SPENDING REVIEW 2020: DELIVERING THE BRITISH PEOPLE'S PRIORITIES

GOVERNMENT BUDGETS FOR FINANCIAL YEAR 2021-22

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

Spending Review 2020 <u>is set in a difficult and challenging economic context</u>

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

Priority 1: <u>Protecting people's lives and livelihoods as we respond to coronavirus</u>

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

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

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

Priority 2: <u>Delivering stronger public services – more hospitals, better schools, safer streets</u>

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

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

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

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

This Spending Review also unleashes the power of our union

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

DEPARTMENTAL SETTLEMENTS: SUMMARY

DHSC	• Delivering on our promise to give the **NHS its biggest ever cash boost** - a £156.4 billion day to day budget. • Confirming a further **£3 billion next year to support the NHS's recovery from the impact of coronavirus**, including £500m to improve access to mental health services, alongside investing **£15 billion in NHS Test and Trace and £2.1 billion in PPE next year**. • Spending **£260 million to educate and train our vital NHS workforce** as part of our commitment to deliver 50,000 more nurses and create an additional 50 million GP appointments a year. • Providing £9.4 billion of capital funding for projects such as the **40 new hospital building programme**, over **70 hospital upgrades** and replacing the vast majority of ageing diagnostic equipment (CT, MRI etc.)
DfE	• Increasing the **core schools budget** by £2.2 billion in 2021-22, delivering a **minimum 2% increase per pupil**. • Investing £375 million in skills, delivering the **Lifetime Skills Guarantee** and reform of the apprenticeship system. • Improving the education estate through **£1.8 billion to maintain and improve the condition of school buildings**, and £1.5 billion to improve the FE College estate, and funding for T-levels and Institutes of Technology (IOTs).
HO	• Keeping our country safe by providing more than £400 million to continue the recruitment of **20,000 extra police officers (6,000 this year)**, alongside funding for a new **Counter Terrorism Operations Centre**. • Investing an additional £217 million capital to deliver the new **points-based immigration system**.
MoJ	• Investing an additional £337m to strengthen our justice system and reducing the court backlogs caused by C-19. • Providing **£40m to support victims of crime, including victims of domestic violence**. • Investing more than **£4 billion capital funding over the next four years** to help deliver 18,000 additional prison places by the mid-2020s – the **largest prison building programme in over a century**.
MHCLG	• Launching a new **National Home Building Fund**, with initial funding of £7.1 billion over the next four years to unlock up to 860,000 homes as well as providing **£2.2 billion of new loan finance to support housebuilders.** • Investing an additional **£100 million in unlocking brownfield**, regenerating estates, and releasing serviced plots. • Announcing over £3 billion of additional support to our councils to deal with Covid-19 pressures next year. • Providing **£254 million (a 60% cash increase) to support rough sleepers and those at risk of homelessness**.
DWP	• Investing £3.6 billion of additional funding in 2021-22 to **double the number of work coaches** and deliver on the support announced in the Government's Plan for Jobs, including funding over **250,000 jobs via Kickstart**. • Announcing a new **£2.9 billion 3-year Restart programme** to provide intensive and tailored support to over 1 million unemployed people and help them find work.
DfT	• Confirming today **£58 billion of investment to build better local roads, improve our rail services and upgrade our buses and cycling infrastructure.** • Providing **£2.1 billion of rail service funding,** to support the economy while passenger demand recovers. • Doubling down on our **commitment to Net Zero by 2050**, investing £1.3 billion in **electric vehicle charging infrastructure** and £120 million for **500 net zero emissions buses** next year.
DEFRA	• **Ensuring total farm support** in England of £2.4 billion in 2021-22, in line with our manifesto commitment. • Setting out our plans for the first four years of the **£5.2 billion six-year flood and coastal defence programme**. • Investing more than **£90 million for the Nature for Climate Fund**, to keep us on track to restore more peatlands and **plant 30,000 hectares of trees** a year by the end of this Parliament. • Maintaining **funding for fisheries across the UK's nations** with £13.5 million committed for England.
BEIS	• Providing **£14.6 billion to invest in R&D in 2021-22**, including an increase of almost £400m next year to core **funding for our world class universities and research institutions**. • Allocating over £3 billion as part of the **wider £12 billion Net Zero agend**a from our Ten Point Plan. • Investing in the British Business Bank and **boosting the Start-Up Loans scheme** by £56.5 million to help new entrepreneurship and stimulate the economic recovery post-Covid.
DCMS	• Investing **£1.2 billion over the next 4 years to support the rollout of gigabit-capable broadband** as well as providing funding to improve 4G coverage in rural areas and roll out local full-fibre networks. • Providing £320 million for our **world-leading museums and galleries and cultural institutions** and more than **£450 million for Arts Council England**. • Funding a major programme of upcoming events, including £118.5m for the **Commonwealth Games**, £29m for **Festival UK,** and £5m to begin preparations for the Queen's Platinum Jubilee celebrations
MoD	• Providing an **over £24 billion** of investment over four years – the biggest programme of investment in British defence since the end of the Cold War, and one that goes above and beyond our manifesto commitment to grow the defence budget by 0.5 per cent on top of inflation. • This settlement will also provide **£6.6bn of R&D** to boost research into artificial intelligence, future combat air power and other battle-winning technologies, and create 10,000 jobs annually across the entire United Kingdom.
FCDO	• Increasing the UK's **core funding to the WHO to £340 million** over the next four years, remaining the largest donor to the International Development Association (the World Bank's lending arm for the world's poorest countries) and supporting developing countries to 'build back greener.' • Allocating £**821 million to the Conflict, Security and Stability Fund**, to support the UK's national security interests overseas, and improving access to education for girls, including by co-hosting a successful Global Partnership for Education summit in 2021.
DIT	• Providing the resources needed to **negotiate ambitious trade deals** with countries across the world – **building on the 53 trade deals** the UK government has signed or agreed in principle in the last two years. • Enhance services for inward investors through the **new Office for Investment**, to drive foreign investment into the UK and ensure such investment plays its part in levelling up across the UK.
CO	• Investing £228m in the **Government Property Agency**, empowering departments to relocate 22,000 roles out of London and the South East by 2030 to drive forward the Levelling up agenda.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

- **We face extraordinary circumstances as a result of the unprecedented support to the economy in the wake of the pandemic. Our priority at this time has to be responding to the pandemic, while doing everything we can to protect the jobs and livelihoods of the British people and supporting public services.**
- **That is why we will spend the equivalent of 0.5 per cent of our national income as overseas aid in 2021, allocating £10 billion for ODA in 2021-22.**
- **However, we are not stepping back from our global role in the world. Based on the latest OECD data, this would make the UK the second most generous ODA spending country in the G7 as a percentage of our gross national income, and we continue to spend more than the average of the 29 OECD development assistance committee members (0.38 per cent).**
- **We intend to return to 0.7 per cent when the fiscal situation allows.**

We will remain one of the largest ODA spenders in the world

- **Today's Spending Review provides the equivalent of 0.5 per cent of our gross national income in international aid,** allocating £10 billion for ODA in 2021-22 at a time of significant economic uncertainty.
- **This settlement will ensure the UK remains one of the largest ODA spenders in the world.** Based on latest OECD data, today's settlement would make the UK the G7's second highest ODA spending country as a proportion of gross national income, spending more than Japan (0.29 per cent), Canada (0.27 per cent), Italy (0.24 per cent), and the US (0.16 per cent). We will also spend well above the average of the 29 members of the OECD's Development Assistance Committee (0.38 per cent).
- **The Foreign Secretary will run an additional assurance process after the spending review.** To ensure coherence and maximum value for money from the ODA budget, the Foreign Secretary will review in detail how ODA is allocated against the government's priorities. This will ensure we focus on the UK's most important and strategic development priorities – helping to tackle global challenges like climate change and recovering from the pandemic.

We also spend considerable sums on areas that make a difference but do not count as ODA spending…

- **The UK has long championed reform at the OECD Development Assistance Committee (DAC).** However, as the DAC works by consensus decision-making and there are a range of views on what should be counted as development spending, changing the ODA rules has been a very slow process with only two changes in the last 40 years – both spearheaded by the UK.
- **We need to recognise that there are significant areas of our international spending which are aligned with our development objectives but do not currently count as aid,** meaning our support to development and global public goods goes beyond our narrower ODA spending. For example, this includes:
  - An extra £510 million next year beyond ODA on **peacekeeping and security programming**.
  - Over £556 million in 21/22 on **asylum support**.
  - Our **multilateral ODA** does not fully reflect our contributions to the international system – our lending to the IMF's Poverty Reductions and Growth Trust totals £4.4 billion, of which two-thirds is not ODA.
  - Our **spending on R&D** can also have global benefits, even though it is not coming from our ODA spending – such as our research into better health outcomes and climate change.

The UK's role on the world stage remains absolute…

- **The UK remains a leading member of the international community.** In addition to our ODA spending, the UK will host the G7 Presidency and COP26 in Glasgow next year. We remain a leading G20 member and one of only five permanent Security Council members of the United Nations. We also continue to be **one of the few countries to meet the Nato 2 per cent defence target**, we are a major contributor to UN peacekeeping operations, and **we have the third biggest diplomatic network in the world**.

- **The pandemic has emphasised the UK's central role on the world stage.** The UK's rapid and decisive leadership has driven unprecedented global collaboration and resourcing for the development and delivery of vaccines, therapeutics and diagnostics, with billions committed from Multilateral Development Banks to fight the pandemic.
- **The UK has been publicly recognised by the IMF for its leadership in responding to Covid-19. The UK is the world's largest donor to Covax's Advance Market Commitment (AMC)** – the global initiative supporting developing country access to coronavirus vaccines. The UK is making £548 million available through the AMC.
- **The Government has made a commitment to** increase our contribution to the **World Health Organisation** to £340 million over the next 4 years. This represents a 30 per cent increase, cementing the **UK the second largest member state contributor**. This will support the WHO to improve global health security and strengthen developing country health systems.
- **The UK is the top donor to the World Bank's** lending arm for the poorest countries, the International Development Association (IDA).
- **The UK will continue to be a world leader on global health** and the Government is committed to strengthening international efforts on vaccines in addition to its coronavirus. The government is committing £1.65 billion in funding over five years for **Gavi**, the Vaccine Alliance, a global health organisation to which the **UK is the largest donor**, enabling the immunisation from infectious diseases of close to 75 million children in the world's poorest countries, ensuring that coronavirus does not undermine global efforts to protect against preventable diseases.
- **The Government has committed to stand up for the right for every girl in the world to have 12 years of quality education** and will improve access to education for girls, starting by co-hosting a successful Global Partnership for Education summit in 2021.
- **The UK has also played a leading role in galvanising private sector investment for sustainable development**. The UK hosted the UK-Africa Investment Summit earlier this year, where billions of pounds of new commercial deals were announced highlighting the strength of the UK's offer and existing relationship with Africa. The London Stock Exchange also hosts more African companies than any other international exchange.
- **Last week, the Prime Minister set out our Ten Point Plan for the UK to attain net zero emissions by 2050.** Our Ten Point Plan will lay the foundations for a Green Industrial Revolution, supporting green jobs, and accelerating our path to net zero. As the world looks to recover from the impact of coronavirus, we will mobilise £12 billion of government investment, with potentially 3 times as much from the private sector, to help make the UK a global leader in green technology and create up to a quarter of a million green jobs by 2030.
- **We also announced the largest boost to our nation's defence in the last 30 years**, investing over £24 billion in our national security, which will deliver 10,000 new jobs a year, and ensure the UK is a global, outward-looking nation as we embrace our future outside of the EU.
- **The UK is currently the fifth largest contributor to the UN peacekeeping budget.** The UK has recently supported six UN missions with nearly 600 troops and staff officers deployed to South Sudan, the DRC, Somalia, Mali, Libya and Cyprus, and continues to provide training for around 11,000 peacekeepers annually on the African continent. The UK will imminently deploy around 250 Military personnel to MINUSMA – the UN peacekeeping operation in Mali.
- **In November 2019 the UK also helped to secure agreement at the Organisation for the Prohibition of Chemical Weapons (OPCW)** Conference of State Parties to add Novichok - the toxic agent used in the Salisbury attack - to the Chemical Weapons Convention, and funding for work to identify the perpetrators of chemical weapons use in Syria.
- **The UK continues to play a crucial role in ensuring security, stability and good governance in fragile countries.** For example, in Afghanistan we supported the US-Taliban deal, which for the first time in 19 years will open the door to a peace settlement. And our diplomatic efforts on Syria helped to secure ceasefires, halting the Syrian regime's offensive in Idlib, while maintaining pressure on the regime to engage in the UN-led political process.

Don't forget…

- **Between 1997 and 2009 under Labour, average UK spend on ODA was 0.36 per cent of GNI.** In 1997, the UK level of spend for ODA as a per centage of GNI was 0.26 per cent, rising to 0.51 per cent in both 2006 and 2009 (Gov.UK, Statistics on International Development: Provisional UK Aid Spend 2019 – accompanying tables, accessed 24 November 2020, link).

PUBLIC SECTOR PAY

- **Our public sector workers have ensured that our essential public services continue to be delivered to those who need it, even during these challenging and uncertain times – and we pay tribute to them.**
- **But we should also recognise that in the private sector, wages are being cut, hours are being cut, workers are losing their jobs, and those on furlough have seen considerable pay cuts and uncertainty. In the six months to September, the private sector has seen a pay cut of nearly 1 per cent compared to this time last year. By contrast, public sector earnings have increased by almost 4 per cent, according to ONS figures.**
- **This comes on top of the existing situation where those in the public sector enjoy higher pay and better pensions than the private sector.**
- **That is why, in order to protect jobs and ensure fairness, we cannot justify an across the board pay increase for all public sector workers. Instead, we are targeting our resources towards those who need it most.**

To ensure fairness between the private and public sectors, we are taking three steps:

(1) **Taking account of the Pay Review Body's future advice, we will provide a pay rise to over 1 million people working in the NHS**, including doctors and nurses, given the uniquely challenging impact of coronavirus. This amounts to around 25 per cent of the total public sector.

(2) **For everybody else, there will be a temporary pause on pay rises.** This includes the civil service, armed forces, police, teachers, prisons, national crime agency and the judiciary. Pay progression awards, performance pay, overtime and pay rises from promotion will also continue, estimated to be worth over 1 per cent of pay.

(3) **We will protect those who most need it.** 2.1 million public sector workers (those who earn less than median UK earnings of £24,000) will receive an increase of at least £250, or 1 per cent. That equates to 38 per cent of the public sector workforce.

TAKEN TOGETHER, THE MAJORITY OF PUBLIC SECTOR WORKERS WILL SEE AN INCREASE IN PAY NEXT YEAR

Public sector compensation is already higher than that in the private sector…

- **Based on pay, public sector workers do better than private sector workers.** ONS figures suggest a 7 per cent pay premium in 2019 (including pensions and controlling for characteristics) which has risen over the past few years from 5 per cent in 2017, and has likely risen further in 2020. IFS figures estimate that those in the public sector receive more than 9 per cent more per hour than those in the private sector.
  - Additionally, published figures show the median salary in the public sector in 2020 was £1,770 higher than in the private sector.
  - This is most acute at lower grades where the average hourly wage in the public sector is 20 per cent *more* than in the private sector (£13.62 vs. £11.24). Assuming a 35-hour working week, this suggests average public sector earnings of £24,900, compared to £20,500 in the private sector.
- **Public sector pensions are also more generous than those in the private sector.** Most people in the public sector enjoy Defined Benefit schemes, where the benefits are known and not subject to risk – and where employers (the taxpayer) contribute around 20 per cent of earnings to the pension. On the other hand, most people in the private sector have Defined Contribution schemes, where the benefits are more uncertain and dependent on investment performance – and where the private employer contributes around half the level of the public sector. **This means a typical teacher or police officer with a 30-year-career will retire with a pension worth £21,000-£22,000 whereas a comparable private sector employee would get just £10,000.**
- **Last year the public sector received an inflation-busting pay rise – the third year in a row of significant real terms increases for many of these workforces.** In August, we announced real terms pay increases of between 2-3 per cent for around 900,000 public sector workers across seven workforces – around 20 per cent of the total public sector workforce. For the majority, this is the third inflation-busting pay rise in a row, following the lifting of the 1 per cent cap at the end of 2017-18.

Coronavirus has stretched this gap between the private and public sectors further…

- **Pay levels in the private sector has reduced.** In the six months to September, the private sector has seen a pay cut of nearly 1 per cent compared to this time last year. By contrast, public sector earnings have increased by almost 4 per cent, according to ONS figures.
- **Employment in the private sector has been hit hard by the pandemic.** Since March, the number of people in employment in the UK fell by 782,000. But over a similar period of time, public sector employment *increased*.
- **Hours worked by those in the private sector also fell.** Hours worked in the private sector were 18 per cent down in Q2 (the largest drop since 1971), with significant impacts on people's pay – and even into Q3, they remain below pre-covid levels. By contrast, major areas of the public sector saw an increase in hours worked.
- **Furlough was used by more people in the private sector than public sector.** Just under one-third of private sector employees have been furloughed at some point, earning 80 per cent of their usual pay. However, HMRC estimates that the public sector accounted for just 1 per cent of furlough claims.

We are protecting the lowest paid in society by accepting the recommendations of the Low Pay Commission and increasing the National Living Wage…

- We are today accepting in full the recommendations of the Low Pay Commission to **increase the National Living Wage by 2.2 per cent to £8.91**, to extend this rate to those aged 23 or over, and to increase the National Minimum Wage as well. These increases will benefit around 2 million people – a full-time worker on the NLW will see their **pay rise by £345 next year**, an effective increase of over £4,000 since the policy was introduced in 2016.

Helpful examples

- **Teachers. The median classroom teacher salary is £37,832 – compared with a UK median salary of £24,897, making teachers in the top 30 per cent of earners in the UK**. The average starting salary for a classroom teacher is £25,714. Additionally, around one-fifth of all qualified teachers receive progression pay each year, based on their performance: on average, these equate to £2,630, which is 7 per cent of the overall salary of classroom teachers. Teachers also benefit from generous pensions, with employers contributing around 16 per cent of salary into a pension. A teacher with typical earnings in a 30-year career will retire with a pension worth £21,000 – compared to a typical private sector employee receiving less than £10,000. The Government remains committed to our manifesto pledge to raise teacher's starting salaries to £30,000. There are no issues recruiting teachers: we have recently seen a 32% surge in post graduate teacher trainee applications compared to last year, 15% more teacher trainees will start this year compared to last and UCAS figures also show strongly growing applications.
- **Police. The median police constable salary outside London earns £40,900 – compared with a national median salary of £24,897, making police constables in the top 25 per cent of earners in the UK**. The average starting salary for a police constable is between £21,402 and £24,780. Additionally, around 40 per cent of all police receive automatic annual incremental pay of at least 2 per cent of salary – worth around £800. Police also benefit from generous pensions, with employers contributing around 23 per cent of salary into a pension. A typical police officer with typical earnings into a 30-year career will retire with a pension worth £22,000 – compared to a typical private sector employee receiving less than £10,000.
- **Nurses. The median salary for an NHS nurse is £33,325, compared with a national median salary of £24,897, making nurses in the top 40 per cent of earners in the UK**. The average starting salary for a newly qualified nurse is £24,907, which has increased 12 per cent since 2018 thanks to our 3-year Agenda for Change deal which is in its final year this year. Over the 3 years, nurses below the top of their pay band have been receiving increases of at least 9 per cent, while those already at the top of their band are receiving an increase of 6.5 per cent.

Don't forget…

- **Following the 2008 financial crisis, Labour Chancellor Alistair Darling announced plans to freeze public sector pay for two years.** In 2009, he announced a cap on rises of 1 per cent, to come into effect from 2011. Then-Chief Secretary Liam Byrne said 'If we want to … protect frontline services, we have to make tough but realistic decisions on pay' (*The Guardian*, 6 October 2009, link; *Independent*, 9 December 2009, link).

WELFARE

- **The government's approach throughout this pandemic has been to support all families – particularly those on low incomes – through a range of measures, including the furlough scheme, catch up funding for schools, a £500 million Hardship Fund and a £7 billion increase to the welfare safety net.**
- **And the evidence shows that our measures so far throughout the pandemic have reduced the impact of the crisis on the incomes of working households the most. But our priority always remains to keep people in work – as the evidence shows that work is the best way out of poverty.**
- **That is why the Spending Review will fund our £30 billion Plan for Jobs and other measures to support those on low incomes to keep more of what they earn and address the root causes of disadvantage.**
- **Future decisions on welfare and tax are typically made at Budgets. The temporary uplift in UC runs to next Spring and we do not need to make a decision about this now. However, as is typical at this time of year, we have confirmed we will uprate benefits by inflation and pensions by 2.5 per cent for next year.**
- **We have also confirmed that we will maintain this year's £1 billion cash increase to Local Housing Allowance into next year rather than reverting back to pre-crisis levels, benefitting over 1.5 million households over £600 each. We are also providing new funding of £670 million to support the more than 4 million vulnerable families pay their council tax bills (worth around £150 each).**

On Wednesday 25 November, the Secretary of State for Work and Pensions announced the results of the uprating review, which sets the level of benefits for next year.

- **Universal Credit and Working Tax Credits will be increased by the rate of inflation, 0.5 per cent.** Benefits are reviewed annually to assess their value in relation to inflation – which this year is 0.5 per cent CPI. This is a completely separate approach from the temporary £20 per week increase to the UC standard allowance and WTC basic element which we introduced in March for 12 months – specifically for those who have seen their incomes fall as a result of the crisis.

IT WOULD BE WRONG TO MAKE A DECISION NOW ON EXTENDING THE TEMPORARY £20 UPLIFT

- **The temporary £20 increase expires automatically at the end of March 2021, if no action is taken.** As we have done throughout this crisis, we will continue to assess how best to support the economy, which is why we will look at the economic and health context in the new year. But to illustrate, extending the £20 increase by a further 12 months would cost over £6 billion per year – that's equivalent to adding 1p on the basic rate of income tax and 5p on fuel duty. And as it stands, **spending on working-age welfare this year is – at over £100 billion – already set to be at its highest level on record, both in real terms and as a % of national income.**
- **Local Housing Allowance rates will be frozen in cash terms at their current level**. At the start of the pandemic, we uplifted LHA rates to the 30th percentile for 2020-21 – meaning over 1.5 million households have benefitted from an additional £600 per year on average. We are keeping LHA at the same cash level in 2021-22, instead of cutting this back to pre-covid rates, which were significantly less generous.
- **The State Pension will increase by 2.5 per cent.** The government is taking a different approach to the state pension than working age benefits, especially as pensioners cannot easily supplement their incomes. Due to the pandemic, average earnings have fallen this year, which would normally mean a freeze to the state pension. However, the government has introduced a Bill to ensure we are able to increase the State Pension and Pension Credit rates for 2021-22 – even if there is no growth in earnings. We are therefore uprating the State Pension by 2.5 per cent, benefitting over 12 million pensioners. Similarly, the Standard Minimum Guarantee in Pension Credit will increase in 2021-22 by the weekly cash increase in the full rate of the basic State Pension. Pension Credit benefits over 1.5 million lower income pensioners.

This government has supported those on the lowest incomes throughout this crisis…

- **Evidence shows that the government has supported the poorest through this crisis.** HM Treasury distributional analysis has revealed that our responses have reduced the impact of the crisis on income losses faced by working households by up to two-thirds – with the poorest working households protected the most.

- This is due to a range of measures worth over £8 billion, including:
  - **Temporary £20 per week increase to UC and Working Tax Credits**, worth over £1,000 per year;
  - **Extending the furlough scheme until the end of March** at 80 per cent of people's wages;
  - **Two further grants for the self-employed**, building on the two grants we have already made available;
  - **An increase to the LHA to the 30th percentile** of market rates;
  - A **£500 million Hardship Fund** to support more than 3 million people with their council tax bills;
  - £350 million for a **National Tutoring Programme** to help disadvantaged pupils catch up lost learning
  - **Free School Meal vouchers** during school closures for over 1.4 million students from the lowest income families;
  - **£2.4 billion Pupil Premium**, which provides additional funding to schools to improve disadvantaged pupils;
  - The **Troubled Families programme**, which has successfully supported over 400,000 families;
  - The **National School Breakfast Programme**, which provides a free, healthy breakfast for disadvantaged pupils in 1,700 schools;
  - The **Winter Support Package** represents a long-term plan to help tackle poor health, hunger and education and include a £170 million Covid Winter Grant Scheme to support children, families and the most vulnerable over winter and £16 million additional funding for food distribution charities.

Today's Spending Review goes even further with a range of additional measures…

- **Supporting the wages of the lowest earners:**
  - From April 2021, workers on the **National Living Wage** will receive a 2.2 per cent increase to £8.91 per hour – worth over £345 a year for a full-time worker.
  - The government is also **extending the NLW to those aged 23 or over** (currently 25+).
  - **Young people and apprentices will also likely see above inflation increases** in the National Minimum Wage rates on 1 April 2021.
  - Taken together, these pay rises will likely **benefit around 2 million workers.**
  - W**e will protect the lowest paid**, with 2.1 million public sector workers earning less than £24,000 receiving a minimum £250 increase. We will continue to provide for **pay rises for over 1 million NHS workers.**
- **Help with the cost of living:**
  - The SR provides an **extra £670 million next year to local authorities to help support the more than 4 million households that are least able to afford council tax payments.**
  - The government will establish a £220 million **Holiday Activities and Food Programme** to provide enriching activities and a healthy meal for disadvantaged children in the Easter, Summer and Christmas holidays in 2021. This provides funding up to the end of 2021-22 and supports the government's commitment to establish a Flexible Childcare Fund to increase the availability of affordable flexible childcare.
  - An increase in **Healthy Start payments** from £3.10 to £4.25 a week from April 2021.
- **Supporting people with housing costs and those at risk of homelessness and rough sleeping:**
  - Our **£12.2 billion Affordable Homes Programme**, the largest affordable housing investment for a decade, will deliver up to 180,000 affordable homes for ownership and rent.
  - The government will fund **£140 million of Discretionary Housing Payments in 2021-22.** to support those who are most in need on Housing Benefit and the Housing Element of Universal Credit to stay in their homes.
  - **SR20 also provides £254 million of additional funding for homelessness and rough sleeping**, including £103 million announced earlier this year for accommodation and substance misuse. This takes total resource funding in 2021-22 to £676 million, a 60 per cent cash increase compared to SR19.
- **Addressing the root causes of disadvantage:**
  - To recognise the challenge faced by schools as a result of Covid-19, the government is providing **£1 billion in 'catch-up' funding** for schools. This includes a National Tutoring Programme targeted at pupils from disadvantaged backgrounds.
  - SR20 provides **£44 million for early years education**, to increase the hourly rate paid to childcare providers for the government's free hours offers.
  - SR20 provides **£165 million of funding for the Troubled Families programme,** which has successfully supported over 400,000 families through a key worker, whole family approach.
  - The **Reducing Parental Conflict** program is being continued, with £11 million allocated to help councils across England to integrate services that address parental conflict into their local provision for families.
- **Under this government poverty and inequality have been reducing:**
  - Since 2010 (according to poverty statistics published in March 2020 and covering 2018/19) there are, pre housing costs:

- 200,000 fewer people in absolute poverty
- 100,000 fewer pensioners in absolute poverty
- 100,000 fewer children in absolute poverty
- Compared to 2010, there are 786,000 fewer children living in workless households, and 1.2 million fewer workless households
- Under this Government the number of children growing up in a home where no adult works has fallen to record lows
- Income inequality was lower going into the Covid-19 crisis than in 2010
- The Resolution Foundation estimates income inequality is likely to have fallen in the first two months of 20-21
- The key stage 4 attainment gap between disadvantaged pupils and other pupils is 9.1 per cent lower than in 2011

The focus now is rightly on creating, supporting and protecting as many jobs as possible…

- **Creating hundreds of thousands of new jobs for young people through a new £2 billion Kickstart Scheme, to give young people the best possible chance of getting a job.** The scheme will directly pay businesses to create new, decent and high-quality jobs for any 16-24 year old at risk of long-term unemployment. Funding available for each job will cover 100 per cent of the National Minimum Wage for 25 hours a week, for six months in total, plus an admin fee – for a grant of around £6,500 per placement. There will be no cap on the number of places available, and our £2 billion will initially fund hundreds of thousands of new placements.
- **Providing further support for people to get the skills and training they need:**
  - We are providing further support to employers to offer apprenticeships by making £2.5 billion funding available and delivering new improvements.
  - On top of the £400 million that the government provided at SR19 for 16-19 year olds in FE, we are providing £291 million to ensure that funding can rise in line with demographic growth, and to maintain the targeted policy measures introduced at Spending Round 2019.
  - We are also making available £375 million from the National Skills Fund, which will provide over £138 million to fund in-demand technical courses for adults equivalent to A level and expand the boot camp training model, in addition to £127 million to extend the Plan for Jobs measures, including funding for traineeships, sector-based work academy placements, and the National Careers Service.
- **We are building on the Plan for Jobs commitment to increase capacity in Job Centre Plus and double the number of work coaches to get people back on their feet and into work.** We will deliver on the commitment to double the number of Work Coaches through Job Centre Plus to 27,000 and provide additional investments into contracted provision to ensure DWP can support people to find a job.
- We will also **offer a guaranteed foundation of support to all 18-24 year olds on Universal Credit in the Intensive Work Search regime with a new Youth Offer**, which includes: a 13-week Youth Employment Programme to help claimants into suitable opportunities or provision including work, apprenticeships, work experience, education or a traineeship; Youth Hubs, co-delivered by DWP and local partners to give young people up to 6 months of tailored support to address any wider skills gaps; and the introduction of youth employability coaches for those with complex needs.
- A new 3-year, **£2.9 billion Restart** programme to provide intensive and tailored support to over 1 million unemployed people and help them find work. The programme builds on what we know works by incentivising providers to help as many people as possible into sustained work, while learning lessons from previous programmes and ensuring people receive the right level of support.

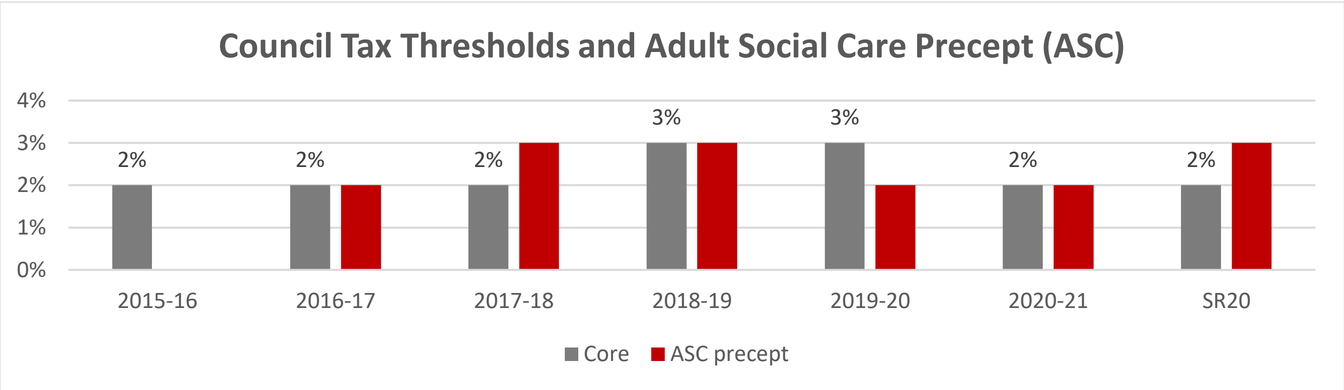
Devolution

- The Scotland Act 2016 devolved direct responsibility for over £3.4 billion of disability, carer's and other benefits, and the **Scottish Government already has flexibilities in deciding how to pay elements of Universal Credit**, as well as the power to top up reserved benefits and create new benefits in non-reserved areas.
- The **Scottish Government also has significant tax powers**, which they can use to pay for increases to the generosity of their own devolved benefits or to administer their own top-up reserved benefits.
- The **Scottish Government have already put in place a Carer's Allowance Supplement**, and plan to implement another top-up – the 'Scottish Child Payment' from February 2021. This will pay families with a child under 6 who are in receipt of means-tested benefit an additional £10 a week, from Feb 2021.

COUNCIL TAX

- **Our local authorities have been at the forefront of the fight against coronavirus, delivering highly valued local public services to residents – but they need to be able to raise money to continue doing so.**
- **That is why today's Spending Review allows local authorities to increase their core spending power by 4.5 per cent, following the largest real terms increase for a decade last year.**
  - **Councils will have the flexibility to increase council tax bills by up to 2 per cent and the Adult Social Care Precept by 3 per cent. This is line with previous years.**
  - **Councils will also receive a new cash social care grant of £300 million, meaning in total an extra £1 billion to fund social care, coming on top of the extra £1 billion social grant we provided this year, which will be maintained into 2021-22.**
- **Councils will also receive over £3 billion to support them with their coronavirus pressures next year both on frontline services and helping to manage through a period of lower income.**

- **Today's settlement gives local authorities the flexibility to raise revenue to meet their core spending pressures.** Local authorities will be able to increase their council tax bills by 2 per cent, without needing to hold a referendum. Additionally, local authorities with social care responsibilities will be able to charge an additional 3 per cent adult social care precept. They will need to consider the burden of tax on their rate payers when deciding appropriate increases.
- **The % increase in precepts and council tax limits is in line with previous years.** Historic council tax thresholds have been 2 per cent since 2015/16, rising to 3 per cent in 2018 and 2019. Adult Social Care Precept was 2 per cent in 2016/17 and 2020/1, and an average of 6 per cent across 2017-2020. Councils can defer part of their ASC precept increase to the following year if they prefer.



- **Today's settlement provides local authorities with over £1 billion for social care.** Along with the 3 per cent adult social care precept, councils will receive £300 million new grant funding – totalling over £1 billion of new funding next year to support social care. This is **<u>on top of</u>** the £1 billion social care grant announced last year, which is being maintained in line with our manifesto commitment.
- **To support local authorities with Coronavirus pressures next year, the government will provide over £3 billion in additional support by:**
  - Providing an additional £1.6 billion of grant funding to meet additional service pressures.
  - Providing £670 million of additional grant funding to support more than 4 million vulnerable households
  - Providing an estimated £762 million to compensate local authorities for 75% per cent of irrecoverable loss of council tax and business rates revenues.
  - Extending the existing Coronavirus Sales, Fees & Charges reimbursement scheme for a further 3 months until the end of June 2021.
- **To provide further stability, the government will not proceed with a reset of business rates baseline in 2021-22.** We will also maintain the New Homes Bonus in its current form for a further year, with no new legacy payments.