

Item 8: Appendix 1 - Summary of Comprehensive Spending Review announcements

Headlines aligned to the Government's three priorities:

- 1) *To protect people's lives and livelihoods providing the support they need to get through Covid*

Covid response

- £280bn spent on pandemic response since March
- This includes £38bn for funding of public services, with an additional £55bn forecast for 2021/22
- £3bn to the NHS recovery (checks, scans and operations)
- £2bn for transport and subsidising the rail network
- £3bn to local councils
- £250m to end rough sleeping
- £840m on Eat Out to Help Out – 68% over forecast

Growth and borrowing

- OBR forecast 11.3% contraction in the economy in 2020 – biggest decline in three centuries
- Growth of 5.5% in 2021 and 6.6% in 2022, before returning near to pre-crisis trend
- Economic output level won't recover to pre-crisis levels until Q4 2022
- Deficit will be £394bn this year – highest recorded in peacetime history – and will remain at about £100bn+ for remainder of forecast
- Predicted peak of unemployment at 7.5%, and expected to be at 4.4% by end 2024
- The OBR forecast is still based on an assumption of a free trade agreement from January. However, it presents analysis of a WTO scenario in the annex, which reduces output by 1.5-2% each year over the forecast horizon, and is helpful in understanding risks and potential sectoral impacts.

Public sector pay and Living Wage

- No public sector pay rises next year, apart from NHS staff and those earning below the median wage (£24,000) who will receive at least £250
- Main National Living Wage rate will increase 2.2% to £8.91p/h and extend to those aged 23 and over from April 2021.

- 2) *To make good on our (Govt's) promise to deliver strong public services by investing in schools, hospitals our police force and more*

Departmental spending

- Departmental spending of £540bn day-to-day will rise by 3.8% - with departmental budgets increasing by £14.8bn
- The Chancellor has cut departmental budgets for non-Covid ("core") spending by £10bn next year, relative to the March 2020 budget
- £6.6bn increase to health budget
- £2.2bn increase to schools, year on year increase of at least 2% to get £7.2bn by 2022/23

- £291m for further education: £1.5bn over six years for college estates, extended traineeships and improving apprenticeships for businesses
- Increase to Local Authorities core spending power of 4.5% with extra flexibility for council tax and adult social care precept
- Access to an extra £1bn on top of the £1bn social care grant, which will be maintained
- The Government will match EU funding for regional development after Brexit (£1.5bn annually)
- £1bn increase for safer streets, with police officer recruitment and £4bn over 4 years for new prison places
- 0.5% of GDP for overseas aid: £10bn in this spending round. The intention is to return to 0.7% when the fiscal situation allows
- £24bn funding for defence over next 4 years

3) *To deliver our (Govt's) record investment plans in infrastructure to level up and spread opportunity across the United Kingdom. Our plan is to deliver the highest sustained levels of government investment in almost half a century*

Levelling up/Infrastructure

- Infrastructure investment to total £100bn next year
- New £4bn Levelling Up fund for local areas. Bids to the Treasury, Department for Transport, and Department for Communities and Local Government to create a holistic, place-based approach on projects which demonstrate impact, can be delivered and command local support
- £7.1bn national home building fund on top of affordable homes plan
- £15bn for research and development
- To finance and establish a new infrastructure bank located in the North

The **Office for Budget Responsibility (OBR)** now forecast that the UK economy will contract by 11.3% this year, then return to growth, with output increasing by 5.5% and 6.6% in 2021 and 2022 respectively, before growth then returning close to pre-crisis levels. The economy will not recover to its pre-pandemic levels until Q4 2022, and will still be 3% smaller than its March forecast by 2025. To note:

- Forecasts assume the UK will secure a trade deal with the European Union.
- Failure to secure a deal would reduce output by 2% initially (short-term disruptions), and 1.5% thereafter (due to lower productivity and weaker business investment).
- It also assumes successful rollout of a Covid vaccine, but restrictions remain in place through the Spring
- There is an expected peak of unemployment at 7.5% in Q2 2021 (downside scenario peak of 11% and upside scenario peak at 5%)

Total public spending is forecast to rise by 16.4% of GDP in 2020-21 to 56.3%, the highest recorded in peacetime history. This spike is expected to reduce next year as Covid-related spending drops, and as GDP starts to recover, but public spending will remain elevated. Public spending levels will fall back further in 2022-23 (as Covid-related departmental spending falls back to zero), and more slowly thereafter (as unemployment falls).