

Latest government spending plans

# Main Estimates 2021-22 (and beyond)

Impartial briefing from House of Commons specialists



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# What can you learn from this document?



## Overview:

- ✓ How government sets out its spending plans and Parliament's role in considering those plans
- ✓ The timetable for further updates to spending plans
- ✓ How the government classifies different kinds of spending
- ✓ How government spending plans for 2021-22 differ from last year, and how Covid-19 spending has affected this.

## For each department:

- ✓ Spending trends
- ✓ Changes in spending compared to last year – including the effects of Covid-19 spending
- ✓ Where the money goes within the department
- ✓ What we know about future spending

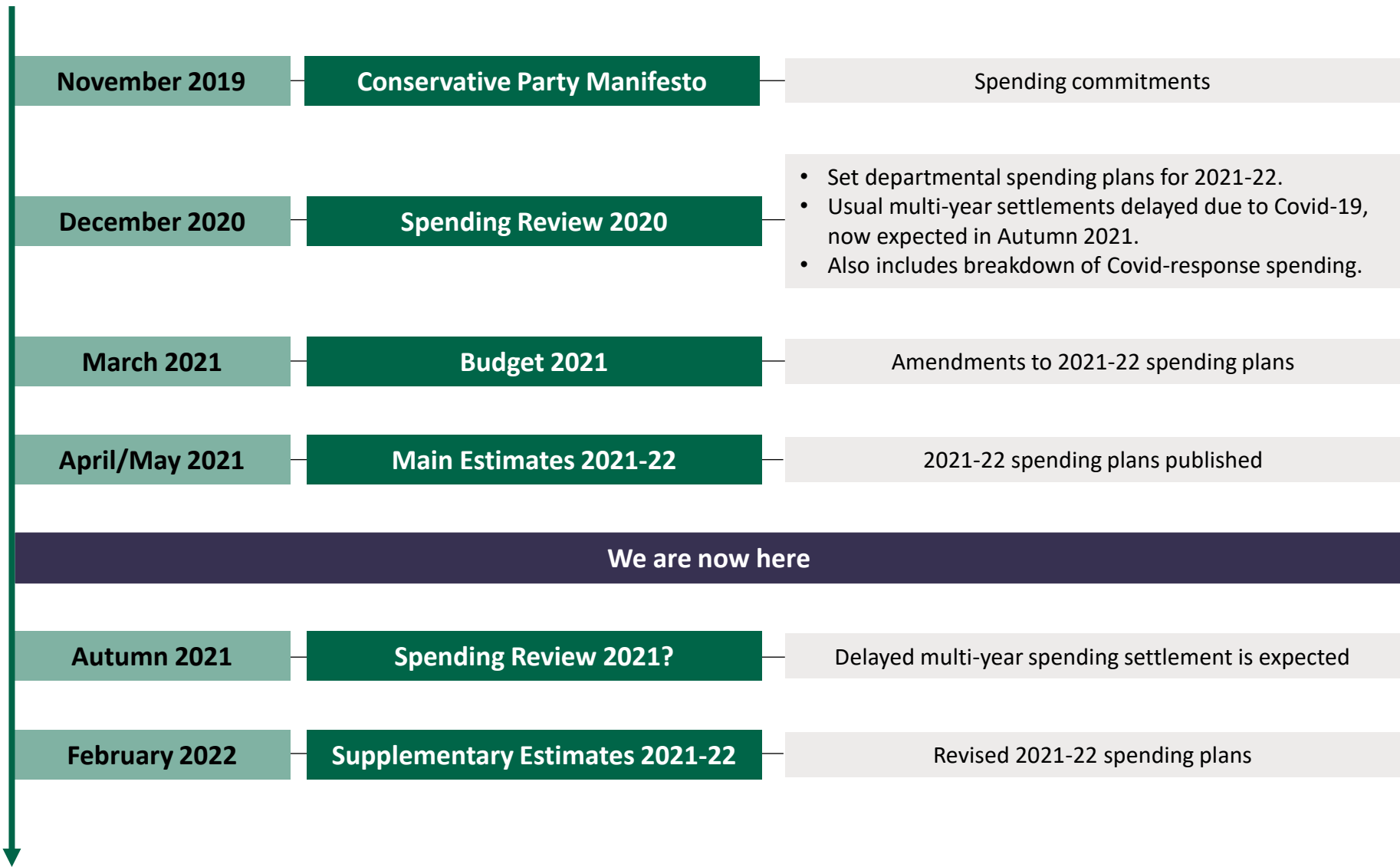
# How government seeks funding

- **Main Estimates** (published in May) are the government's initial **spending plans** at the start of the financial year. Each department has a separate Main Estimate.
- This year the Main Estimates include significant additional spending for Covid-19, on top of the “core” spending of the department, but the levels of Covid-19 spending are currently lower than final budgets for last year,
- This is unlikely to be all the spending required; similarly to last year, additional money may be spent during the year, using advances from the **Treasury's Contingency Fund**, and then formally requested and repaid in the **Supplementary Estimates**, due to be published in February 2022.

## Parliament's role

- Parliament debates selected Estimates on “**Estimates days**”.
- Parliament must authorise spending plans before they can come into effect
- Urgent spending may be funded by advances (a “Vote on Account”, and from the Contingencies Fund)

# Budget timeline: spending in 2021-22 and beyond



# The different spending limits and what they include

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

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

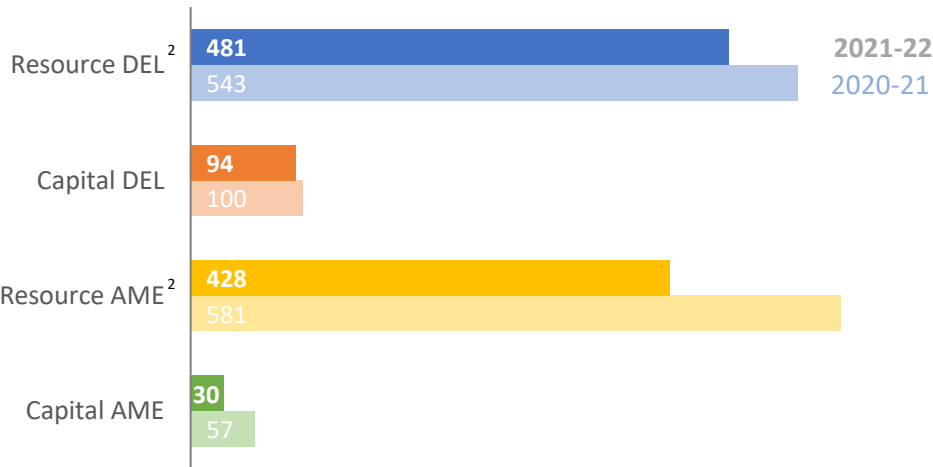
Both types are further subdivided into :

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

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

**Departmental Spending** included in Main Estimates 2021-22: **£1,033 billion**  
 This is a reduction of **£248 billion (-19%)** since last year

Departmental Spending in 2021-22 by category (£ billion) <sup>1</sup>



Spending includes:

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

Coronavirus measures include:

- Increased NHS budget
- Business support grants
- Rail franchise support
- Test and Trace IT
- Loans to spectator sports teams and cultural institutions
- Job retention and self-employed income support
- Increased Universal Credit
- Universal Credit advances

Notes:

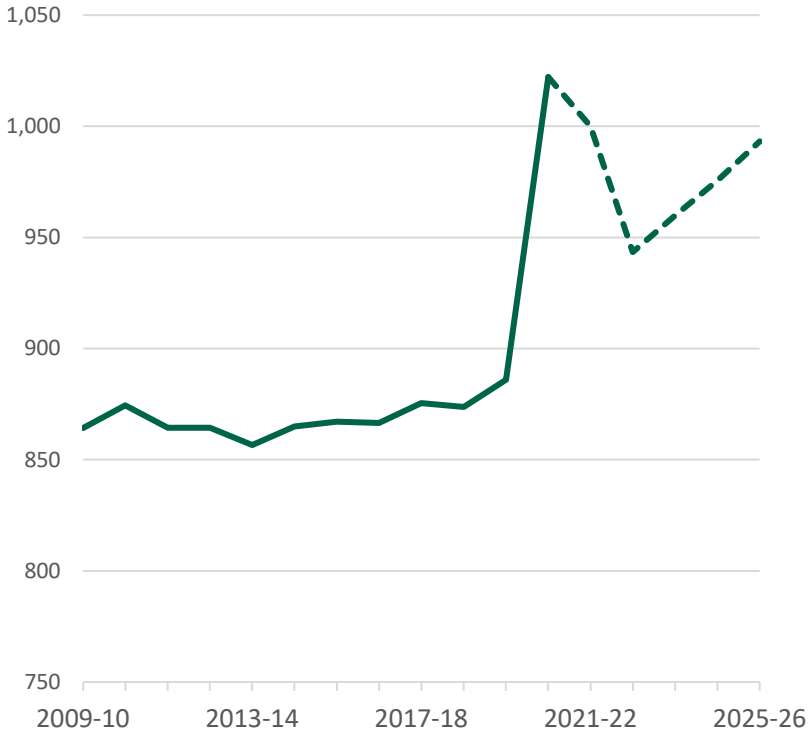
<sup>1</sup> 2021-22 departmental spending as published in Main Estimates 2021-22 . AME spending supplied by HM Treasury; excludes non-departmental spending such as debt interest and local authority self-financed expenditure.

<sup>2</sup> Resource spending includes depreciation

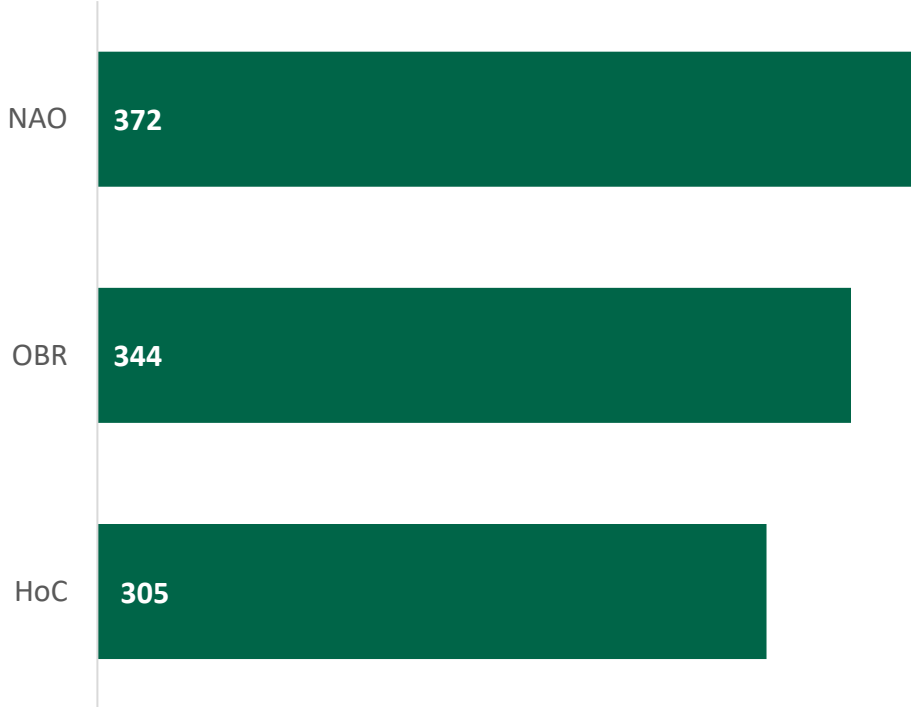
# Official forecasts show a spike in government spending due to Covid-19

- Total Managed Expenditure (i.e. all government spending) is forecast by the Office for Budget Responsibility to spike in 2020-21, and fall in real terms both this year and next year, as the costs of fighting Covid-19 recede
- However, the cost of Covid-19 measures is uncertain, and even for this year is not fully captured in the Main Estimates

**Government spending**  
£ billions (2019-20 prices)



**Estimates of Covid-19 spending**  
£ billions

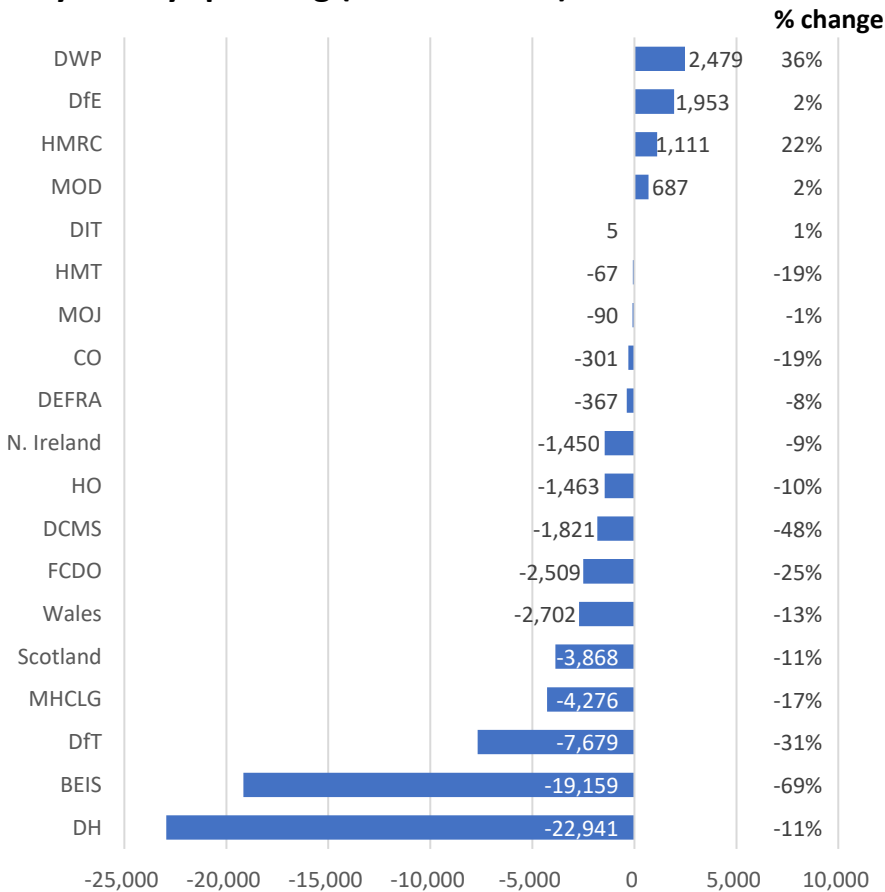


# 2021-22 planned spending has decreased significantly since last year

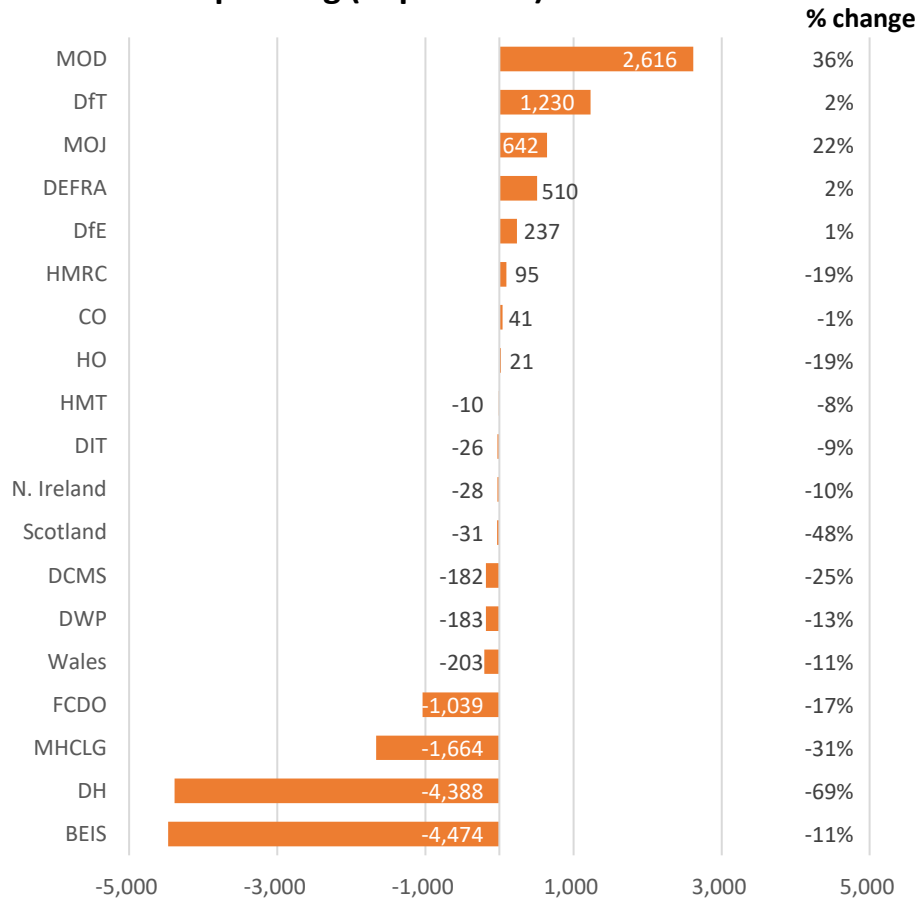
Major Covid-related spending has not (yet) been recognised in many department's budgets for this year

Changes in planned Departmental Expenditure Limits (DEL) since Supplementary Estimate 2020-21 (£ millions)

## Day-to-day spending (Resource DEL)



## Investment spending (Capital DEL)

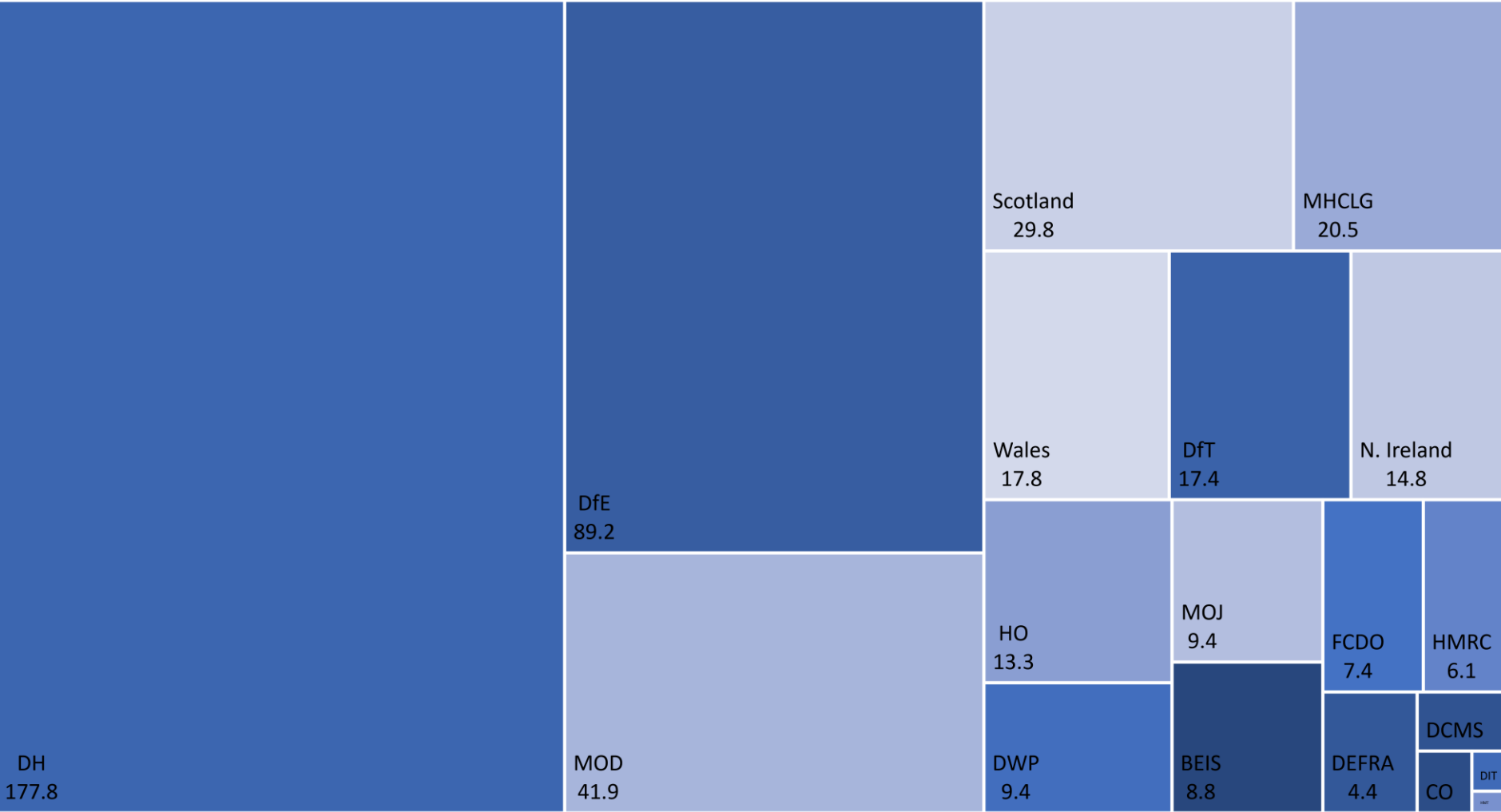


Notes: Selected department and devolved authority grants – does not include Barnett consequentials

# Health, Education and Defence make up two-thirds of day-to-day spending

Total Resource DEL: **£481 billion** (11% reduction from last year)

Figures in £ billion



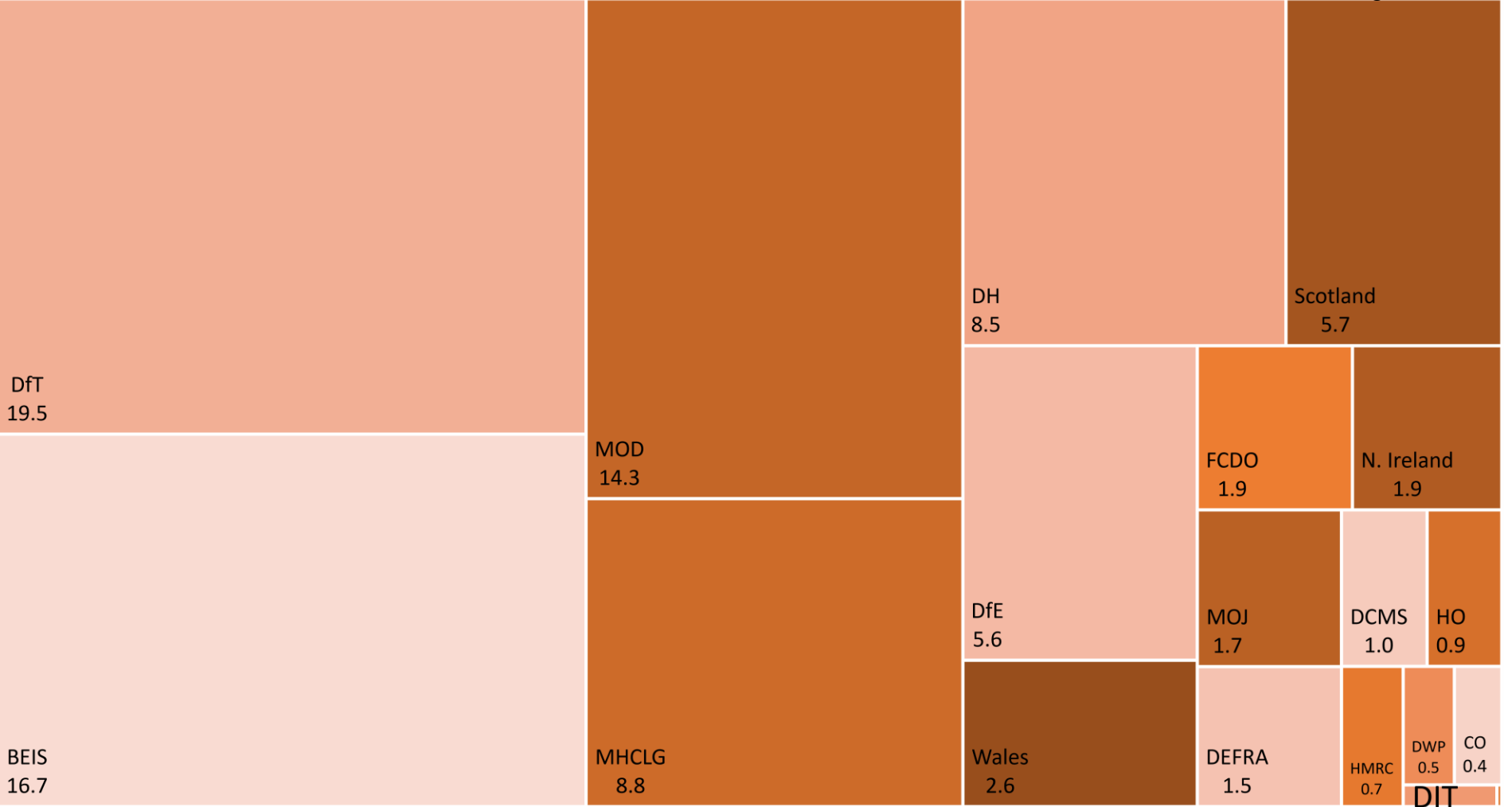
Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Day-to-day spending following Main Estimate 2021-22



# Transport and Research (BEIS) make up more than one-third of day-to-day spending

Total Capital DEL: **£94 billion** (6% reduction from last year)

Figures in £ billion  
Figures in £ billion

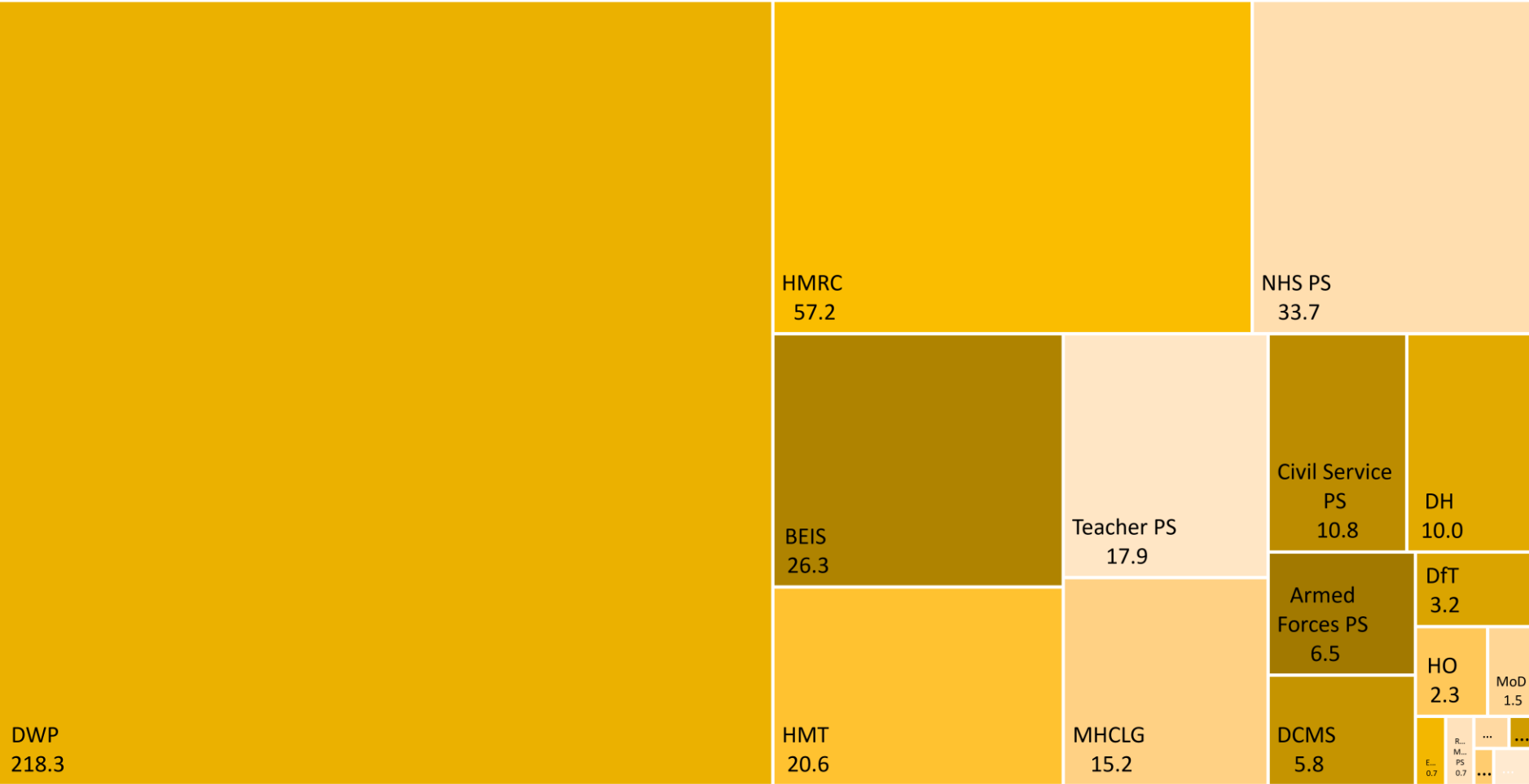


Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Day-to-day spending following Main Estimate 2021-22

# Pension and benefits (DWP) make up half of Annually Managed Expenditure (AME)

Total Resource AME: **£428 billion** (26% reduction from last year)

Figures in £ billion



Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Investment spending following Main Estimate 2021-22  
 'PS' represent government pensions schemes, showing the annual increase in pension liability less employer and employee contributions; these are included in AME as the drivers of the change in liability (e.g. demographics, salaries) are not within the control of scheme administrators