responsibility.

Gilt issuance by method, type and maturity

C.7 The method, type and maturity of gilt issuance were previously set out in April 2021. Total gilt sales in 2021-22 are now forecast to decrease by £57.8 billion to £194.8 billion.

C.8 The reduction in gilt sales of £57.8 billion will be implemented as follows:

- A reduction of £18.5 billion in short-dated conventional gilts to £53.5 billion (27.5% of total issuance in 2021-22)
- An increase of £1.6 billion in medium-dated conventional gilts to £55.1 billion (28.3% of total issuance in 2021-22)
- A reduction of £13.3 billion in long-dated conventional gilts to £59.9 billion (30.7% of total issuance in 2021-22)
- A reduction of £2.1 billion in index-linked gilts to £26.3 billion (13.5% of total issuance in 2021-22)

C.9 The DMO's unallocated portion of issuance, initially set at £25.5 billion in April 2021 for 2021-22, is being reduced to zero. The unallocated portion in 2021-22 had primarily been used as a drawdown mechanism for the issuance of green gilts prior to sale. The proceeds from these transactions are now reported within the relevant maturity categories in Table C.1. More detail is provided in paragraph C.12 below.

C.10 Auctions will remain the government's primary method of gilt issuance. It is anticipated that £151.7 billion (77.9%) of total gilt sales will be sold by auction in 2021-22, and £43.1 billion (22.1%) will be issued by syndication.

Green gilts and green retail savings product

C.11 Since Spring Budget 2021, the government has made strong progress with its green financing programme, under which the UK will issue sovereign green bonds ('green gilts') via the DMO, and retail Green Savings Bonds via NS&I.

C.12 The UK successfully launched its inaugural green gilt on 21 September 2021. This green gilt, maturing in 2033, raised £10.0 billion, the largest ever inaugural sovereign green bond issuance. A second green gilt, maturing in 2053, followed on 21 October 2021, bringing total proceeds raised by both issues to £16.1 billion.

C.13 The retail Green Savings Bonds were brought on sale via the NS&I website on 22 October 2021. The retail Green Savings Bonds are a 3-year fixed-term product, offering an interest rate of 0.65%. Customers can invest between £100 and £100,000. A world-first, this innovative financing instrument will allow UK savers to support the government's green spending initiatives.

Sovereign Sukuk

C.14 In March 2021, the government successfully issued its second sovereign Sukuk, which is a type of financial instrument that complies with the principles of Islamic finance. The offering, worth £500.0 million, employs the commonly used Al-Ijara structure and was more than double the size of the UK's first Sukuk issuance in 2014.[4] By launching the second sovereign Sukuk, the government has cemented the UK's position as the leading global hub for Islamic finance outside the Islamic world.

Treasury bills

C.15 Treasury bills for debt management purposes comprised £60.0 billion of the total debt stock at the end of 2020-21. It was anticipated at Spring Budget 2021 that net issuance of Treasury bills for debt management purposes in 2021-22 would amount to £1.8 billion. This will now be changed to a net negative contribution of -£23.2 billion.

NS&I

C.16 NS&I's net financing target in 2021-22 remains at £6.0 billion, within a range of £3.0 billion to £9.0 billion, as set out at Spring Budget 2021. This target reflects NS&I's requirement to balance the interests of its savers, the taxpayer, and the wider financial services sector. The proceeds from the sale of the retail Green Savings Bonds do not form part of the annual net financing target. They will be reported as part of the financing arithmetic before the financial year's end.

[4] The Al-Ijara structure is the most common of Sukuk structures and refers to the case where tangible assets belonging to the borrower are "sold" to investors and then "leased" back to the borrower.

Illustrative future gross financing requirement

C.17 Table C.2 sets out the illustrative gross financing requirement for each financial year from 2022-23 to 2026-27, using the OBR's October 2021 forecast for CGNCR (ex NRAM, B&B, and NR) and taking into account current planned gilt redemptions.

Table C2: Illustrative gross financing requirement (£ billion)[1]

£ billion	2022-23	2023-24	2024-25	2025-26	2026-27
CGNCR (ex NRAM, B&B, and NR)[2]	107.9	82.8	72.7	61.2	52.3
Gilt redemptions	107.1	117.0	114.8	126.2	66.4
Total illustrative gross financing requirement	**215.0**	**199.8**	**187.5**	**187.3**	**118.7**

[1] Figures may not sum due to rounding.

[2] Central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail).

Source: Debt Management Office, HM Treasury, National Savings & Investments and Office for Budget Responsibility.

D OBR's Economic and fiscal outlook: selected tables

Table D.1: Detailed summary of our October 2021 forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn		Forecast				
	2020	2021	2022	2023	2024	2025	2026
UK economy							
Gross domestic product (GDP)	- 9.8	6.5	6.0	2.1	1.3	1.6	1.7
GDP per capita	-10.2	6.3	5.6	1.7	1.0	1.3	1.4
GDP level (2020=100)	100.0	106.5	112.8	115.2	116.7	118.6	120.6
Nominal GDP	-4.8	7.1	8.2	4.4	3.3	3.6	3.8
Output gap (per cent of potential output)	-0.4	0.9	0.6	0.5	0.1	0.0	0.0
Expenditure components of GDP							
Domestic demand	-10.5	7.3	8.3	1.7	1.2	1.7	1.8
Household consumption[1]	-10.9	4.7	9.8	1.3	1.7	1.3	1.0
General government consumption	-6.5	14.7	2.0	1.5	1.2	1.7	2.1
Fixed investment of which:	-8.8	5.7	8.9	3.3	-0.7	3.2	3.9
Business	-10.2	-2.4	15.7	4.7	-0.8	4.8	5.8
General government[2]	3.5	14.7	-2.1	6.5	-1.0	1.1	1.8
Private dwellings[2]	-13.1	16.3	4.6	-1.4	-0.5	1.4	1.5
Change in inventories[3]	-0.5	0.1	0.2	0.0	0.0	0.0	0.0
Exports of goods and services	-15.8	-0.1	7.3	1.7	0.2	-0.4	-0.4
Imports of goods and services	-17.8	2.7	15.7	0.5	0.0	0.1	0.1
Balance of payments current account							
Per cent of GDP	-3.5	-3.4	-5.3	-4.7	-4.6	-4.6	-4.7
Inflation							
CPI	0.9	2.3	4.0	2.6	2.1	2.0	2.0
RPI	1.5	3.6	5.0	3.4	2.8	2.8	2.9
GDP deflator at market prices	5.8	0.4	2.2	2.3	1.9	1.9	2.1
Labour market							
Employment (million)	32.5	32.2	32.6	33.0	33.2	33.3	33.4
Productivity per hour	0.6	0.5	0.9	1.3	1.3	1.3	1.4
Wages and salaries	1.5	5.2	4.6	3.7	2.2	3.0	3.6
Average earnings[4]	1.2	5.0	3.9	3.0	2.2	2.9	3.5
LFS unemployment (% rate)	4.6	4.9	4.8	4.3	4.2	4.2	4.2
Unemployment (million)	1.6	1.7	1.6	1.5	1.5	1.5	1.5
Household sector							
Real household disposable income	-0.6	1.1	0.3	1.5	1.1	1.4	1.3
Saving ratio (level, per cent)	15.7	13.4	5.2	5.4	4.7	4.8	5.2
House prices	3.0	8.6	3.2	0.9	1.9	2.9	3.5
World economy							
World GDP at purchasing power parity	-3.1	5.9	4.9	3.7	3.5	3.4	3.3
Euro area GDP	-6.5	4.8	4.3	2.2	1.7	1.4	1.4

World trade in goods and services	-8.1	9.9	6.8	4.4	3.8	3.6	3.5
UK export markets[5]	-8.3	9.1	6.0	4.6	3.5	3.3	3.2

[1] Includes households and non-profit institutions serving households.

[2] Includes transfer costs of non-produced assets.

[3] Contribution to GDP growth, percentage points.

[4] Wages and salaries divided by employees.

[5] Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

Table D2: Fiscal aggregates: central forecastw

	Per cent of GDP, unless otherwise stated							
	Outturn		Forecast					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Receipts and expenditure								
Public sector current receipts (a)	37.2	37.9	37.2	38.8	39.6	39.8	39.9	40.0
Total managed expenditure (b)	39.8	53.1	45.1	42.1	41.9	41.6	41.6	41.6
of which:								
Public sector current expenditure (c)	35.5	47.1	40.1	37.1	36.8	36.6	36.6	36.6
Public sector net investment (d)	1.9	3.5	2.6	2.7	2.9	2.7	2.7	2.7
Depreciation (e)	2.4	2.5	2.4	2.3	2.3	2.3	2.3	2.3
Legislated fiscal mandate and supplementary target								
Cyclically adjusted net borrowing	2.6	15.1	8.3	3.9	2.7	1.8	1.7	1.5
Public sector net debt[1]	84.2	96.6	98.2	97.9	97.8	94.7	90.5	88.0
Budget 2020 fiscal targets								
Current budget deficit (c+e-a)	0.7	11.8	5.3	0.6	-0.5	-0.9	-1.0	-1.1
Debt interest to revenue ratio (per cent)	3.7	2.5	4.3	3.6	2.9	2.7	2.7	2.6
Other deficit measures								
Public sector net borrowing (b-a)	2.6	15.2	7.9	3.3	2.4	1.7	1.7	1.5
Cyclically adjusted current budget deficit	0.8	11.6	5.7	1.2	-0.2	-0.9	-1.0	-1.1
Primary deficit	1.2	14.3	6.3	2.0	1.3	0.7	0.6	0.5
Cyclically adjusted primary deficit	1.3	14.2	6.7	2.5	1.6	0.8	0.6	0.5
Financing								
Central government net cash requirement	2.5	16.1	6.8	4.4	3.2	2.7	2.2	1.8
Public sector net cash requirement	0.8	16.1	10.2	4.3	3.2	0.7	-0.7	0.5
Alternative balance sheet metrics								
Public sector net debt ex. Bank of England	75.9	86.1	85.2	85.4	85.7	85.1	84.2	83.3
Public sector net financial liabilities	73.2	86.0	85.4	83.9	82.8	80.8	78.9	76.8
International Comparisons								
General government net borrowing	2.8	15.4	8.1	3.3	2.3	1.8	1.8	1.5

Cyclically adjusted GGNB	2.8	15.3	8.4	3.8	2.7	1.9	1.8	1.5
				£ billion				
Current budget deficit	15.1	247.3	122.9	15.8	-12.5	-25.1	-28.1	-32.9
Public sector net investment	41.8	72.7	60.1	67.2	74.1	71.4	74.5	76.9
Public sector net borrowing	56.9	319.9	183.0	83.0	61.6	46.3	46.4	44.0
Cyclically adjusted net borrowing	58.6	316.7	191.2	96.1	69.7	48.4	46.5	44.0
Cyclically adjusted current budget deficit	16.8	244.0	131.1	28.9	-4.3	-23.1	-28.0	-32.9
Public sector net debt	1,793	2,136	2,369	2,479	2,561	2,567	2,546	2,567
Net debt interest	30.0	19.4	36.0	33.7	28.8	27.7	28.8	29.5
Non-interest receipts	805.0	771.9	837.6	934.6	989.1	1,030	1,070	1,114
Memo: Output gap (per cent of GDP)	*0.1*	*-0.3*	*0.8*	*0.7*	*0.3*	*0.0*	*0.0*	*0.0*

[1] Debt at end March; GDP centred on end March.

Table D3: Change to debt since March 2021

	Per cent of GDP					
	Outturn	Forecast				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
March 2021 forecast	100.2	107.4	109.0	109.7	106.2	103.8
October 2021 forecast	96.6	98.2	97.9	97.8	94.7	90.5
Difference	-3.6	-9.2	-11.1	-11.9	-11.5	-13.2
of which:						
Change in nominal GDP[1]	-0.8	-3.6	-5.1	-4.8	-4.3	-4.0
Change in cash level of net debt	-2.8	-5.5	-6.0	-7.1	-7.2	-9.2
	£ billion					
March 2021 forecast	2,198	2,503	2,631	2,747	2,761	2,804
October 2021 forecast	2,136	2,369	2,479	2,561	2,567	2,546
Difference	-62	-134	-152	-186	-194	-258
of which:						
Underlying forecast revisions	-62	-134	-169	-215	-230	-300
PSNB	-35	-86	-126	-161	-194	-227
Financial transactions		1	5	0	23	-11
of which:						
Bank of England		27	27	27	56	27
Loan guarantee schemes		-17	-6	-6	-6	-6
Other accruals adjustments		-9	-16	-21	-27	-32
Valuation and classification changes		-21	-22	-26	-31	-35
Outturn	-27	-27	-27	-27	-27	-27
Effect of Government decisions		0	18	29	36	42
Affecting public sector net borrowing		0	21	39	48	54
Indirect effects on borrowing		1	-5	-12	-15	-15
Affecting financial transactions		0	2	1	3	4

[1] Non-seasonally adjusted GDP centred end-March.

Table D4: Changes to public sector net borrowing since March 2021

	£ billion						
	Outturn	Forecast					
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
March 2021 forecast	354.6	233.9	106.9	85.3	74.4	73.7	
October 2021 forecast	319.9	183.0	83.0	61.6	46.3	46.4	44.0
Difference	-34.7	-50.9	-23.9	-23.8	-28.1	-27.3	
of which:							
Underlying differences[1]	-34.7	-51.6	-39.4	-35.2	-33.6	-32.7	
of which:							
Income tax and NICs	-3.5	-25.3	-26.2	-27.7	-27.1	-28.4	
Other receipts	-5.4	-18.4	-25.6	-22.5	-19.2	-18.0	
Welfare spending	0.6	-3.1	2.4	7.2	9.2	10.5	
Debt interest spending	-1.5	14.9	11.1	5.8	3.1	2.7	
Other spending	-24.9	-19.8	-1.2	2.0	0.4	0.5	
Direct effect of policy decisions		-0.2	21.1	18.6	8.4	6.0	6.1
of which:							
Receipts decisions		1.2	-13.7	-13.3	-15.4	-15.8	-16.7
Tax rises		-0.5	-17.4	-22.4	-22.2	-23.3	-24.3
Tax cuts		1.6	3.7	9.2	6.8	7.5	7.6
Spending decisions		-1.4	34.8	31.9	23.8	21.7	22.9
of which:							
RDEL[2]		-1.5	35.1	28.5	24.5	24.0	25.0
CDEL		-1.2	0.4	3.1	0.1	0.7	0.7
AME		1.2	-0.7	0.2	-0.7	-3.0	-2.9
Indirect effects of decisions		0.9	-5.5	-7.1	-3.0	-0.6	-1.3
of which:							
Receipts		-0.2	-11.5	-11.6	-5.4	-2.0	-1.7
Spending		1.1	5.9	4.5	2.4	1.5	0.4

Note: This table uses the convention that a negative figure means a reduction in PSNB i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.

[1] Includes classification changes.

[2] The change in 2026-27 is relative to a baseline that assumes DEL would otherwise have remained constant as a share of GDP.

Table D5: Current receipts: changes since March 2021

	£ billion					
	Outturn	Forecast				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Income tax[1]	3.3	15.1	20.9	20.6	19.8	20.1
of which: Pay as you earn	2.0	13.0	15.2	16.7	13.8	13.8
Self assessment	1.1	1.1	5.0	3.2	5.6	5.8
Other income tax	0.2	1.0	0.6	0.6	0.5	0.5
National insurance contributions	0.2	10.3	29.4	10.6	8.1	6.3
Health and social care levy				18.3	18.7	19.3
Value added tax	-1.3	4.0	9.3	9.4	8.0	8.3
Corporation tax[2]	6.3	11.7	7.8	4.4	3.5	4.0
of which: Onshore	6.2	10.7	5.6	2.9	2.3	2.8
Offshore	0.1	1.0	2.2	1.5	1.2	1.2
Petroleum revenue tax	0.0	-0.2	0.0	0.0	0.0	0.0
Fuel duties	-0.6	0.7	-0.4	-0.3	-0.2	-0.5
Business rates	1.5	-1.3	-1.8	0.2	0.2	0.2
Council tax	0.4	0.2	0.6	1.0	1.3	1.3
VAT refunds	-1.3	-1.8	0.1	-0.3	-1.2	-1.6
Capital gains tax	0.5	0.6	2.3	3.1	3.6	3.7
Inheritance tax	0.1	0.0	0.6	0.7	0.7	0.6
Property transaction taxes[3]	-0.1	2.5	1.4	1.4	1.0	0.8
Stamp taxes on shares	0.2	0.8	0.6	0.6	0.6	0.6
Tobacco duties	0.8	0.5	0.7	0.8	0.8	0.8
Alcohol duties	-0.2	0.4	-0.1	-0.1	-0.1	0.0
Air passenger duty	-0.3	-0.3	0.1	0.1	0.1	0.1
Insurance premium tax	0.0	0.0	0.1	0.2	0.2	0.2
Climate change levy	0.0	-0.1	-0.2	-0.3	-0.3	-0.3
Bank levy	0.0	0.2	0.2	0.2	0.2	0.2
Bank surcharge	0.0	0.4	-0.1	-0.7	-0.9	-0.9
Apprenticeship levy	0.0	0.3	0.2	0.2	0.2	0.2
Digital services tax	0.0	0.1	0.1	0.1	0.2	0.2
Other HMRC taxes[4]	0.4	1.1	1.2	1.3	1.3	1.2
Vehicle excise duties	-0.1	0.1	0.3	0.3	0.3	0.2
Licence fee receipts	-0.1	0.0	0.0	0.0	0.1	0.1
Environmental levies	-1.0	-0.7	-0.8	-0.2	0.1	0.0
Emission Trading Scheme receipts	0.2	-0.3	3.7	3.1	3.0	3.0
Other taxes	-0.2	0.0	0.5	0.3	0.5	0.5
National Accounts taxes	**8.7**	**44.1**	**76.7**	**75.1**	**69.8**	**68.7**
Less own resources contribution to EU	-0.1	-	-	-	-	-
Interest and dividends	-0.2	-0.8	1.4	2.3	0.4	-1.1
Gross operating surplus	1.1	-0.2	-0.8	-2.1	-3.0	-3.4
Other receipts	-0.5	-0.4	-0.3	-0.2	-0.1	-0.1
Current receipts	**8.9**	**42.7**	**77.0**	**75.1**	**67.1**	**64.1**
Memo: UK oil and gas revenues[5]	0.2	0.9	2.1	1.4	1.2	1.3

[1] Includes PAYE, self assessment, tax on savings income and other minor components, such as income tax repayments.

[2] National Accounts measure, gross of reduced liability tax credits.

[3] Includes stamp duty land tax (SDLT), devolved property transaction taxes and the annual tax on enveloped dwellings (ATED).

[4] Consists of landfill tax (excluding Scotland and Wales), aggregates levy, betting and gaming duties, customs duties, soft drinks industry levy and diverted profits tax.

[5] Consists of offshore corporation tax and petroleum revenue tax.

Table D6: Total managed expenditure

	£ billion							
	Outturn		Forecast					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Public sector current expenditure (PSCE)								
PSCE in RDEL	321.4	434.5	406.0	397.6	405.8	417.5	433.7	450.3
PSCE in AME	468.2	554.6	524.0	523.6	542.0	556.8	575.8	597.6
of which:								
Welfare spending	227.0	245.4	246.7	254.0	267.1	278.5	289.9	300.3
Virus-related income support schemes[1]	2.2	78.0	17.0	0.0	0.0	0.0	0.0	0.0
Locally financed current expenditure	52.0	48.9	51.6	56.1	60.3	62.6	62.3	64.4
Central government debt interest, net of APF[2]	36.8	22.4	40.4	40.7	37.9	36.5	37.7	39.0
Scottish Government's current spending	29.1	42.0	39.2	38.0	38.9	39.1	41.3	42.9
EU financial settlement	10.9	10.4	8.5	8.8	4.9	1.9	1.0	0.5
Net public service pension payments	5.8	4.1	3.5	3.6	4.9	4.9	5.0	5.1
Company and other tax credits	7.3	8.7	8.9	9.6	10.9	12.1	13.1	13.8
BBC current expenditure	3.8	3.5	4.2	4.1	4.0	4.3	4.2	4.3
National Lottery current grants	1.3	1.5	1.5	1.3	1.2	1.3	1.3	1.3
General government imputed pensions	0.6	0.8	1.0	0.8	0.8	0.8	0.9	0.9
Public corporations' debt interest	0.2	0.2	0.4	0.5	0.5	0.5	0.5	0.6
Funded public sector pension schemes	15.7	19.1	19.2	20.1	21.1	21.9	22.8	23.7
General government depreciation	45.5	46.7	48.2	50.3	52.6	54.9	57.1	59.7
Current VAT refunds	16.5	17.8	18.6	20.6	21.0	21.2	22.1	23.3
Environmental levies	9.0	10.4	10.5	10.2	11.5	11.9	12.2	13.4
Other PSCE items in AME	2.0	1.9	2.3	2.8	2.7	2.8	2.8	2.9
Other National Accounts adjustments	2.8	-7.2	2.1	2.1	1.9	1.8	1.8	1.7
Total public sector current expenditure	789.6	989.1	930.0	921.1	947.8	974.3	1,009.6	1,047.9
Public sector gross investment (PSGI)								
PSGI in CDEL	58.0	72.7	77.6	87.0	94.6	94.9	99.3	103.0
PSGI in AME	36.3	53.4	37.3	37.3	38.9	38.5	39.5	40.8

of which:								
Locally financed capital expenditure	14.1	11.0	8.1	8.4	8.0	8.3	8.5	8.8
Public corporations' capital expenditure	10.8	10.0	10.7	10.7	11.0	11.3	11.4	11.8
Student loans	10.2	10.6	11.8	12.4	13.1	13.8	14.4	15.0
Funded public sector pension schemes	0.6	-0.3	1.1	1.3	1.6	1.3	1.1	1.1
Scottish Government's capital spending	3.9	4.5	5.5	4.9	5.1	5.0	5.2	5.3
Tax litigation	0.0	0.0	1.9	0.9	1.5	0.7	0.7	0.7
Calls on virus-related loan schemes	0.0	20.9	1.5	0.5	0.2	0.0	0.0	0.0
Other PSGI items in AME	0.6	-0.1	-0.6	1.1	1.1	0.8	0.8	0.7
Other National Accounts adjustments	-4.0	-3.2	-2.6	-2.8	-2.7	-2.7	-2.6	-2.6
Total public sector gross investment	94.2	126.1	114.9	124.3	133.5	133.3	138.7	143.9
Less public sector depreciation	-52.4	-53.5	-54.8	-57.0	-59.5	-61.9	-64.2	-67.0
Public sector net investment	41.8	72.7	60.1	67.2	74.1	71.4	74.5	76.9
Total managed expenditure	883.9	1,115	1,045	1,045	1,081	1,108	1,148	1,192

[1] Includes the coronavirus job retention scheme and the self-employment income support scheme.

[2] Includes reductions in debt interest payments due to the APF.

E Statistical annex

This annex provides further details of the projections of public expenditure that result from decisions made in Spending Review 2021 (SR21).

In the spending framework, spending is broken down into departmental expenditure limits (DEL) and annually managed expenditure (AME). Fixed DEL budgets are set for each department. Spending that is considered difficult to control within fixed budgets due to its size or volatility is categorised as AME. Budgets are separated into capital, which generally equates to spending that scores within public spending gross investment (PSGI) in the national accounts, and resource, generally within public sector current expenditure (PSCE).

Table E.1 sets out the composition of total managed expenditure (TME) over the forecast period. TME is the totality of public sector spending, DEL and AME, current and capital. The difference between TME and current receipts is public sector net borrowing (PSNB). Table E.1 sets out total current and capital spending for the Spending Review and how this breaks down into resource departmental expenditure limits (RDEL), resource annually managed expenditure (AME), capital departmental expenditure limits (CDEL) and Capital AME. RDEL and CDEL are further broken down to show core RDEL and ringfenced COVID-19 funding.

Accounting adjustments reconcile DEL and AME budgets with the National Accounts definitions of PSCE, PSGI and TME.

Table E.2 sets out total departmental expenditure limits (TDEL) by department. Tables E.3 and E.4 set out resource and capital DEL by department. In Tables E.6 and E.7 expenditure is broken down into core funding, ringfenced COVID-19 funding and total funding including ringfenced COVID-19 for 2019-20, 2020-21 and 2021-22. COVID-19 funding is shown separately as it is temporary, and ringfenced in departmental settlements.

In Tables E.2 and E.3 the 2021-22 RDEL figures differ from departmental outturn because the tables show RDEL baselines. As at all spending reviews and spending rounds, baselines are adjusted to represent ongoing spend, with one-off or time limited spend removed and ongoing spend funded from the reserve baselined. This provides a consistent starting point from which to conduct the Spending Review. As with all spending reviews and spending rounds, year-on-year real growth figures are calculated using GDP deflators consistent with the OBR's latest forecast.

A proportion of RDEL, in particular depreciation, is not currently used in measurement of the fiscal aggregates by the ONS and so does not directly impact on the government's fiscal mandate or on the level of Public Sector Net Debt (PSND) or Public Sector Net Borrowing (PSNB). Tables E.2 and E.3, which set out Programme and Administration Budgets, therefore exclude depreciation.

Table E.8 shows departmental administration budgets within RDEL. Administration budgets limit expenditure on running costs of central government which do not directly support frontline public services, for example, business support services, the provision of policy advice, accommodation and office services. These represent limits within the overall RDEL settlements set out elsewhere in this document, rather than additional spending.

Financial transactions are a part of departmental capital DEL budgets. Table E.5 below details departmental plans for financial transactions that contribute to net lending.

Distributional analysis shows the impact of tax, welfare and public service spending changes on household incomes. HM Treasury will publish a full distributional analysis of this Spending Review alongside the next Budget, which will also capture the impact of the Budget's other relevant announcements.

Table E.1: Total Managed Expenditure (TME)

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Plans 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Average annual real terms growth 2021-22 to 2024-25[1]	Average annual real terms growth 2019-20 to 2024-25[1]
Current Expenditure										
Resource AME	406.2	480.2	427.2	433.5	450.7	463.7	479.0	497.0	-	-
Resource DEL excluding depreciation [2 3]	345.5	475.8	454.7	435.2	442.5	453.7	471.3	489.2	3.3%	3.1%
of which: Core RDEL excluding depreciation[4]	*343.3*	*354.6*	*384.9*	-	-	-	-	-	-	-
of which: Ringfenced COVID-19 funding	*2.2*	*121.2*	*69.8*	-	-	-	-	-	-	-
Ring-fenced depreciation	38.0	33.1	48.2	52.4	54.6	56.9	59.3	61.7	-	-
Total Public Sector Current Expenditure	**789.6**	**989.1**	**930.0**	**921.1**	**947.8**	**974.3**	**1009.6**	**1047.9**	1.9%	1.8%
Capital Expenditure										
Capital AME	24.1	32.4	15.7	17.4	22.1	21.5	21.6	22.3		
Capital DEL [2 3]	70.2	93.7	99.3	106.8	111.5	111.9	117.1	121.5	1.9%	6.7%
of which: Core CDEL[4]	*70.2*	*87.9*	*98.7*	-	-	-	-	-	-	-
of which: Ringfenced COVID-19 funding	*0.0*	*5.8*	*0.5*	-	-	-	-	-	-	-
Total Public Sector Gross Investment	**94.2**	**126.1**	**114.9**	**124.3**	**133.5**	**133.3**	**138.7**	**143.9**	2.9%	4.6%
Total Managed Expenditure	**883.9**	**1115.2**	**1045.0**	**1045.4**	**1081.4**	**1107.6**	**1148.3**	**1191.7**	2.0%	2.2%
Total Managed Expenditure % of GDP	*39.8%*	*53.1%*	*45.1%*	*42.1%*	*41.9%*	*41.6%*	*41.6%*	*41.6%*	-	-
of which: Total DEL	*415.7*	*569.5*	*553.9*	*542.1*	*554.0*	*565.6*	*588.3*	*610.8*	**3.0%**	**3.8%**

[1] The annual average real growth (AARG) rates exclude ringfenced COVID-19 funding. Growth rates for total DEL, resource DEL and capital DEL are also adjusted for one-off and time-limited funding.

[2] Resource DEL excluding ringfenced depreciation is HM Treasury's primary control within resource budgets. Capital DEL is HM Treasury's primary control within capital budgets. The Office for Budget Responsibility (OBR) publishes Public Sector Current Expenditure in DEL and AME, and Public Sector Gross Investment in DEL and AME. A reconciliation is published by the OBR.

[3] The 2019-20 and 2020-21 resource DEL and capital DEL figures are outturn as published in Public Expenditure Statistical Analysis (PESA). Figures for 2021-22 onwards are plans.

[4] The core and ringfenced COVID-19 funding in 2019-20 and 2020-21 figures reflect outturn as publised in PESA, broken out by provisional estimates of core spending (shown in Table E.7). The final audited outturn data for departments is available in their Annual Reports and Accounts. Figures for 2021-22 are based on plans (shown in Table E.6).

Source: HM Treasury Calculations and Office for Budget Responsibility EFO.

Table E.2: Departmental Budgets - Total DEL (TDEL) excluding depreciation

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Total DEL excluding depreciation[1]								
Health and Social Care	140.5	144.9	156.4	178.5	183.8	188.6	4.1%	3.5%
Education	68.4	71.5	76.3	83.3	86.3	86.7	2.0%	2.4%
Home Office	12.3	13.6	14.6	16.2	16.5	16.5	1.9%	3.6%
Justice	8.3	9.3	9.8	11.0	12.0	11.5	3.3%	4.1%
Law Officers' Departments	0.6	0.6	0.7	0.8	0.8	0.8	2.1%	2.8%
Defence[2]	39.8	42.4	46.0	47.9	48.0	48.6	-0.4%	1.5%
Single Intelligence Account	3.0	2.8	3.1	3.3	3.6	3.7	3.9%	4.0%
Foreign, Commonwealth and Development Office[3]	12.6	12.5	9.7	11.1	11.4	11.8	4.4%	-5.0%
Unallocated provision to take Official Development Assistance to 0.7% of GNI	-	-	-	-	-	5.2	-	-
DLUHC Local Government	7.0	5.3	8.5	11.7	12.1	12.8	9.4%	8.4%
DLUHC Levelling up, Housing and Communities	10.7	11.4	9.7	11.1	9.0	8.9	4.1%	4.7%
Levelling Up Fund	-	-	0.2	0.9	1.4	1.4	-	-
Transport	17.7	20.5	23.2	27.2	26.7	26.2	1.9%	5.5%
Business, Energy and Industrial Strategy	13.7	20.9	17.9	19.6	23.5	23.8	7.5%	9.9%
Digital, Culture, Media and Sport	2.2	1.9	2.2	2.8	2.7	2.7	5.8%	2.9%
Environment, Food and Rural Affairs	2.8	5.0	5.6	6.7	7.3	7.0	5.3%	8.1%
International Trade	0.5	0.5	0.5	0.6	0.6	0.6	0.1%	0.2%
Work and Pensions	5.8	6.0	5.9	8.3	7.6	7.2	4.4%	2.1%
HM Revenue and Customs	4.3	4.7	4.8	5.9	5.5	5.2	0.0%	1.2%
HM Treasury	0.5	0.3	0.2	0.3	0.3	0.3	0.3%	1.2%
Cabinet Office	1.1	0.9	1.0	1.0	1.0	1.0	0.1%	9.6%
Scotland	32.9	35.5	36.7	40.6	41.2	41.8	2.4%	2.6%
Wales	14.2	15.8	15.9	17.7	18.0	18.2	2.6%	2.9%
Northern Ireland	12.7	13.6	13.4	14.8	15.0	15.2	2.2%	1.3%
Small and Independent Bodies	2.0	2.5	2.5	2.9	3.0	3.1	5.1%	6.7%
UK Shared Prosperity Fund	-	-	-	0.4	0.7	1.5	-	-
Reserves	-	-	15.6	15.9	14.7	14.0	-	-
Adjustment to baseline	-	-	1.5	-	-	-	-	-
Costs for IFRS16 leases reclassification exercise	-	-	1.5	1.5	1.5	1.5	-	-

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Total DEL excluding depreciation, excluding ringfenced COVID-19 funding	**413.5**	**442.5**	**483.6**	**542.1**	**554.0**	**565.6**	**3.0%**	**3.8%**
Ringfenced COVID-19 funding	2.2	127.0	70.3	-	-	-		
Total DEL excluding depreciation, including ringfenced COVID-19 funding	**415.7**	**569.5**	**553.9**	**542.1**	**554.0**	**565.6**		
Allowance for shortfall	-	-	-24.0	-15.2	-14.5	-13.0		
Total DEL excluding depreciation, post allowance for shortfall	**415.7**	**569.5**	**529.8**	**526.9**	**539.4**	**552.6**		

[1] Total DEL is the sum of resource DEL and capital DEL and includes the adjustments set out in the resource DEL and capital DEL tables. See footnotes to those tables for further details.

[2] The Ministry of Defence was provided with a four year settlement at Spending Review 2020, with a significant investment of £24 billion across total DEL expenditure and an overall average annual real terms growth rate (AARG) from 2019-20 to 2024-25 of 1.5%.

[3] The AARGs for the Foreign, Commonwealth and Development Office have been adjusted for time-limited funding and planned self-financed expenditure in 2024-25, and do not include the unallocated provision to take Official Development Assistance to 0.7% of GNI.

Table E.3: Resource DEL (RDEL) excluding depreciation

£ billion (current prices)	Outturn 2019-20[1]	Outturn 2020-21[1]	Baseline 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Resource DEL excluding depreciation								
Health and Social Care[3]	133.5	136.3	147.1	167.9	173.4	177.4	4.1%	3.3%
of which: NHS England and Improvement	123.7	125.9	136.1	151.8	157.4	162.6	3.8%	3.1%
Education	63.5	66.8	70.7	77.0	79.2	80.6	2.2%	2.4%
of which: core schools	44.4	47.6	49.8	53.8	55.3	56.8	2.2%	2.5%
Home Office	11.5	12.9	13.7	15.2	15.6	15.7	2.5%	3.9%
Justice	7.8	8.2	8.4	9.3	9.8	10.1	4.1%	2.6%
Law Officers' Departments	0.6	0.6	0.7	0.8	0.8	0.8	2.2%	2.9%
Defence[4]	29.5	30.6	31.5	32.4	32.2	32.4	-1.4%	-0.6%
Single Intelligence Account[5]	2.3	2.3	2.2	2.3	2.4	2.5	1.7%	1.6%
Foreign, Commonwealth and Development Office[6]	10.4	9.7	7.3	8.5	7.9	7.8	0.0%	-7.8%
Unallocated provision to take Official Development Assistance to 0.7% of GNI	-	-	-	-	-	5.2	-	-
DLUHC Local Government[7]	7.0	5.3	8.5	11.7	12.1	12.8	9.4%	8.4%
DLUHC Levelling up, Housing and Communities[8]	2.5	2.3	1.9	2.2	2.2	2.1	1.1%	3.8%
Transport	3.5	3.6	4.4	7.8	6.8	5.7	6.8%	7.8%
Business, Energy and Industrial Strategy[9]	2.5	2.1	2.3	2.6	2.7	2.6	1.4%	3.6%
Digital, Culture, Media and Sport[10]	1.6	1.4	1.4	2.1	1.6	1.6	2.2%	-1.5%
Environment, Food and Rural Affairs[11]	2.0	4.1	4.1	4.5	4.4	4.3	3.1%	2.5%
International Trade	0.5	0.5	0.5	0.5	0.5	0.5	0.1%	0.5%
Work and Pensions	5.7	5.7	5.6	7.6	7.2	6.9	4.6%	1.3%
HM Revenue and Customs	4.0	4.2	4.2	5.2	4.9	4.7	1.2%	1.0%
HM Treasury[12]	0.4	0.3	0.2	0.3	0.3	0.3	0.9%	1.5%
Cabinet Office[13]	1.0	0.7	0.5	0.6	0.6	0.5	1.4%	0.8%
Scotland[14]	28.6	30.3	31.6	35.0	35.7	36.3	2.5%	2.3%
Wales[14]	12.1	12.5	13.5	15.1	15.4	15.6	2.6%	2.8%
Northern Ireland [14]	11.4	11.9	11.7	12.9	13.2	13.4	2.1%	0.8%
Small and Independent Bodies	1.6	2.2	2.1	2.4	2.5	2.4	2.8%	6.8%
UK Shared Prosperity Fund[15]	-	-	-	0.4	0.6	1.3	-	-
Reserves	-	-	8.1	11.0	10.9	10.3	-	-
Adjustment to baseline	-	-	2.6	-	-	-	-	-
Total Resource DEL excluding depreciation and excluding ringfenced COVID-19 funding	**343.3**	**354.6**	**384.9**	**435.2**	**442.5**	**453.7**	**3.3%**	**3.1%**

£ billion (current prices)	Outturn 2019-20[1]	Outturn 2020-21[1]	Baseline 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Ringfenced COVID-19 funding	2.2	121.2	69.8	-	-	-		
Total Resource DEL including ringfenced COVID-19 funding	**345.5**	**475.8**	**454.7**	**435.2**	**442.5**	**453.7**		
Allowance for Shortfall	-	-	-13.5	-7.2	-5.8	-4.8		
Total Resource DEL excluding depreciation, post allowance for shortfall	**345.5**	**475.8**	**441.1**	**428.0**	**436.7**	**448.9**		
Memo:								
Local Government Core Spending Power[16]	46.2	49.1	50.4	53.7	56.6	58.9	3.0%	2.5%

[1] 2019-20 and 2020-21 figures reflect outturn in PESA, adjusted for provisional estimates of core spending. For devolved administrations figures represent the Barnett consequentials of departmental COVID-19 funding less the element they carried forward from 2020-21 into 2021-22.

[2] Baselines are adjusted to represent ongoing spend, with one-off or time-limited spend, including ringfenced COVID-19 funding, removed.

[3] The average annual real terms growth rate (AARGs) for the department of Health and Social Care have been adjusted for the impact of Business Rates Retention Pilots, which switch spending from DEL to AME.

[4] The Ministry of Defence was provided with a four year settlement at Spending Review 2020, with a significant investment of £24 billion across total DEL. At this Spending Review, the total DEL AARG is 1.5% from 2019-20 to 2024-25.

[5] The Single Intelligence Account outturn figures in 2019-20 include £0.3 billion transfers from other departments. For consistency the AARG from 2019-20 to 2024-25 is calculated excluding them.

[6] The AARGs for the Foreign, Commonwealth and Development Office have been adjusted for time-limited funding and planned self-financed expenditure in 2024-25, and do not include any of the unallocated provision to take Official Development Assistance to 0.7% of GNI.

[7] The AARGs for DLUHC Local Government DEL have been adjusted for the impact of Business Rates Retention Pilots and New Homes Bonus, and to remove the spending impact arising from changes to Business Rates reliefs.

[8] The DLUHC Levelling Up, Housing and Communities outturn figures in 2019-20 includes £0.9 billion of transfers from DLUHC Local Government. For consistency the AARG from 2019-20 to 2024-25 is calculated excluding them.

[9] The Department for Business, Energy and Industrial Strategy outturn figures in 2019-20 include £0.6 billion of time-limited funding. For consistency the AARG from 2019-20 to 2024-25 is calculated excluding this.

[10] The Department for Digital, Culture, Media and Sport (DCMS) outturn figures in 2019-20 include time-limited funding, for example relating to the Commonwealth Games 2022. For consistency the AARG from 2019-20 to 2024-25 is calculated excluding this. The DCMS total DEL AARG from 2019-20 to 2024-25 is 2.9%; the resource DEL AARG reflects the shift of some spending on youth services from resource into capital.

[11] The Department for Environment, Food and Rural Affairs settlement includes Common Agricultural Policy (CAP) EU replacement funding. The AARGs have been adjusted to reflect the underlying growth in the settlement excluding CAP EU replacement funding.

[12] The HM Treasury outturn figures in 2019-20 include time-limited funding. For consistency the AARG from 2019-20 to 2024-25 is calculated excluding this.

[13] The Cabinet Office outturn figures in 2019-20 include time-limited funding. For consistency the AARG from 2019-20 to 2024-25 is calculated excluding this.

[14] The Statement of Funding Policy provides further information on UK government funding for the devolved administrations.

[15] The UK Shared Prosperity Fund will spend £1.5 billion per annum by 2024-25, of which £1.3 billion per annum will be spent in resource DEL.

[16] The figure for Core Spending Power is an estimate and subject to data changes. Final figures will be published as part of the 2021-22 Local Government Finance Settlement.

Table E.4: Departmental Capital Budgets - Capital DEL (CDEL)

£ billion (current prices)	Outturn 2018-19[1]	Outturn 2019-20[1]	Outturn 2020-21[1]	Plans 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	Average annual real terms growth 2019-20 to 2024-25
Capital DEL									
Health and Social Care	5.9	7.0	8.6	9.4	10.6	10.4	11.2	3.8%	7.2%
Education	5.2	4.9	4.7	5.6	6.3	7.0	6.1	0.5%	2.2%
Home Office[3]	0.7	0.8	0.8	0.9	1.0	1.0	0.8	-7.0%	-2.2%
Justice	0.4	0.5	1.1	1.4	1.7	2.2	1.4	-1.4%	20.8%
Law Officers' Departments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.7%	-4.7%
Defence[4]	10.3	10.3	11.7	14.4	15.6	15.8	16.2	1.8%	6.8%
Single Intelligence Account[5]	0.6	0.6	0.6	0.9	1.0	1.2	1.2	9.1%	10.2%
Foreign, Commonwealth and Development Office[6]	3.2	2.2	2.8	2.4	2.6	3.5	4.0	16.0%	2.4%
DLUHC Levelling up, Housing and Communities[7]	7.4	8.3	9.0	7.8	8.9	6.9	6.8	5.1%	5.0%
Levelling Up Fund[8]	-	-	-	0.2	0.9	1.4	1.4	-	-
Transport	8.3	14.2	16.9	18.8	19.5	19.9	20.5	0.6%	4.9%
Business, Energy and Industrial Strategy	11.0	11.2	18.8	15.6	17.0	20.8	21.2	8.3%	10.9%
Digital, Culture, Media and Sport	0.0	0.6	0.5	0.8	0.8	1.1	1.1	11.8%	11.6%
Environment, Food and Rural Affairs[9]	0.7	0.7	0.9	1.6	2.2	2.9	2.7	8.4%	19.6%
International Trade[10]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.1%	-7.6%
Work and Pensions	0.3	0.1	0.3	0.3	0.6	0.5	0.4	1.2%	32.6%
HM Revenue and Customs[11]	0.3	0.3	0.5	0.6	0.7	0.6	0.5	-9.1%	4.4%
HM Treasury[12]	0.1	0.1	0.0	0.0	0.0	0.0	0.0	-19.6%	-8.8%
Cabinet Office[13]	0.1	0.1	0.2	0.5	0.4	0.5	0.5	-1.3%	30.7%
Scotland[14]	3.9	4.3	5.2	5.2	5.6	5.6	5.5	1.9%	4.5%
Wales[14]	2.0	2.1	3.3	2.4	2.6	2.6	2.6	2.3%	3.6%
Northern Ireland[14]	1.3	1.3	1.7	1.7	1.8	1.9	1.8	2.5%	5.6%
Small and Independent Bodies	0.2	0.4	0.3	0.4	0.5	0.5	0.6	16.8%	6.2%
UK Shared Prosperity Fund	-	-	-	-	0.0	0.1	0.2	-	-
Reserves	-	-	-	7.5	4.9	3.8	3.7	-	-
Funding for leases reclassification exercise (IFRS16)	-	-	-	1.5	1.5	1.5	1.5	-	-
Adjustment due to classification changes[15]	-	-	-	-1.1	-	-	-	-	-
Total Capital DEL excluding ringfenced COVID-19 funding	**62.6**	**70.2**	**87.9**	**98.7**	**106.8**	**111.5**	**111.9**	**1.9%**	**6.7%**

£ billion (current prices)	Outturn 2018-19[1]	Outturn 2019-20[1]	Outturn 2020-21[1]	Plans 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth 2021-22 to 2024-25	2019-20 to 2024-25
Temporary COVID-19 funding	-	-	5.8	0.5	-	-	-	-	-
Total Capital DEL including ringfenced COVID-19 funding	**62.6**	**70.2**	**93.7**	**99.3**	**106.8**	**111.5**	**111.9**		
Remove CDEL not in PSGI [16]	-11.8	-12.3	-21.1	-11.2	-11.9	-8.0	-8.8	-	-
Allowance for shortfall	-	-	-	-10.5	-7.9	-8.8	-8.2	-	-
Public Sector Gross Investment in CDEL	**50.8**	**58.0**	**72.7**	**77.6**	**87.0**	**94.6**	**94.9**		

[1] 2018-19, 2019-20 and 2020-21 figures reflect outturn in PESA, adjusted for provisional estimates of core spending. For devolved administrations, figures represent the Barnett consequentials of departmental COVID-19 funding less the element they carried forward from 2020-21 into 2021-22.

[2] 2021-22 figures reflect plans as at Spending Review 2020. Latest plans are shown in table E.6.

[3] The Home Office average annual real growth rates (AARG) reflect time-limited funding, including funding related to EU Exit.

[4] The Ministry of Defence (MoD) was provided with a four year settlement at Spending Review 2020, with a significant investment of £24 billion across total DEL expenditure and an overall AARG from 2019-20 to 2024-25 of 1.5%. The MoD budget does not include a contingency for Dreadnought, which is provisioned for in the Reserve.

[5] The Single Intelligence Account outturn figures in 2019-20 include £0.02 billion of transfers from other departments. The AARG from 2019-20 to 2024-25 is calculated excluding this.

[6] The AARGs for the Foreign, Commonwealth and Development Office have been adjusted for time-limited funding.

[7] The DLUHC Levelling Up, Housing and Communities budget up to 2022-23 includes time-limited funding for financial transactions for the Help to Buy scheme. The AARGs have been adjusted to reflect this.

[8] The Levelling Up Fund will be allocated between DLUHC Levelling Up, Housing and Communities (DLUHC) and Department for Transport (DfT) in due course. It is not included in DLUHC or DfT's capital DEL.

[9] The Department for Environment, Food and Rural Affairs settlement includes Common Agricultural Policy (CAP) EU replacement funding. The AARGs have been adjusted to reflect the underlying growth in the settlement excluding CAP EU replacement funding.

[10] The Department for International Trade AARGs reflect time-limited funding.

[11] The HM Revenue and Customs AARGs reflect time-limited funding for IT Transformation and funding related to EU Exit.

[12] The HM Treasury outturn figures in 2019-20 include time-limited funding and funding which has since been reclassified into capital AME. The AARG from 2019-20 to 2024-25 is calculated excluding this.

[13] The Cabinet Office AARG from 2021-22 to 2024-25 reflects time-limited funding in 2021-22, including funding for general elections and funding related to EU Exit.

[14] The Scotland, Wales and Northern Ireland AARGs have been adjusted to ensure consistency with departments, including for time-limited funding. The Statement of Funding Policy provides further information on UK government funding for the devolved administrations.

[15] Adjustments to 2021-22 Spending Review 2020 plans made at Main Estimates including DEL to AME and resource to capital DEL switches and a technical adjustment relating to COVID-19 expenditure.

[16] Capital DEL that does not form part of public sector gross investment in capital DEL, including financial transactions in capital DEL and Scottish Government capital.

Table E.5: Departmental Capital Financial Transactions Budgets (Capital DEL FTs)

£ billion (current prices)	Outturn 2019-20	Outturn 2020-21	Plans 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25
Financial Transactions budgets						
Health and Social Care	0.0	0.1	0.0	0.0	0.0	0.0
Foreign, Commonwealth and Development Office	0.1	0.2	0.9	0.4	0.9	1.2
Work and Pensions	0.1	0.2	0.2	0.3	0.2	0.1
Business, Energy and Industrial Strategy	0.1	1.5	1.0	0.6	0.3	0.9
DLUHC Levelling up, Housing and Communities[1]	3.8	4.1	2.8	3.6	0.7	0.6
Digital, Culture, Media and Sport	0.0	0.4	0.0	0.0	0.0	0.0
Environment, Food and Rural Affairs	0.0	0.0	0.0	0.0	0.0	0.0
Education	0.0	0.0	0.0	-0.1	-0.1	-0.1
HM Treasury	0.1	0.0	0.0	0.0	0.0	0.0
Scotland	0.2	0.4	0.2	0.5	0.2	0.2
Wales	0.2	0.8	0.1	0.3	0.1	0.1
Northern Ireland	0.0	0.1	0.1	0.2	0.1	0.1
Total Financial Transactions	**4.7**	**7.7**	**5.2**	**5.8**	**2.3**	**3.1**

[1] DLUHC Levelling up, Housing and Communities budget reduces over the Spending Review 2021 period due to the end of the Help to Buy equity loan scheme which, as announced in July 2020, will end in 2022-23.

Table E.6: Departmental Budgets for 2021-22[1]

£ billion (current prices)	Resource DEL excluding depreciation			Capital DEL		
	Core	Ringfenced COVID-19	Total	Core	Ringfenced COVID-19	Total
Health and Social Care[2]	147.6	33.8	181.4	9.0	0.0	9.0
Education	70.9	0.5	71.4	5.6	0.0	5.6
Home Office	13.2	0.0	13.3	0.9	0.0	0.9
Justice	8.4	0.2	8.7	1.7	0.0	1.7
Law Officers' Departments	0.7	0.0	0.7	0.0	0.0	0.0
Defence	31.4	0.0	31.4	14.3	0.0	14.3
Single Intelligence Account	2.5	0.0	2.5	1.0	0.0	1.0
Foreign, Commonwealth and Development Office	7.2	0.0	7.2	1.9	0.1	1.9
DLUHC Local Government	7.7	9.8	17.5	-	-	-
DLUHC Levelling up, Housing and Communities	2.8	0.2	3.0	8.8	0.0	8.8
Transport	4.4	4.9	9.3	19.5	0.0	19.5
Business, Energy and Industrial Strategy	2.3	6.1	8.4	16.5	0.2	16.7
Digital, Culture, Media and Sport	1.6	0.2	1.8	0.9	0.2	1.0
Environment, Food and Rural Affairs	4.1	0.0	4.2	1.5	0.0	1.5
International Trade	0.5	0.0	0.5	0.2	0.0	0.2
Work and Pensions	5.6	4.0	9.6	0.3	0.1	0.5
HM Revenue and Customs	4.9	0.8	5.7	0.7	0.0	0.7
HM Treasury	0.3	0.0	0.3	0.0	0.0	0.0
Cabinet Office	1.1	0.1	1.2	0.4	0.0	0.4
Scotland[3]	32.7	4.1	36.7	5.8	0.0	5.8
Wales[3]	14.1	2.4	16.6	2.7	0.0	2.7
Northern Ireland[3]	12.5	1.5	13.9	1.9	0.0	1.9
Small and Independent Bodies	2.5	0.0	2.5	0.4	0.0	0.4
Reserves	5.8	1.1	6.9	5.6	-	5.6
Adjustment for Budget Exchange[4]	-0.1	0.0	-0.1	-1.1	-	-1.1
Total	**384.9**	**69.8**	**454.7**	**98.7**	**0.5**	**99.3**
Allowance for shortfall	-	-	-13.5	-	-	-10.5
Total post allowance for shortfall	**-**	**-**	**441.1**	**-**	**-**	**88.8**

[1] These figures include budgetary changes, as set out in Consolidated Budgeting Guidance, since Spring Budget 2021 such as budget cover transfers agreed between departments and reserve claims.

[2] The Department for Health and Social Care figure includes additional funding to NHS England and Improvement to support COVID-19 response over the second half of the year.

[3] The Statement of Funding Policy provides further information on UK government funding for the devolved administrations.

[4] Adjustments to 2021-22 Spending Review 2020 plans made at Main Estimates including DEL to AME and Resource to Capital DEL switches and technical adjustments relating to COVID-19 expenditure.

Table E.7: Total Ringfenced COVID-19 funding

£ billion (current prices)	Resource DEL excluding depreciation			Capital DEL	
	Outturn 2019-20[1]	Outturn 2020-21[1]	Budget 2021-22[2]	Outturn 2020-21[1]	Budget 2021-22[2]
Health and Social Care	0.0	44.3	33.8	3.1	0.0
of which: NHS England and Improvement	0.0	17.9	15.0	-	-
Education	0.0	1.4	0.5	0.0	0.0
of which: core schools	0.0	0.0	0.0	-	-
Home Office	0.0	1.7	0.0	0.0	0.0
Justice	0.0	0.4	0.2	0.0	0.0
Law Officers' Departments	0.0	0.0	0.0	0.0	0.0
Defence	0.0	0.0	0.0	0.0	0.0
Single Intelligence Account	0.0	0.0	0.0	0.0	0.0
Foreign, Commonwealth and Development Office	0.0	0.0	0.0	0.1	0.1
DLUHC Local Government	1.6	15.9	9.8	-	-
DLUHC Levelling up, Housing and Communities	0.0	0.4	0.2	0.1	0.0
Transport	0.6	12.7	4.9	0.2	0.0
Business, Energy and Industrial Strategy	0.0	23.9	6.1	1.5	0.2
Digital, Culture, Media and Sport	0.0	1.5	0.2	0.5	0.2
Environment, Food and Rural Affairs	0.0	0.3	0.0	0.0	0.0
International Trade	0.0	0.0	0.0	0.0	0.0
Work and Pensions	0.0	0.8	4.0	0.2	0.1
HM Revenue and Customs	0.0	0.3	0.8	0.0	0.0
HM Treasury	0.0	0.0	0.0	0.0	0.0
Cabinet Office	0.0	0.7	0.1	0.2	0.0
Scotland	0.0	8.6	4.1	0.0	0.0
Wales	0.0	5.2	2.4	0.0	0.0
Northern Ireland	0.0	3.0	1.5	0.0	0.0
Small and Independent Bodies	0.0	0.0	0.0	0.0	0.0
Reserves	0.0	0.0	1.1	-	-
Total DEL excluding depreciation	**2.2**	**121.2**	**69.8**	**5.8**	**0.5**

[1] 2019-20 and 2020-21 figures reflect outturn in PESA, adjusted for provisional estimates of COVID-19 ringfenced spending. For devolved administrations figures represent the Barnett consequentials of departmental COVID-19 funding less the element they carried forward from 2020-21 into 2021-22. The final outturn data for departments is available in their Annual Reports and Accounts.

[2] 2021-22 figures reflect the plans set at Spending Review 2020, adjusted for budgetary changes at and since Spring Budget 21. These are subject to revision through the 2021-22 Supplementary Estimates.

Table E.8: Departmental Administration Budgets (excluding depreciation)

£ million (current prices)	Outturn 2019-20	Outturn 2020-21	Plans 2021-22[1]	Plans 2022-23	Plans 2023-24	Plans 2024-25
Resource DEL excluding depreciation						
Health and Social Care	2,212	2,419	2,464	2,467	2,469	2,469
Education	468	488	488	500	500	500
Home Office	335	346	361	401	401	378
Justice	369	400	456	467	474	459
Law Officers' Departments	53	36	58	62	63	64
Defence	1,908	1,944	1,983	2,028	2,029	2,030
Single Intelligence Account	79	71	81	93	97	101
Foreign, Commonwealth and Development Office	201	217	284	285	285	285
DLUHC Levelling up, Housing and Communities	226	262	300	317	314	305
Transport	284	281	333	346	346	346
Business, Energy and Industrial Strategy[2]	476	529	577	522	510	498
Digital, Culture, Media and Sport	189	195	221	276	259	248
Environment, Food and Rural Affairs[2]	641	689	805	836	815	823
International Trade	144	160	217	208	210	209
Work and Pensions	767	876	869	920	916	901
HM Revenue and Customs	757	892	890	951	1,013	975
HM Treasury	199	251	239	285	275	257
Cabinet Office	314	347	306	286	290	293
Small and Independent Bodies[3]	268	308	343	456	508	470
Total administration budgets excluding depreciation	**9,890**	**10,711**	**11,276**	**11,706**	**11,774**	**11,610**

[1] 2021-22 administration budgets are plans set at Spending Review 2020, which include both core administration funding as well as additional ringfenced administration costs for COVID-19.

[2] The administration budgets for the Department for Business, Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs are provisional and will be finalised at Main Estimates.

[3] Small and independent bodies include only those subject to the administration budget regime.

List of abbreviations

AARGR	Average annual real growth rate
ABV	Alcohol by volume
AGOSS	Airport and Ground Operations Support Scheme
AME	Annually managed expenditure
APF	Asset Purchase Facility
ARIA	Advanced Research and Invention Agency
ATI	Aerospace Technology Institute
BBB	British Business Bank
BBLS	Bounce Back Loan Scheme
BEIS	Department for Business, Energy and Industrial Strategy
CAPD	Cyclically adjusted primary deficit
CBILS	Coronavirus Business Interruption Loan Scheme
CCUS	Carbon Capture Usage & Storage
CDCs	Community diagnostic centres
CDEL	Departmental Capital Totals
CGNCR	Central government net cash requirement
CJRS	Coronavirus Job Retention Scheme
CPI	Consumer Prices Index
CPS	Crown Prosecution Service
CSP	Core Spending Power
CO	Cabinet Office
CSSF	Conflict, Stability and Security Fund
DCMS	Department for Digital, Culture, Media and Sport
DEFRA	Department for Environment, Food & Rural Affairs
DfE	Department for Education
DfT	Department for Transport
DLUHC	Department for Levelling Up, Housing and Communities
DHSC	Department of Health and Social Care
DIT	Department for International Trade
DMO	Debt Management Office
DRO	Debt Relief Order
DWP	Department for Work and Pensions
FBIS	Future Borders and Immigration System
FCDO	Foreign Commonwealth and Development Office
FE	Further Education
FSA	Food Standards Agency
FSR	Fiscal Sustainability Report
GAD	Government Actuary's Department
GDP	Gross domestic product
GFN	Gross financing needs

GNI	Gross National Income
HGV	Heavy goods vehicle
HMLR	HM Land Registry
HMRC	HM Revenue and Customs
HMT	HM Treasury
HUR	Harmonised Unemployment Rate
ICF	International Climate Finance
IPSA	Independent Parliamentary Standards Authority
IMF	International Monetary Fund
IoT	Institute of Technology
KIBS	Knowledge Intensive Business Services
LGBCE	Local Government Boundary Commission for England
MAC	SRDSF Market Access Countries Sovereign Risk and Debt Sustainability Framework
MaPS	Money and Pensions Service
MHRA	Medicines and Healthcare products Regulatory Agency
MOD	Ministry of Defence
MPC	Monetary Policy Committee
NAO	National Audit Office
NATO	North Atlantic Treaty Organisation
NIO	Northern Ireland Office
NLW	National Living Wage
NFR	Net financing requirement
NIC	National Infrastructure Commission
NIS	National Infrastructure Strategy
NS&I	National Savings and Investments
NZS	Net Zero Strategy
OBR	Office for Budget Responsibility
ODA	Official Development Assistance
ODPs	Outcome delivery plans
OECD	Organisation for Economic Co-operation and Development
Ofgem	Office of Gas and Electricity Markets
Ofwat	Water Services Regulation Authority
ONS	Office for National Statistics
ORR	Office of Rail and Road
OVA	Office for Veterans' Affairs
PCC	Police and Crime Commissioner
PSCE	Public sector current expenditure
PSCR	Public sector current receipts
PSNB	Public sector net borrowing
PSND	Public sector net debt
PSNW	Public sector net worth
PSNFL	Public sector net financial liabilities
PSNI	Public sector net investment

PSNW	Public sector net worth
PSGI	Public spending gross investment
R&D	Research and Development
RDEL	Departmental resource totals
SAF	Sustainable Aviation Fuel
SDR	Special Drawing Rights
SEISS	Self-Employment Income Support Scheme
SEND	Special educational needs and disabilities
SFO	Serious Fraud Office
SIA	Single Intelligence Account
SME	Small and medium-sized enterprise
SOF	Shared Outcomes Fund
SWAP	Sector Based Work Academy Programme
SR19	Spending Round 2019
SR21	Spending Review 2021
TDEL	Total Departmental Expenditure Limits
TME	Total Managed Expenditure
UC	Universal Credit
UKEF	UK Export Finance
UKIB	UK Infrastructure Bank
UKIC	UK Intelligence Community
UKSPF	UK Shared Prosperity Fund
VED	Vehicle Excise Duty
VOA	Valuation Office Agency

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