

# Supplementary Estimates 2022-23 and Spring Budget 2023



**SCRUTINY UNIT**

*Impartial briefing from House of Commons finance specialists*

# What can you learn from this document?

## Overview

- What the Supplementary Estimates are ([slide 3](#))
- How Supplementary Estimates fit into the government's budget timeline for 2022-23 and beyond ([slide 4](#))
- How the government classifies different kinds of spending ([slide 5](#))
- How government spending plans for 2022-23 differ from initial budgets for this year ([slide 6](#))
- How total spending by the departments compare ([slide 7](#))
- Major spending announcements from Budget 2023 ([slide 8](#))
- Future spending plans for departments as published at Budget 2023 ([slides 9-10](#))

## For each department

- Spending trends
- Changes in spending compared to last year
- Where the money goes within the department
- What we know about future spending

# What are the Supplementary Estimates ?

- **Main Estimates** (published in May) are the government's initial **spending plans** at the start of the financial year
- **Supplementary Estimates** (published in February) allow changes to be made to **alter budget totals** towards the end of the financial year, in light of latest forecasts and pressures

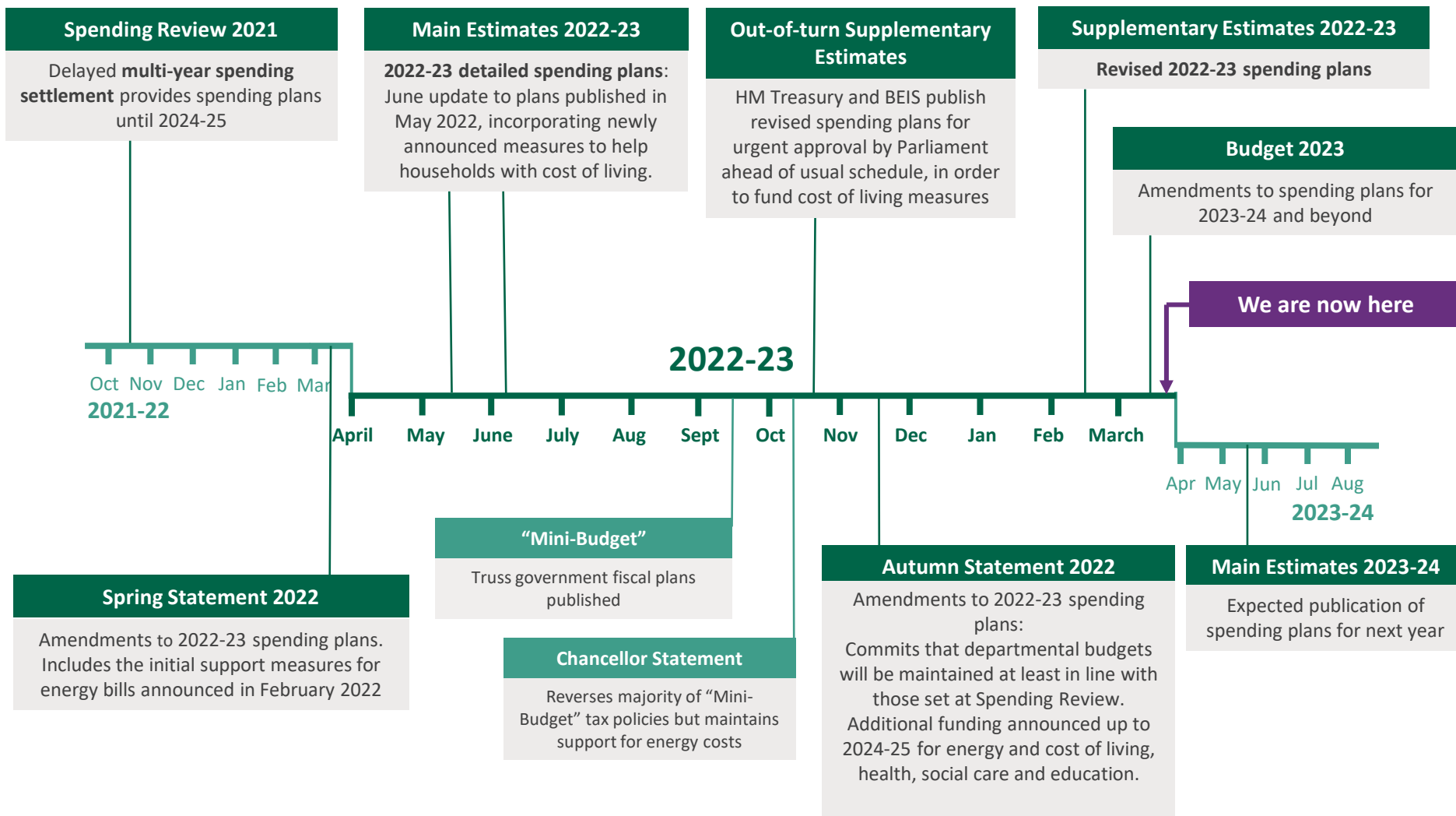
## Main Reasons for Supplementary Estimates

- **Claims on the Reserve:** new money from HM Treasury for specific, unforeseen items – in recent years claims have been dominated by Covid-19 spending, this year cost-of-living support has created additional spending
- **Moving money** between “day-to-day spending” (Resource) and “investment spending” (Capital) budgets (see [slide 5](#))
- **Machinery of Government** changes: establishing new Departments and reallocating funding as responsibilities alter
- **Transfers** of money between departments (e.g. joint projects)
- **Changes to forecasts** for spending areas that are difficult to predict (e.g. welfare)
- **Underspending:** departments may return money they know they will not spend. Offering it up now means they may be able to draw down the money again next year (known as ‘Budget Exchange’)

- Supplementary Estimates also provide an opportunity for departments to change their **internal allocations** between different areas (or “Estimate subheads”) within spending totals. These reallocations mean that total changes to particular budgets may differ from the amount of extra money provided (or given up)

# 2022-23 financial time line

This year has seen a greater than usual number of fiscal events.



# 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 :

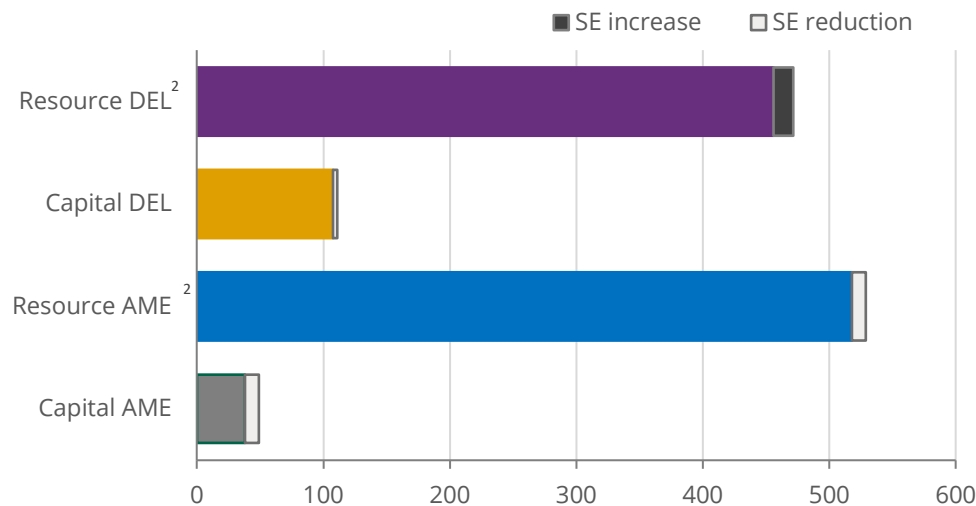
- **Day-to-day** spending (known as **Resource**)
- **Investment** spending (known as **Capital**)

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

## Departmental Spending included in Supplementary Estimates 2022-23: **£1,134.7 billion**

This is a decrease of £9.9 billion (-0.9%) since the beginning of the year, largely due to changes in AME budgets

Departmental Spending in 2022-23 by category (£ billion) <sup>1</sup>



Amount:

Spending includes:

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

£471.4 billion

£107.6 billion

£517.9 billion

£37.8 billion

Notes:

<sup>1</sup> 2022-23 departmental spending as published in Supplementary Estimate 2022-23 . AME spending supplied by HM Treasury; excludes non-departmental spending such as debt interest and local authority self-financed expenditure. Includes non-cash spending on provisions for future expected costs e.g. for nuclear decommissioning and clinical negligence

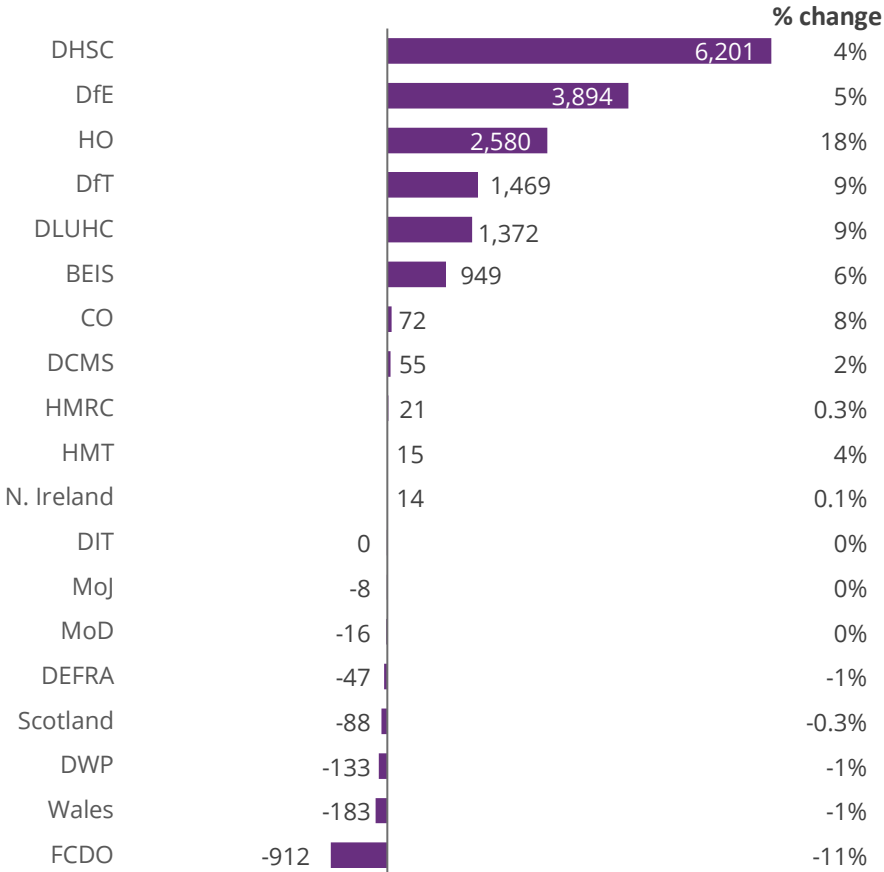
<sup>2</sup> Resource spending includes depreciation

## 2022-23 planned spending (DEL) has increased slightly since the beginning of the year

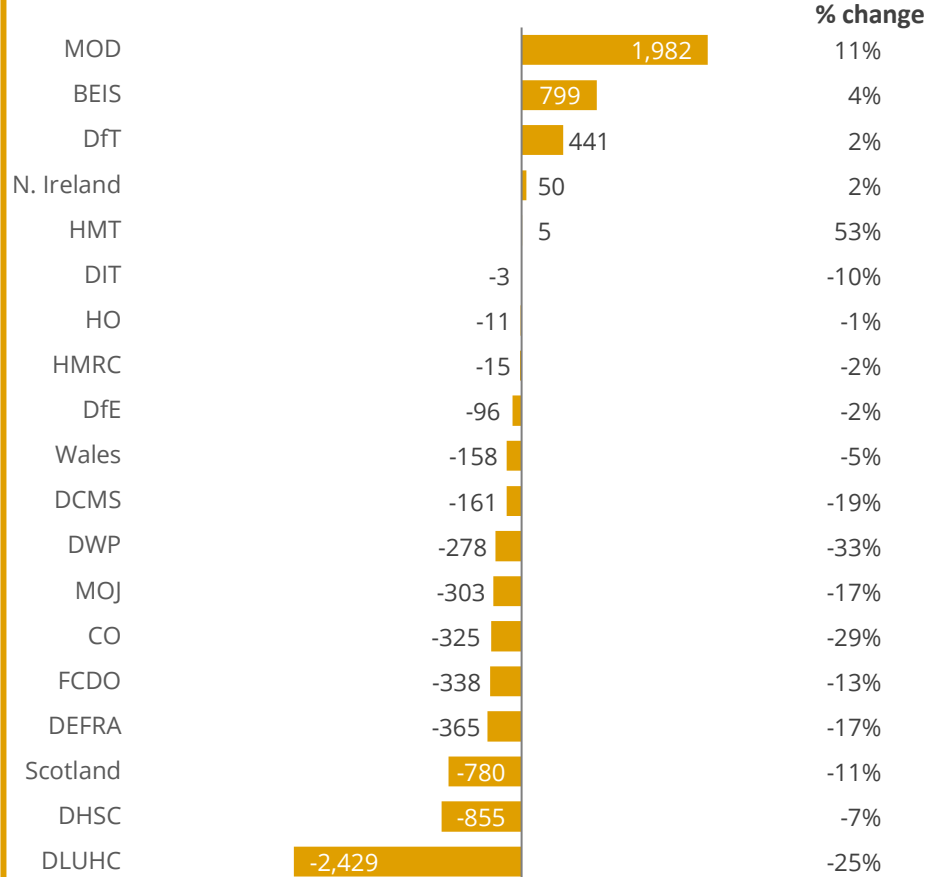
Increases are largely driven by day-to-day spending on health and education (offsetting overall reductions in investment spending) – but these reflect changes such as the accounting impairment of vaccines and the revaluation of the student loan book

### Changes in planned Departmental Expenditure Limits (DEL) since Main Estimate 2022-23 (£ millions)

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



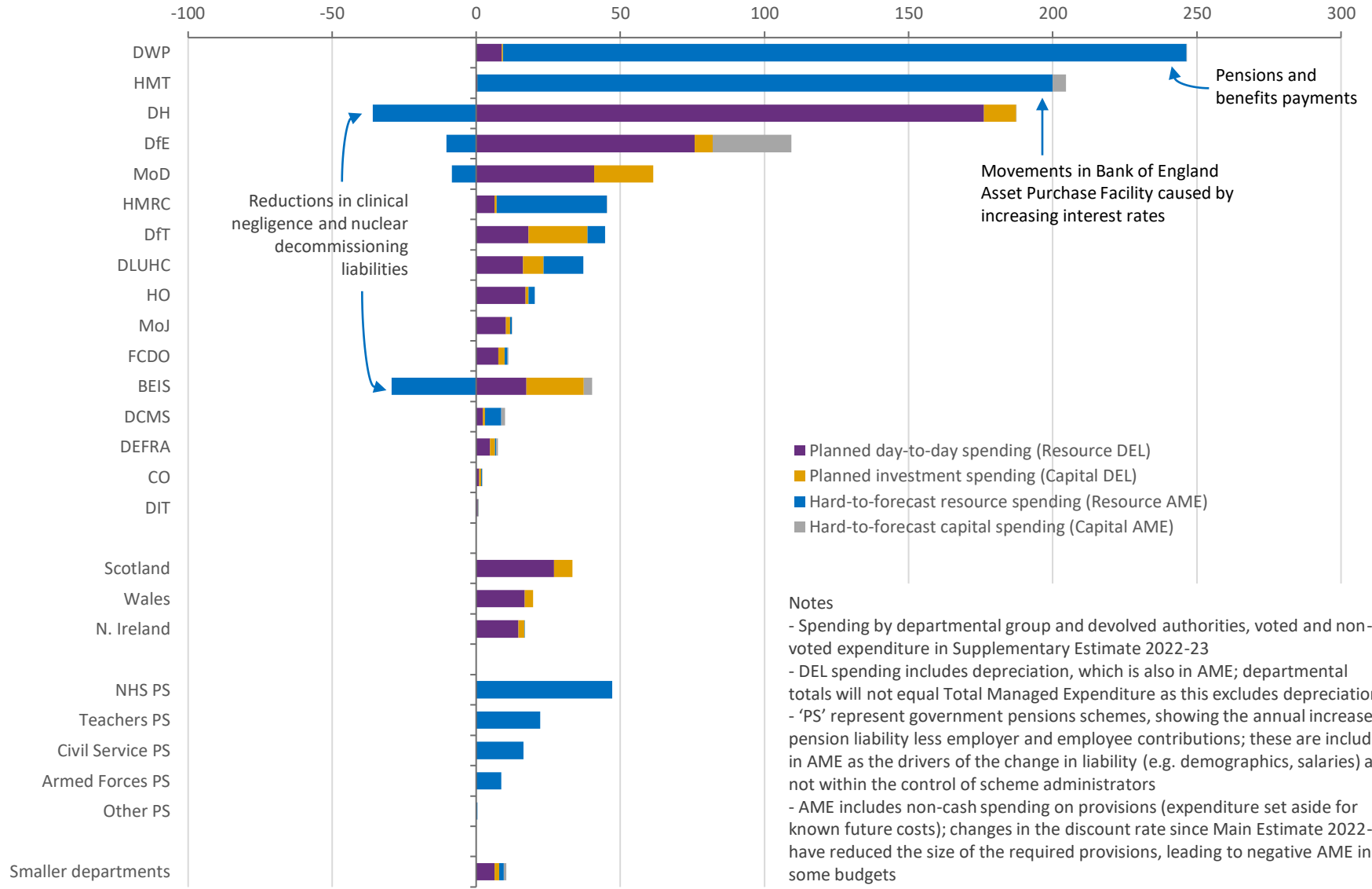
#### Investment spending (Capital DEL)



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

# Pensions and benefits remains the most substantial area of spending

Total spending by department in Supplementary Estimates 2022-23 (£ billions)



**Notes**

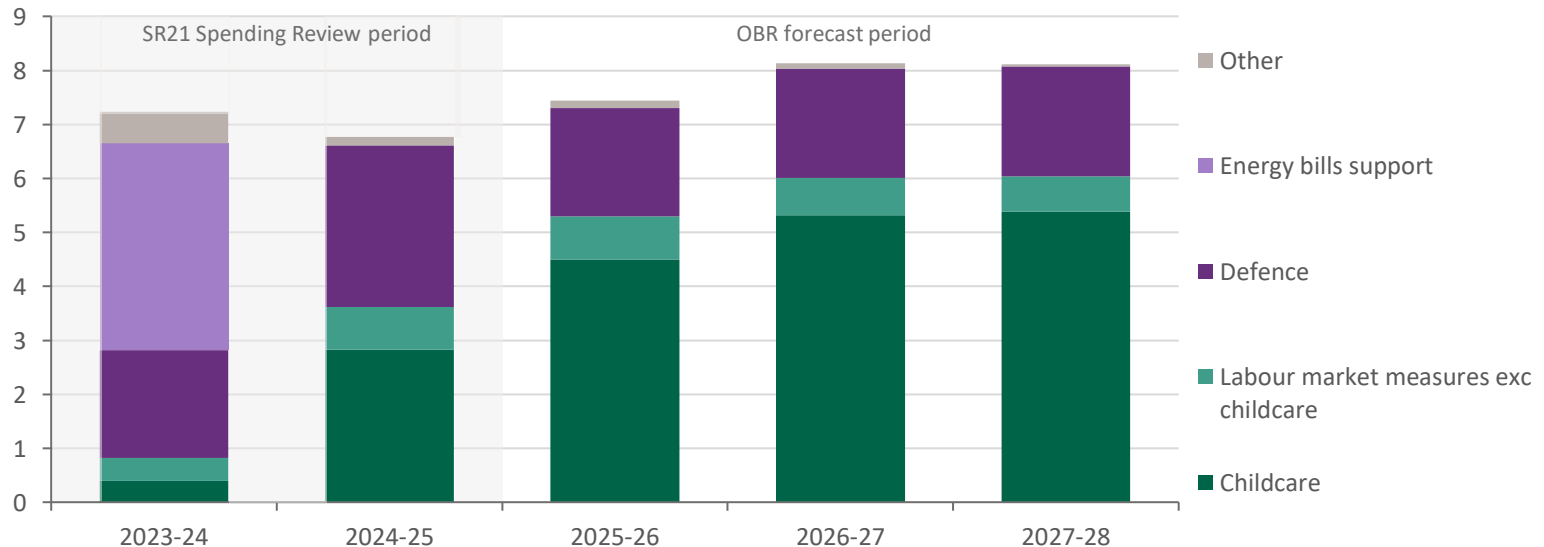
- Spending by departmental group and devolved authorities, voted and non-voted expenditure in Supplementary Estimate 2022-23
- DEL spending includes depreciation, which is also in AME; departmental totals will not equal Total Managed Expenditure as this excludes depreciation
- 'PS' represent government 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
- AME includes non-cash spending on provisions (expenditure set aside for known future costs); changes in the discount rate since Main Estimate 2022-23 have reduced the size of the required provisions, leading to negative AME in some budgets

# Spring Budget 2023 announced around £39.7 billion of additional spending up to 2027-28

## Major spending announcements

- £18.4 billion over the forecast period for the extension of **30 hours of free childcare** to children from 9 months, and other childcare measures, with £3.2 billion of this available within the Spending Review period to 2024-25
- £11.1 billion for **defence and national security** priorities, with £5 billion of this available within the Spending Review period to 2024-25
- £3.0 billion for the **Energy Price Guarantee** extension in 2023-24 (and another £0.9 billion of support for energy bills)
- £2.5 billion over the forecast period to help the disabled and those in ill-health **return to work**, with £0.9 billion of this available within the Spending Review period to 2024-25.

Budget 2023 spending decisions (£ billions)





# Budget 2023 provides details of latest departmental spending plans, and new departments

## Spending plans in Budget 2023

Budget 2023 contained the latest day-to-day and investment spending plans for departments **beyond 2022-23**, out to 2024-25.

These update budgets first published at Spending Review 2021 (SR21) to reflect the machinery of government changes and spending announcements since SR21. Plans are published as cash figures.

The average annual real growth rate (AARG) shows how much a department's spending is currently expected to grow in real terms each year to reach planned spending in 2024-25.

**Inflation** over this period is now forecast to be on average 3.2% per year, rather than 2.3% as forecast at SR21, lowering the AARG.

Many departments also had higher day-to-day spending in 2021-22 than included in the SR21 “baseline”; this means that if SR21 had included an increase in cash spending which departments have maintained, it now appears proportionately smaller.

The overall effect of these changes mean that many departments now appear to be facing a **real-terms cut in day-to-day spending**, compared to at least minor growth at SR21.

Departments were more likely to have underspent their investment budget compared to SR21 plans for 2021-22. Partly as a result of this most departments still show **real-terms increases in planned investment spending** (although for most departments this spending is a smaller part of their budget, and often more “lumpy”.)

## Machinery of government changes

In February 2023 the Prime Minister set out several Machinery of Government changes.

This resulted in the creation of four new government departments:

- Department for Energy Security and Net Zero (DESNZ)
- Department for Science, Innovation and Technology (DSIT)
- Department for Business and Trade (DBT)
- Department for Culture, Media and Sport (CMS)

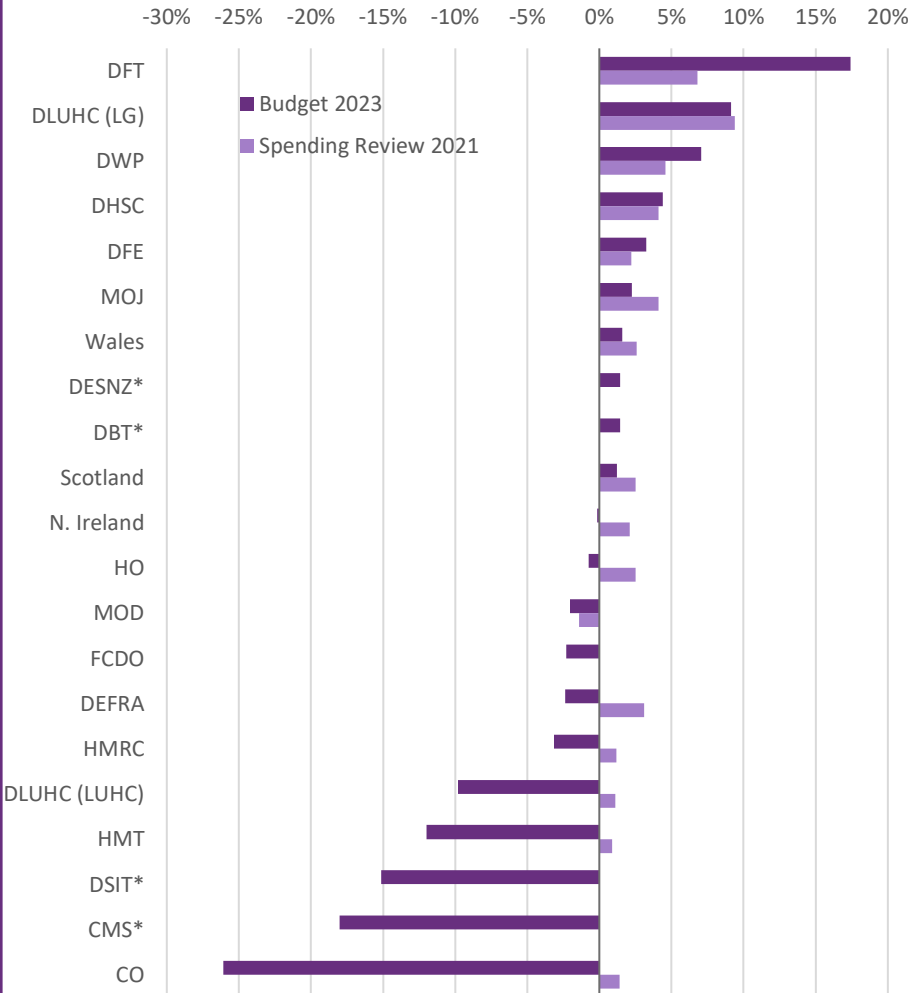
These replace the following departments:

- Department for Business, Energy & Industrial Strategy
- Department for Digital, Culture, Media and Sport
- Department for International Trade.

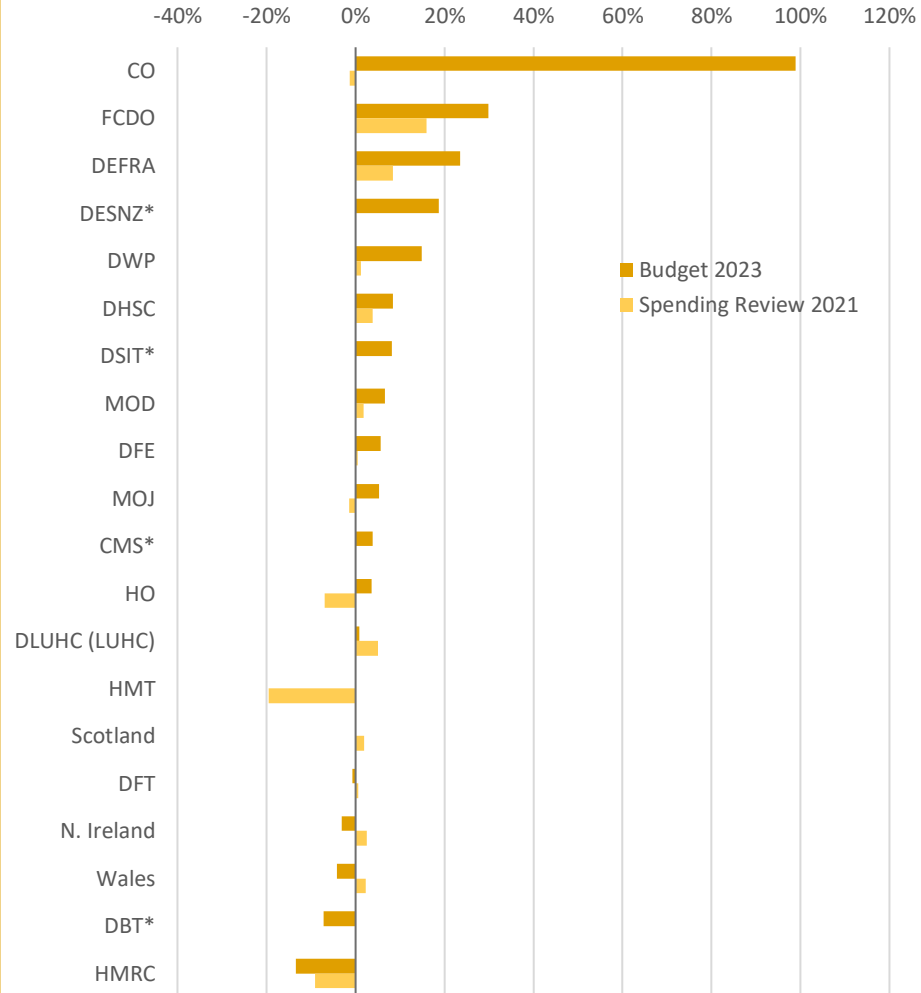
# Most departments now appear to face real-terms reductions in day-to-day spending

Average annual real growth (AARG) in spending from 2021-22 to 2024-25

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



## Investment spending (Capital DEL)

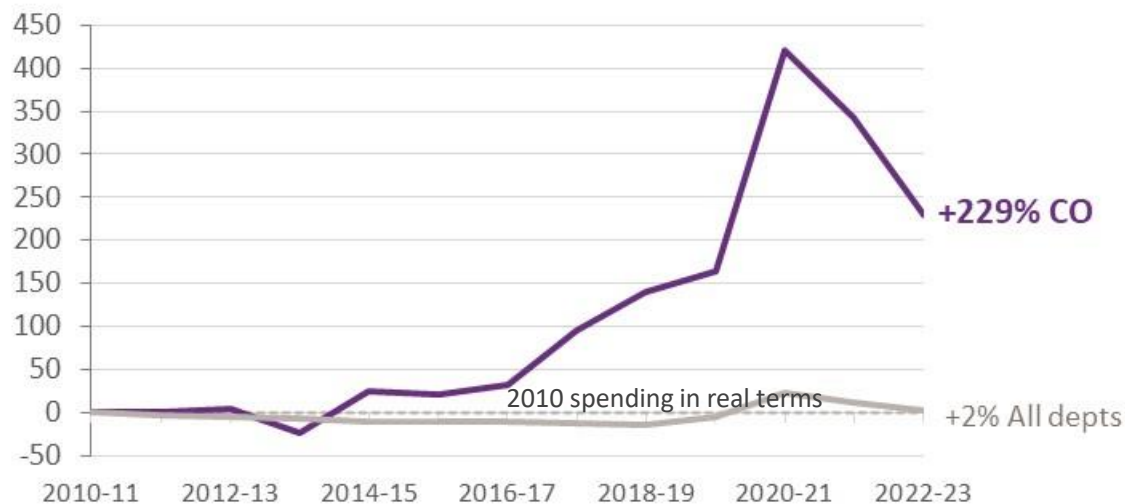


Notes: \*New departments show average annual real growth in spending from 2022-23 to 2024-25 as no historic spending data is published for 2021-22

# Cabinet Office

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

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



### Day-to-day spending trends

- Day-to-day spending (Resource DEL) was cut below the 2010-11 baseline only once since, which was in 2013-14. It has since recovered.
- Day-to-day spending peaked in 2020-21 at 420% higher than 2010-11. This was due to the impact of the COVID-19 pandemic (including public information campaigns and ventilator procurement). Since this high, it has decreased year-on-year.
- It has also dropped since 2021-22 because of one-off events in that year, such as COP26 and the G7 summit.
- Day-to-day spending is set to be 40% higher in 2022-23 than in 2010-11 in real terms.

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



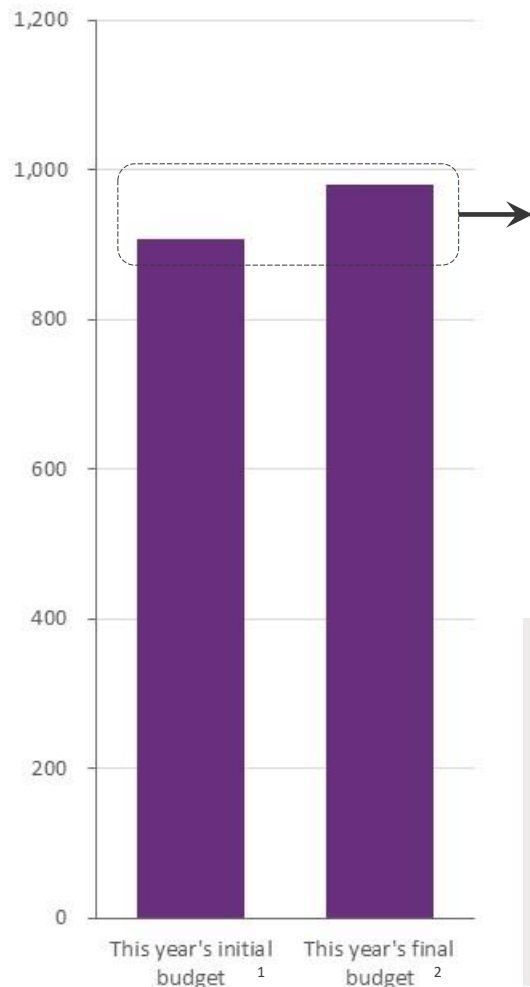
### Investment spending trends

- Investment spending (Capital DEL) in 2021-22 was £272 million, and this is expected to rise to £795 million in 2022-23.
- Most of Cabinet Office's investment spending is for HMRC and Valuation Office Agency administration.
- The large increase this year is for a charge in accounting standard. There is no cash impact.

## How is Cabinet Office's day-to-day spending changing in 2022-23?

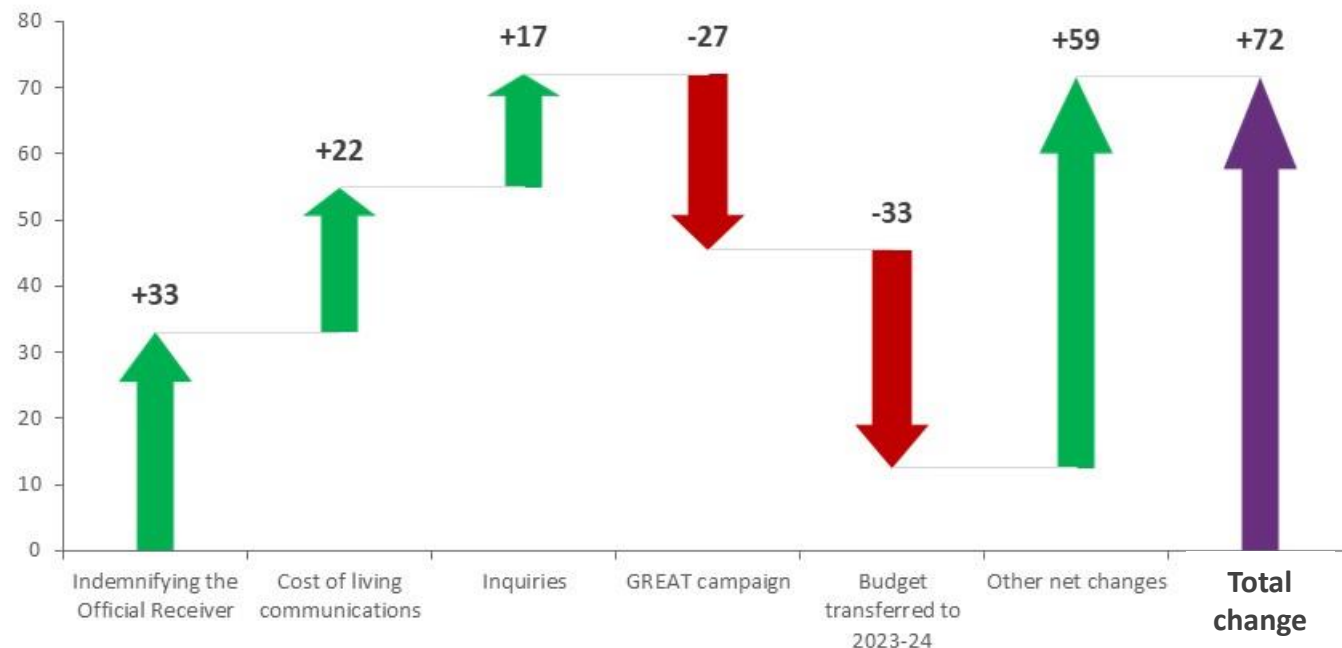
Cabinet Office's day-to-day budget increased by £71.6m (+7.9%)

Resource DEL budget in £m



Cabinet Office's spending increase is driven by the use of existing treatments for COVID-19

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Indemnifying the Official Receiver:** for work taken as liquidator of UK Cloud Limited.
- **Cost of Living communications:** a campaign to increase awareness and uptake of support schemes.
- **Inquiries:** includes new funding for the Grenfell Tower Inquiry (+£15m), the Infected Blood Inquiry (+£14m, from HM Treasury), and a reduction for the COVID-19 Inquiry (-£11m).
- **GREAT campaign:** transfer of funding to various departments for the GREAT marketing campaign.
- **Budget transferred to 2023-24:** includes £26m for delays to One Login and associated programmes.
- **Other net changes:** includes funding for depreciation costs, IFRS 16 lease adjustments, abortion access in Northern Ireland, cyber security, and others.

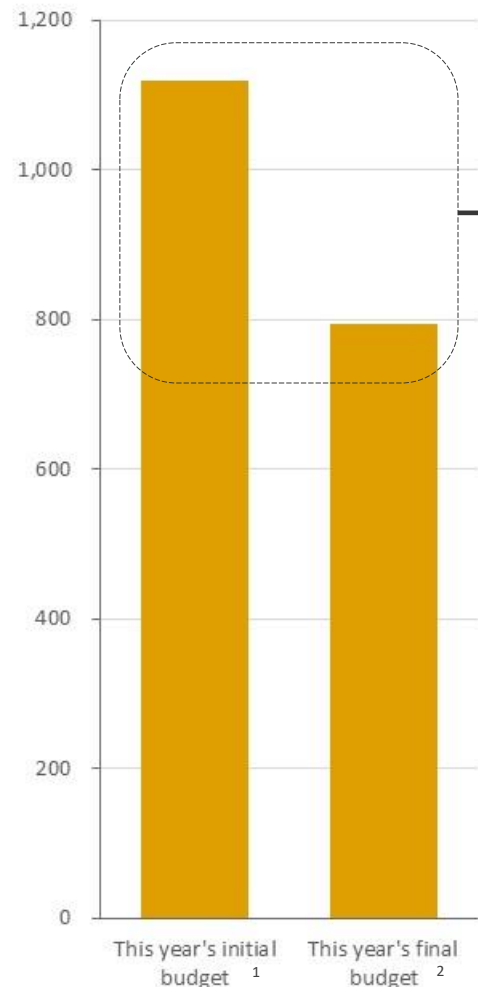
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is Cabinet Office's investment spending changing in 2022-23?

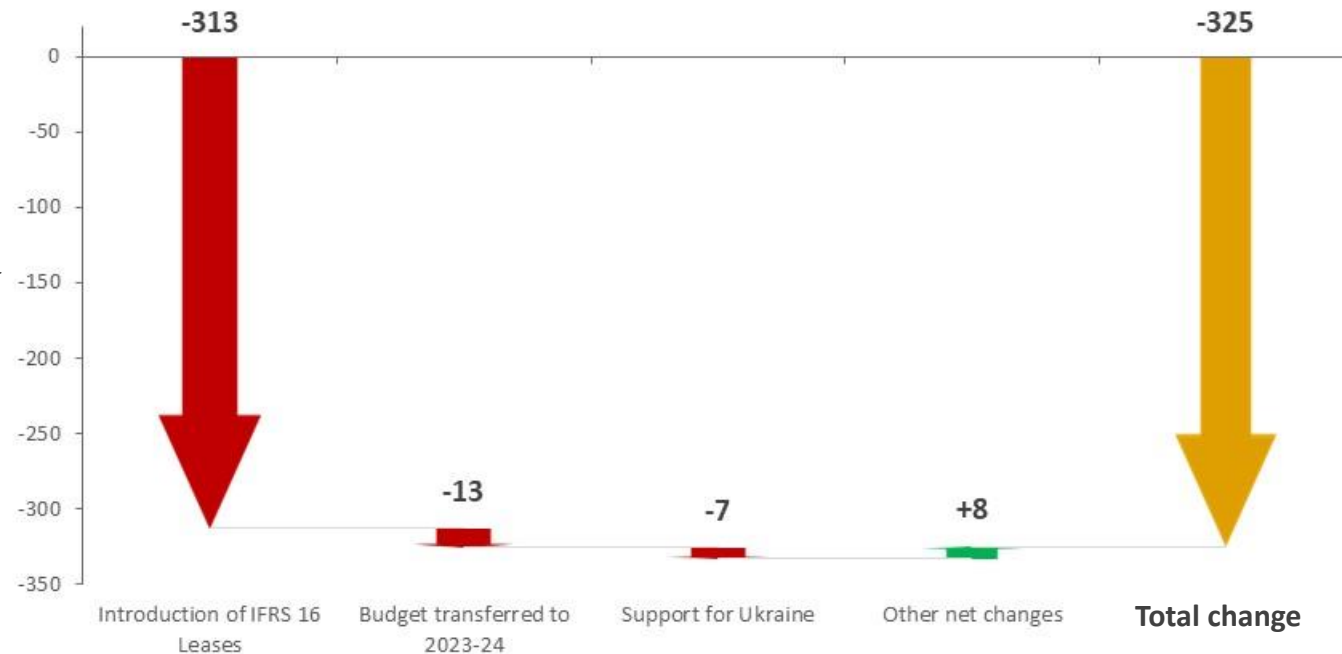
Cabinet Office's investment budget decreased by £325.3m (-29.0%)

Capital DEL budget in £m



Cabinet Office's investment spending decrease is driven by accounting adjustments for leases

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

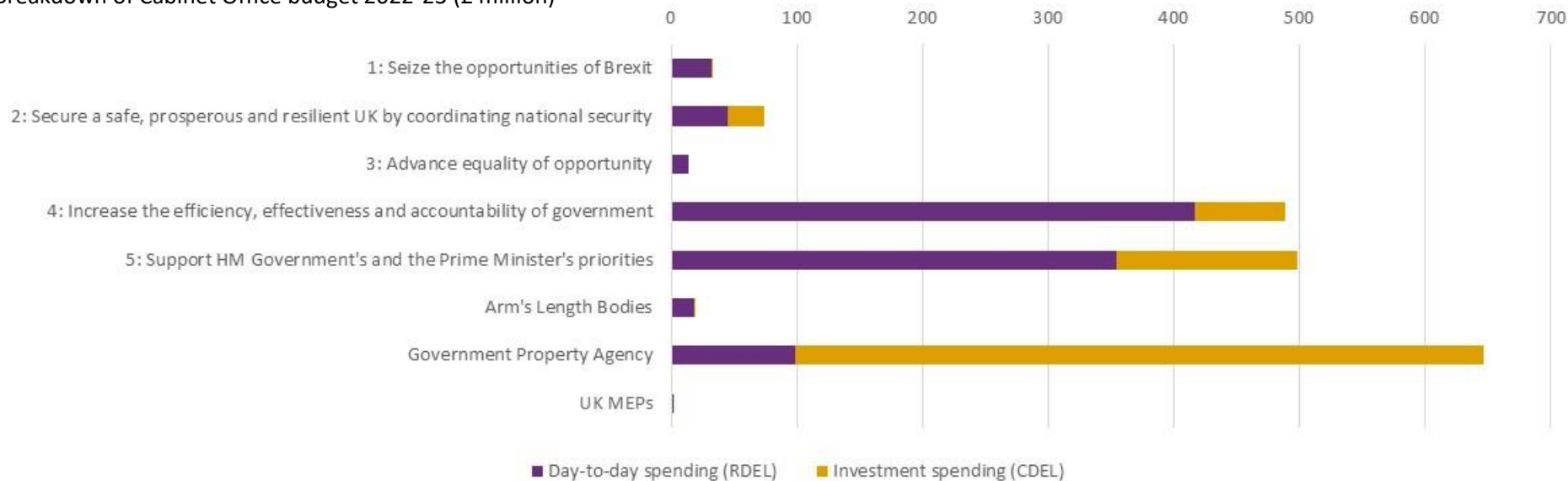
- **Introduction of IFRS 16 Leases:** a new accounting standard for leases has been introduced, leading to reclassification and accounting adjustments for leases. More leases at the Government Property Agency (GPA) are now classified as finance subleases than forecast, so fewer right-of-use assets requiring capitalisation and CDEL is reduced compared to the budget at Main Estimate.
- **Budget transferred to 2023-24:** includes £9.2m of Regional Hubs funding.
- **Support for Ukraine:** several departments have surrendered budget as a contribution towards the UK government's support for Ukraine.
- **Other net changes:** includes significant transfers to and from other government departments.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the Cabinet Office budget is in the GPA and to support HM Government

Breakdown of Cabinet Office budget 2022-23 (£ million)



## Cabinet Office objectives

- The total budget for Cabinet Office in 2022-23 is £1,774 million, comprising £979 million of day-to-day budget (Resource DEL) and £795 million of investment budget (Capital DEL).
- Cabinet Office has 5 objectives, which are numbered in the table above as they are in the Cabinet Office's annual report documents.
- Objective 5, supporting the priorities of Government and the Prime Minister, is the highest budget after increasing £208 million to £498 million in the Supplementary Estimate. This objective is especially varied, including inquiries (such as Grenfell and COVID-19) and one-off international events (such as COP26 and the G7 conference).
- Objective 4 has higher RDEL but lower CDEL than objective 5. It includes funding for One Login and other administrative improvements across Government and the Civil Service.
- Objective 2 has a budget of £74 million, including funding for the secure ROSA IT platform.
- Objectives 1 and 3 have budgets of £32 million and £13 million, respectively.

## Other spending

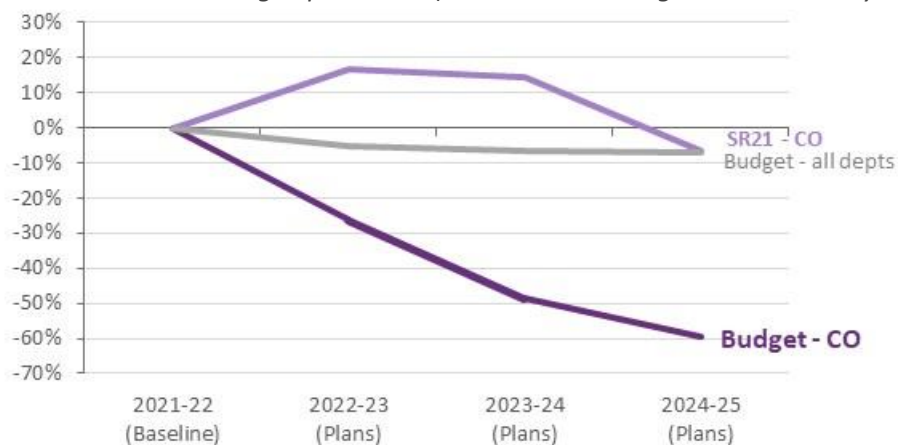
- The Government Property Agency (GPA) has a budget of £647 million in 2022-23, comprising £98 million in Resource DEL and £549 million in Capital DEL. As shown on the previous page, this is £313 million lower than at Main Estimates.
- £18 million is for the Cabinet Office's Arm's Length Bodies, including the Equalities and Human Rights Commission (EHRC).
- £2.3 million is for UK Members of the European Parliament.

# Cabinet Office's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

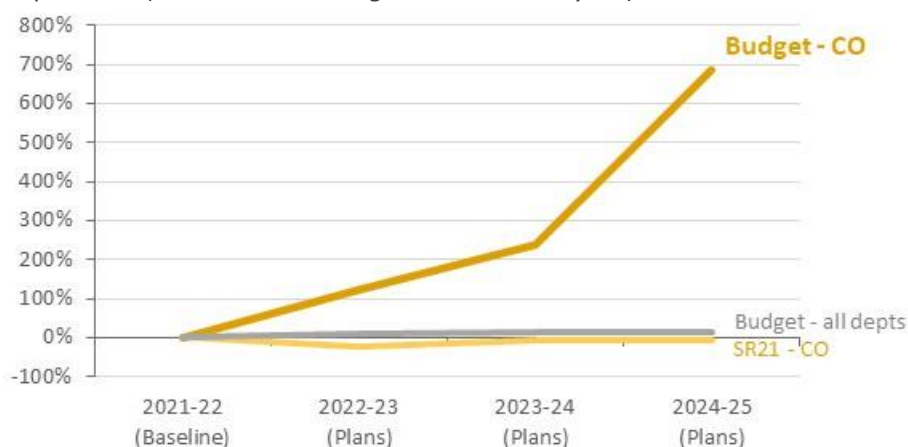


### Trends in day-to-day spending plans

- Current RDEL spending plans provide a real-terms cut over the next few years, down to 59.6% below baseline in 2024-25.
- Although this is significantly below the percentage movements in SR21, this is largely because of higher-than-expected actual spend in 2021-22, which significantly increased the baseline in the Budget (£0.9bn compared to £0.5bn). In 2022-23, the Budget predicts that RDEL spending will be higher than SR21 (£0.7bn compared to £0.6bn), although these will be followed by cuts (in both cash and real terms) in 2023-24 and 2024-25.

## Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

- Current CDEL spending plans provide a 687.5% real-terms increase over the baseline by 2024-25, compared to a 6.5% real-terms decrease in SR21. This is despite CDEL spending in the Budget baseline being below what was predicted in SR21.
- This indicates significant new spending in CDEL in each year for the remainder of the period, with 2024-25 spending planned to be over £2bn higher than actual spend in 2021-22.

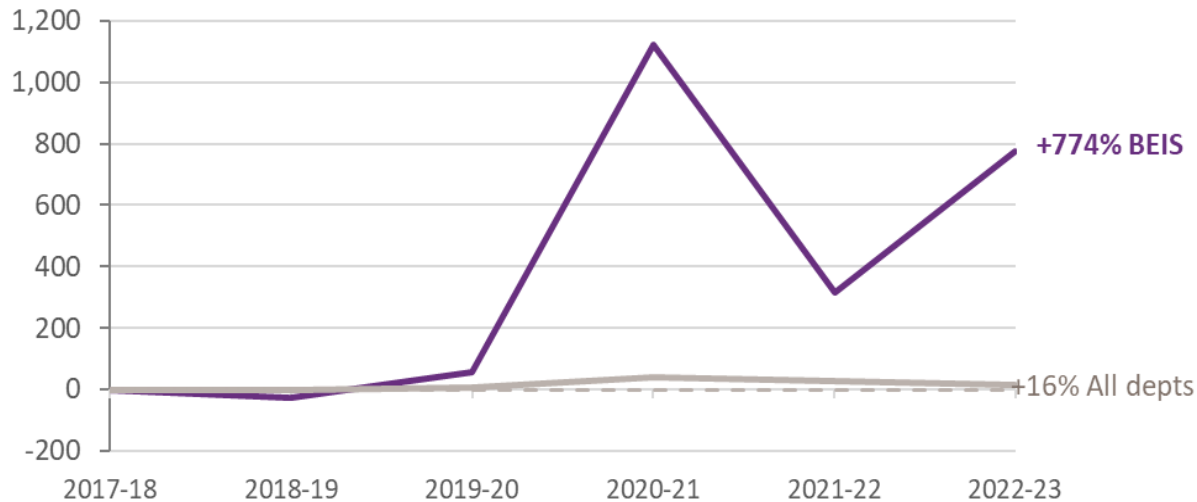
Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements



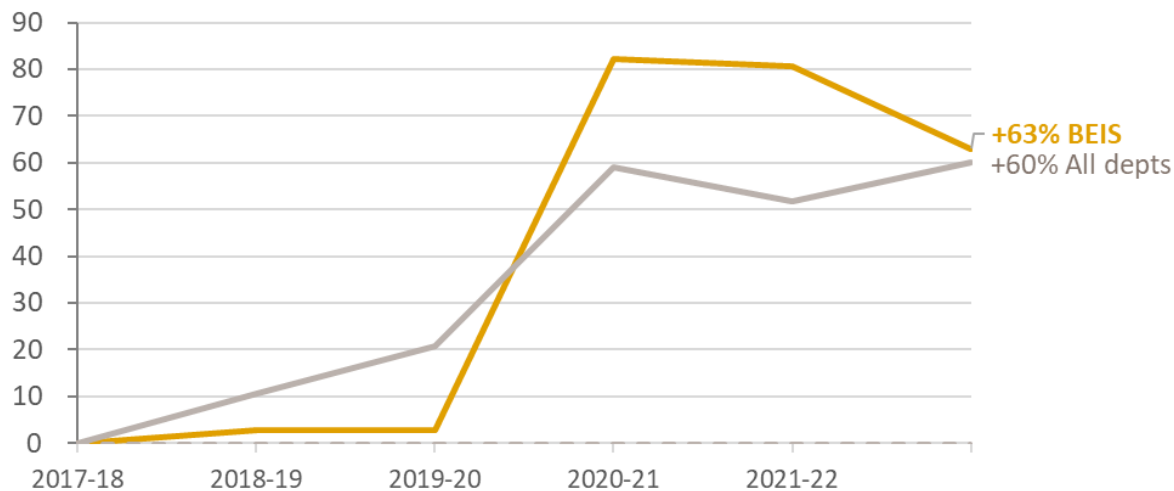
# Department for Business, Energy and Industrial Strategy (BEIS)

## Long-term trends in BEIS's spending (in real terms)

Percentage change in **day-to-day spending** compared to 2017 (Resource DEL):



Percentage change in **investment spending** compared to 2017 (Capital DEL):



### Day-to-day spending trends

- In 2018-19, the BEIS RDEL budget was cut to -39% compared to 2017. The budget then increased dramatically in 2019-20 due to emergency Covid spending.
- BEIS RDEL budget peaked in 2020-21 at 1133% compared to 2017 funding levels, with the bulk of the increase being Covid-19 business support funding.
- The finalised 2022-23 position shows an increase from 2021-22, but remains below the 2020-21 Covid-19 peak.
- The 2022-23 RDEL budget is 774% bigger than the 2017 baseline, compared to only a 16% increase for all government departments.

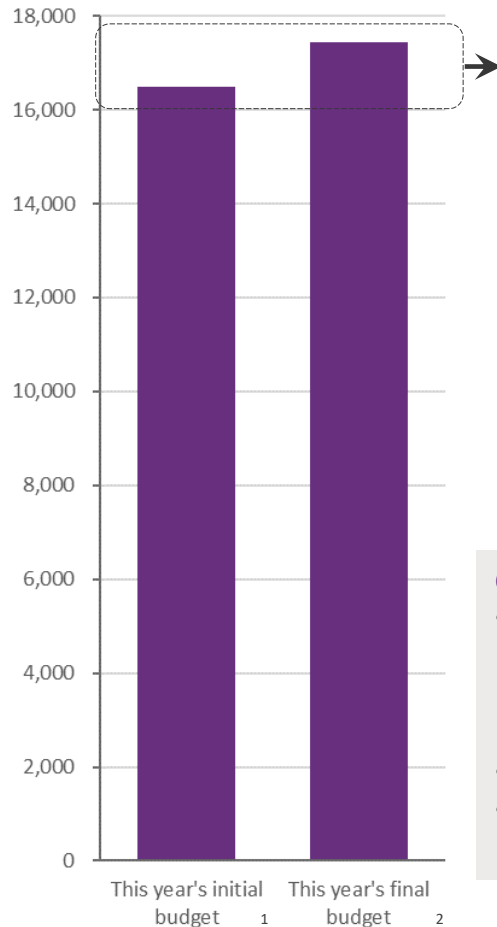
### Investment spending trends

- Following capital budget cuts over the austerity period, and flat capital budgets from 2017-2019, BEIS received consistent increases in 2019-20 to 2021-22.
- BEIS capital budgets were 63% larger in 2022-23 compared to 2017, however they decreased from the peak in 2021-22.
- BEIS CDEL growth at 63% is above the average across departments compared to 2017 at 60%.

# How is BEIS's day-to-day spending changing in 2022-23?

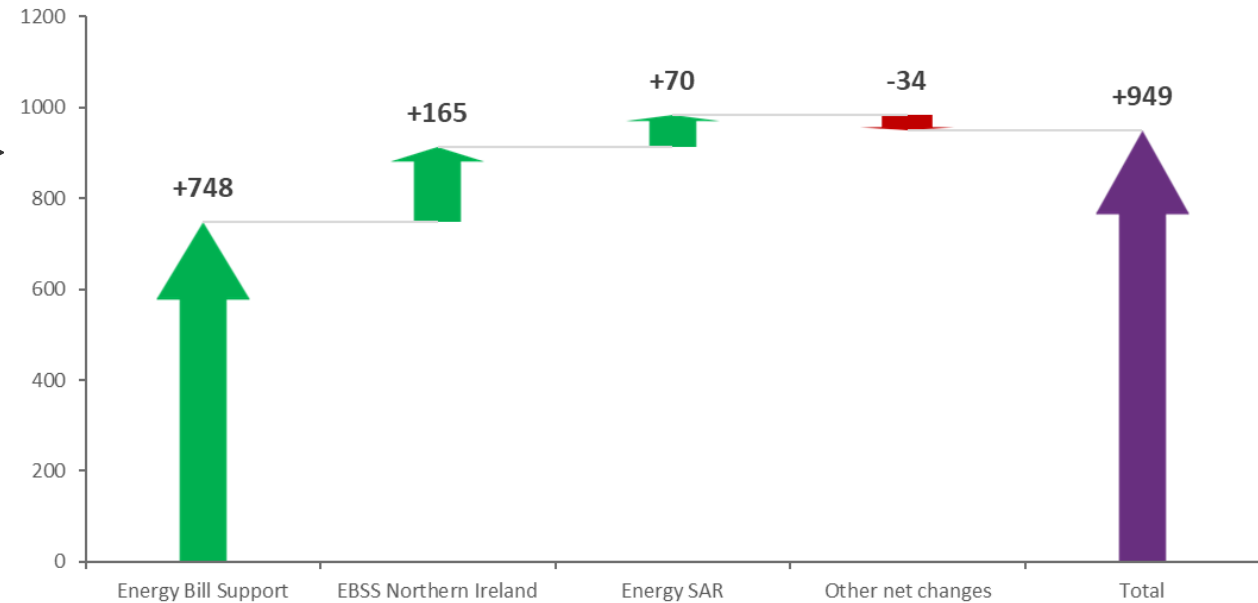
BEIS's day-to-day budget increased by £948.6m (+5.8%)

Resource DEL budget in £m



BEIS's spending increase is driven by the Energy Bills Support Scheme (EBSS)

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



## Changes in 2022-23

- **Energy Bills Support:** Significant increases for energy bills support from the Reserve:
  - £639.3 million for the Energy Price Guarantee (EPG) for Alternative Fuels.
  - £93.8 million for the Energy Bill Relief Scheme (EBRS) for Alternative Fuels.
  - £14.6 million for the Energy Bills Support Scheme (EBSS) – Alternative Funding.
- **Special Administration Regime:** £70.1 million from the Reserve for Expected Credit Losses.
- **Northern Ireland Executive:** £164.9 million budget cover transfer from the Northern Ireland Executive for EBSS Northern Ireland (NI).

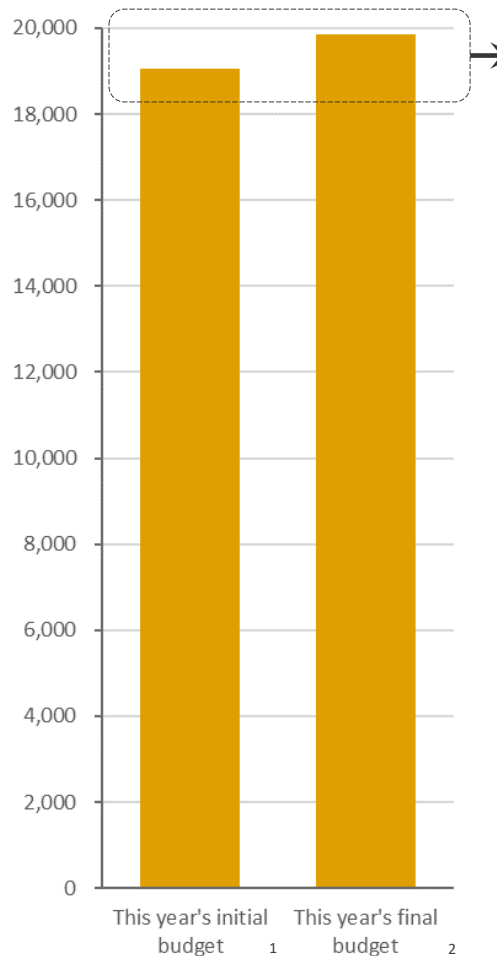
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is BEIS's investment spending changing in 2022-23?

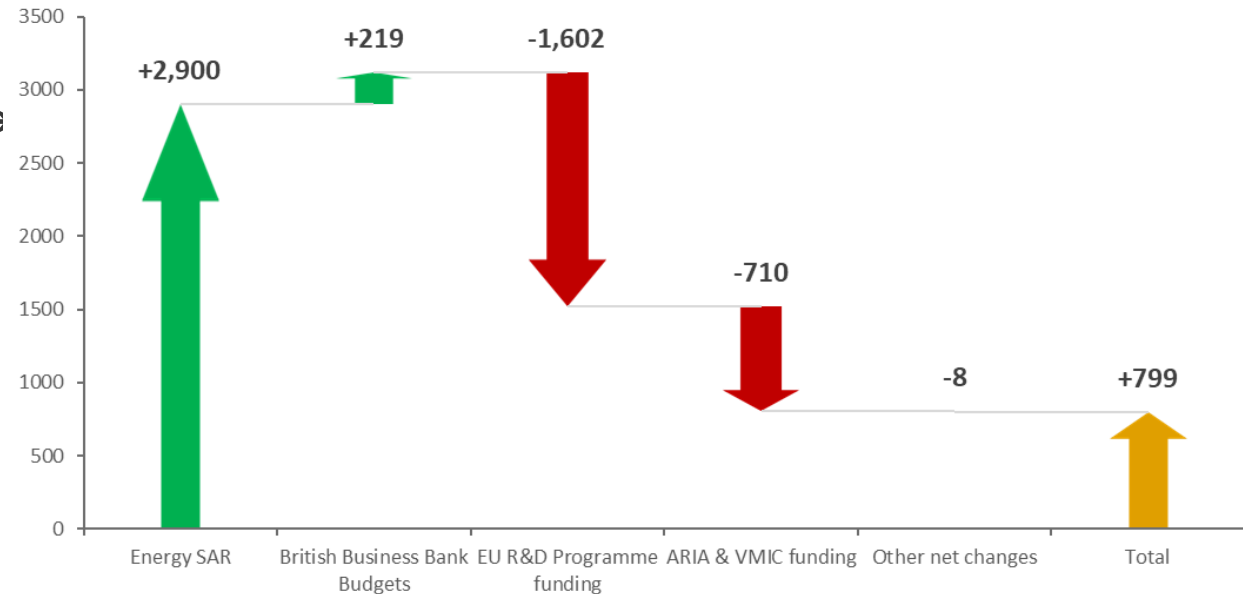
BEIS's investment budget  
increased by £798.6m (+4.2%)

Capital DEL budget in £m



BEIS's investment spending increases largely reflects funding for Special Administration Regime (SAR)

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

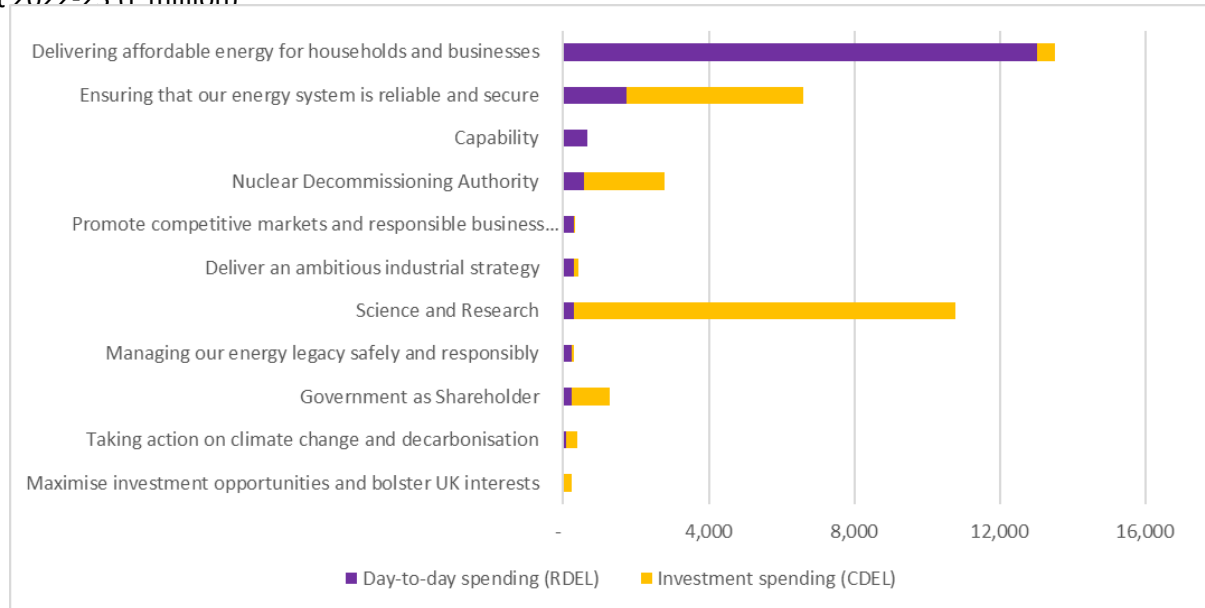
- **Energy Special Administration Regime (SAR):** £2,899.1 million additional funding from the Reserve.
- **British Business Bank:** £218.6 million increase, reflecting re-profiling and the Bank's high forecast of loans to be made.
- **EU R&D Programme:** £(1,602) million surrender of unused funding, reflecting the delay to completing the UK's association agreed as part of the Trade and Cooperation Agreement with the EU in December 2020.
- **Other unused funding:** £(709.9) million surrender of unused funding including for Advanced Research and Invention Agency (ARIA), Net Zero and Vaccine Manufacturing and Innovation Centre (VMIC).

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the BEIS budget is for 'affordable energy' due to increases in the cost of living

Breakdown of BEIS budget 2022-23 (£ million)



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

### BEIS Resource DEL: £17,445.6 million in 2022-23

- **Affordable energy** budget is currently the largest area of spend utilising 75% of RDEL budget. This is driven primarily by the Energy Bills Support Scheme.
- **Reliable energy** is composed of Electricity market reform, New nuclear and Oil and gas. This budget has been increased substantially due to the Special Administration Regime (SAR) for Bulb.
- **Capability** is a central budget that encapsulates core and agency administration and Other programmes (including EU Exit Programme)

## Investment spending (Capital DEL)

### BEIS Capital DEL: £19,858.1 million in 2022-23

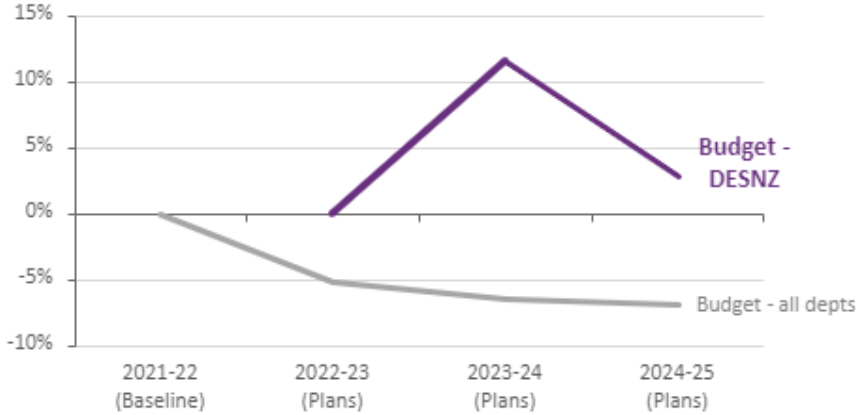
- **Science and Research** investment spending is the largest element of the BEIS budget and has driven the increased capital funding since 2017-18. This budget is mostly allocated to UK Research and Innovation (81%) but other notable spend includes UK Space Agency and UK Atomic Energy Authority.
- **Reliable energy** is currently the second largest area of investment due in main to the Special Administration Regime (SAR) for Bulb (80%), with the majority of the remaining budget for New Nuclear.
- **Nuclear Decommissioning Authority** is spend allocated to the operation and decommissioning of sites to the Site Licence Companies (SLCs)

# DESNZ's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spring Budget 2023

Resource DEL excluding depreciation (real-terms % change since baseline year)



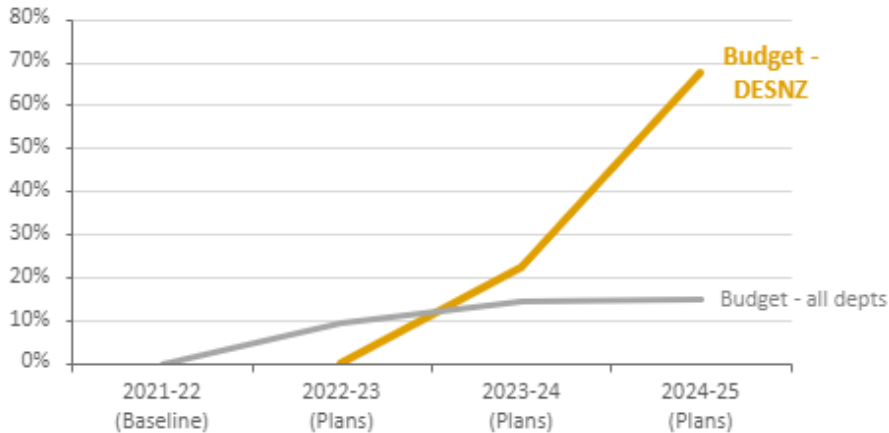
These graphs compare real term growth assumptions using latest inflation forecasts and uplifts to the nominal settlement.

Department for Business, Energy & Industrial Strategy has been split into Department for Energy Security & Net Zero, Department for Business & Trade and Department for Science & Technology.

Due to Machinery of Government changes announced by the Prime Minister the Department for Energy Security & Net Zero does not currently have a baseline from Spending Review 21, as such 2022-23 plans have been used instead.

## Investment spending in Spring Budget 2023

Capital DEL (real-terms % change since baseline year)



### Trends in day-to-day spending plans

- Current RDEL spend provides a real-terms increase of 2.9% against spending plans in 2022-23 by the end of the spend review period (SR21). Current spend is still driven by the Energy Bills Support Scheme (EBSS) and uncertainty remains around energy prices due to the war in Ukraine and high inflation.

### Trends in investment spending plans

- Current CDEL spend provides a real-terms increase of 67.5% against spending plans in 2022-23 by the end of the spend review period (SR21). The government announced plans in the Spring Budget 2023 to invest in carbon capture, usage and storage (CCUS) and accelerating new nuclear power.

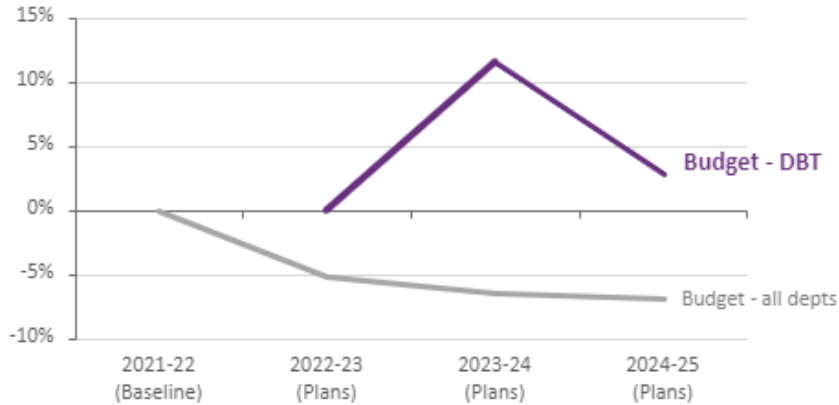
Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# DBT's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spring Budget 2023

Resource DEL excluding depreciation (real-terms % change since baseline year)



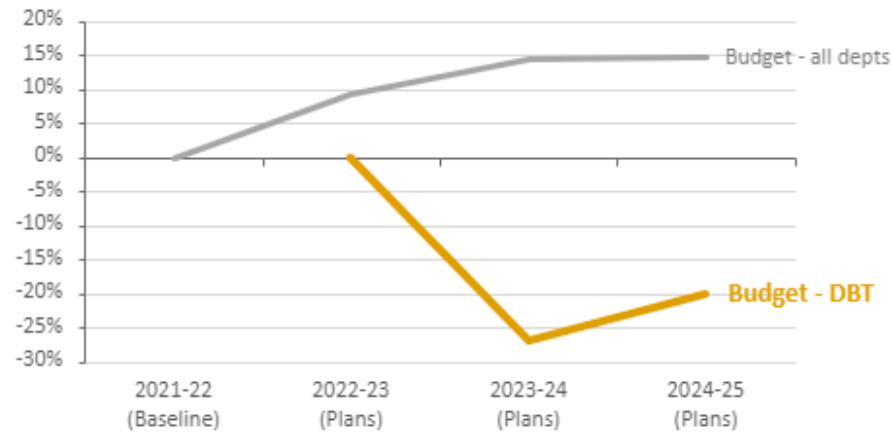
These graphs compare real term growth assumptions using latest inflation forecasts and uplifts to the nominal settlement.

Department for Business, Energy & Industrial Strategy has been split into Department for Energy Security & Net Zero, Department for Business & Trade and Department for Science & Technology.

Due to Machinery of Government changes announced by the Prime Minister the Department for Business & Trade does not currently have a baseline from Spending Review 21, as such 2022-23 plans have been used instead.

## Investment spending in Spring Budget 2023

Capital DEL (real-terms % change since baseline year)



### Trends in day-to-day spending plans

- Current RDEL spend provides a real-terms increase of 2.9% against spending plans in 2022-23 by the end of the spend review period (SR21).

### Trends in investment spending plans

- Current CDEL spend provides a real-terms decrease of 20.0% against spending plans in 2022-23 by the end of the spend review period (SR21).

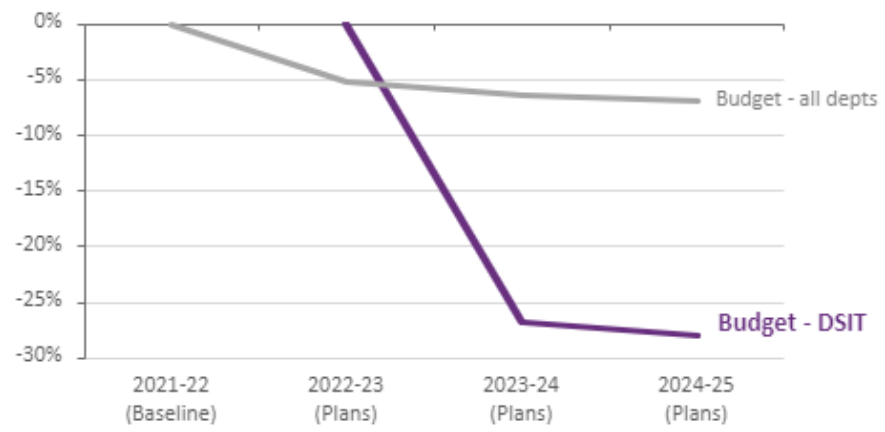
Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# DSIT's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

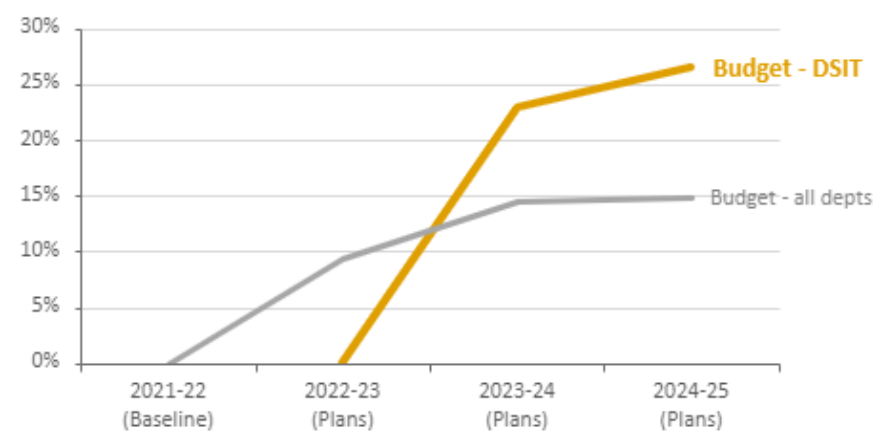
## Day-to-day spending in Spring Budget 2023

Resource DEL excluding depreciation (real-terms % change since baseline year)



## Investment spending in Spring Budget 2023

Capital DEL (real-terms % change since baseline year)



These graphs compare real term growth assumptions using latest inflation forecasts and uplifts to the nominal settlement.

Department for Business, Energy & Industrial Strategy has been split into Department for Energy Security & Net Zero, Department for Business & Trade and Department for Science & Technology.

Due to Machinery of Government changes announced by the Prime Minister the Department for Science & Technology does not currently have a baseline from Spending Review 21, as such 2022-23 plans have been used instead.

**Trends in day-to-day spending plans**

- Current RDEL spend provides a real-terms decrease of 28.0% against spending plans in 2022-23 by the end of the spend review period (SR21). Spend is mainly UK Research & Innovation with budget reductions due to cumulative programmes decreasing spend.

**Trends in investment spending plans**

- Current CDEL spend provides a real-terms increase of 26.5% against spending plans in 2022-23 by the end of the spend review period (SR21). UK Research and Innovation remains the largest proportion of this budget. Announcements in the Spring Budget 2023 include £1 billion of AI and supercomputer funding and a new Quantum Strategy with £2.5 billion of funding over 10 years.

Note: baseline year for Spending Review 2021 is 2021-22 SR15 and SR10 gave five-year Capital DEL settlements

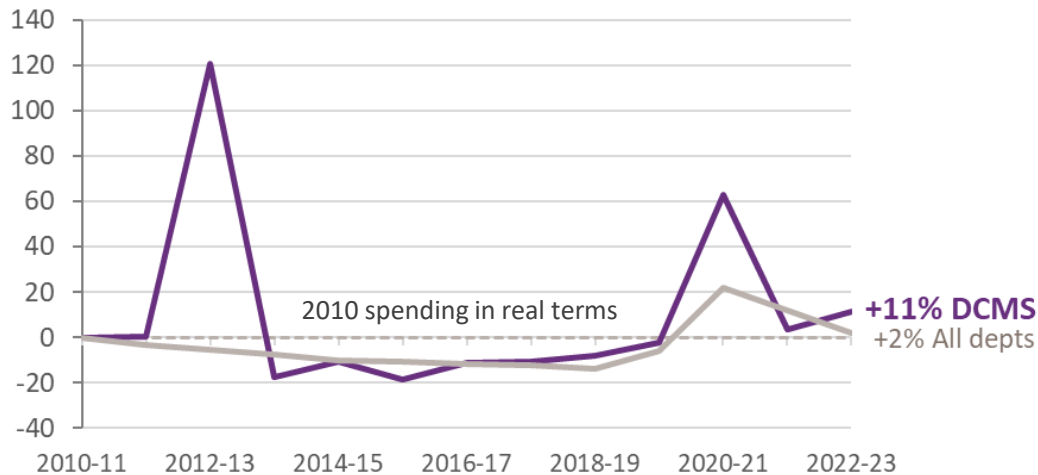


# Department for Digital, Culture, Media and Sport\* (DCMS)

\* Department for Culture, Media and Sport (CMS) for 2023-24 onwards

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

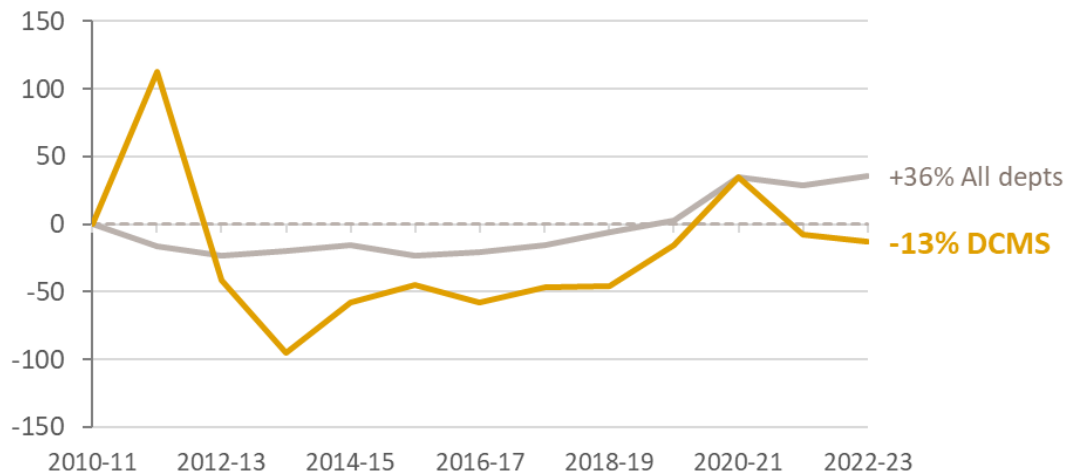
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



### Day-to-day spending trends

- DCMS faced long-term budget cuts comparable to the average across government during the austerity period to 2019-20, excluding a significant spike for the 2012 London Olympics.
- The DCMS RDEL budget peaked in 2020-21 at 62.8% higher than 2010 funding levels, with the bulk of the increase being Covid-19 cultural institution support funding.
- The 2022-23 position shows a significant decrease from 2020-21, finishing the year with a budget 11% above the 2010 baseline, reflecting lower Covid-19 support spending compared to 20-21 and 21-22.

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



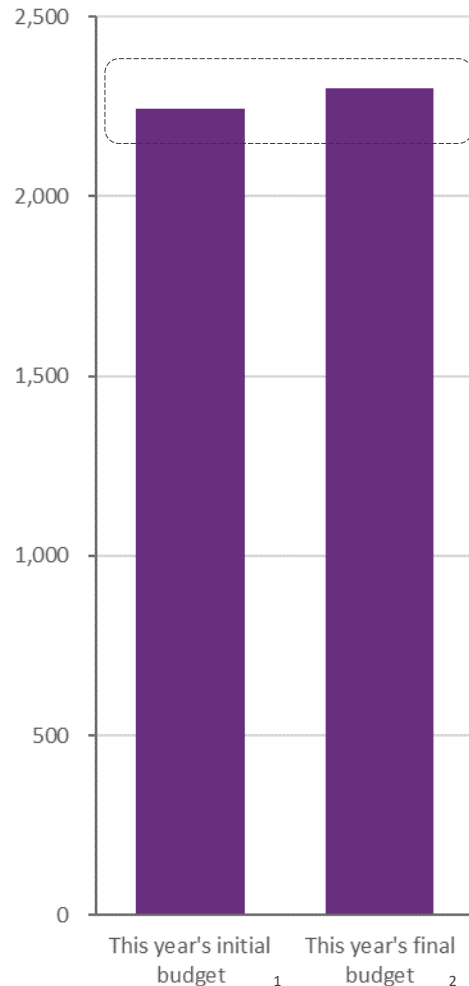
### Investment spending trends

- DCMS suffered more significant budget cuts than the government average over the austerity period, dropping to a low of -95% compared to 2010, in 2013-14.
- Following severe capital budget cuts over the austerity period, DCMS capital budgets increased slowly from 2017, reaching the 2010 baseline only in 2020-21, including significant Covid-19 support.
- Capital budgets were 13% smaller in 2022-23 compared to 2010.

## How is DCMS's day-to-day spending changing in 2022-23?

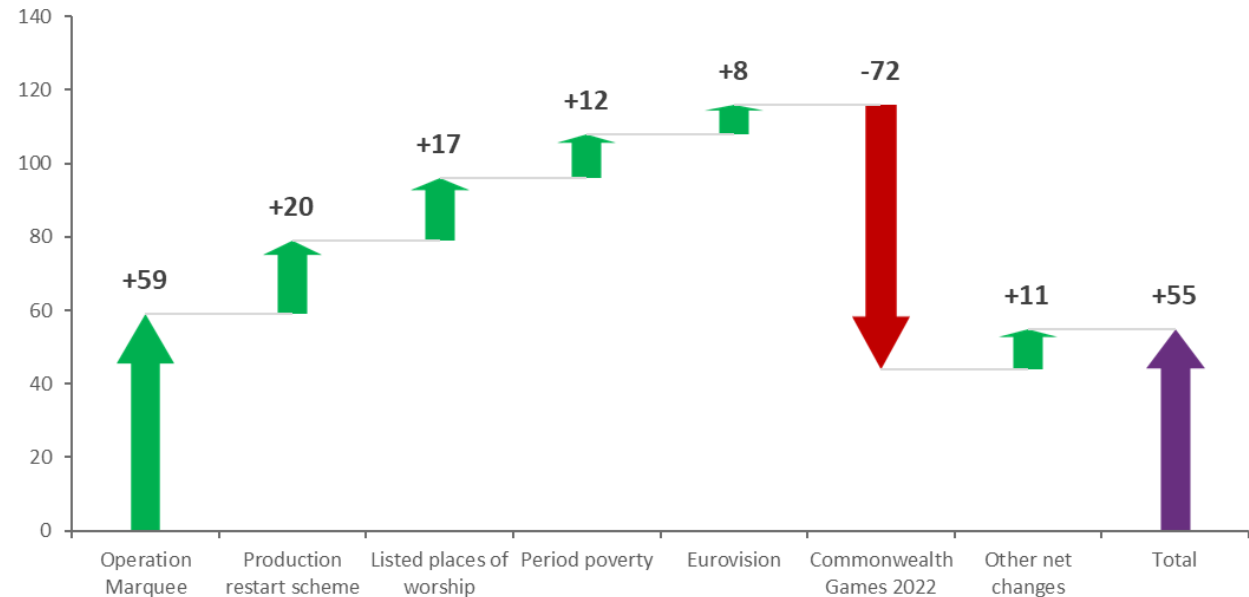
DCMS's day-to-day budget increased by £54.9m (+2.4%)

Resource DEL budget in £m



DCMS's spending increase is driven by services in relation to the death of Her Majesty the Queen

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Operation Marquee:** £59.1 million increase for additional services surrounding the ceremonial activity in London and Windsor in relation to the death of Her Majesty the Queen in September 2022.
- **Production Restart Scheme:** This scheme is designed to support Film and Television Production costs post COVID19. There was an allocation of £2 million to this scheme at the beginning of the year, with the additional funding request of £19.8 million increasing it by 994%.
- **Listed places of worship:** £16.6 million (+96%) increase in the maintenance costs for 'listed places of worship', the total budget for 22-23 is now £34 million.
- **Period poverty:** £12 million for the 'Tampon Tax' fund, a fund designed to support period poverty for disadvantaged women and girls.
- **Commonwealth Games 2022:** £72 million net reduction of budget relinquished back to the Treasury.

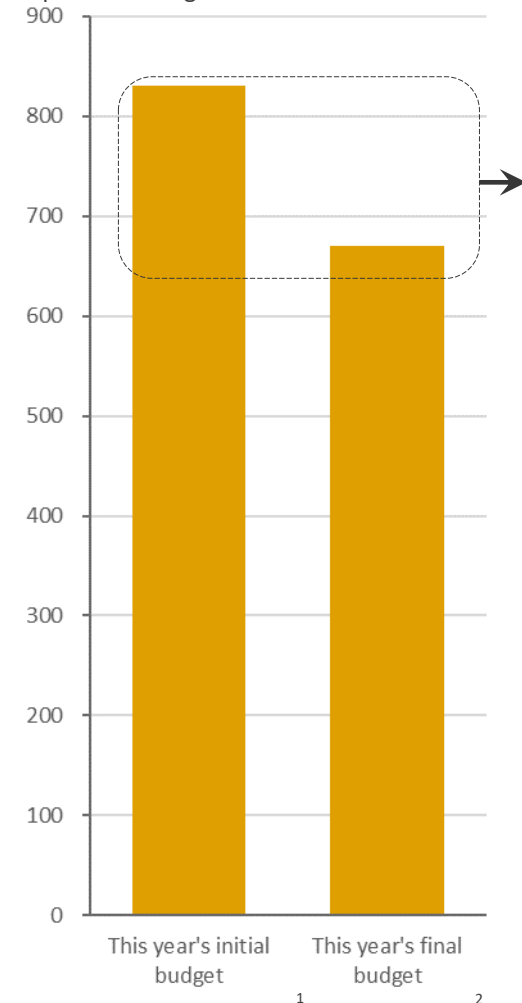
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is DCMS's investment spending changing in 2022-23?

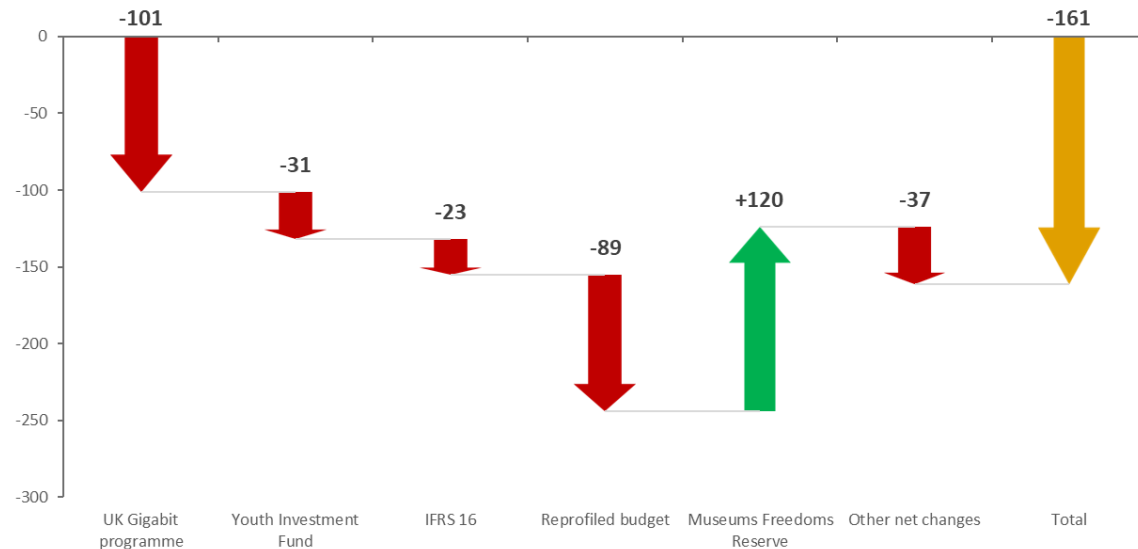
DCMS's investment budget  
decreased by £161.3m (-19.4%)

Capital DEL budget in £m



DCMS's investment spending decreases reflects budget reprofiling, returning funds to the Treasury

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

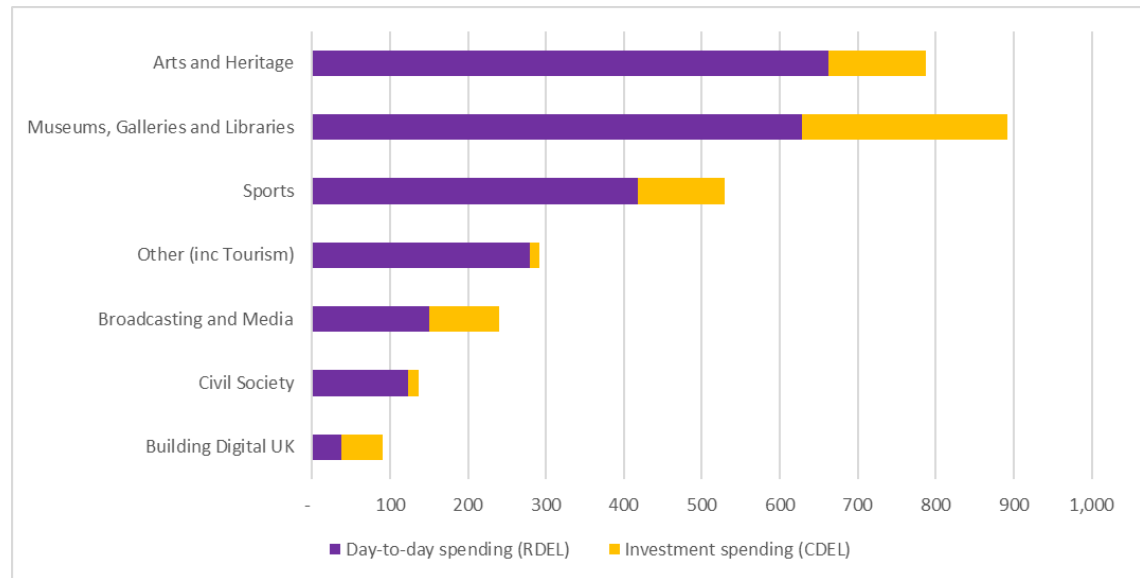
- **Return of Capital budget to the Treasury:** includes:
  - £100.7 million for the UK Gigabit programme
  - £31.0 million from the Youth Investment Fund
  - 22.8 million as part for the accounting change to standard IFRS 16 (leases)
- **Future Years:** Reprofiting of Capital budget into future years including:
  - £50 million for the Youth Investment Fund
  - £21.7 million from the British Library Leeds and Boston Spa
- **Museums Freedoms Reserve:** £120.4 million drawdown to fund Museums, Galleries and Heritage sector, which are only accessed at the Supplementary Estimates.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# The DCMS budget comprises mainly of funding for Arts, Heritage and cultural organisations

Breakdown of DCMS budget 2022-23 (£ million)



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

**DCMS Resource DEL: £2,299.8 million in 2022-23**

- **Arts & Heritage** is the largest spending area, and includes Arts Council England and Heritage England which make up 79% of the budget. This budget also includes funding for Operation London Bridge and the Listed Places of Worship Grant Scheme
- **Museums, Galleries & Libraries** comprises of a range of funding for organisations of all sizes. It also includes the cultural protection fund and makes up 27% of the overall DCMS budget.
- **Sports** expenditure is largely driven by the Birmingham 2022 Commonwealth Games which has accounted for 58% of the spend in this area.

## Investment spending (Capital DEL)

**DCMS Capital DEL: £669.6 million in 2022-23**

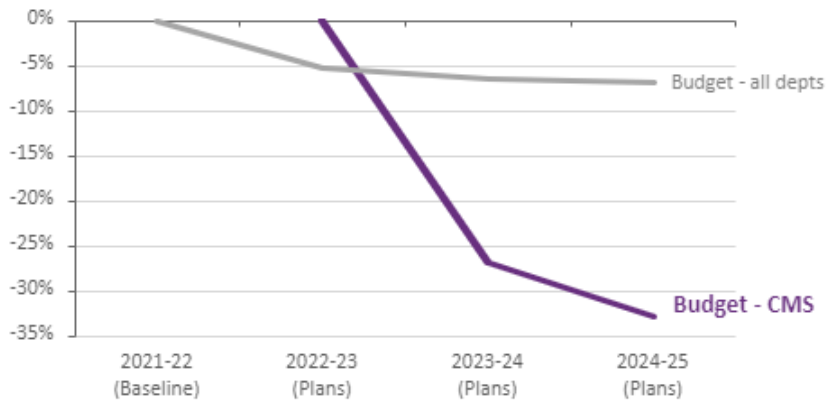
- **Museums, Arts & Galleries** is currently the largest element of the DCMS budget and accounts for 39% of all investment. This is due to capital projects related to the British Museum, Natural History Museum and an increase in funding for National Museums Maintenance.
- **Arts & Heritage** includes investment spending across Historic England and Heritage High Streets, with a large proportion of funding (30%) allocated to the Cultural Investment Fund.
- **Other notable areas** of investment include Broadcasting Research & Development, Grassroot Sports Facilities and Building Digital UK.

# CMS's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spring Budget 2023

Resource DEL excluding depreciation (real-terms % change since baseline year)



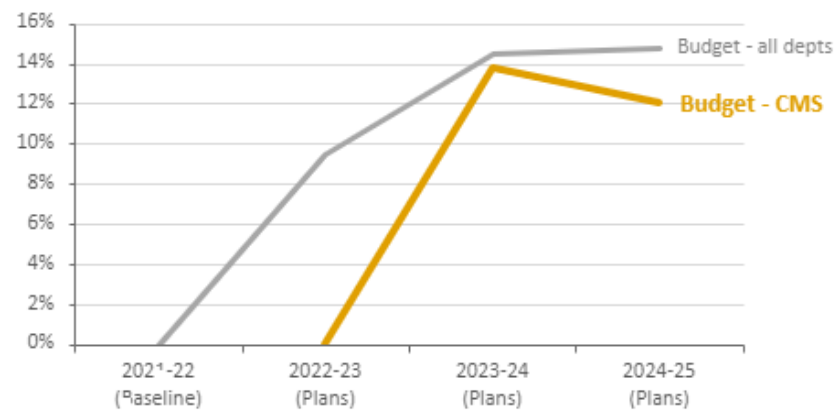
These graphs compare real term growth assumptions using latest inflation forecasts and uplifts to the nominal settlement.

Department for Digital, Culture, Media and Sport has been replaced by Department for Science, Innovation and Technology and Department for Culture, Media and Sport.

Due to Machinery of Government changes announced by the Prime Minister the Department for Culture, Media & Sport does not currently have a baseline from Spending Review 21, as such 2022-23 plans have been used instead.

## Investment spending in Spring Budget 2023

Capital DEL (real-terms % change since baseline year)



### Trends in day-to-day spending plans

- Current RDEL spend provides a real-terms decrease in funding of 33% against spending plans in 2022-23, this is due in part to one off events in 2022 including the Birmingham Commonwealth Games, the Queens Platinum Jubilee and Operation London Bridge.

### Trends in investment spending plans

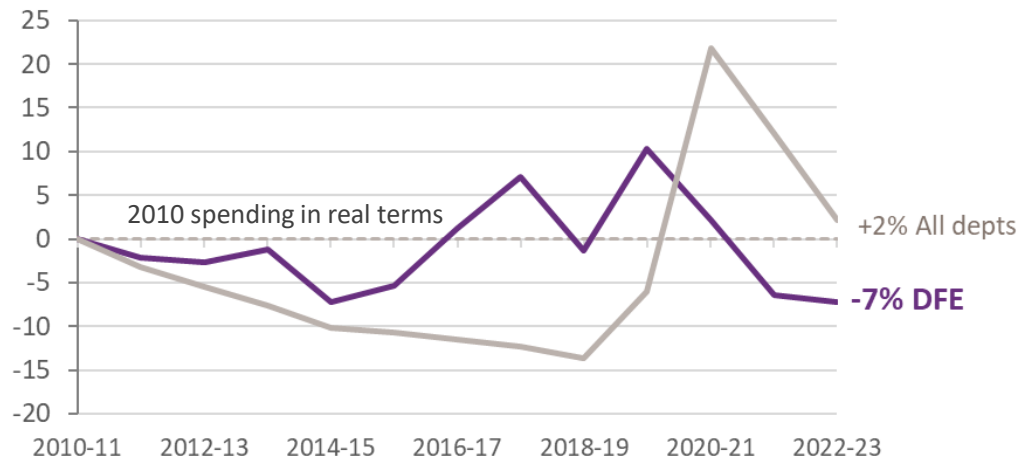
- Current CDEL spend provides a real-terms increase in funding of 12% against spending plans in 2022-23.
- This is driven predominantly by £850 million announced in SR21 for cultural and heritage infrastructure, including museum renovations.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

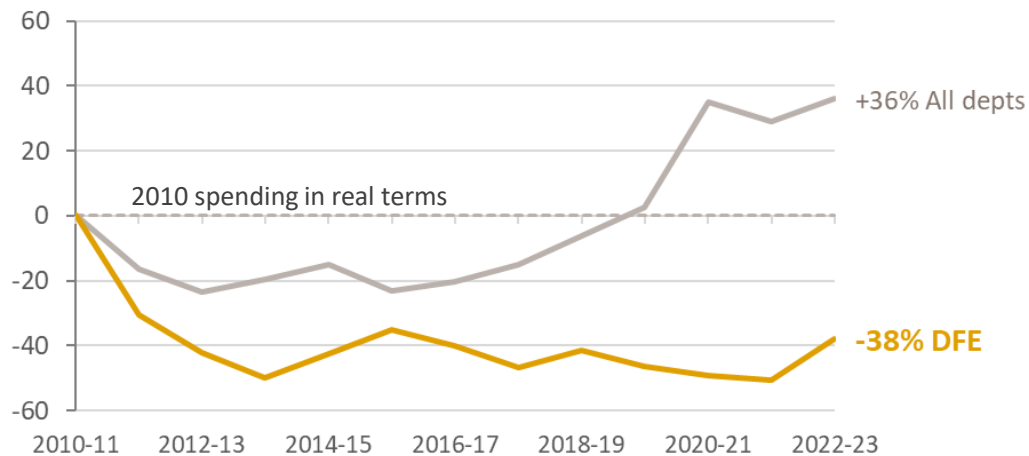
# Department for Education (DfE)

## Long-term trends in DfE's spending (in real terms)

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



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



### Day-to-day spending trends

- The DfE RDEL budget dropped to 7.5% below 2010 levels in 2014-15 following austerity cuts.
- The RDEL budget then increased modestly, peaking in 2017-18 at 6.8% above the 2010 baseline.
- Funding decreased again in 2018-19, before increasing due to covid in 2019-20, when it peaked at 10.1% above 2010 levels.
- Covid spending in 2020-21 and 2021-22 kept the budget at over 5% above 2010 levels.
- The allocation for 2022-23 is a significant cut from the prior-year, giving DfE a real terms RDEL budget 7% lower than in 2010. However, the driving factor behind the 2022-23 decrease is the increased funding in the prior year required for the Student Loan Book, and does not reflect decreased school funding.

### Investment spending trends

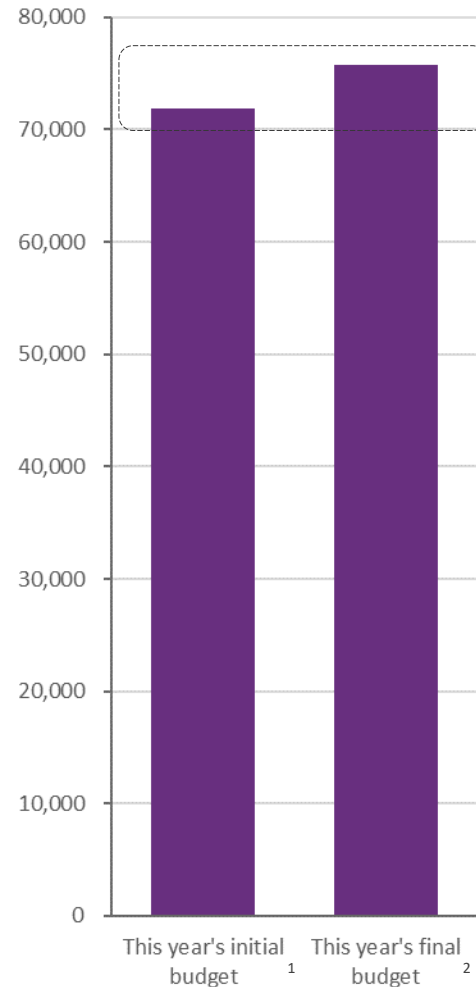
- Following severe capital budget cuts over the austerity period, DfE received capital budgets consistently lower than the 2010 baseline from 2012-2022.
- DfE's capital budgets were 38% lower in 2022-23 compared to 2010.
- The average across all government departments was 36% growth compared to 2010, meaning DfE has seen severely less capital budget growth since 2010.



# How is DfE's day-to-day spending changing in 2022-23?

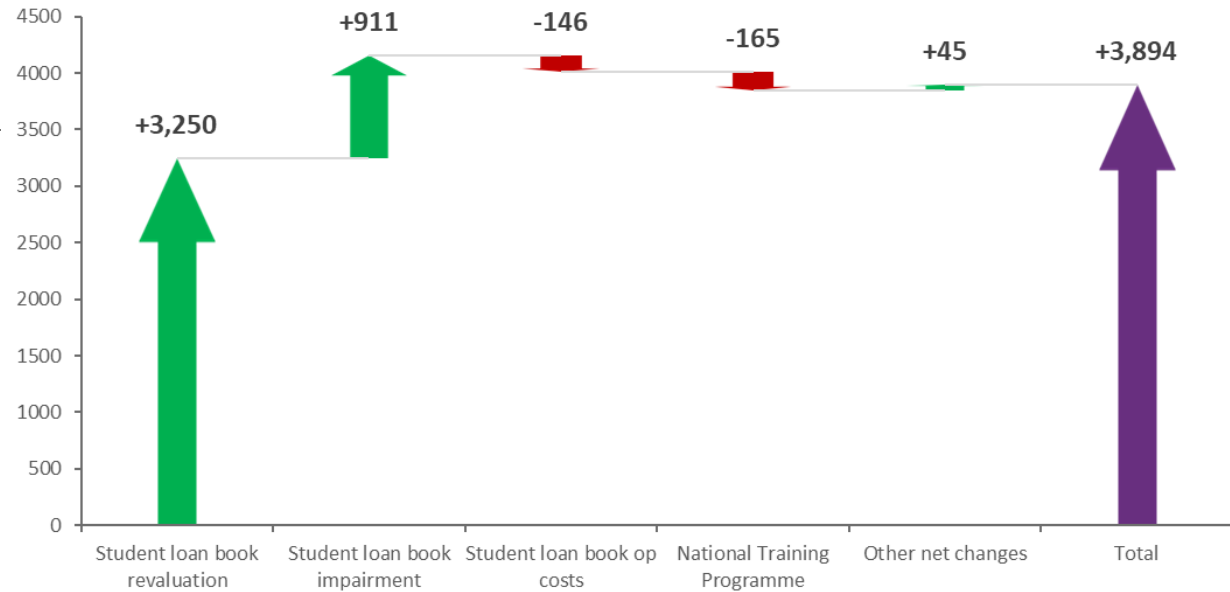
DfE's day-to-day budget increased by **£3,893.7m (+5.4%)**

Resource DEL budget in £m



DfE's spending increase is driven by costs attributed to the Student Loan Book

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



## Changes in 2022-23

- **Student Loan book costs:** £4,015 million higher budget for costs associated with the student loan book. This increase includes the annual revaluation and impairment charge. This is a highly variable area sensitive to wider economic variables, and the budget set at Main Estimate is always reviewed at Supplementary Estimate to ensure appropriate budget cover for the remainder of the year.
- **National Training Programme:** £165 million surrender (reduction of budget) of “National Training Programme ‘policy ringfence’ consisting of clawback and changes in budget requirements for school led tuition and core activity”.

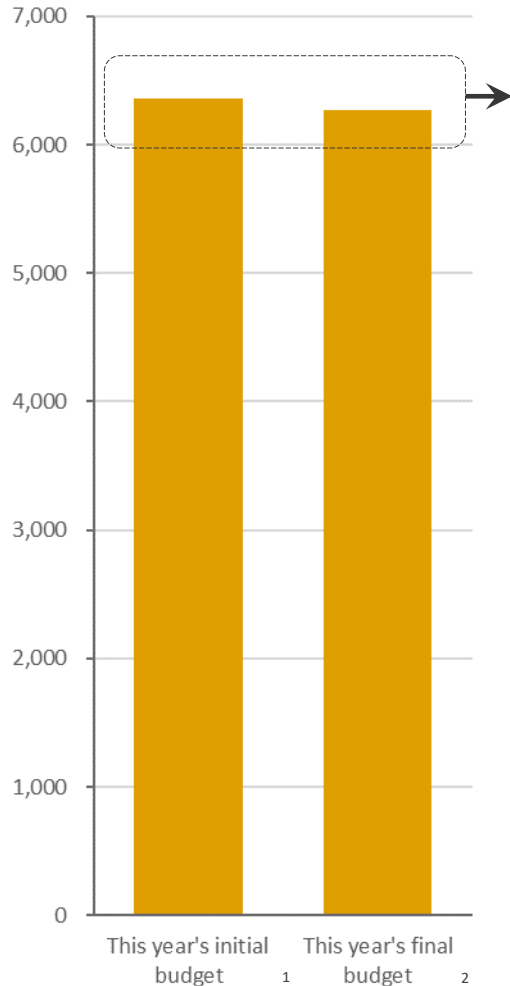
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is DfE's investment spending changing in 2022-23?

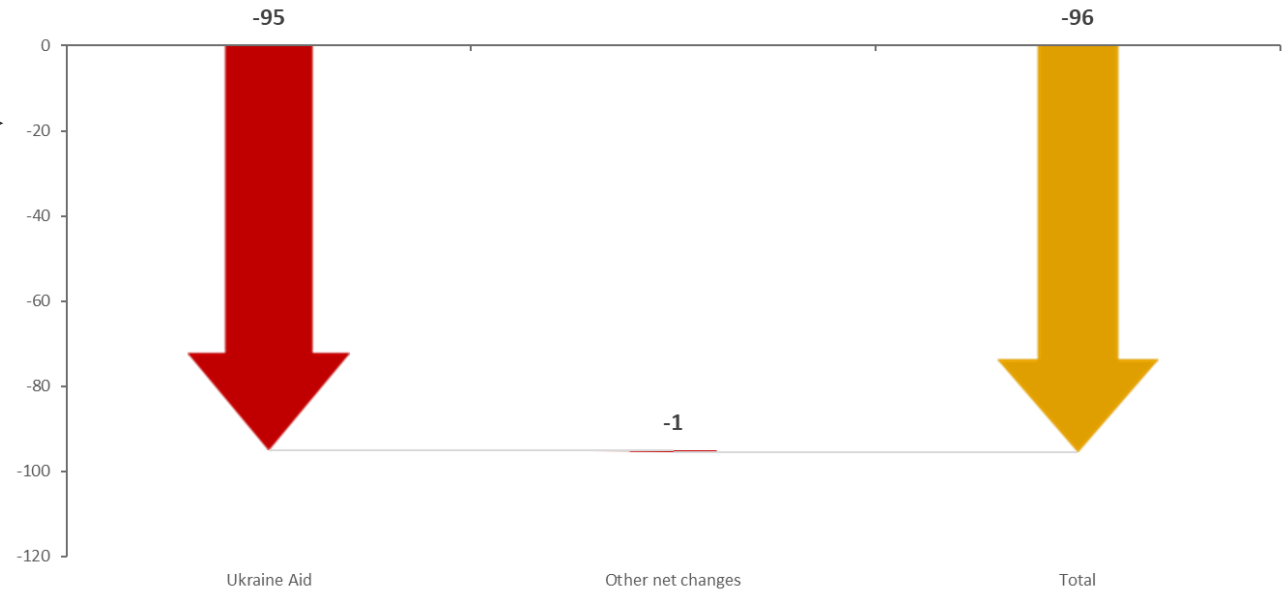
DfE's investment budget decreased by £95.6m (+1.5%)

Capital DEL budget in £m



DfE's investment spending increases reflects budget returned to aid the war in Ukraine

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

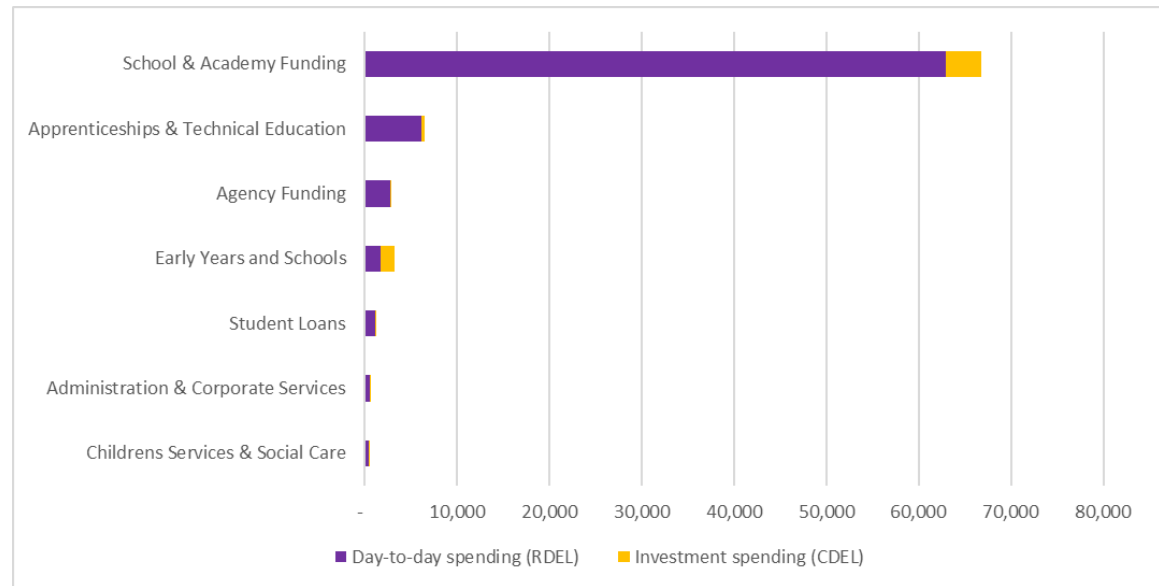
- **Ukraine aid:** £95 million budget has been returned to aid the war in Ukraine

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the DfE budget is comprised of grants for Schools and Academies

Breakdown of DfE budget 2022-23 (£ million)



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

### DfE Resource DEL: £75,797 million in 2022-23

- **School & Academy funding** is the largest spending area, comprising 83% of all resource DEL. This is predominately grants to cover every day running costs.
- **Apprenticeships & Technical Education** covers further education for 16-19 year olds and adult education, and also includes budget for the Institute of Apprenticeships.
- **Agency funding** is comprised of Standards & Testing, Teaching Regulation but mainly the Education and Skills Funding (ESFA) agency which covers 98% of this budget.
- **Early Years and Schools** is funding provided direct to the education system by the DfE. This is less than 3% of the total DfE budget.

## Investment spending (Capital DEL)

### DfE Capital DEL: £6,268.7 million in 2022-23

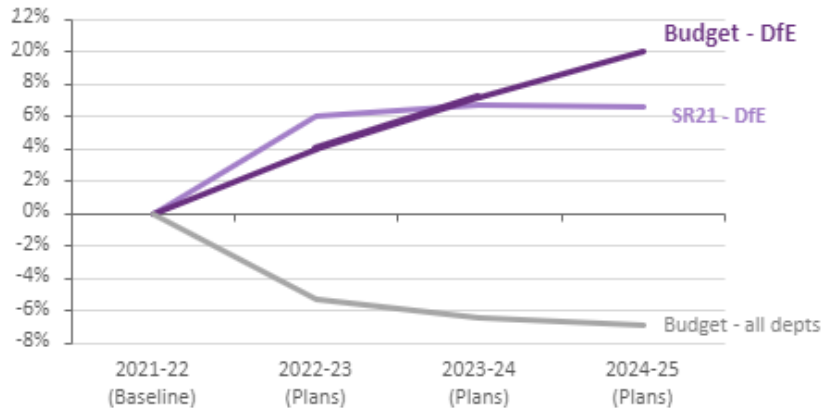
- **School & Academy funding** remains the largest area of investment in education, utilising 62% of the capital budget. This has increased by £194 million since the main estimate due largely to an increase in energy efficiency grants paid to academies.
- **Early Years & Schools** investment has decreased in 2022-23 against the main estimate due to wider logistical challenges hampering delivery. This is the second largest capital spend for the DfE at just under a third (24%) of total budget.

## DfE's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



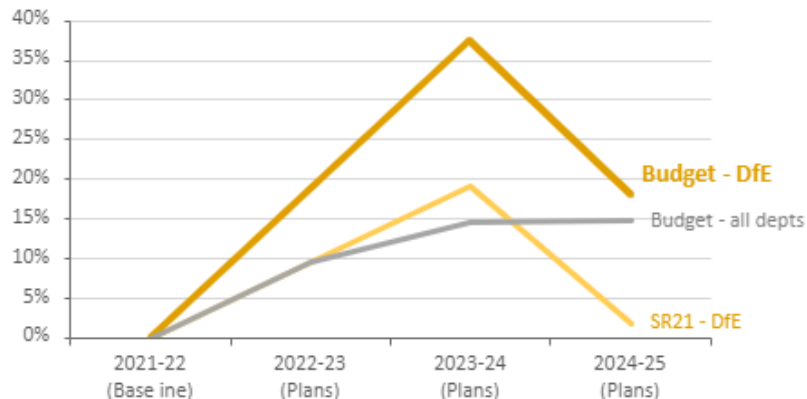
These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

### Trends in day-to-day spending plans

- Current RDEL spending plans provide a 10.1% real-terms increase over the baseline by 2024-25, compared to 6.6% in SR21.
- The Budget is in line with SR21 over 2021-22 and 2022-23 but provides more RDEL to DfE on a percentage real-terms basis in financial years 2023-24 and 2024-25, this is due to the extension of free childcare being phased in from April 2023 with full funding in place by the end of the spend review period.
- 71% of the Budget RDEL settlement will be allocated to core schools, which is consistent with SR21.

### Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

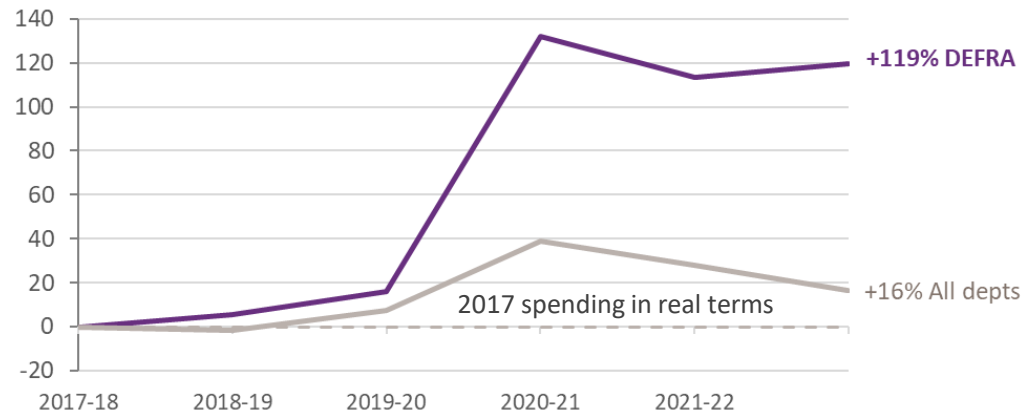
- Current CDEL spending plans provide a 17.9% real-terms increase over the baseline by 2024-25, compared to 1.9% in SR21.
- This is due to the budget baseline being £1 billion lower than the SR21 baseline, caused by delivery challenges delaying investment. The budget continues to account for less capital funding than SR21 over the period of the spend review despite the higher % change.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# Department for Environment, Food and Rural Affairs (DEFRA)

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

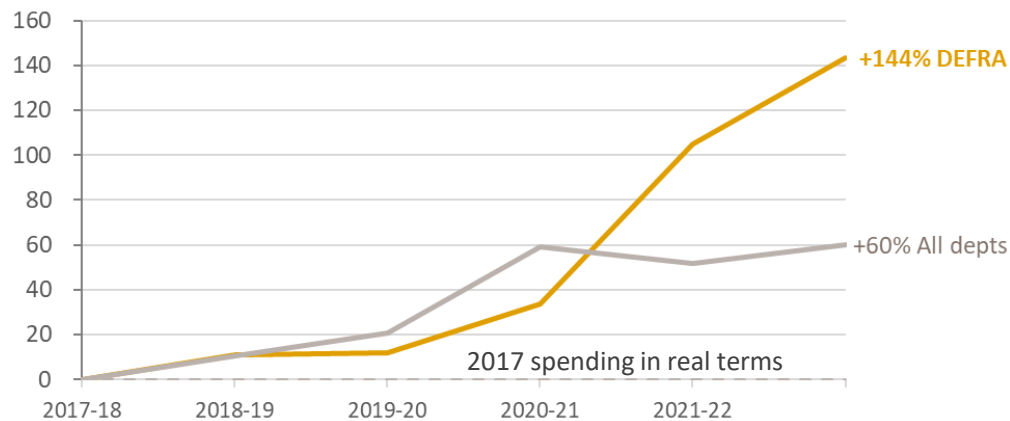
Percentage change in **day-to-day spending** compared to 2017-18 (Resource DEL):



### Day-to-day spending trends

- The increases in Resource DEL from 2017-18 include additional expenditure for EU exit work funded from the Reserve.
- The increase in 2020-21 reflects the additional budget received for direct payments to farmers following the UK's planned departure from the EU.
- The increase in 2020-21 also included additional budget given to the department to support its response to the COVID-19 pandemic.
- The budgets for future years reflect those agreed at SR21, which include a commitment to make savings and efficiencies across the Defra group.

Percentage change in **investment spending** compared to 2017-18 (Capital DEL):



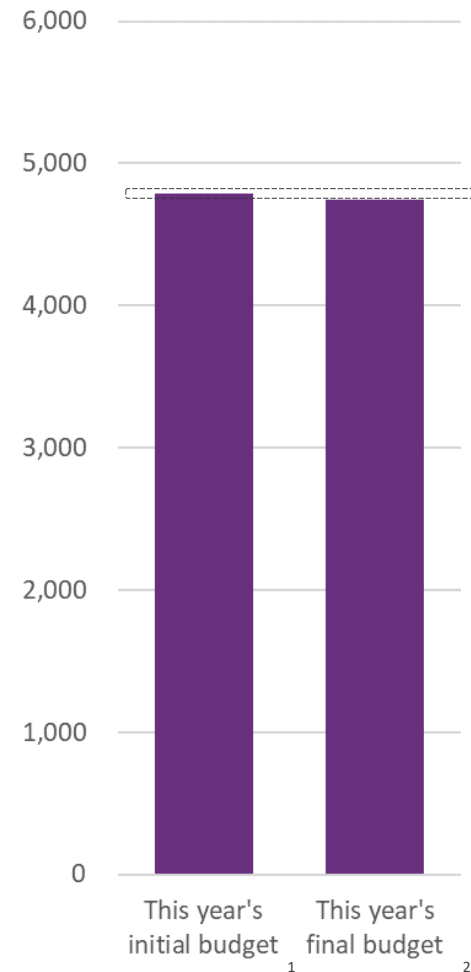
### Investment spending trends

- The Capital DEL budget shows an overall increase from 2017-18 up to 2022-23. This reflects increased investment in IT and property; additional funding for EU exit to provide for additional infrastructure and systems, including IT development, to support new border controls; and additional funding for flood and coastal risk management.
- The increases between 2021-22 to 2022-23 include additional budget for capital payments to farmers; Science Capability in Animal Health (SCAH) and the Critical Works programme at Weybridge; flood and coastal defence programmes; biodiversity; and Nature for Climate Fund.

# How is DEFRA's day-to-day spending changing in 2022-23?

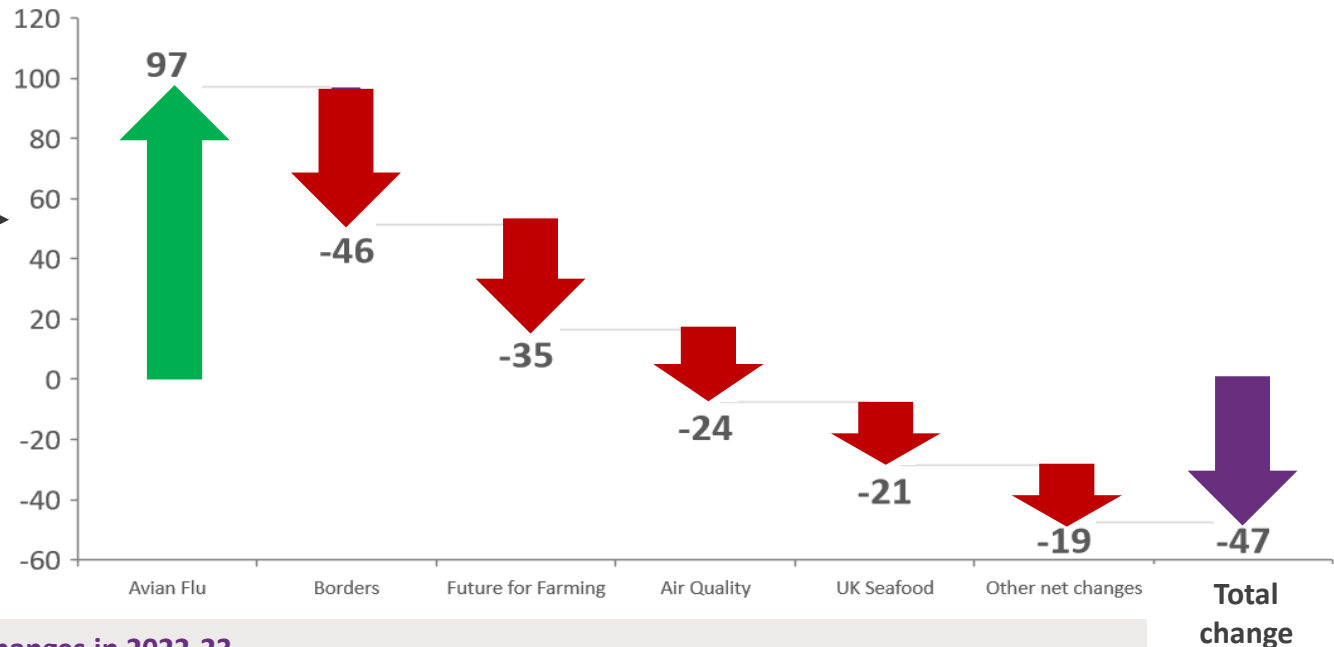
DEFRA's day-to-day budget decreased by £47.4m (-1%)

Resource DEL budget in £m



DEFRA's spending decrease is driven by the postponement of the Border checks implementation

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Avian Flu:** £97.2 million increase in resources to support the response to Avian flu outbreak;
- **Borders programme:** The £46m budget reduction in 2022-23 is driven by the government decision to postpone border checks in April 2022. Of the £46m budget reduction, £18.8m has been reprofiled into future years;
- **Future for Farming:** £34.9m underspend in the budget for the Future of Farming budget across different schemes;
- **Joint Air Quality:** £24.0 million underspend due to “challenges in agreeing suitable measures to reduce NO2”; and
- **UK Seafood fund:** £21.1 million reprofiling of budget to 2023/24, this fund was due to close in March 2024, but has now been extended until 2025.

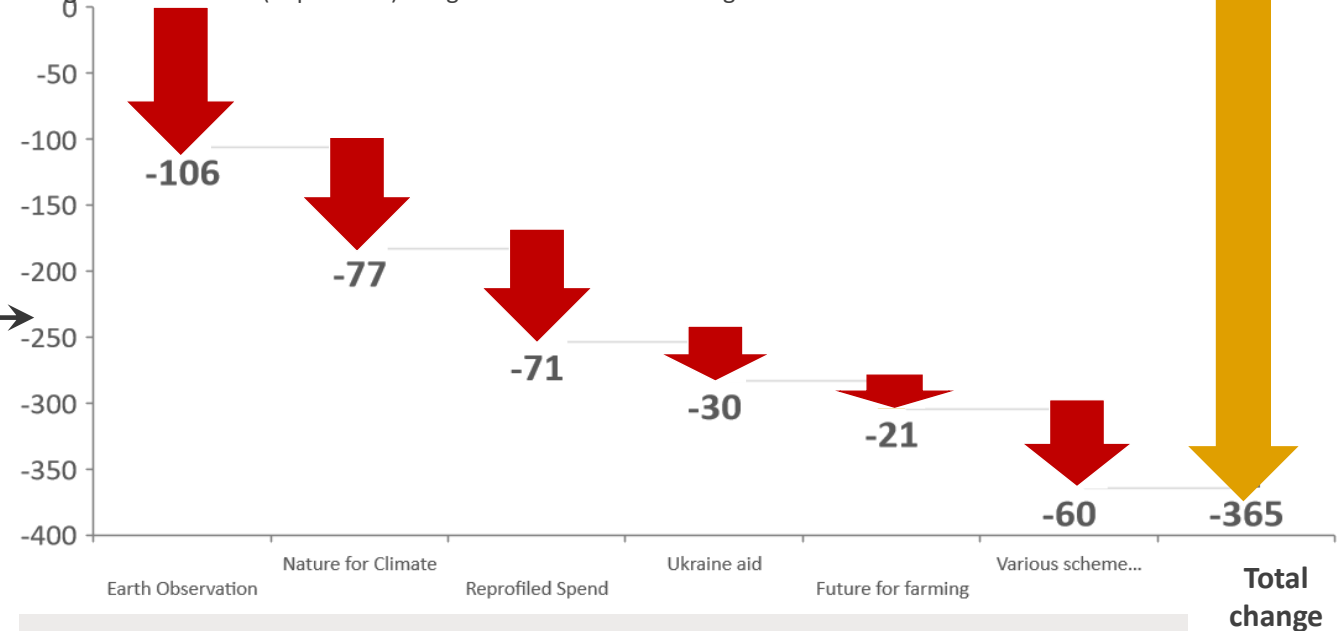
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is DEFRA's investment spending changing in 2022-23?

DEFRA's investment budget decreases due to underspends across various schemes.

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23

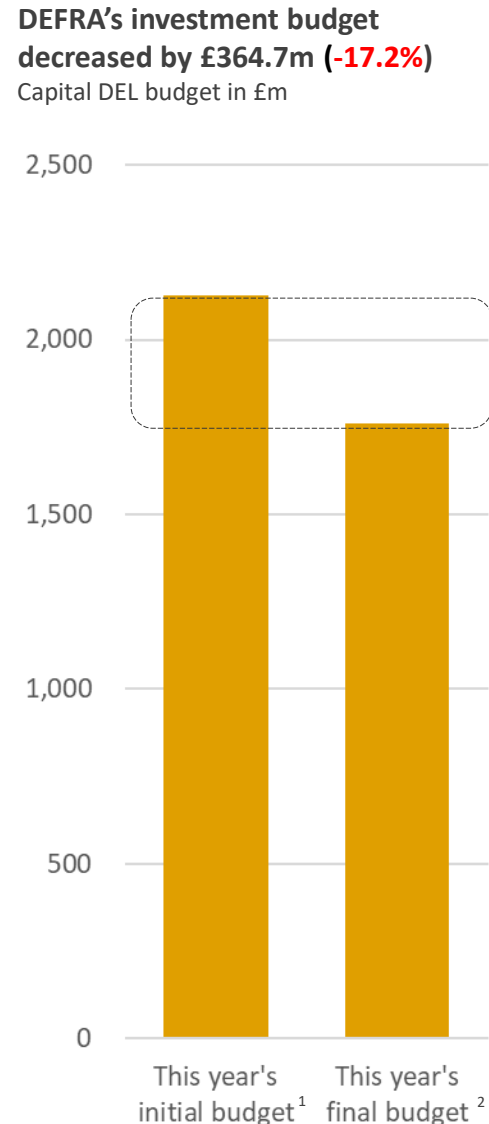


### Changes in 2022-23

- **Earth Observation:** £106.5 million reduction following the transfer of budget to BEIS for the Copernicus Earth Observation R&D costs;
- **Nature for Climate Fund:** £77.0 million underspend relating to work on the Vacant and Derelict Land programme and spend on the Community Forests programme;
- **Reprofiling Spend:** £70.6 million decrease as a result of transferring budget into 2023-24. The largest of these transfers relate to £35.3 million for the Borders programme.
- **Ukraine aid:** £30m budget sacrifice to support Ukraine aid.
- **Future for farming:** large number of schemes with relatively small levels of underspend, the most significant being Simplified Countryside Stewardship with £7m decrease.
- **Various scheme underspends:** There have been numerous underspends across DEFRA's capital budgets. This includes an underspend in science Research and Development where issues with the procurement of scientific advice is impacting delivery.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

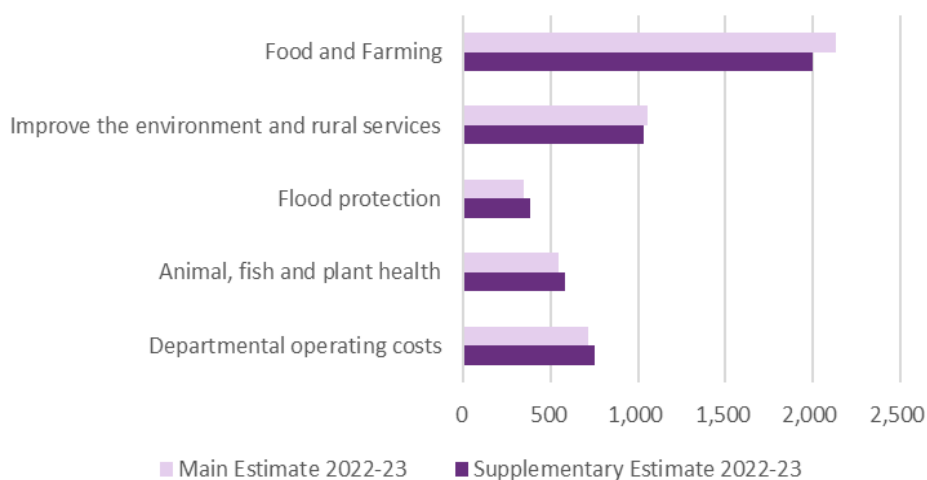




# Underspends across environmental schemes drive budget reductions

Breakdown of Defra budget 2022-23 vs 2021-22 outturn (£ million)

## Changes in RDEL £ million



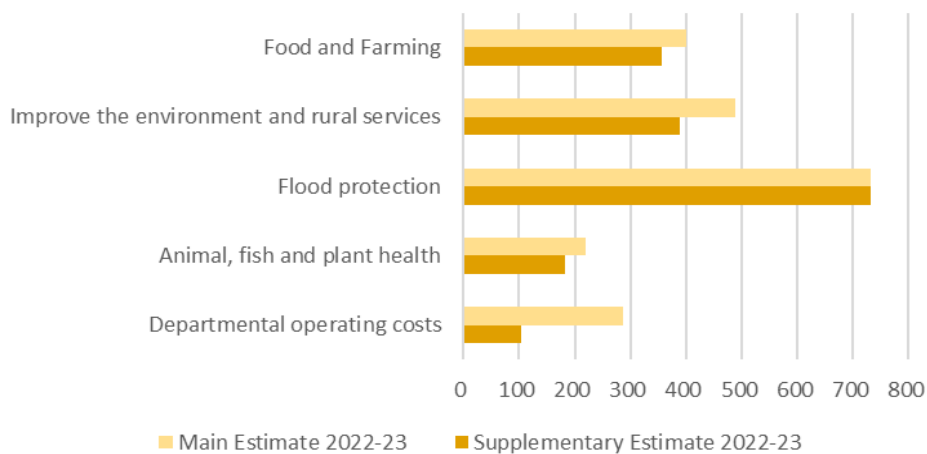
## Day-to-day spending (Resource DEL)

- The 2022-23 **Food and Farming** budget is just over £2 billion of which, £1.7 billion is allocated to the Rural Payments Agency (who are responsible for making aid and rural development payments to farmers in England). There is a £133 million overall reduction in the Food and Farming budget from the Main Estimate. This is due in part, to an underspend across some farming schemes (£35 million in Future for Farming), but also to a budget reallocation across DEFRA during the course of the year. The RPA budget is ring-fenced and remained at £1.7 billion.

## Investment spending (Capital DEL)

- Flood protection** remains the largest area of investment for DEFRA with a budget of £731 million for 2022-23.
- Improve the environment and Rural Services** includes the budget for various environmental schemes. The overall budget decreased by over £100 million (20.5%) since the Main Estimate. This was driven by a £77 million underspend in the **“Nature for Climate” fund**, mainly due to timing issues creating the need to reassess the profile of spend. This includes work on the Vacant and Derelict Land programme and spend on the Community Forests programme where more time is needed for the pipeline of tree planting schemes to be ready for planting.
- The **departmental operating costs** are forecast to decrease by £182.9 million or 63.9% since the Main Estimate. This is mainly due to the transfer of budget to BEIS for the Earth Observation project and the decrease due to savings needed for Defra's contribution to Ukraine aid.

## Changes in CDEL £ million

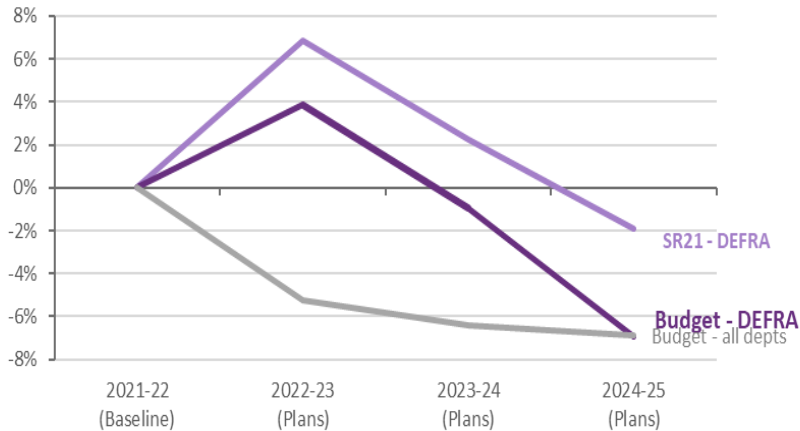


## DEFRA's spending beyond 2022-23

The latest departmental spending plans were published in Spending Review 2021 in October last year. These plans were made in cash terms for 2022-23 to 2024-25. Subsequent increases to the inflation forecast have meant that in real terms these budgets have tightened.

### Day-to-day spending in Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



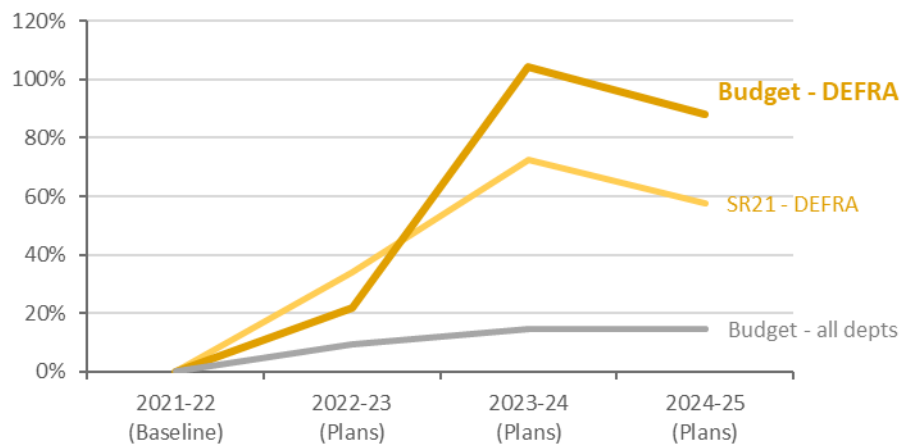
### Trends in day-to-day spending plans

No change to nominal spending settlements mean that in real terms the average annual real terms growth rate will be -5.3% over the next two years (2023-24 and 2024-25).

- The average annual real terms growth rate over the spending review settlement period (2021-22 to 2024-25) was originally **3.1%** (reported in October 2021). The phasing of this settlement was that 2022-23 saw a large real terms increase followed by savings expected in the outer years.

### Investment spending in Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

Capital investment in DEFRA is expected to continue to grow in real terms for the remainder of the Spending Review settlement period with continued investment for:

- Science Capability in Animal Health (SCAH) and the Critical Works programme at Weybridge;
- flood and coastal defence programmes;
- biodiversity;
- Nature for Climate Fund, and
- Payments to farmers.

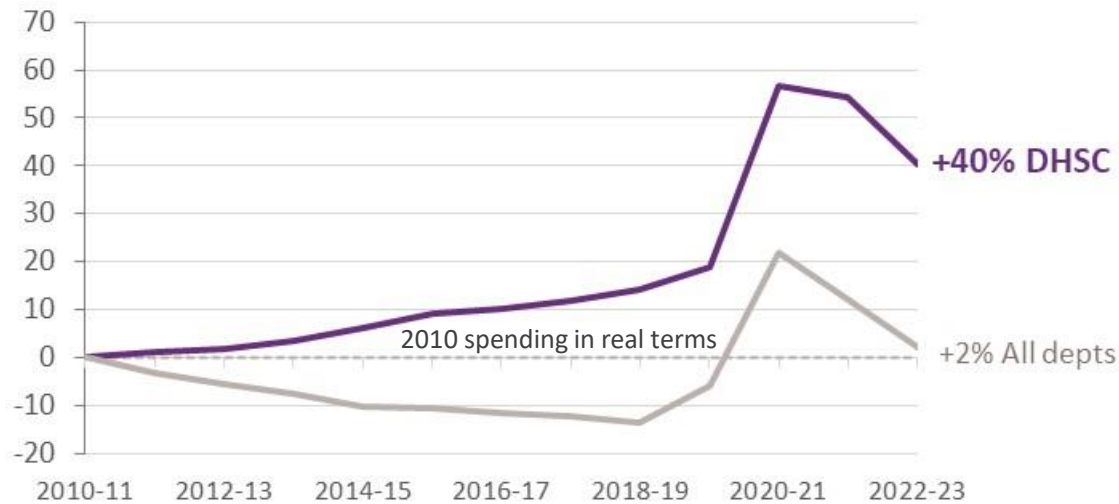
During 2022-23, DEFRA underspent against the investment provided in the 2021 Spending review settlement, some of this underspend has been reprofiled into the outer years.

Note: baseline year for Spending Review 2021 is 2021-22

# Department of Health and Social Care (DHSC)

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

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



### Day-to-day spending trends

- DHSC continued to experience real-terms spending growth through the austerity period, compared to real-terms decreases in other departments.
- Day-to-day spending peaked in 2020-21 at 57% higher than 2010-11, because of COVID-19.
- Day-to-day spending has dropped in real-terms since the COVID-19 peak largely due to recent high inflation. (It continues to grow in cash terms year-on-year.)
- Day-to-day spending is set to be 40% higher in 2022-23 than in 2010-11 in real terms.

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



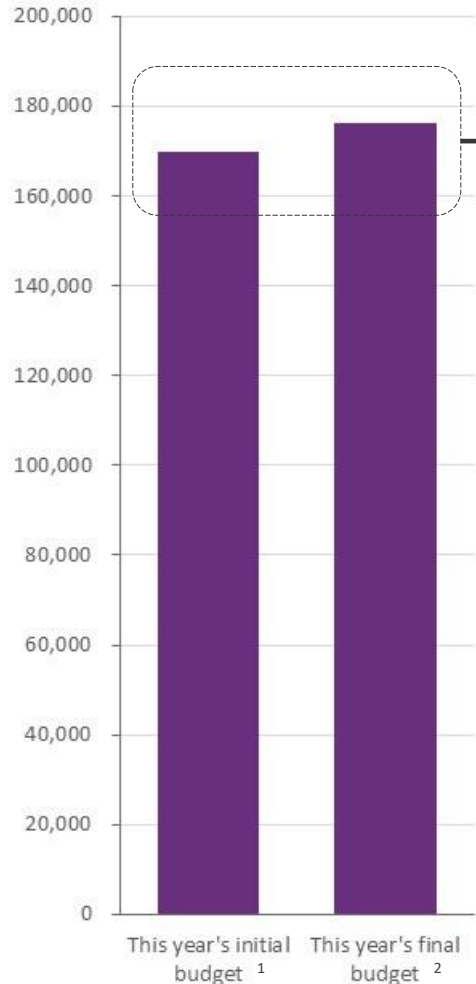
### Investment spending trends

- DHSC experienced some real-terms cuts in investment spending during austerity, but not as much as other departments.
- Investment spending peaked in 2020-21 at 106% higher than 2010-11, because of the COVID-19 pandemic.
- It remains volatile due to inflation.
- Investment spending is set to be 67% higher in 2022-23 than in 2010-11 in real terms.

# How is DHSC's day-to-day spending changing in 2022-23?

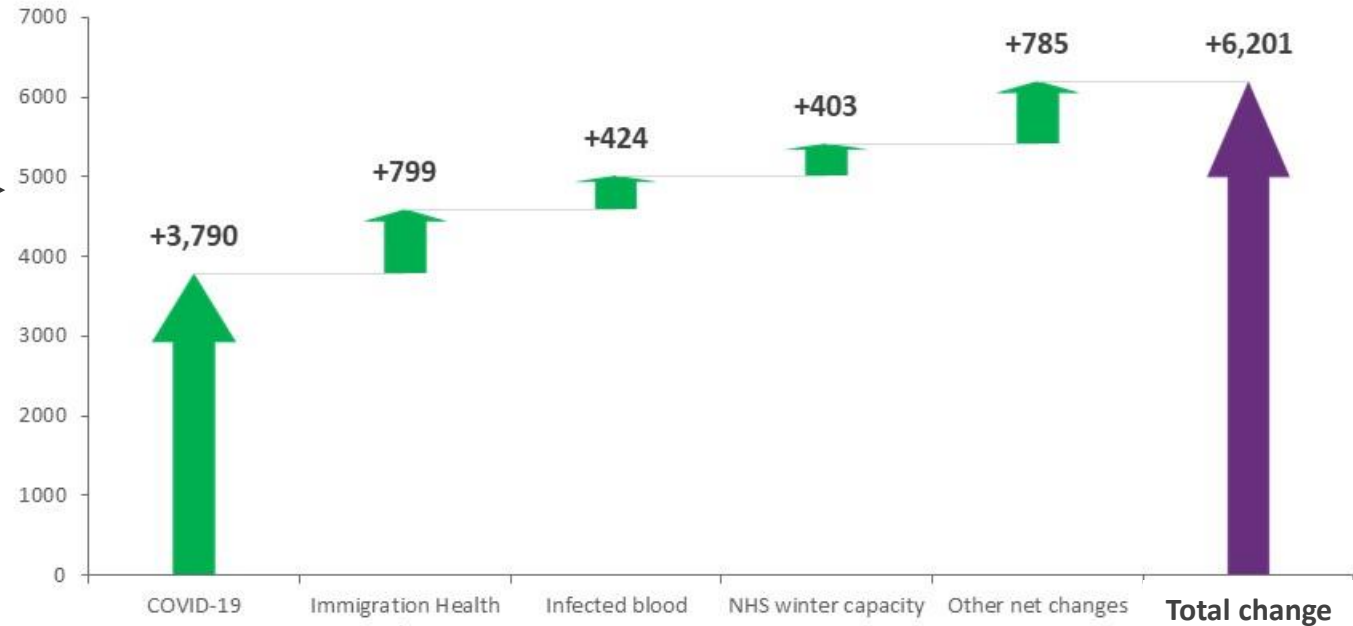
DHSC's day-to-day budget increased by **£6,200.6m (+3.6%)**

Resource DEL budget in £m



DHSC's spending increase is driven by the use of existing treatments for COVID-19

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **COVID-19:** this relates to the consumption, impairment and deployment of COVID-19 vaccines, treatments and testing, as well as the Living with COVID policy.
- **Immigration Health Surcharge:** this is collected by the Home Office and transferred to DHSC.
- **Infected blood interim payments:** per the government's policy announcement of 17 August 2022.
- **NHS winter capacity pressures:** to help the NHS cope with heightened capacity pressures in winter.

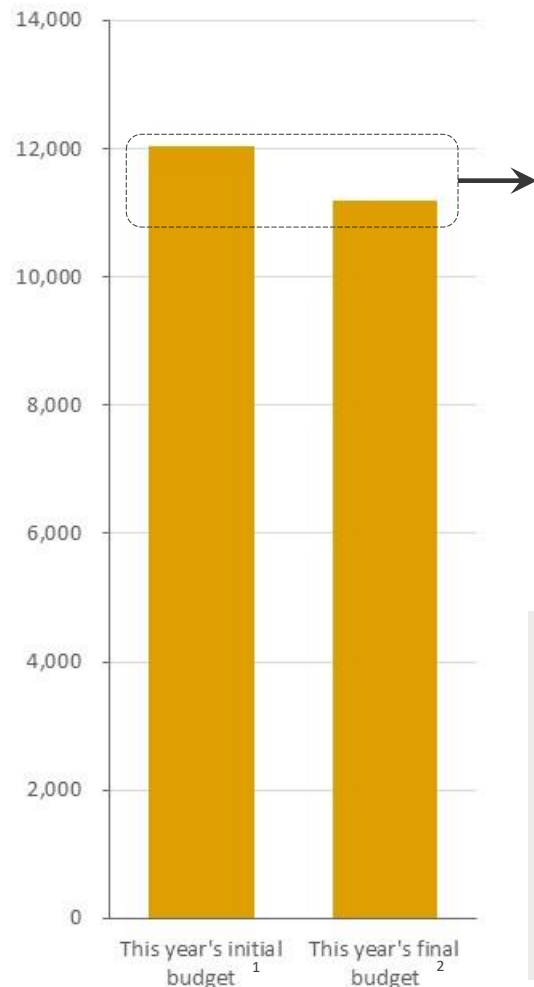
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is DHSC's investment spending changing in 2022-23?

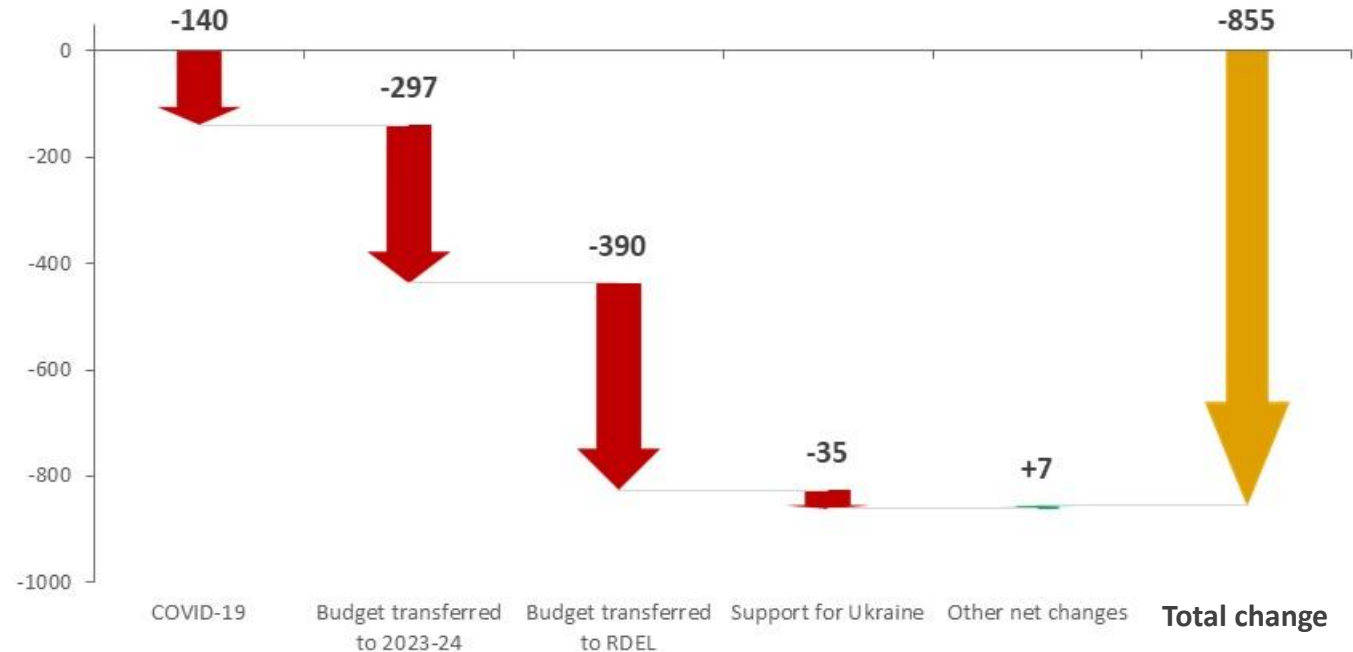
DHSC's investment budget  
decreased by £855.1m (-7.1%)

Capital DEL budget in £m



DHSC's investment spending decrease is driven by accounting reclassifications and transfers

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

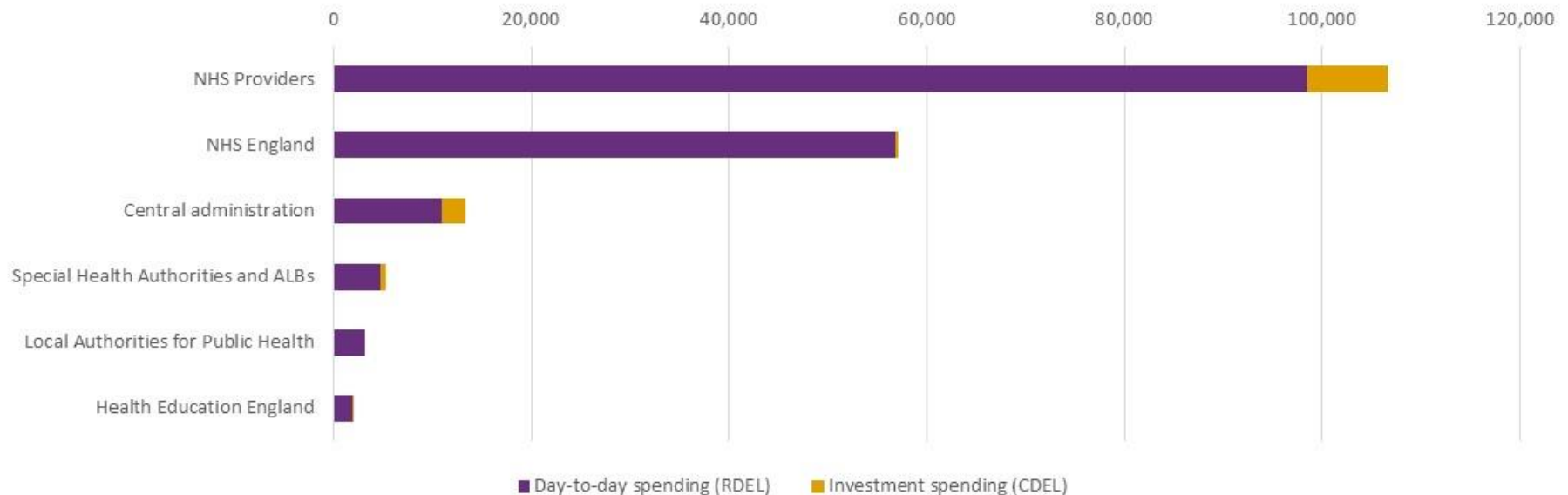
- **COVID-19:** an accounting reclassification relating to the delivery of prepaid COVID-19 vaccines.
- **Budget transferred to 2023-24:** reprofile of NHS capital underspends as part of HM Treasury's Budget Exchange scheme.
- **Budget transferred to RDEL:** an accounting reclassification, and includes funding for delivery of NHS Test and Trace inventory consumption, the Living with COVID policy, and the National Hospitals Programme.
- **Support for Ukraine:** several departments have surrendered budget as a contribution towards the UK government's support for Ukraine.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of DHSC's spending goes straight to the NHS

Breakdown of DHSC budget 2022-23 (£ million)



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

- The **Resource DEL budget** for DHSC is **£176,148 million**.
- **The NHS** is by far the largest element in the DHSC budget, receiving **£155,390 million**. Of this, £106,664 million goes direct to NHS providers and £57,123 million goes to the NHS Commissioning Board (NHS England). Almost two-thirds of NHS England's RDEL budget is funded by National Insurance Contributions.
- **Central administration** includes spending in DHSC itself as well as its executive agencies. This is around 6% of the total budget, less than half of its proportion at the height of the COVID-19 pandemic.

## Investment spending (Capital DEL)

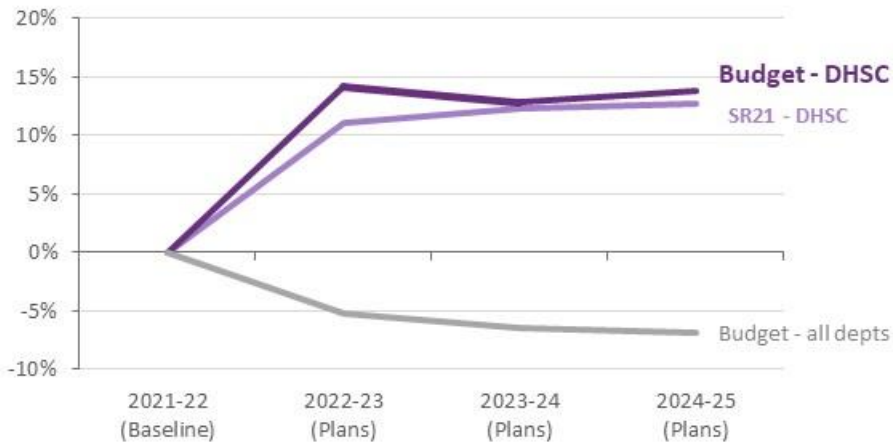
- The **Capital DEL budget** for DHSC is **£11,193 million**.
- As with Resource DEL, most of this (**£8,397 million**) is spent on **the NHS**. Unlike Resource DEL, this is even more heavily weighted to NHS providers, who receive £8,153 million, compared to NHS Commissioning Board (NHS England) receiving £244 million.
- Over 20% of the Capital DEL budget is for **central administration** (i.e. investment spending at the department and its executive agencies), at **£2,308 million**.

## DHSC's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

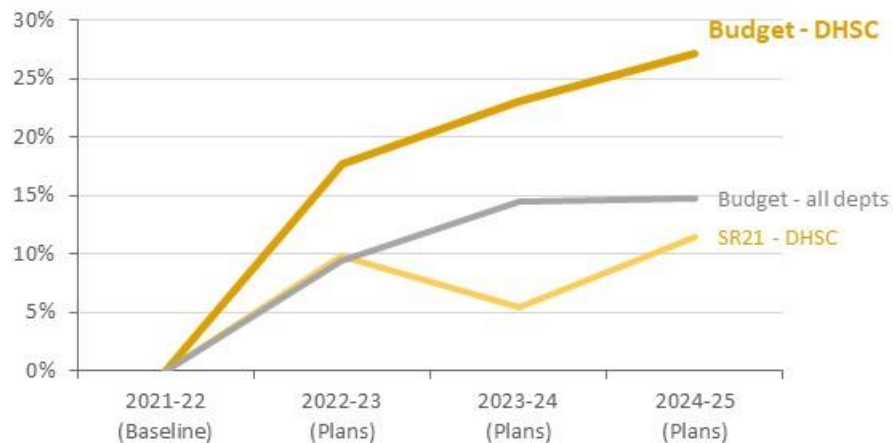


### Trends in day-to-day spending plans

- Current RDEL spending plans provide a 13.8% real-terms increase over the baseline by 2024-25, one percentage point higher than the SR21 settlement.
- The Budget baseline is £3 billion lower than the SR21 baseline, because less was spent than expected in 2021-22. Despite the lower baseline, the Budget provides more RDEL to DHSC (on both an actual nominal basis and a percentage real-terms basis) in every subsequent year up to 2024-25, even accounting for budget transfers from the baseline year into later years.
- 91% of the Budget RDEL settlement will be allocated to NHS England, which is consistent with SR21.

### Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

- Current CDEL spending plans provide a 27.2% real-terms increase over the baseline by 2024-25, compared to 11.4% in SR21.
- Again, the Budget baseline is lower than the SR21 baseline (by £0.4bn), because less was spent than expected in 2021-22. Despite the lower baseline, the Budget provides more CDEL to DHSC (on both an actual nominal basis and a percentage real-terms basis) in every subsequent year up to 2024-25.
- Some of the increase will be put towards digitisation of, for example, mental health and cardiovascular condition services.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

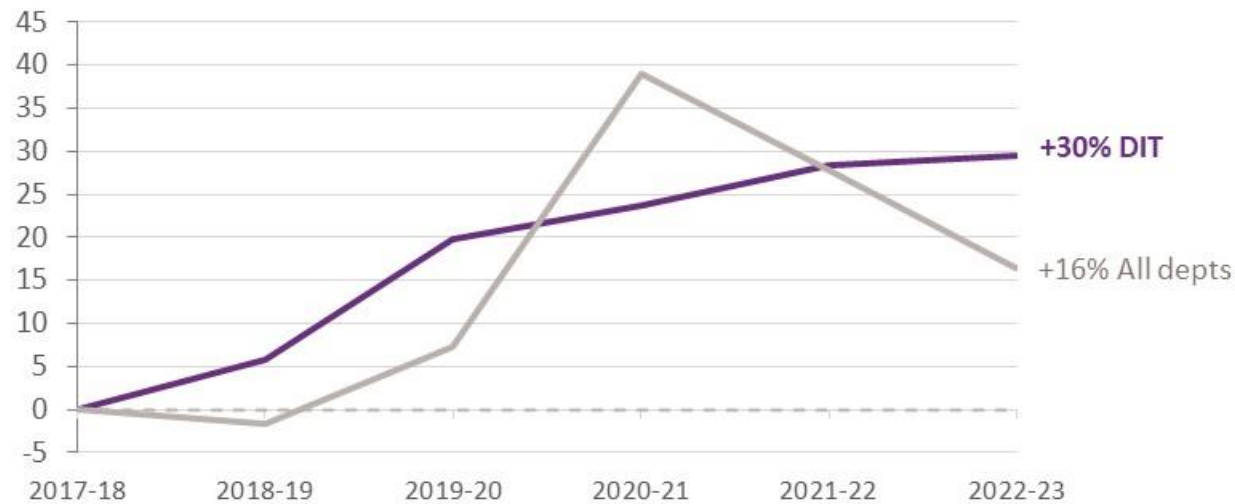


# Department for International Trade\* (DIT)

**\*Department for Business and Trade from 2023-24 onwards**

## Long-term trends in DIT's spending (in real terms)

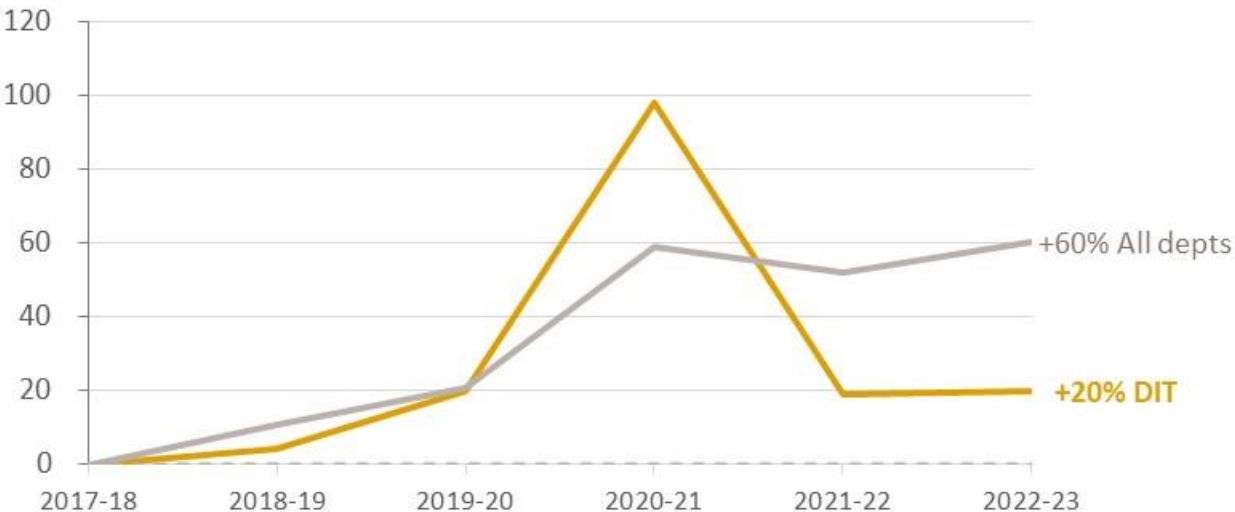
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



### Day-to-day spending trends

- The Department was established on **14 July 2016**, and DIT's spending and budgets have increased year on year since 2016-17 to deliver the Government's trade agenda.
- The expansion in funding has primarily been caused by **the need to establish an independent trade policy function** as the UK leaves the European Union.

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



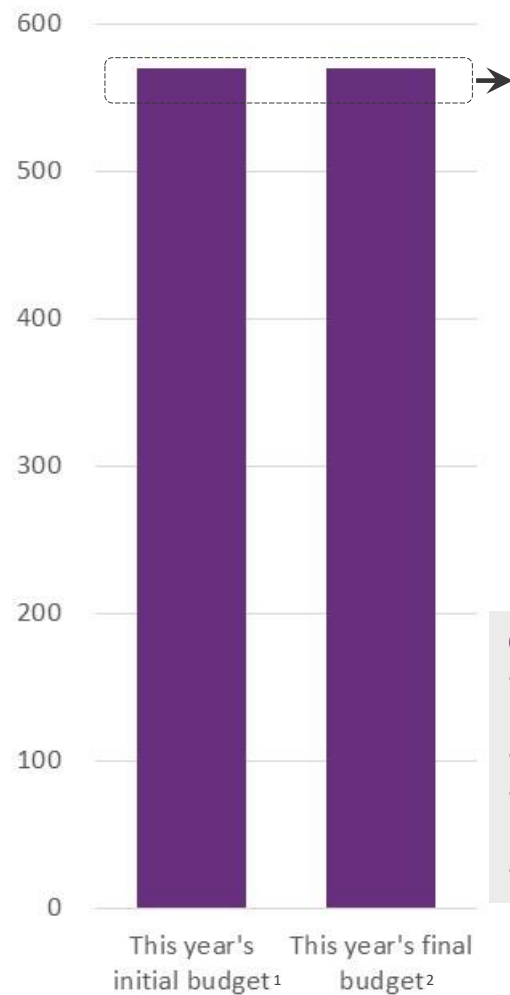
### Investment spending trends

- DIT has a relatively modest and capital budget that has increased rapidly since its establishment. Most of this relates to **digital, data and technology**.
- The significant rise observed in 2020-21 Capital DEL budgets was due to the transfer of the Old Admiralty Building onto DIT's balance sheet.

# How is DIT's day-to-day spending changing in 2022-23?

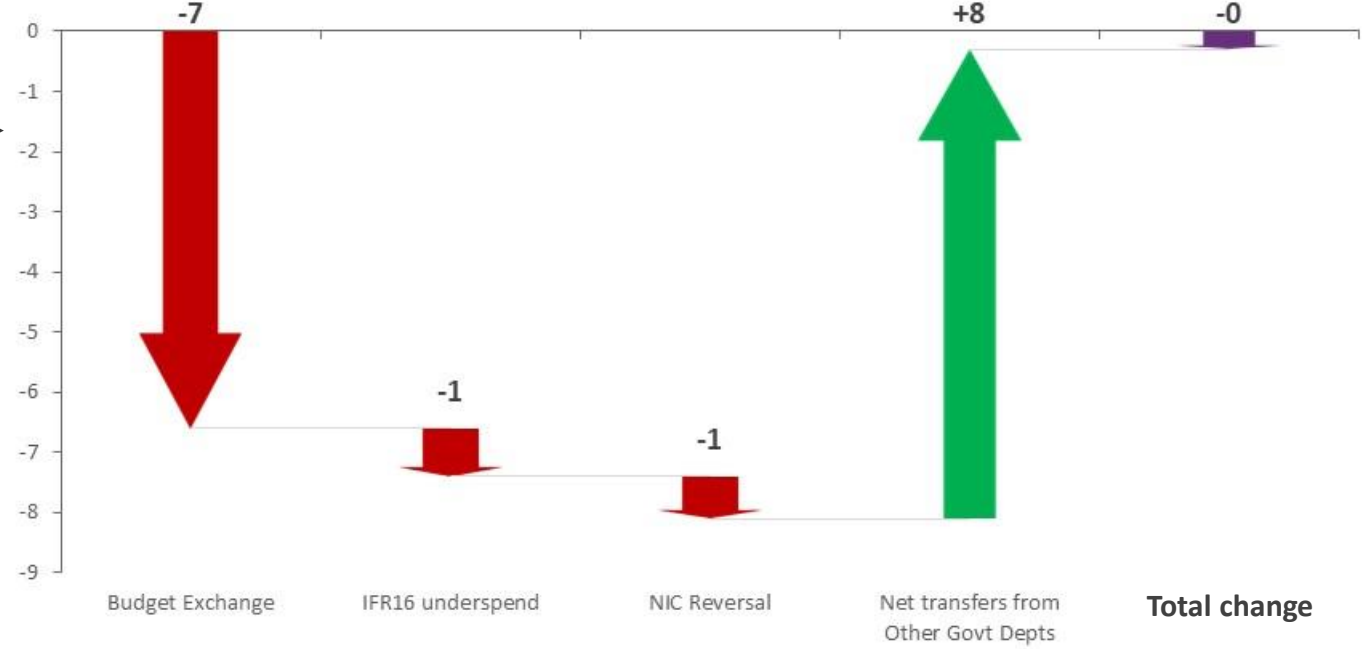
DIT's day-to-day budget reduced by £0.3m (-0.1%)

Resource DEL budget in £m



DIT's spending is flat due to a transfers from other government depts, offset by a Budget Exchange

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

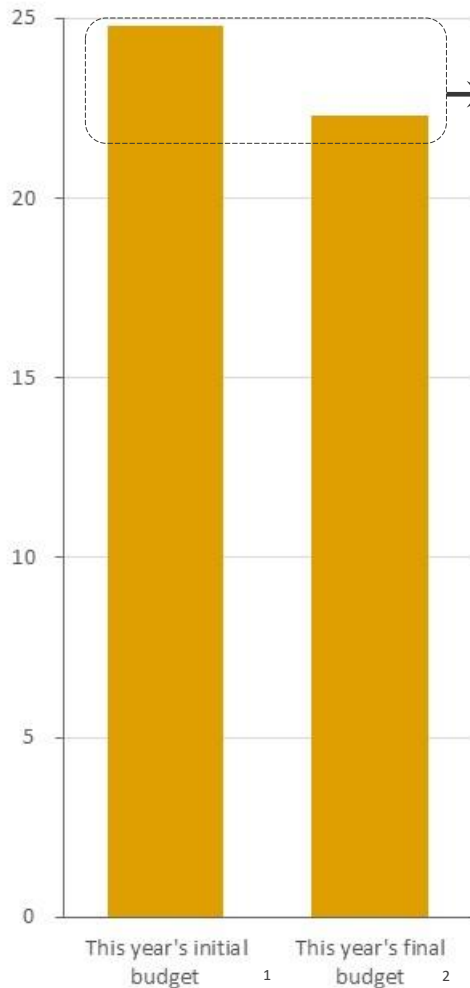
- **Net transfers from Other Government Departments:** includes £10.8 million of transfers from other departments, slightly offset by £3 million of transfers out to other government departments.
- **NIC reversal:** addition to
- **IFR16 underspend:** £0.8 million reduction relating to unutilised ringfenced funding for implementation of IFRS16, the new accounting treatment for leases.
- **Budget Exchange:** s

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)  
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is DIT's investment spending changing in 2021-22?

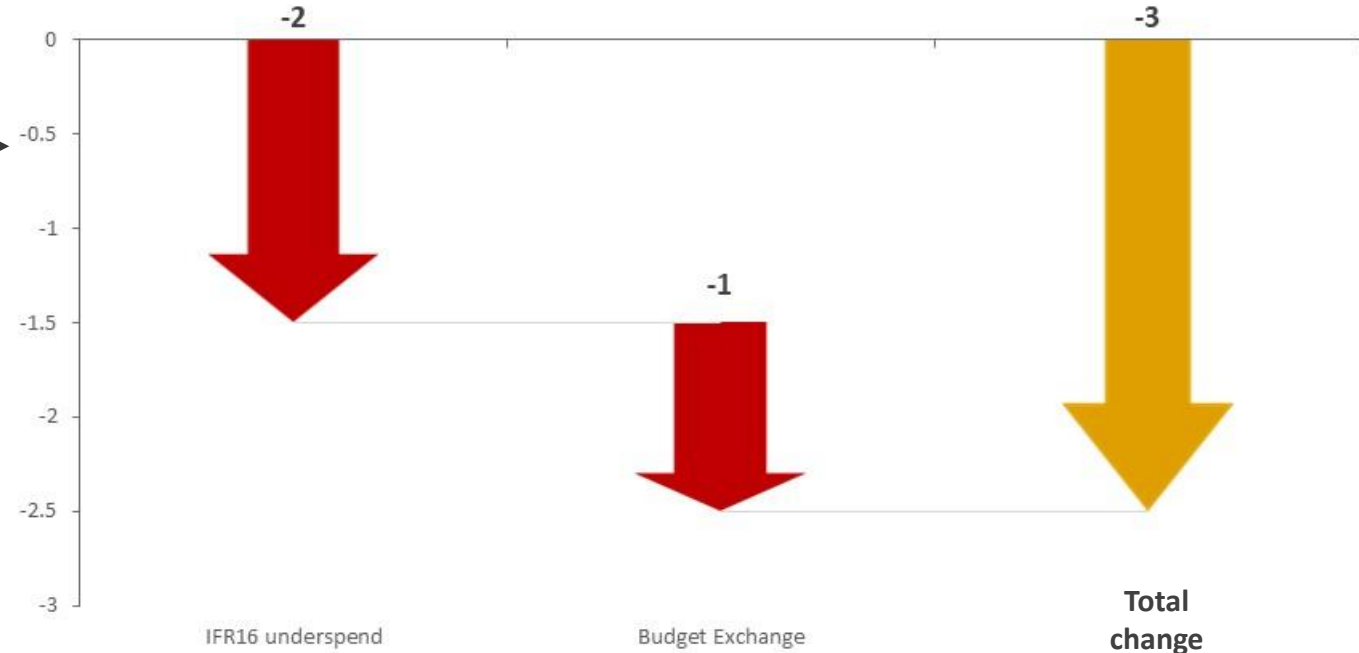
DIT's investment budget  
decreased by £2.5m (-10.1%)

Capital DEL budget in £m



DIT's investment spending reduction reflects unutilised funding surrendered to the Treasury

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

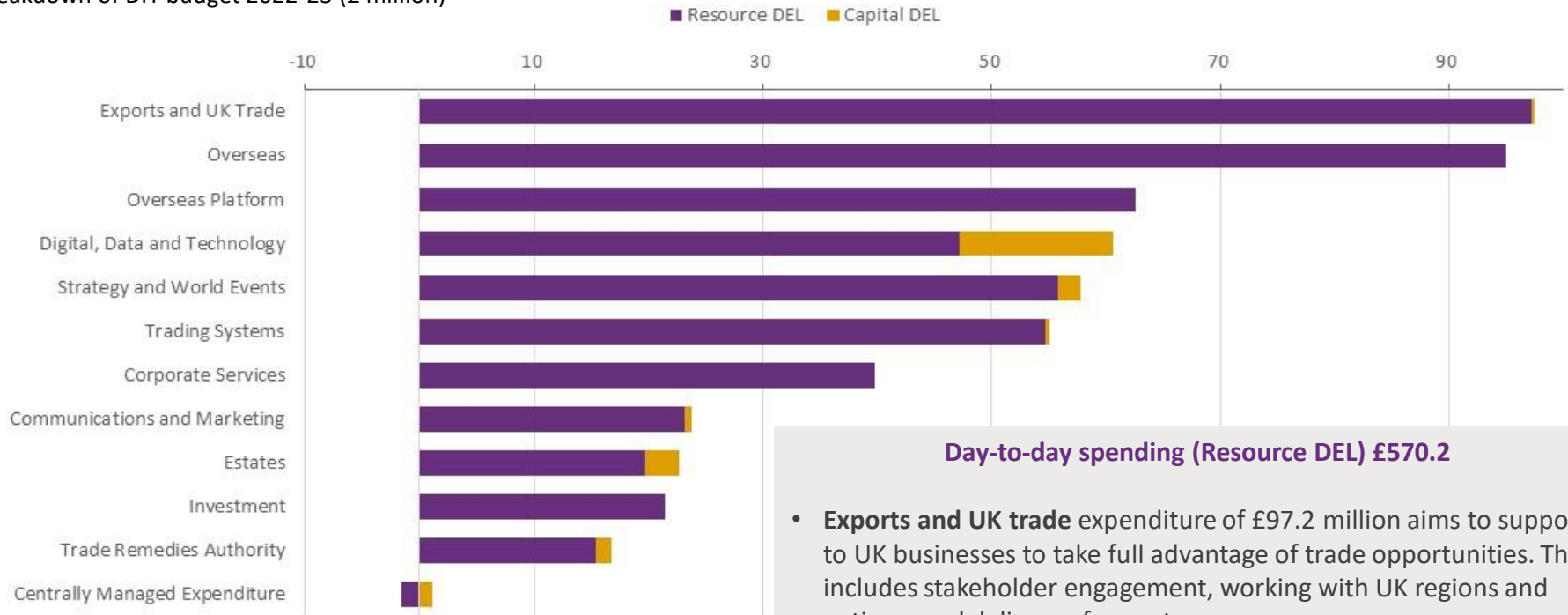
- **IFRS 16:** unutilised ringfenced funding for implementation of IFRS16, the new accounting treatment for leases, leading to a reduction of £1.5 million.
- **Budget Exchange:** £1 million exchange of unutilised funding in return for a corresponding increase in next year's budget.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Support for UK trade and exports makes up the largest proportion of the DIT budget

Breakdown of DIT budget 2022-23 (£ million)



## Day-to-day spending (Resource DEL) £570.2

- **Exports and UK trade** expenditure of £97.2 million aims to support to UK businesses to take full advantage of trade opportunities. This includes stakeholder engagement, working with UK regions and nations, and delivery of export.
- **Overseas** expenditure of £95 million for delivering a Regional Trade Plan to support UK exports and investment across the world, alongside the implementation of free trade agreements and work to increase market access.
- **Overseas Platform** expenditure of £62.6 million as a contribution to the overseas infrastructure which DIT uses to deliver its objectives.
- **Strategy and World Events** expenditure of £55.8 million, supporting the DIT's work for national security, the Dubai and Osaka World Expos and other world events, Trade Envoys and delivery of analysis and support for Ministers in setting and delivering the Department's strategy.

## Investment spending (Capital DEL): £22.3 million

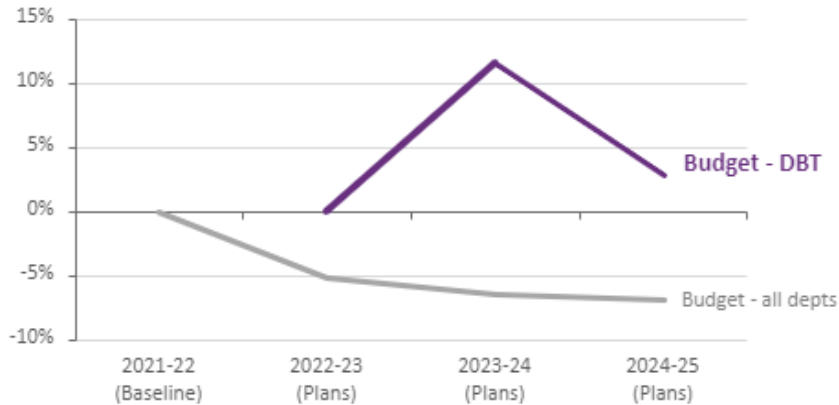
- **Digital, data and technology** makes up two-thirds of DIT's investment budget, totalling £13.4 million. This relates to provision of the digital services to support trade negotiations, trading systems, exporters and investors as well as the infrastructure required for the achievement of DIT's priority outcomes.
- **Estates** expenditure of £3 million includes investment in DIT's buildings and facilities.

## DBT's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023

Resource DEL excluding depreciation (real-terms % change since baseline year)



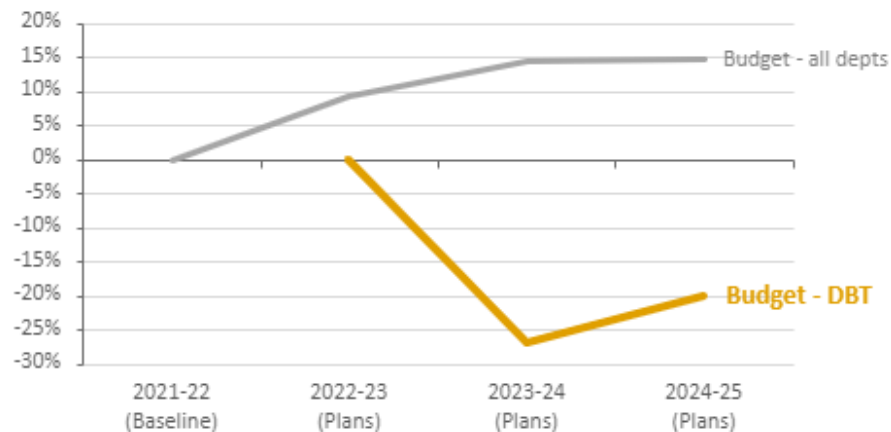
These graphs compare real term growth assumptions using latest inflation forecasts and uplifts to the nominal settlement.

Due to Machinery of Government changes announced by the Prime Minister, DIT has become the Department for Business and Trade, the remit of which covers aspects formerly covered by the Department for Business, Energy and Industrial Strategy.

The Department for Business & Trade does not currently have a baseline from Spending Review 21, as such 2022-23 plans have been used instead.

### Investment spending in Spring Budget 2023

Capital DEL (real-terms % change since baseline year)



#### Trends in day-to-day spending plans

- Current RDEL spend provides a real-terms increase of 2.9% against spending plans in 2022-23 by the end of the spend review period (SR21).

#### Trends in investment spending plans

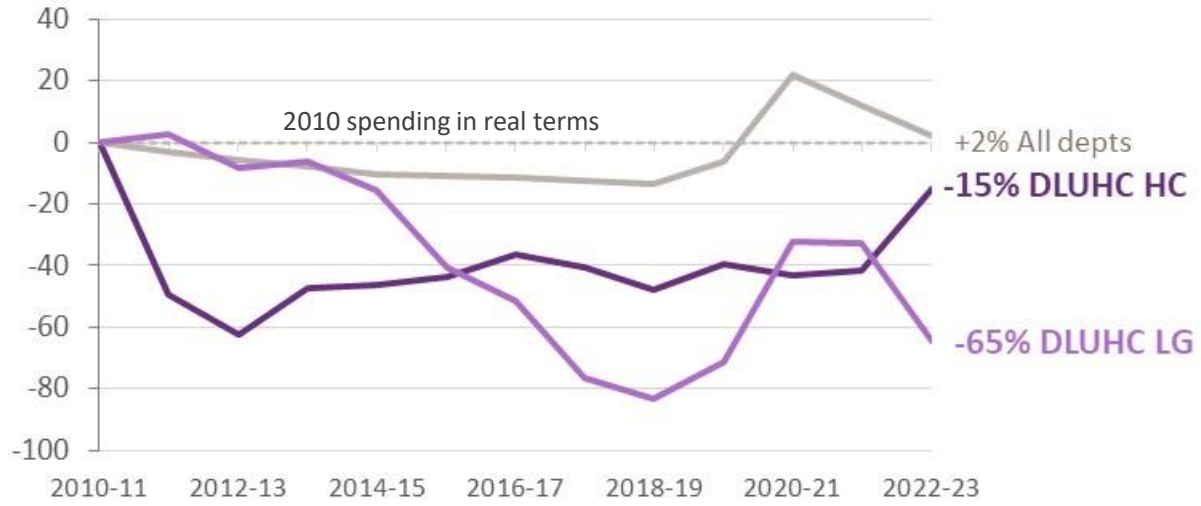
- Current CDEL spend provides a real-terms decrease of 20.0% against spending plans in 2022-23 by the end of the spend review period (SR21).

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# Department for Levelling Up, Housing and Communities (DLUHC)

# Long-term trends in DLUHC's spending (in real terms)

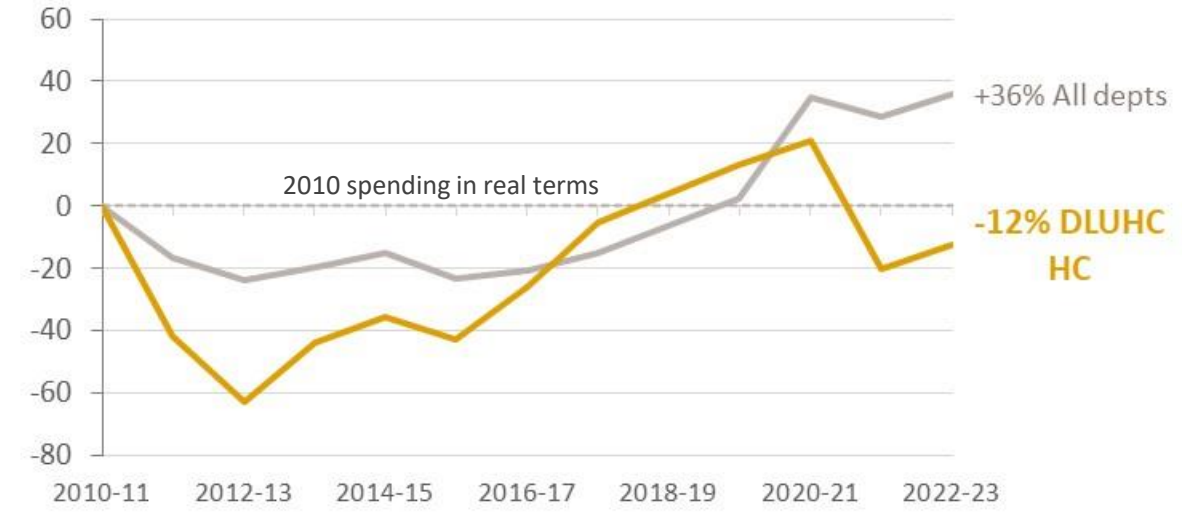
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



## Day-to-day spending trends

- Housing and Communities spending was reduced significantly after 2010-11, but it has recovered slightly. A spending increase in 2022-23, mainly for Homes for Ukraine, means that it is forecast to be only 15% lower than in 2010-11, in real terms.
- Spending on Local Government was reduced gradually after 2010, reaching its lowest in 2018-19. Spending is now forecast to be 64% lower than in 2010-11, in real terms.

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



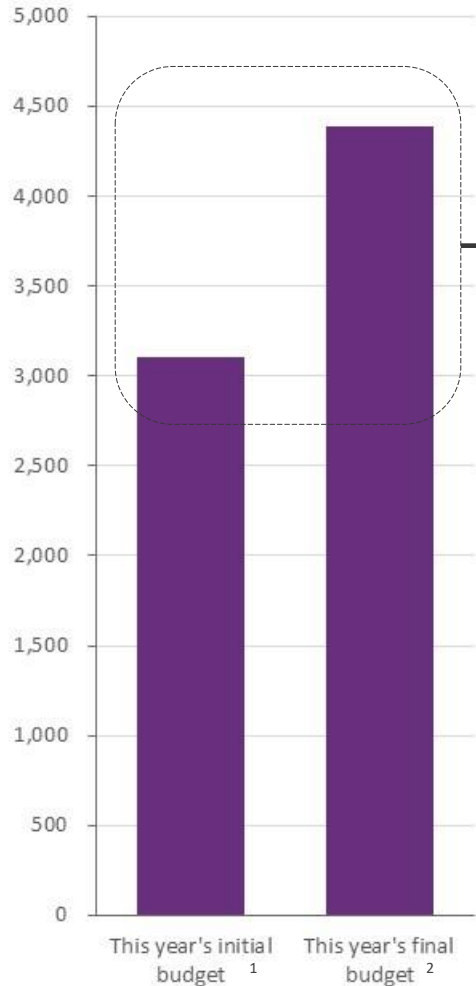
## Investment spending trends

- All investment spending is under the Housing and Communities budget, which has largely recovered from significant reductions after 2010-11.
- At Main Estimate, CDEL was predicted to be 20% above 2010-11 in real terms, but a decrease in the Supplementary Estimate means it is now 12% below 2010-11. This is largely for delays and low uptake, which also led to the reduced spending in 2021-22.

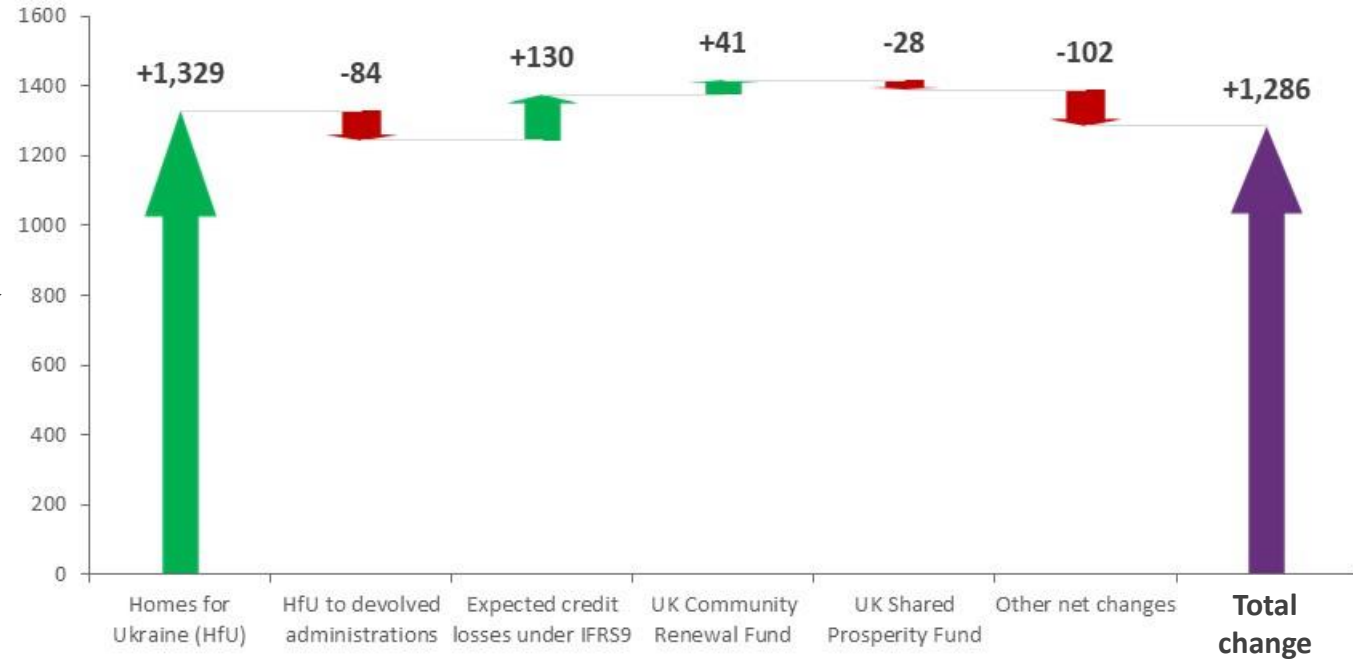


# How is DLUHC's Housing and Communities day-to-day spending changing in 2022-23?

DLUHC's HC day-to-day budget increased by **£1,286.4m (+41.5%)**  
Resource DEL budget in £m



DLUHC's Housing and Communities spending increase is driven by the Homes for Ukraine scheme  
Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Homes for Ukraine:** as well as funding the Homes for Ukraine scheme in England, DLUHC also transfers part of its funding to the devolved administrations (£62m to Welsh Government, £17m to the Northern Ireland Government, £5m to the Scottish Government).
- **Expected credit losses under IFRS 9:** an accounting adjustment based on what financial instruments like investments are expected to be worth in the future (higher funding indicates expected losses).
- **Funds and other net changes:** the largest other changes are an increase to the UK Community Renewal Fund and decrease for the UK Shared Prosperity Fund, with other changes relating to the Rough Sleeping programme, Hong Kong British National Overseas, and Community Ownership Fund.

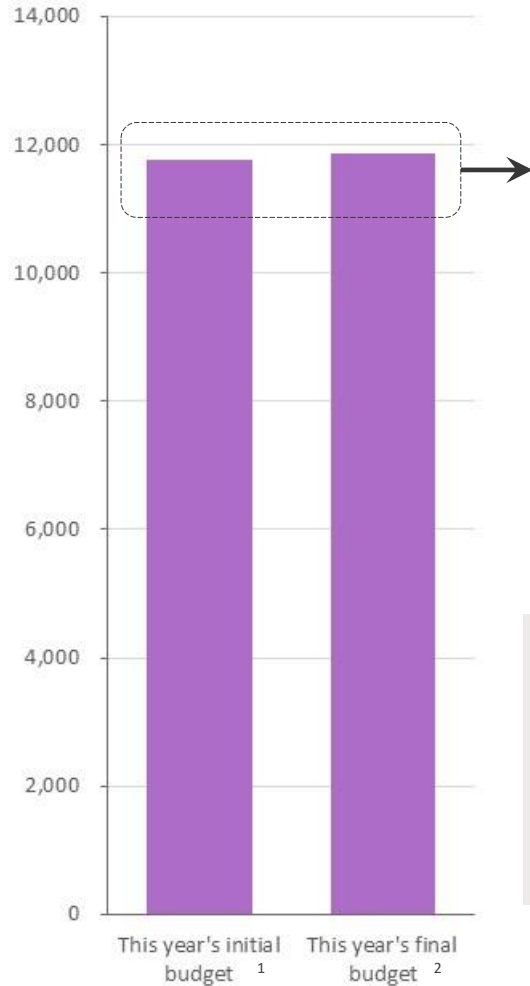
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is DLUHC's Local Government day-to-day spending changing in 2022-23?

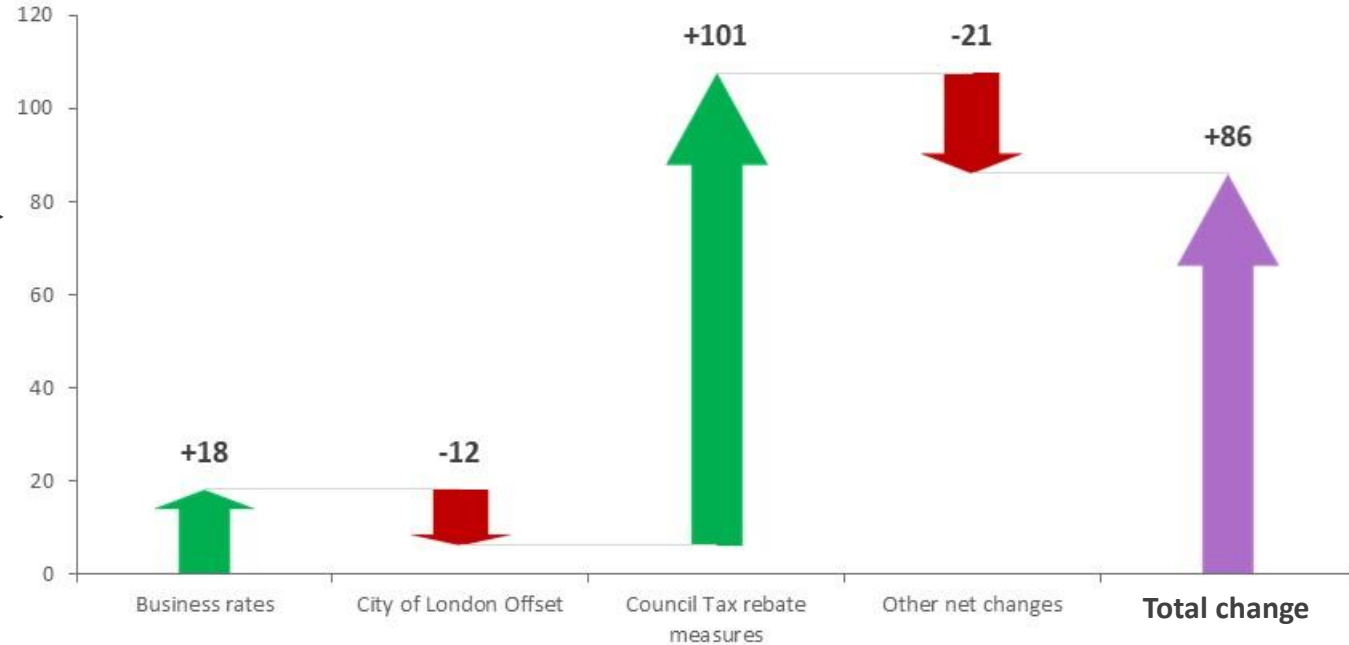
DLUHC's LG day-to-day budget increased by £86.1m (+0.7%)

Resource DEL budget in £m



DLUHC's Local Government spending increase is driven by support with rising energy bills

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

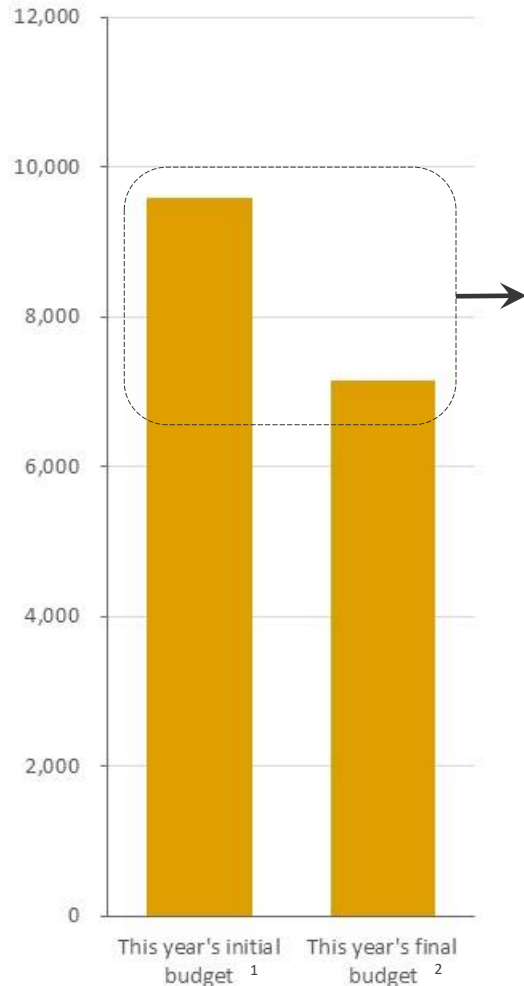
- **Business rates and City of London Offset:** this is a £40.0m increase relating to new burdens, offset by £21.7m relating to Green Business Rates. In addition, the City of London Offset applies to business rates collected in the City of London.
- **Council Tax rebate measures:** intended to support households with rising energy costs.
- **Other net changes:** includes reclassification from Local Government DEL to Housing and Communities DEL for cyber security and establishment of the Office for Local Government (Oflog).

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is DLUHC's investment spending changing in 2022-23?

DLUHC's investment budget decreased by £2,428.8m (-25.3%)  
Capital DEL budget in £m



DLUHC's investment spending decrease is mainly driven by delays from uncertainty in the markets  
Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



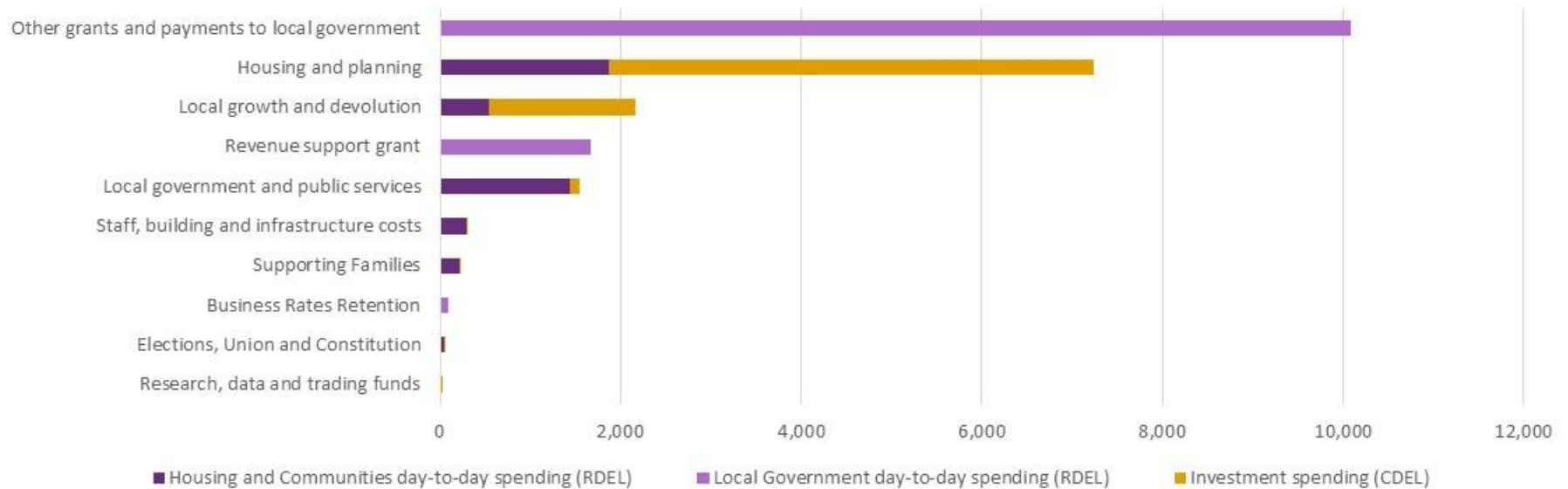
### Changes in 2022-23

- **Housing & Planning grants:** includes delays to the Affordable Housing Programme, delays in delivery of the Housing Infrastructure Fund projects, and reduced Building Remediation requirements.
- **Housing & Planning financial transactions:** includes lower demand for the Help to Buy scheme, delays in Levelling Up Home Building Fund, and paused investment in the Home Building Fund.
- **Local Growth & Devolution grants:** primarily relates to the Levelling Up Fund and new funding to support growth and devolution programmes (e.g. Town Deals, Devolution Deals, and Brownfield Land Release Fund).

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)  
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the DLUHC budget is for grants and payments to local government

Breakdown of DLUHC budget 2022-23 (£ million)



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

- The total Resource DEL budget for **Local Government** is £11,852 million, of which 85% (£10,092 million) is for **Other Grants and Payments**. These include Adult Social Care grants, New Services grants and Business Rate Relief.
- The **Revenue Support Grant** has a total budget of £1,672 million.

## Day-to-day spending (Housing and Communities Resource DEL)

- Resource DEL budget for **Housing and Communities** (effectively the funding of the department itself) is £4,387 million, of which 43% (£1,865 million) is for **housing and planning** and 3% (£1,420 million) is for **local government and public services**.
- The rest is largely for **local growth and devolution** (£538 million, including Towns Deals, Devolution Deals, and the UK Community Renewal Fund), **staff, building and infrastructure costs** (£290 million), and the **Supporting Families** programme (£207 million).

## Investment spending (Capital DEL)

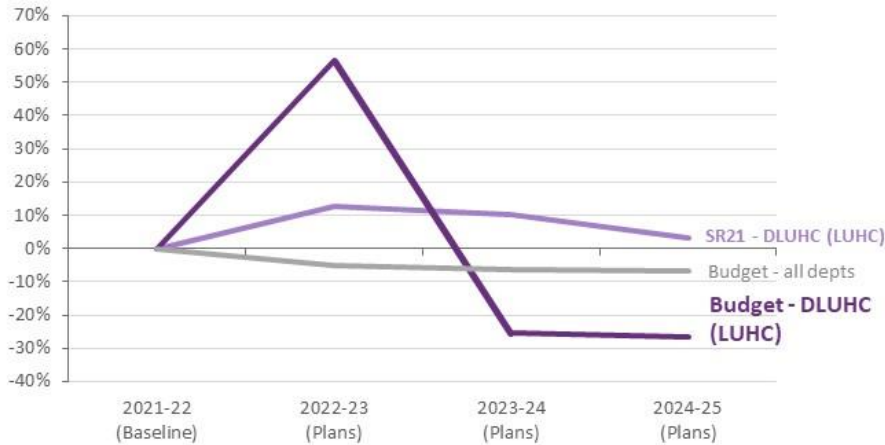
- The total Capital DEL budget is £7,155 million.
- £5,379 million, or 75% of the total, is for **housing and planning**, which includes the Help to Buy scheme, the Building Safety Fund, and the Levelling Up Home Building Fund.
- £1,622 million, or 23% of the total, is for **local growth and devolution** (i.e. levelling up).
- The remaining 2% is split between public services; building and infrastructure costs; research, data and trading funds; elections; and Supporting Families.

# DLUHC's Housing and Communities spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

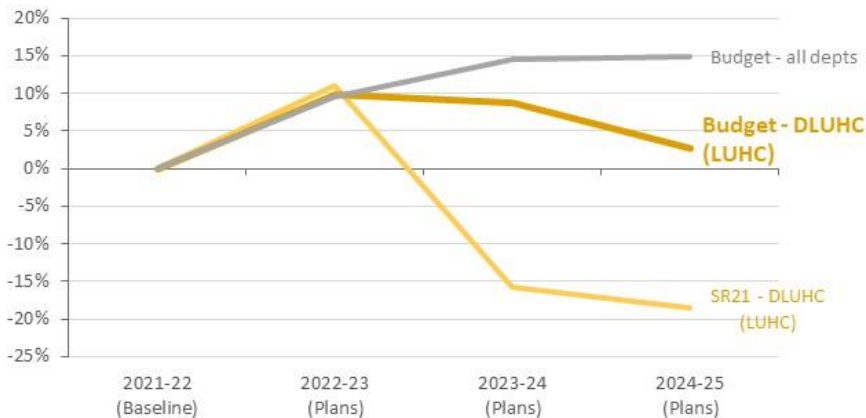


### Trends in day-to-day spending plans

- Resource DEL plans show average annual real growth of -9.8%, compared to SR21 plans for growth of 1.1%; spending in 2024-25 is now set to be 27% lower than in 2021-22, whereas at SR21 it was set to be 3.4% higher.
- Partly this reflects an overspend against SR21 plans of £0.7 billion in 2021-22, as well as the effect of a higher inflation forecast.
- The significant increase in 2022-23 compared to SR21 plans is largely caused by funding for Homes for Ukraine.
- Nominal funding in 2023-24 is largely unchanged since SR21, at around £2.1 billion per year.

## Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

- Capital DEL plans show average annual real growth of 0.9%, compared to SR21 plans for growth of -6.6%; spending in 2024-25 is now set to be 2.6% higher in real terms, whereas at SR21 it was set to fall by 19%.
- This largely reflects a significant underspend in 2021-22 of £1.6 billion (21%), although cash spending in later years is also planned to be higher than at SR21, further offsetting the higher inflation forecast.
- Spending in 2022-23 is £1.7 billion lower than in SR21 plans, reflecting significant surrender of funds back to HMT (as illustrated above); effectively some of this spending is being re-profiled to later years.

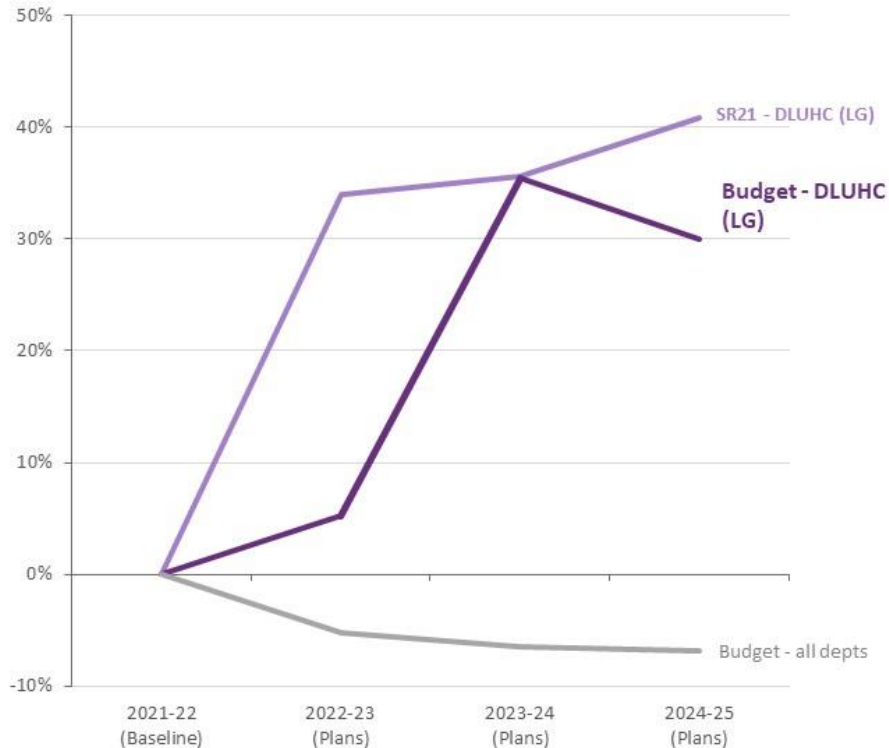
Note: baseline year for Spending Review 2021 is 2021-22

## DLUHC's Local Government spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



### Trends in day-to-day spending plans

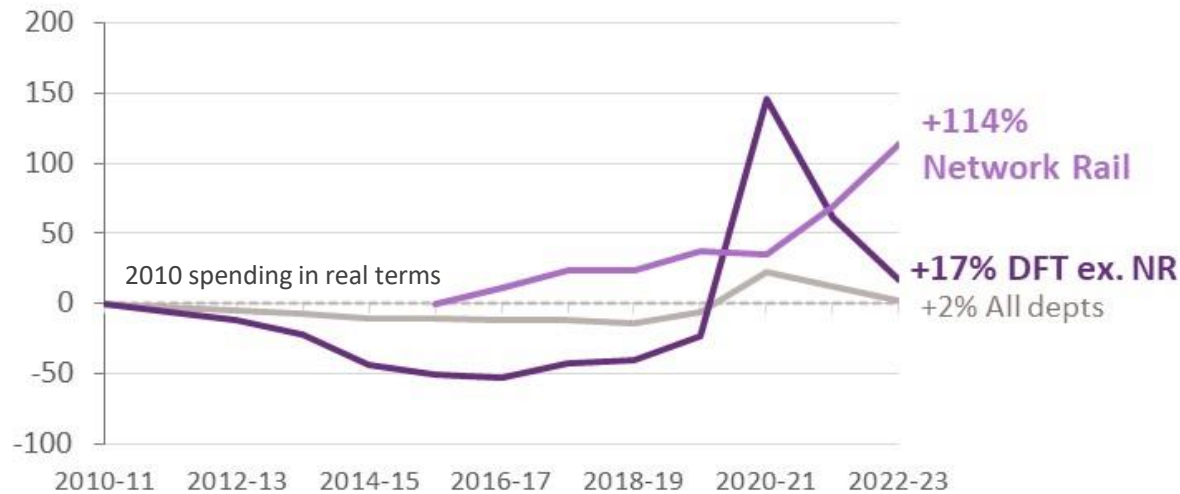
- Resource DEL plans show average annual real growth of 9.1% from 2021-22 to 2024-25, compared to the SR21 published figure of 9.4% (the cash budgets suggested this would be nearer 12%).
- Spending in 2024-25 is set to be 30% higher than in 2021-22, compared to SR21 plans of 41%.
- There have been significant changes in nominal spending plans; there was an overspend of £2.2 billion in 2021-22 compared to SR21, and budgets for 2023-24 and 2024-25 are £3.6 billion and £2.5 billion higher respectively.
- Spending this year is only £0.2 billion higher than planned, indicating a far lower real-terms increase in spending than had been planned at SR21.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# Department for Transport (DfT)

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

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



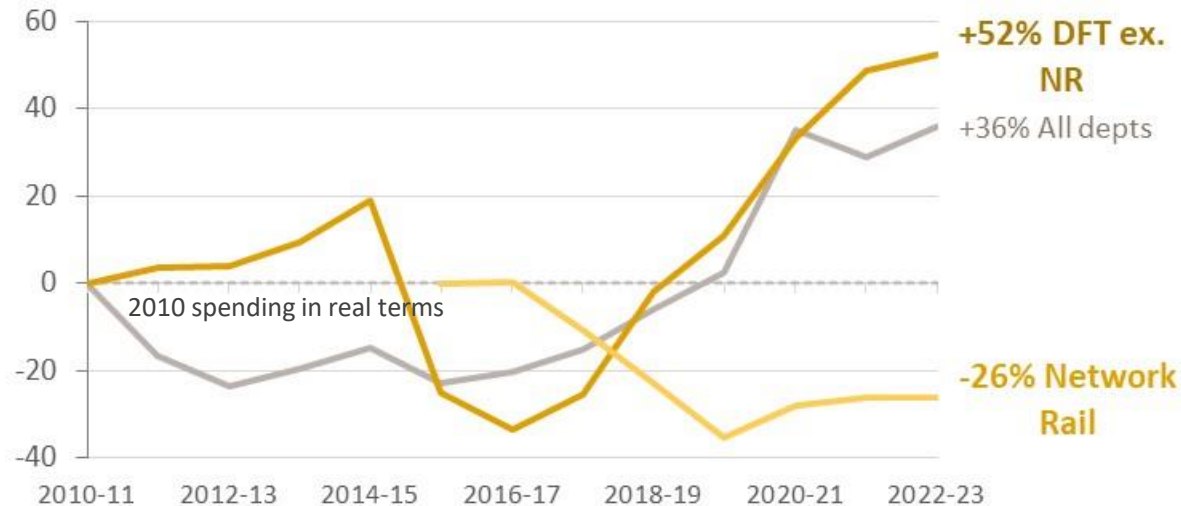
## Day-to-day spending trends

- After real-terms cuts during austerity, DfT's RDEL budget (excluding Network Rail) had significant boosts in the form of COVID-19 support measures in 2020-21 (£12.8bn), 2021-22 (£8.3bn) and 2022-23 (around £3bn).
- DfT's day-to-day budget for 2022-23 (excluding Network Rail) is set to be 17% higher than in 2010-11 in real terms.

## Investment spending trends

- The investment budget has been volatile since 2010-11 but construction activity on High Speed Two and EU exit costs have driven spending increases in recent years.
- Investment spending in 2022-23 is expected to be 46% higher than in 2010-11, in real terms and excluding Network Rail.

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



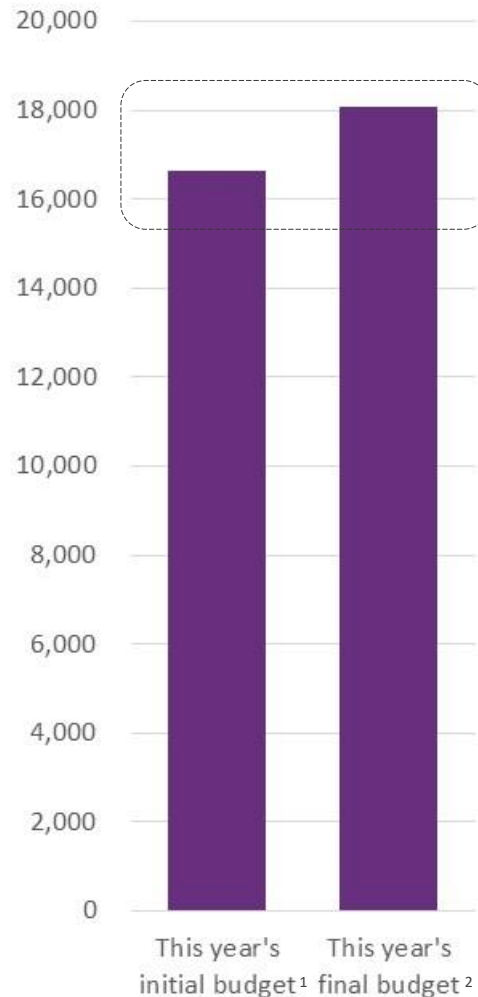
(Network Rail was reclassified from the private to the public sector in 2014. Spending for Network Rail has moved between DEL and AME budgets. These graphs present DEL values for the department excluding DEL components of Network Rail (since 2019-20), and combined DEL and AME values for Network Rail since brought under public control.)



## How is DfT's day-to-day spending changing in 2022-23?

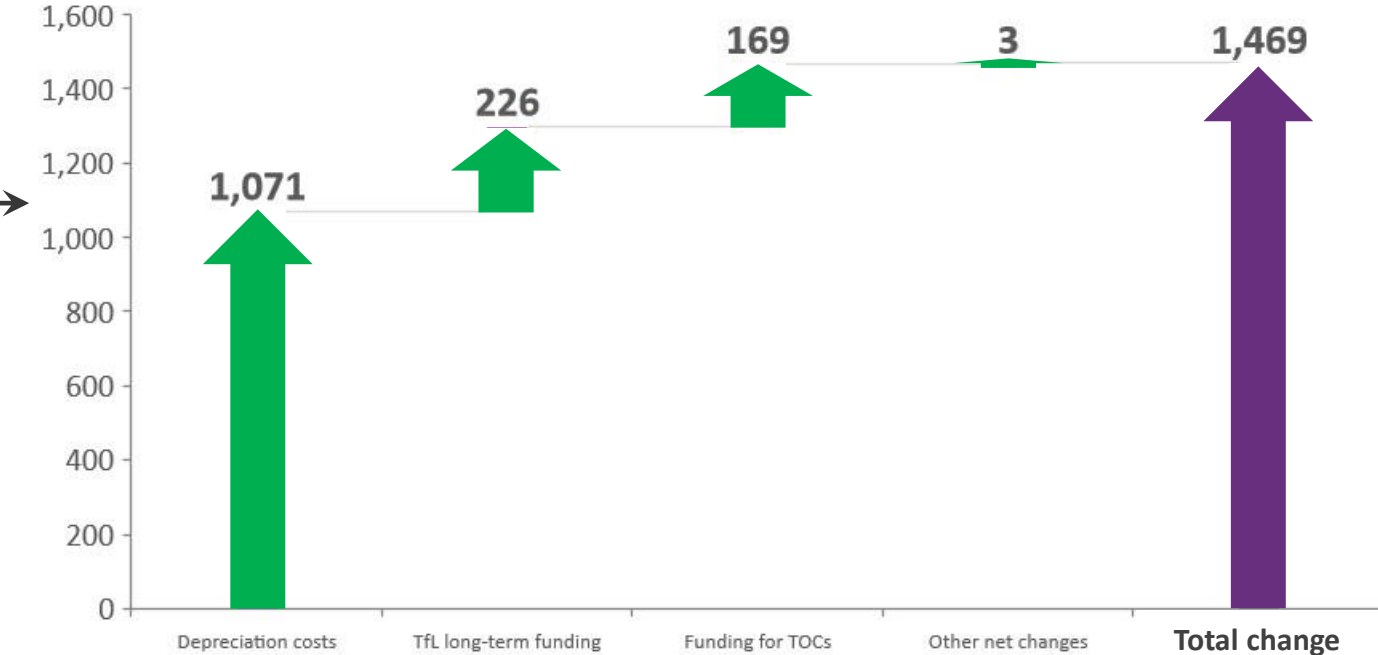
DfT's day-to-day budget increased by **£1,469.2m (+8.8%)**

Resource DEL budget in £m



DfT's spending increase is driven by higher depreciation costs and extra funding for TfL and TOCs

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Depreciation costs:** high inflation has led to increases in the valuations of significant assets such as the Railway Network (held by Network Rail), the Strategic Road Network (held by National Highways), and the Severn River Crossing.
- **TfL long-term funding:** TfL's long-term funding settlement was agreed in August-September 2022. The Resource DEL component is to maintain transport services.
- **Funding for TOCs:** additional funding for Train Operating Companies (TOCs) includes payments to compensate for revenue shortfall from industrial action.

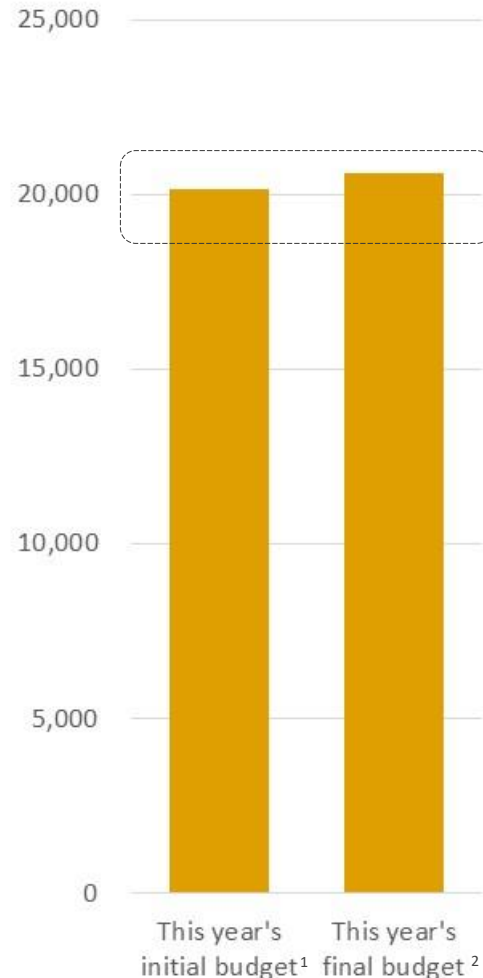
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is DfT's investment spending changing in 2022-23?

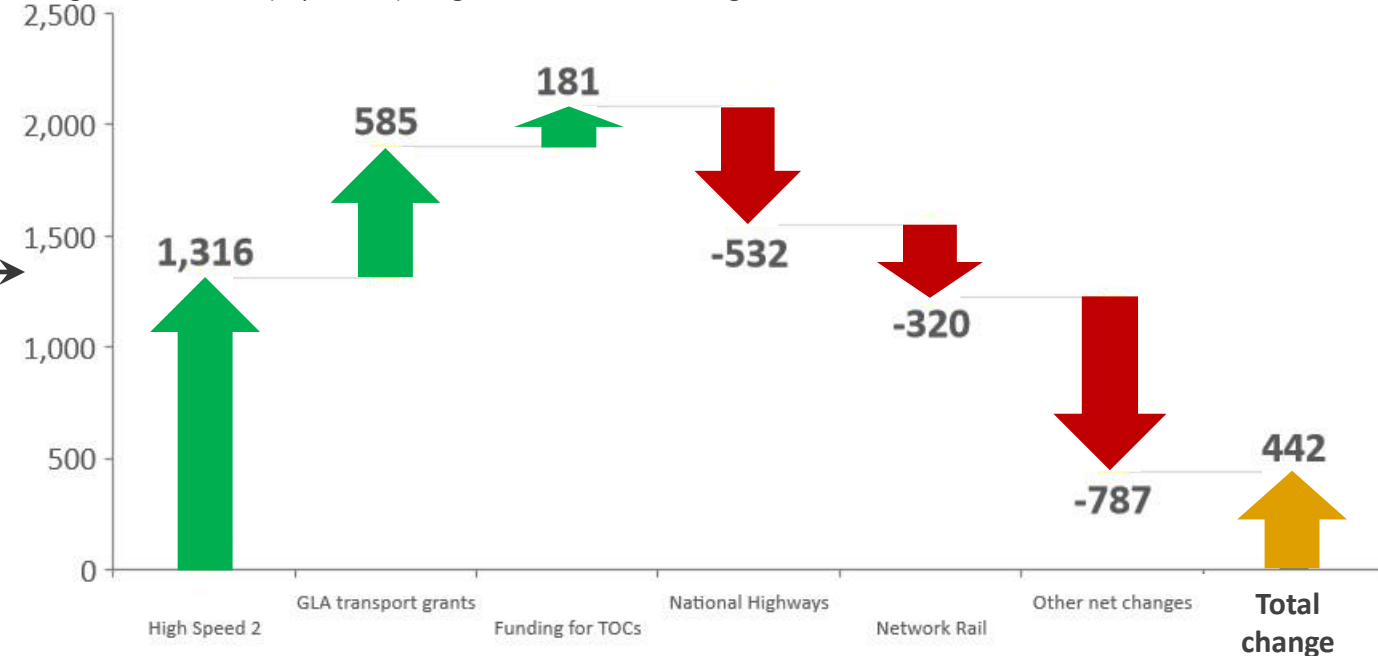
DfT's investment budget  
increased by **£441.5m (+2.2%)**

Capital DEL budget in £m



DfT's investment spending increase is driven by new spending on HS2 and changes in major projects

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

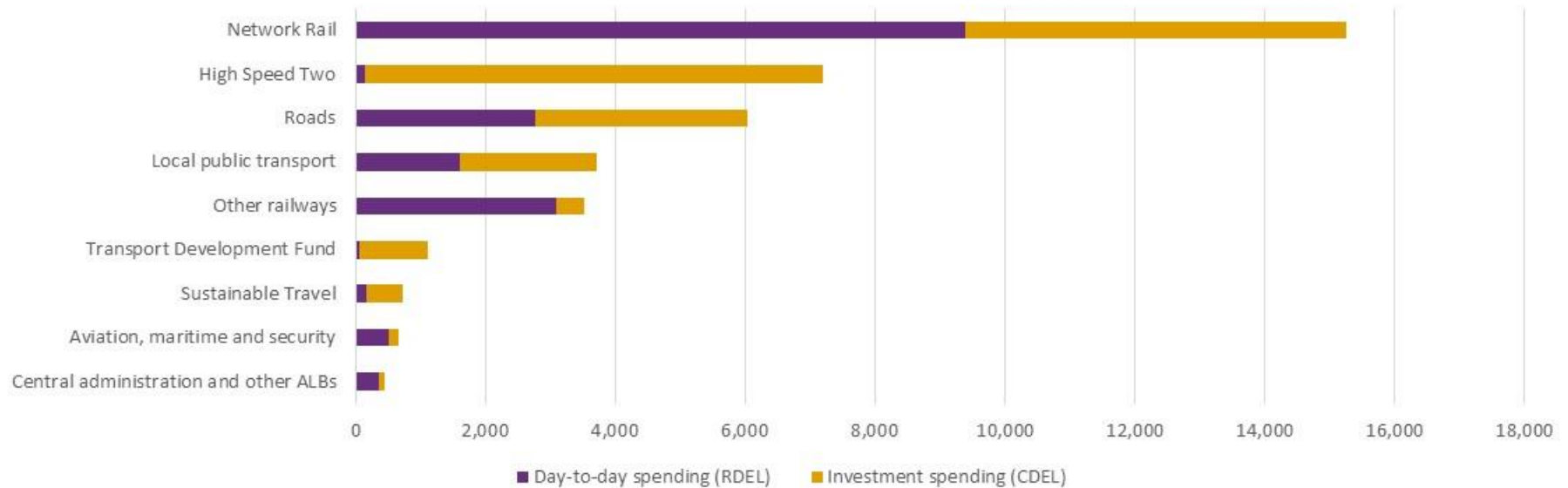
- **High Speed 2:** composed of £1,807.1m extra funding to HS2 Ltd due to inflationary pressures on construction costs, offset by £491.3m of underspends on land and property portfolio.
- **GLA transport grants:** mainly funding for TfL for delivery of investment programmes.
- **Funding for TOCs:** a subsidy towards Train Operating Companies' capital costs.
- **National Highways:** £175m was surrendered as a contribution to support Ukraine, and the rest is Development Consent Order delays affecting spend on enhancements.
- **Network Rail:** £85m was surrendered as a contribution to support Ukraine, and £211m is underspend on enhancements that will be transferred to 2023-24.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the DfT's budget is for the railways, and Network Rail in particular

Breakdown of DfT budget 2022-23 (£ million)



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

- **Railways** (including **Network Rail** and **High Speed Two**) continues to be the largest element of the day-to-day budget at £12,630 million or 70% of the total, almost three quarters of which relates to Network Rail. The 'other railways' heading includes East West Rail Company Ltd and support for passenger rail services.
- **Roads** comprise £2,767 million or 15% of total spend. It includes funding for National Highways, motoring agencies, and tolled crossings, and covers projects including Road Investment Strategy 2 (RIS2).
- **Local public transport** includes the Greater London Authority grant, which this year is £430 million.
- Other funding is mainly for **aviation, maritime and security** costs (£517 million), **administration costs and arm's-length bodies** (£361 million), and **sustainable travel** (£158 million).

## Investment spending (Capital DEL)

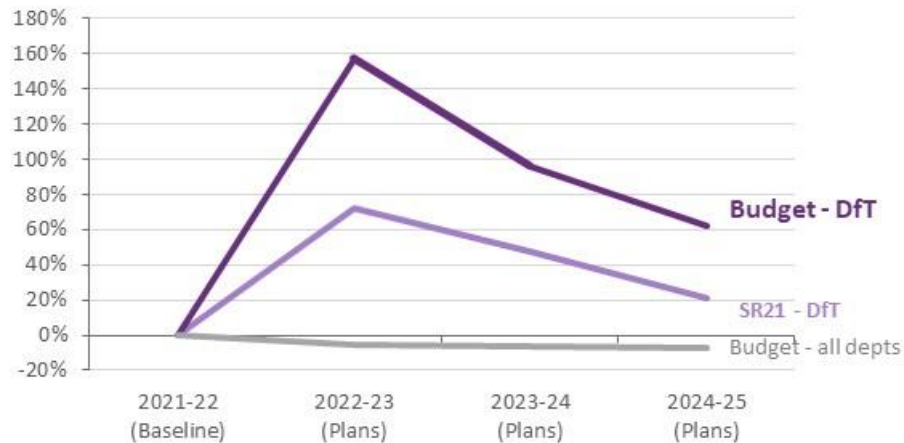
- Investment spending is over £2,500 million higher in total than day-to-day spending, and mainly comprises construction-intensive projects relating to **railways** and **roads**, such as High Speed Two and RIS2.
- Other funding includes £2,110 million for **local public transport** (mainly to local authorities), £1,067 million for the **Transport Development Fund**, £557 million for **Sustainable Travel**, and £145 million for **aviation, maritime and security** costs.

## DfT's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

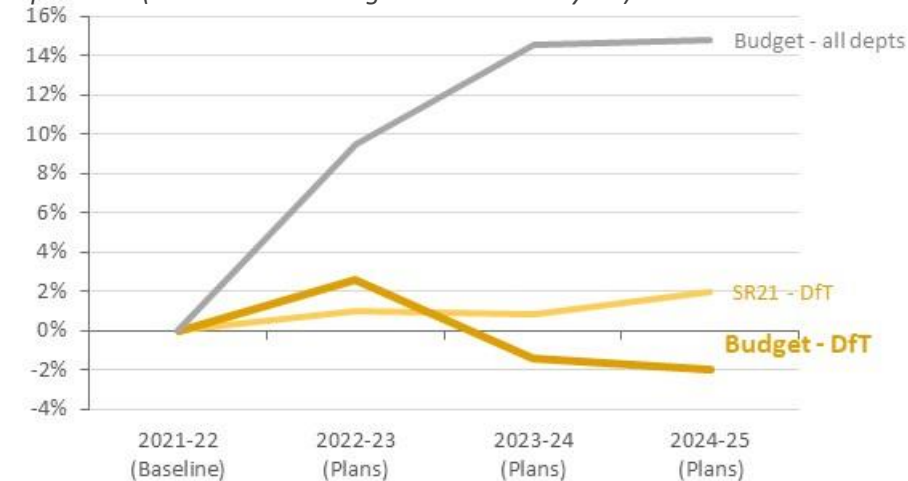


### Trends in day-to-day spending plans

- Resource DEL plans now show average annual real terms growth of around 17% from 2021-22 to 2024-25. This is an increase from the 6.6% planned at SR21.
- However, spending in 2021-22 was £1.2 billion (-27%) lower than planned at SR21, which is largely responsible for the increase.
- Spending in 2024-25 is 62% higher than 2021-22 in real terms, compared to total spending for all departments which is 7% lower.
- Plans are front-loaded, with a 157% increase planned in 2022-23 (nominal spending is set to increase from £3.2 billion to £8.7 billion).
- Most of DfT's day-to-day spending is for running the railway system and maintaining roads.

### Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

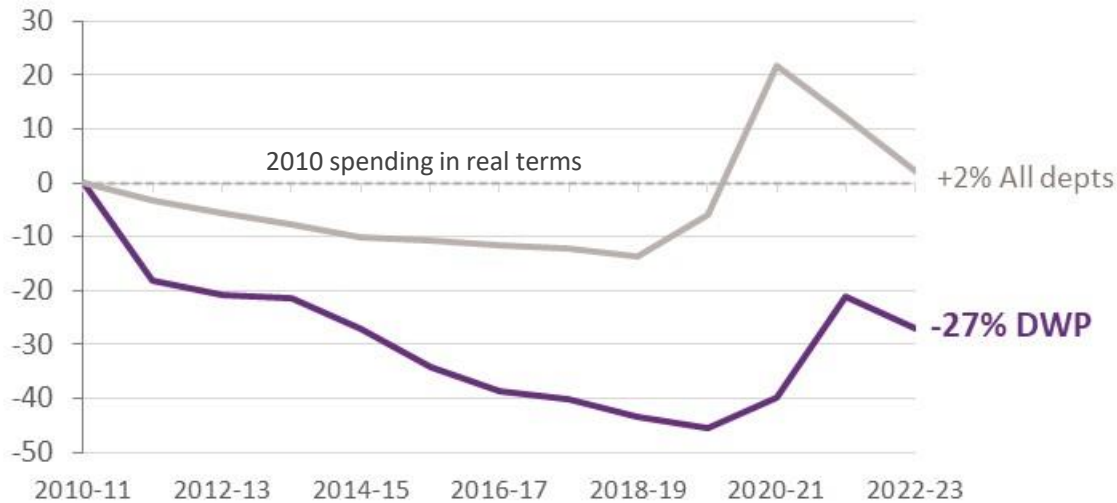
- Capital DEL plans now show average annual real terms growth of -0.7% from 2021-22 to 2024-25. This is lower than the 0.7% planned at SR21.
- The reduction mainly reflects the higher inflation forecast since SR21, although DfT also had a small overspend in 2021-22 which further reduces the growth rate.
- Real spending in 2024-25 is set to be 2% lower than in 2021-22, whereas across all departments it is set to be 14.8% higher.
- Higher spending in 2022-23 compared to SR21 plans is largely driven by the TfL funding deal and Crossrail loans (as well as the in-year changes outlined in previous slides).

Note: baseline year for Spending Review 2021 is 2021-22

# Department for Work & Pensions (DWP)

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

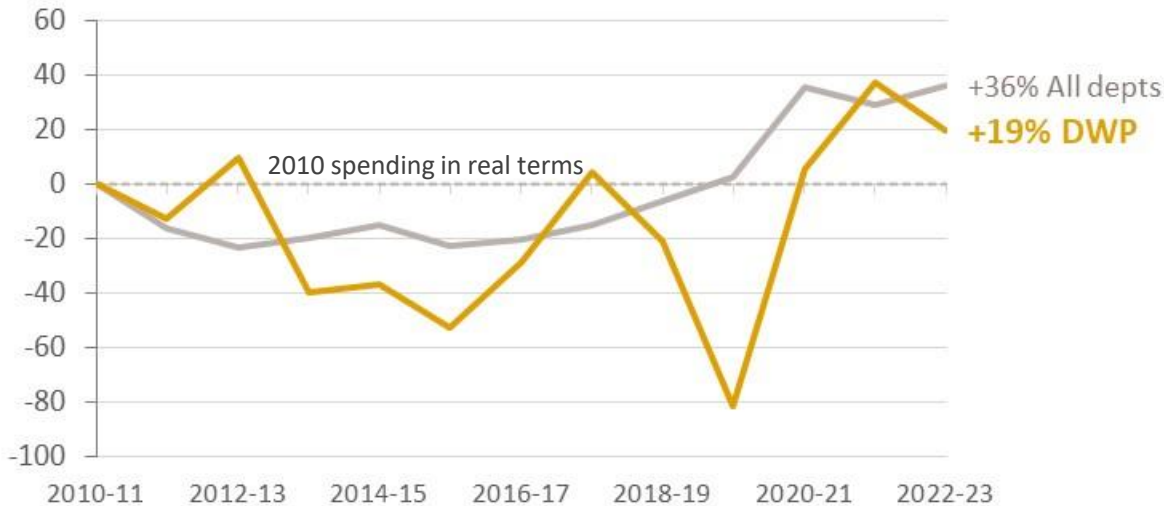
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



### Day-to-day spending trends

- Day-to-day spending was cut significantly during the austerity period, and remains below 2010-11 levels. At its lowest in 2019-20, day-to-day spending was 45.5% lower than in 2010-11.
- The budget increased slightly in 2020-21 and 2021-22 due to emergency COVID-19 spending.
- The 2022-23 position shows a slight decrease from 2021-22, with a budget 27% smaller than the 2010-11 baseline in real terms.
- Although AME budgets (pensions and benefits) make up the bulk of DWP expenditure, they are excluded, as they are driven by external forecasts and respond to demand.

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



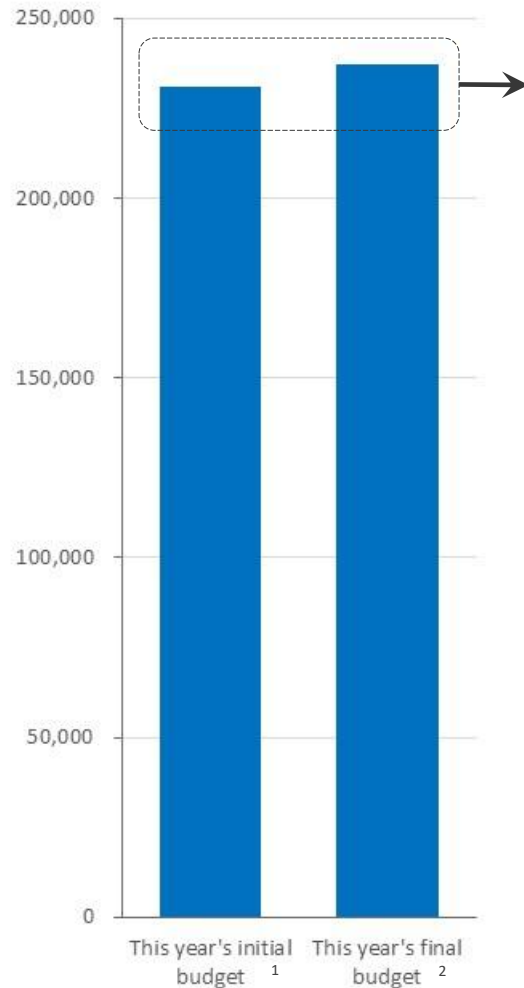
### Investment spending trends

- DWP's investment spending has experienced budget cuts and significant fluctuations since 2010. It reached its lowest real-terms value in 2019-20, at 81.3% below 2010-11 baseline, and its highest real-terms value in 2021-22, at 37.1% above 2010-11 baseline.
- The DWP capital budget is small relative to its AME budgets (benefit and pension payments) and its RDEL budgets (administration and running costs). Small changes can lead to big percentage swings.

## How is DWP's demand-led spending changing in 2022-23?

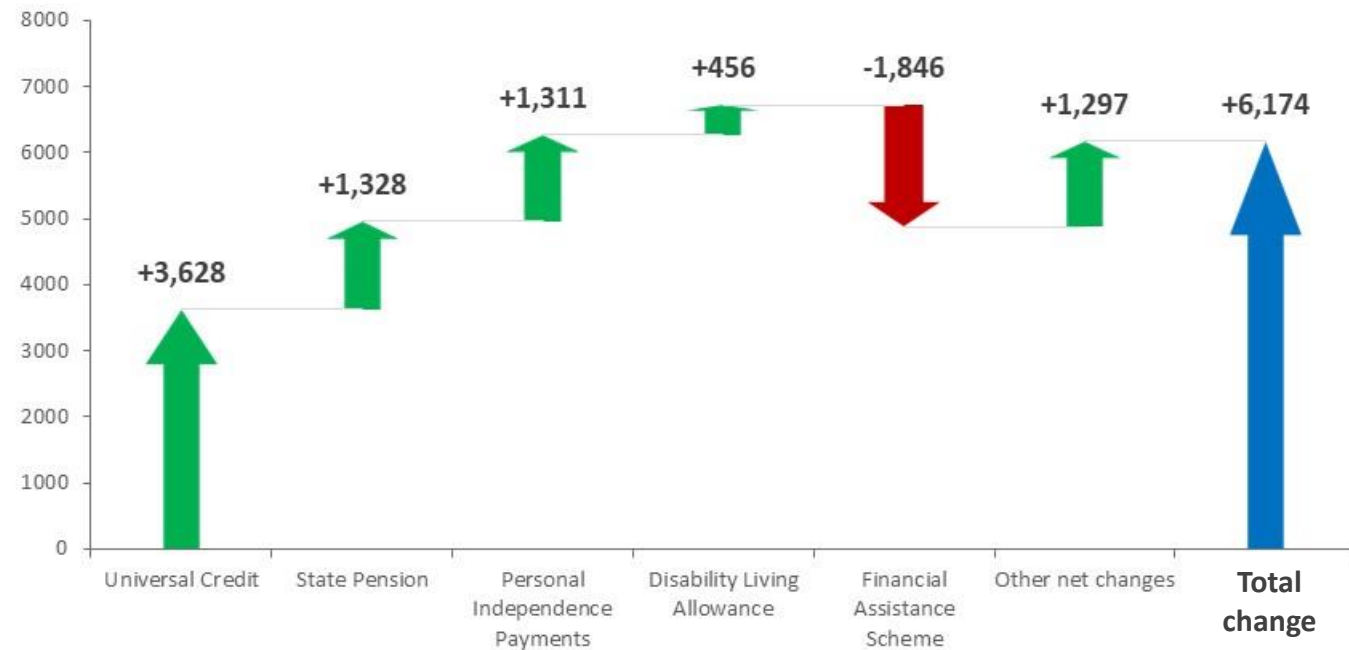
DWP's demand-led budget increased by **£6,174.3m (+2.7%)**

Resource AME budget in £m



DWP's demand-led spending increase is due to benefits such as Universal Credit

Changes in Demand-led (Resource AME) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Universal Credit:** due to Cost of Living pressures and a rise in the number of Health cases.
- **State Pension:** due to latest forecast and provision for Home Responsibilities Protection.
- **Personal Independence Payments:** due to Cost of Living pressures and COVID-related health issues.
- **Disability Living Allowance:** due to increased child claims and high real-terms average awards for child inflows, as well as improved forecasting methodology for working age caseloads.
- **Financial Assistance Scheme:** due to discount rate changes decreasing the size of the provision.
- **Other net changes:** includes Cold Weather Payments, Pension Credit, and Attendance Allowance.

Note: all elements of DWP's RAME funding include a margin, the total of which £5.5bn for 2022-23.

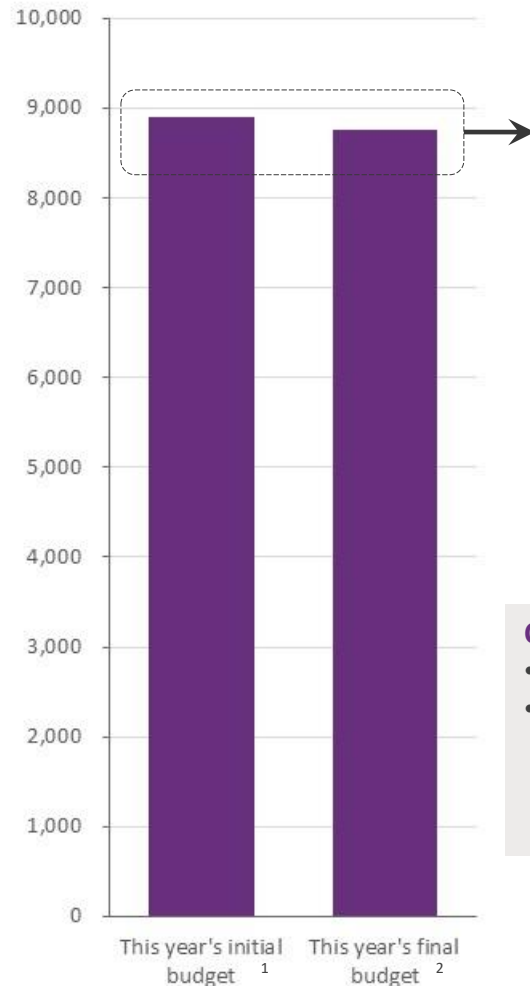
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is DWP's day-to-day spending changing in 2022-23?

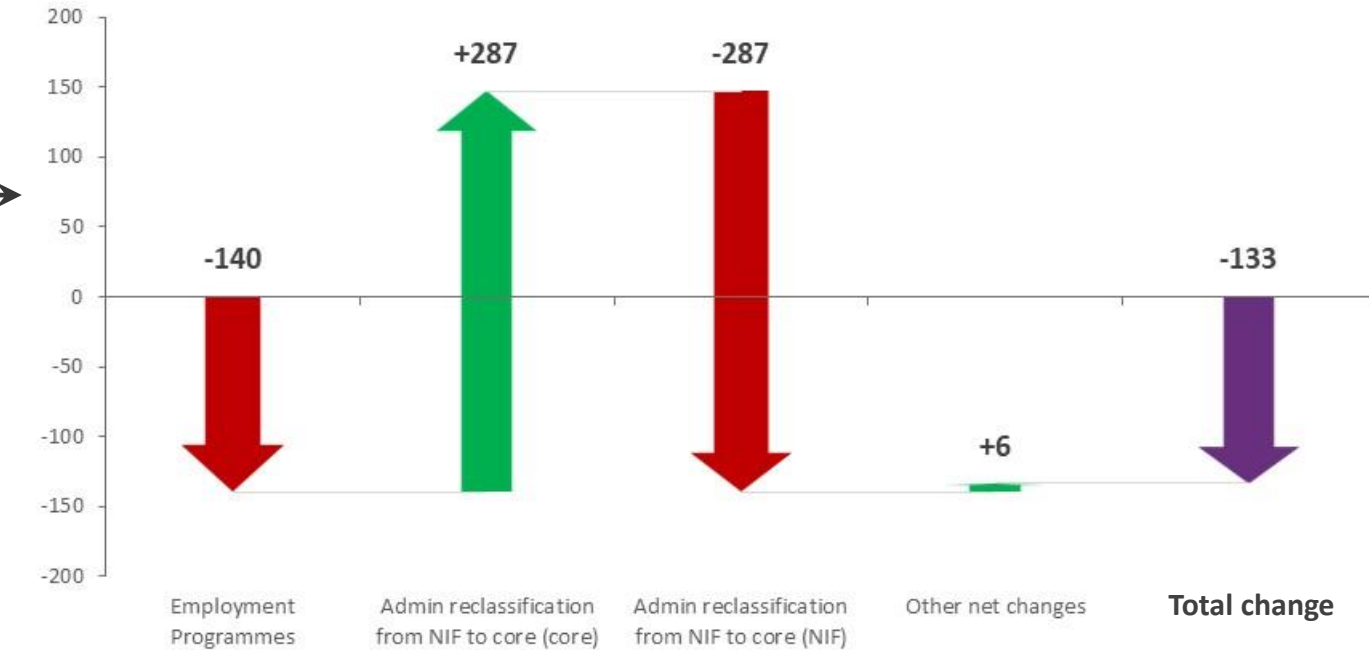
DWP's day-to-day budget decreased by £133.3m (-1.5%)

Resource DEL budget in £m



DWP's day-to-day spending decrease is mainly due to Employment Programme underspends

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Employment Programmes:** due to underspends in the Restart and Access to Work schemes.
- **Admin reclassification from NIF to core:** although this has no impact on the total RDEL figure, the largest reclassification is a change in the funding source for the administration of contributory benefits, changing from the National Insurance Fund (NIF). This resulted from operational changes during the pandemic and a revision to the digital cost allocation model.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

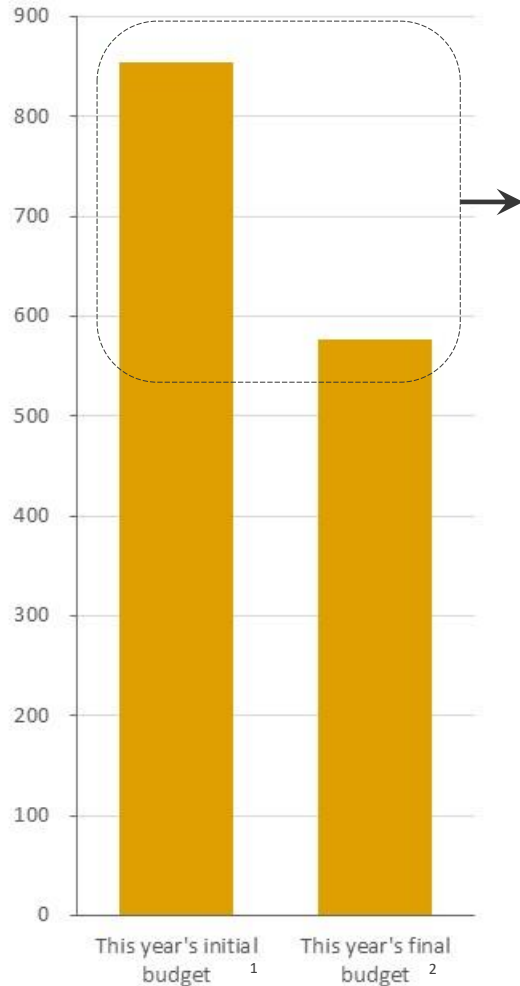
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)



# How is DWP's investment spending changing in 2022-23?

DWP's investment budget decreased by £277.7m (-32.5%)

Capital DEL budget in £m



DWP's investment spending decrease is mainly within the core department's expenditure heading  
Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

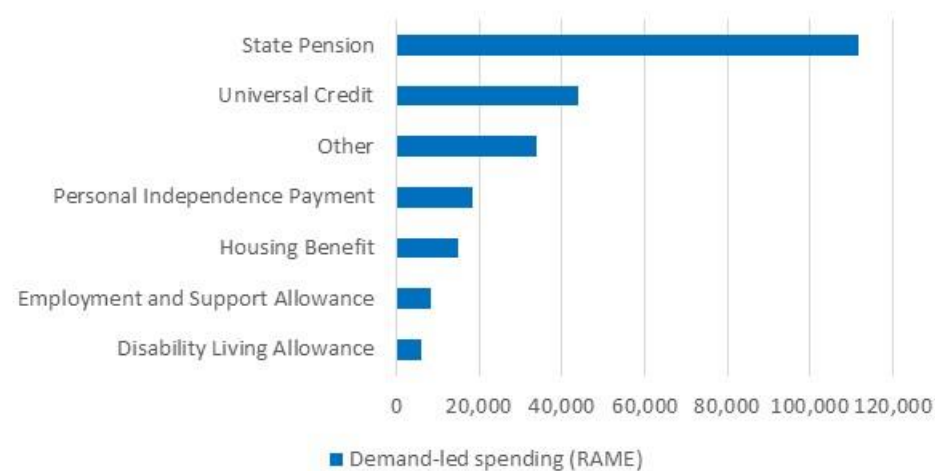
- **IFRS 16 Leases:** changes in estate assets as a result of the new accounting standard were less than expected, so fewer right-of-use assets needed to be created.
- **Workplace Transformation:** reduction due to programme replanning.
- **Fraud Compensation Fund:** cases are now projected to be settled in future years, reducing the forecast spend in the current year.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)  
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

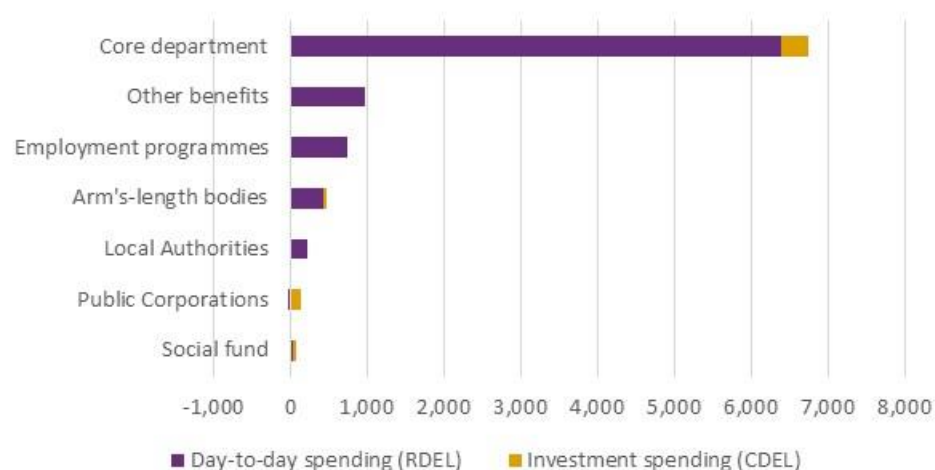
# Most of the DWP budget is for State Pension, Universal Credit and other benefits

Breakdown of DWP budget 2022-23 (£ million)

## Demand-led spending (RAME)



## Day-to-day and investment spending (DEL)



## Demand-led spending (Resource AME)

- Most of DWP's spending, including all spending on benefits and pensions, is classified as Resource AME because it is demand-led and can't be directly controlled. The RAME budget is £237 billion.
- The largest element, and one of the largest in government, is **State Pension**, which is £111.7 billion, or 47% of the total.
- The next largest elements of spending are **Universal Credit** (19% or £44 billion), **Personal Independence Payments** (£18 billion or 8%), and **Housing Benefit** (£15 billion or 6%).
- 'Other' RAME funding includes **cost-of-living support**, payments to the **Social Fund**, **Carer's Allowance**, **maternity pay**, and more.

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

- The total resource DEL budget is £8.8 billion, of which the largest element is £6.4 billion (or 73%) to the **core department**.
- Funding for **other benefits** (£1.0 billion), **employment programmes** (£0.7 billion) and **arm's-length bodies** (£0.4 billion) are the next largest elements of day-to-day spend.

## Investment spending (Capital DEL)

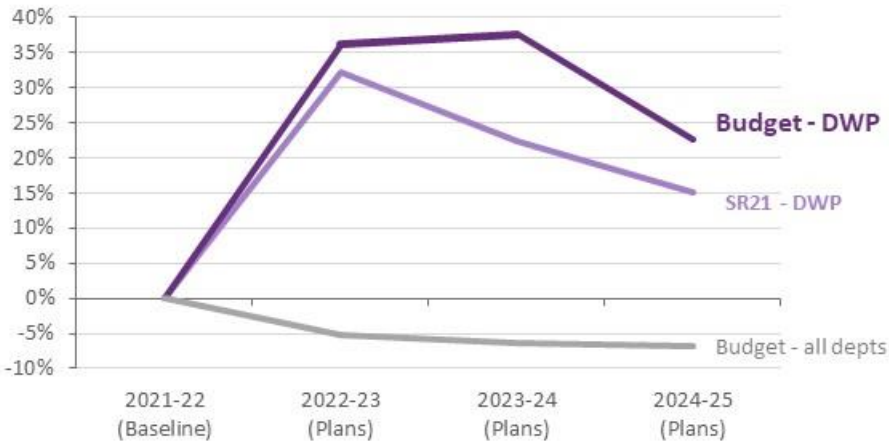
- The total capital DEP budget is £0.6 billion, of which the largest element is £0.4 billion (61%) to the **core department**.
- The other components of investment spending are for **public corporations** (£0.1 billion), the **Social Fund** and **arm's-length bodies**.

## DWP's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

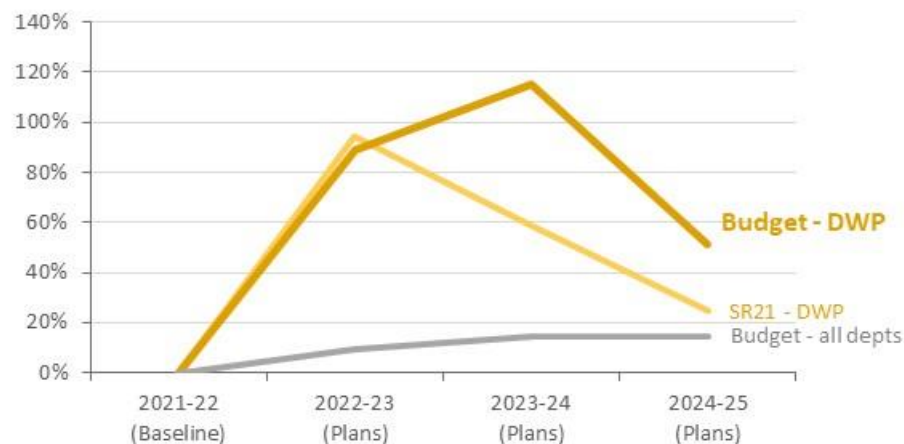


### Trends in day-to-day spending plans

- Resource DEL plans show average annual real growth of 7.1% from 2021-22 to 2024-25, compared to SR21 plans of 4.6%. Spending in 2024-25 is set to be 23% higher than 2021-22 in real terms, compared to 15% higher in SR21 plans.
- On average, cash spending plans are now around £0.9 billion higher per year from 2022-23 onwards, including an increase of £1.3 billion in 2023-24.
- This is likely to reflect the measures announced at Budget 2023 to help older people and those in ill health return to work. Around £2.7 billion was committed to these programmes, which are likely to constitute Resource spending rather than AME benefit payments.

### Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

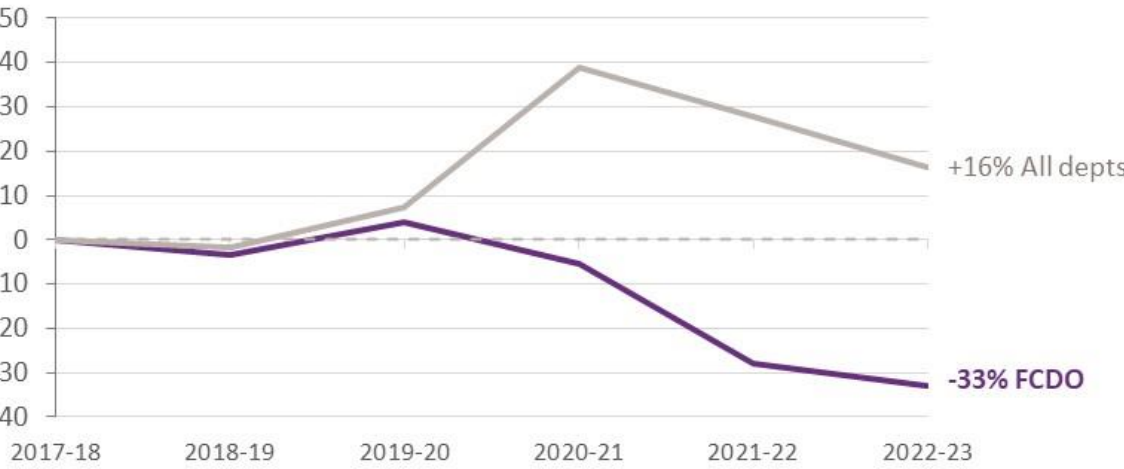
- Capital DEL plans show average annual real growth of 14.8% from 2021-22 to 2024-25, compared to SR21 published plans of 1.2% (although cash budgets indicated this may be nearer 7.6%).
- Spending in 2024-25 is set to be 51% higher than in 2021-22 in real terms, compared to SR21 plans of 25% growth.
- Cash budgets for 2023-24 and 2024-25 have been increased by around £0.2 billion since SR21. This drives the above changes, counteracting the effects of the increased inflation forecast.
- Budget 2023 provides no detail for these changes, but they may reflect additional IT requirements for the return-to-work programmes.

Note: baseline year for Spending Review 2021 is 2021-22

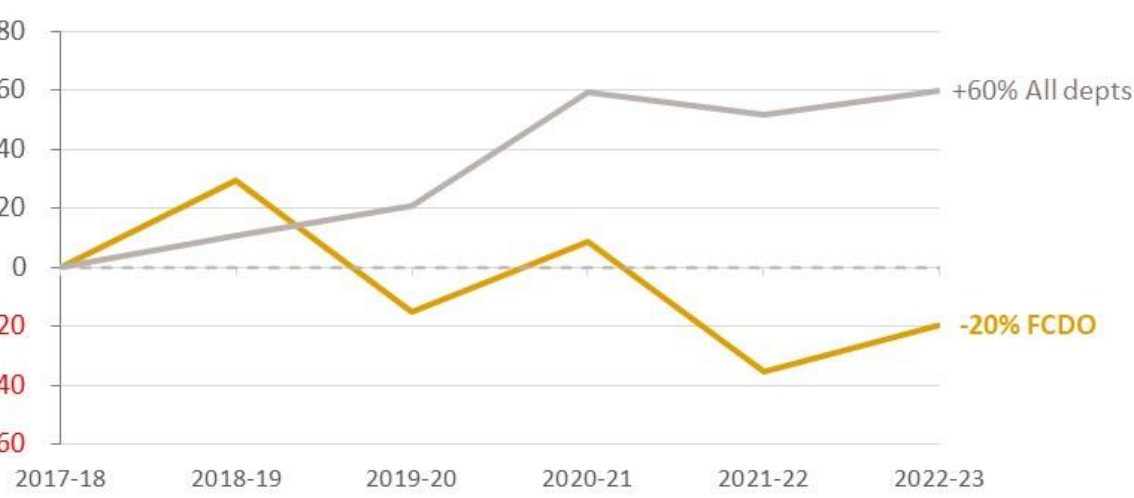
# Foreign, Commonwealth and Development Office (FCDO)

# Long-term trends in FCDO's spending (in real terms)

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



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



## Day-to-day spending trends

- The combined budgets of the former DFID and FCO broadly **tracked general departmental spending trends** until 2019-20.
- In June 2020 the Prime Minister announced the FCO-DFID **merger**, and in November 2020 the Chancellor announced that the UK would no longer meet its commitment to spending 0.7% of GNI on Overseas Development Assistance, leading to **rapid and large cuts to the FCDO's budget**.
- In recent years the FCDO budget has reduced further, as **ODA budget has effectively transferred to the Home Office** for asylum costs.

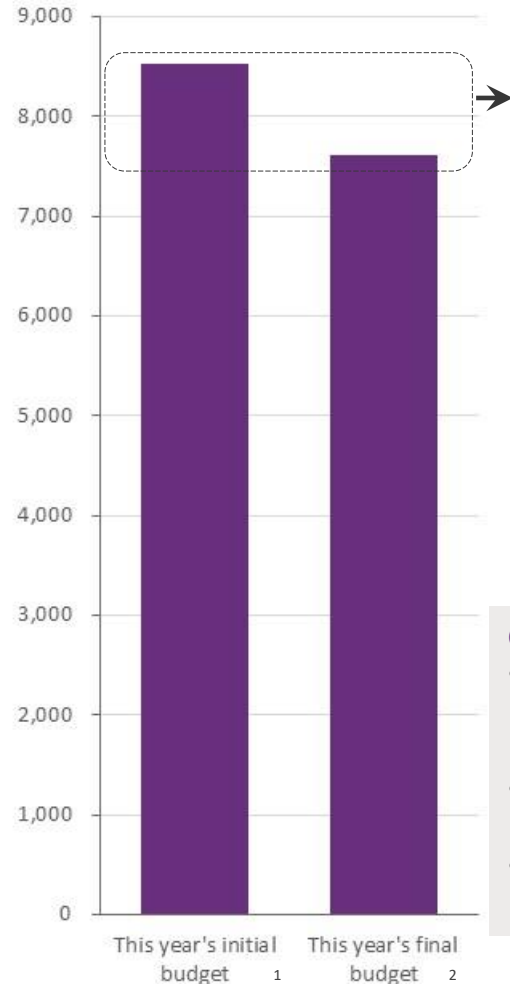
## Investment spending trends

- Both the FCO and DFID's **capital spending profiles have tended to be fairly volatile** due to a mixture of one-off asset sales, the profile of spending on the overseas estate and replenishment cycles to Multilateral organisations.
- Similarly to day-to-day spending, investment spending has also been affected by **reduced ODA spend**.

# How is FCDO's day-to-day spending changing in 2022-23?

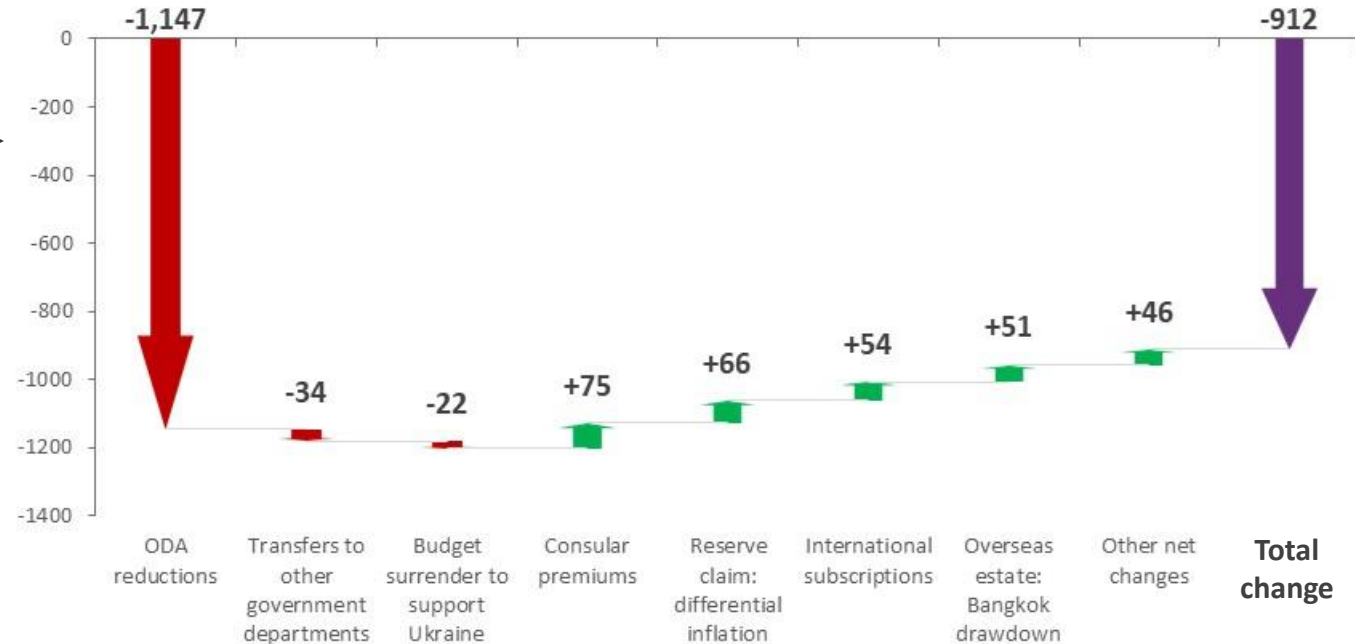
**FCDO's day-to-day budget decreased by £911.6m (-10.7%)**

Resource DEL budget in £m



**FCDO's spending decrease is driven by reductions in ODA spending**

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

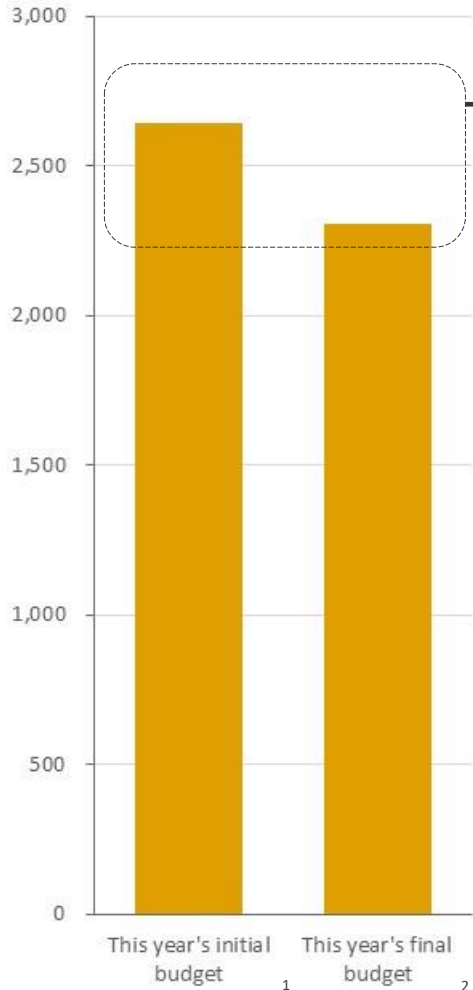
- **ODA reductions:** £1,147.3 million reduced ODA expenditure “to support the reallocation of ODA across government”. This has been entirely absorbed by Home Office ODA expenditure on asylum seekers.
- **Transfers to other departments:** net transfers to other government departments of £34 million, mainly for the overseas platform and the Conflict, Stability and Security Fund.
- **Overseas estate:** The FCDO has drawn down £51 million of expenditure from the proceeds of the sale of the Bangkok embassy to fund maintenance of the overseas estate.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

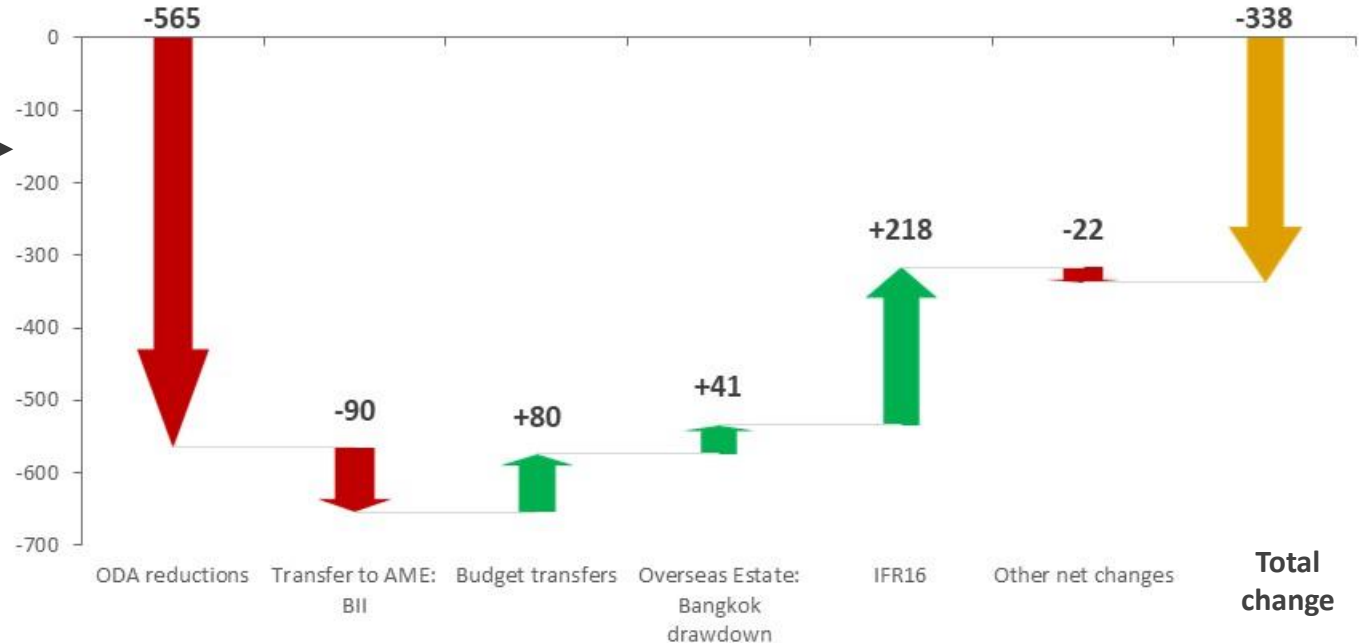
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is FCDO's investment spending changing in 2021-22?

**FCDO's investment budget decreased by £337.9m (-12.8%)**  
Capital DEL budget in £m



**FCDO's spending decrease is driven by reductions in ODA spending**  
Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

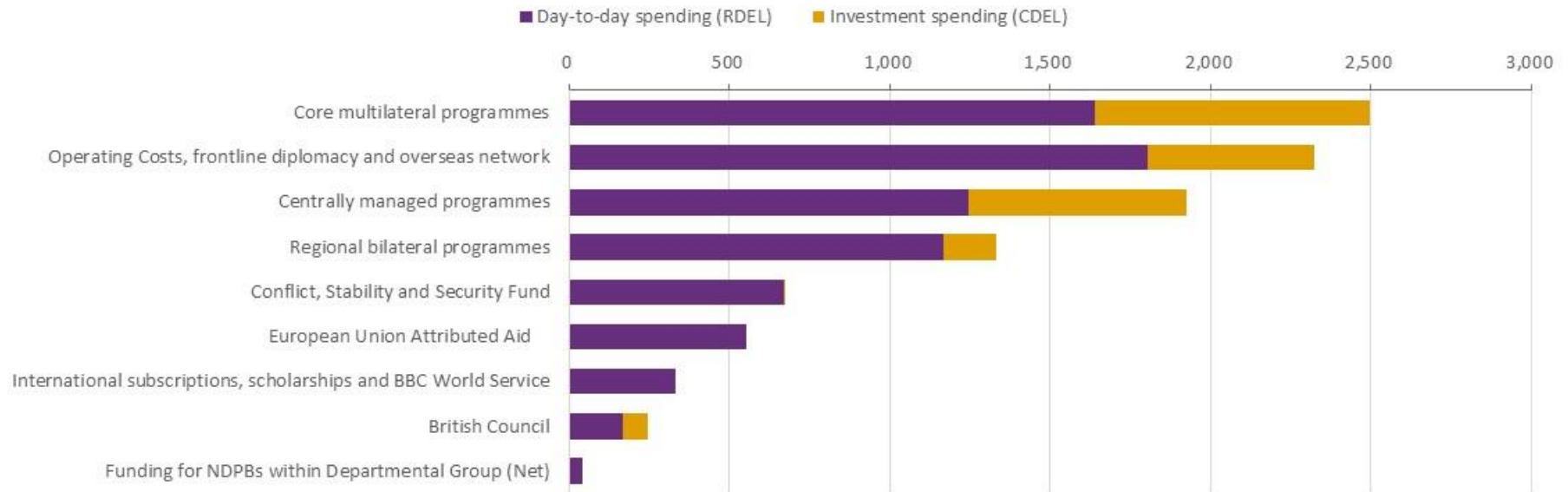
- **ODA reductions:** £564.7 million reduced ODA expenditure “to support the reallocation of ODA across government”. This has been entirely absorbed by Home Office ODA expenditure on asylum seekers.
- **British International Investment (BII):** FCDO invested an additional £90 million in BII at the supplementary Estimate, bringing the **total investment to 2022-23 to £289.5 million.**
- **Transfers to other departments:** net transfers to other government departments of £80 million, mainly for International Climate Finance programmes.
- **Overseas estate:** The FCDO has drawn down £411 million of expenditure from the proceeds of the sale of the Bangkok embassy to fund investment in the overseas estate.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the FCDO budget is contributions to multilateral aid institutions

Breakdown of Defra budget 2022-23 (£ million)



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

- **Operating costs, frontline diplomacy and overseas network** is the largest day-to-day spending category (23.7% of RDEL).
- **Core multilateral programmes** includes contributions to multilateral development institutions such as the World Bank, and makes up 21.5% of FCDO's day-to-day expenditure.
- **Centrally managed programmes and Regional bilateral programmes**, which are programmes run directly by FCDO itself or aid delivered on a bilateral basis make up 16.3% and 15.3% of day-to-day expenditure, respectively.
- **Conflict, Stability and Security Fund (CSSF)**: FCDO contributions to the cross-government CSSF in 2022-23 total £668 million, or 8.8% of day-to-day expenditure.

## Investment spending (Capital DEL)

- **Core multilateral programmes** is the largest investment spending category, totalling £858 million (37.2% of the investment budget) in 2022-23.
- **Centrally managed programmes** make up 29.7% of the investment budget, totalling £680 million.
- **Operating costs, frontline diplomacy and overseas network**, which includes investments in the overseas estate, make up 22.5% of the investment budget and totals £520 million.
- **British Council**: loan funding to British Council of £80 million, relating to a loan provided to the British Council during the pandemic to ensure adequate cashflow.

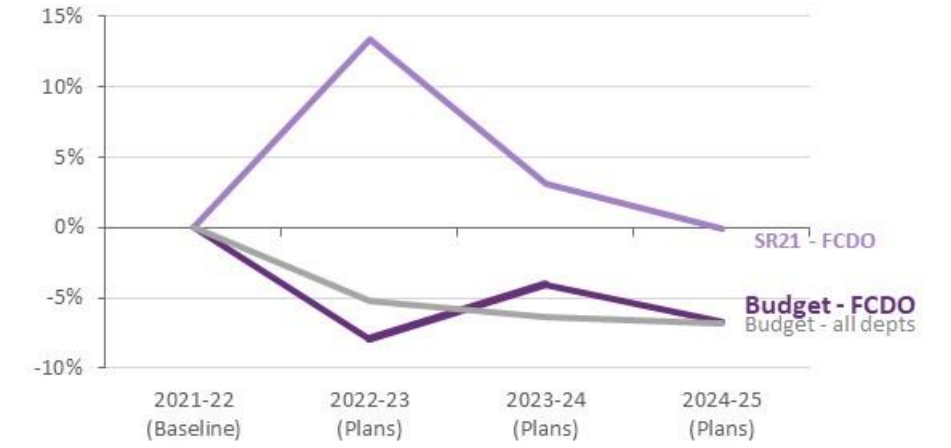


# FCDO spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



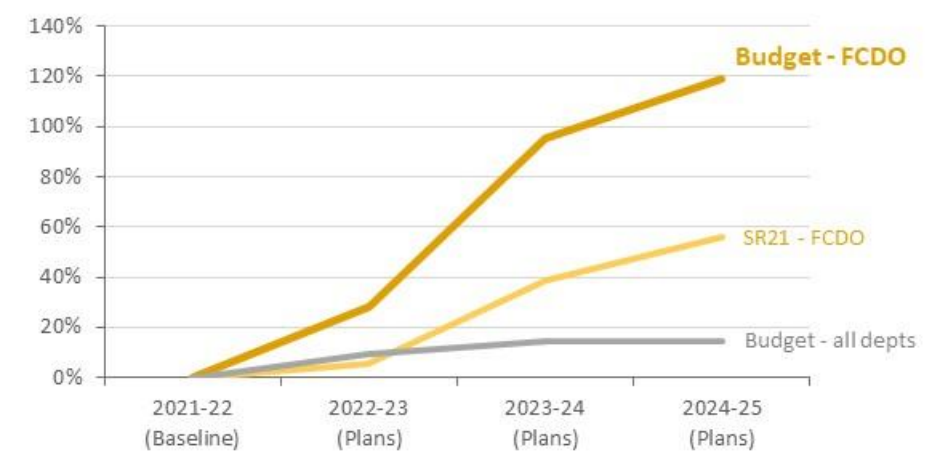
These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

### Trends in day-to-day spending plans

- At the time of the SR21 Spending Review, the FCDO expected to see real-terms increases to the day-to-day budget up to 2024-25.
- Instead, following the 2023 Budget and updated economic forecast, the FCDO expects to see a real-term reduction of 6.7% by 2024-25.
- There is a particularly steep drop in 2022-23, as due to a re-prioritisation of ODA expenditure in favour of the Home Office.

## Investment spending in Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

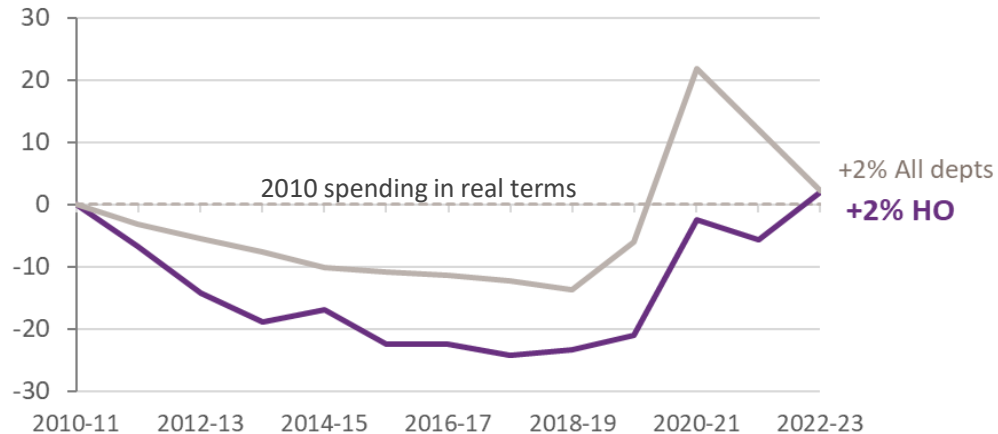
- Unlike day-to-day spending, FCDO expects significant real-terms increases to its investment budget.
- Between 2021-22 and 2024-25 it is set to increase by around 119.1% in real terms. This compares with an equivalent figure of 55.8% at the time of SR21.
- This reflects a relative change in the balance between day-to-day and investment expenditure in future years, with a shift towards investment expenditure. This is in line with government's intention to focus on British Investment Partnerships as part of its new International Development Strategy.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# Home Office (HO)

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

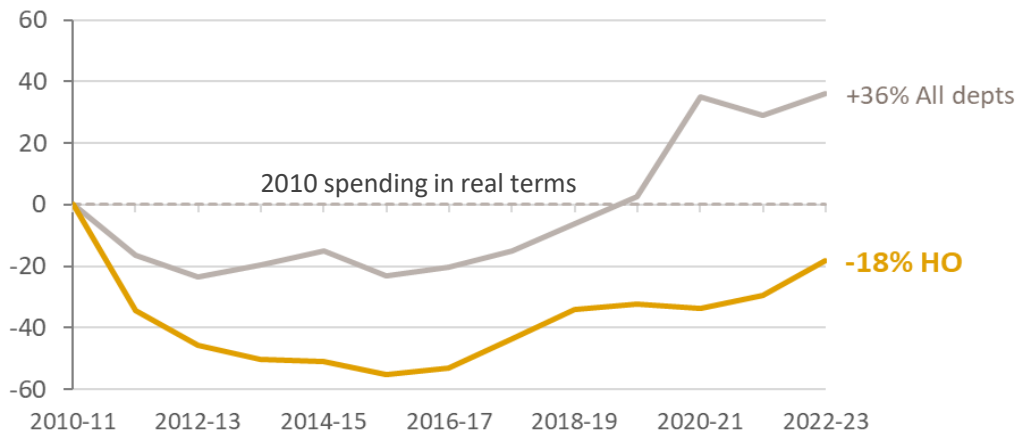
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



## Day-to-day spending trends

- There have been recent real-terms increases in Home Office RDEL spending settlements, most notably in 2020-21 for the covid pandemic, EU exit preparations and new police recruitment, but also over the last year for the Asylum.
- These increases should be placed in the context of historic real-terms reductions during the years of austerity (post 2010), which saw reductions of 24% from 2010-11 to 2017-18.
- Today's RDEL budget is 2% more than 2010 levels in real-terms.

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



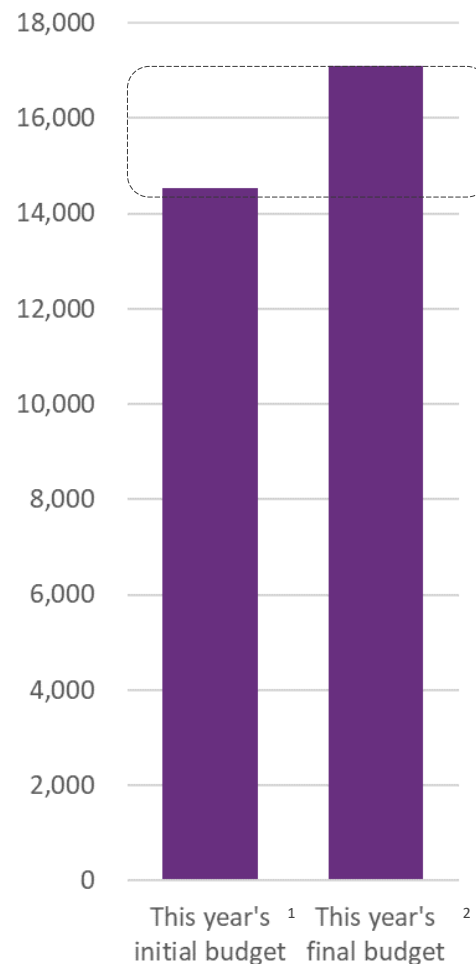
## Investment spending trends

- As with day-to-day spending, the investment budget was reduced during austerity, with a 55% reduction in real terms between 2010-11 and 2015-16. The 2015 Spending Review included additional investment funding for security infrastructure at the borders, as well as an additional £1bn for the Emergency Services Network overhaul.
- Recent increases are driven by border controls such as the Future Border and Immigration System Programme., continued investment in ESN and most recently capital requirements for Asylum infrastructure.

## How the Home Office's day-to-day spending changing in 2022-23?

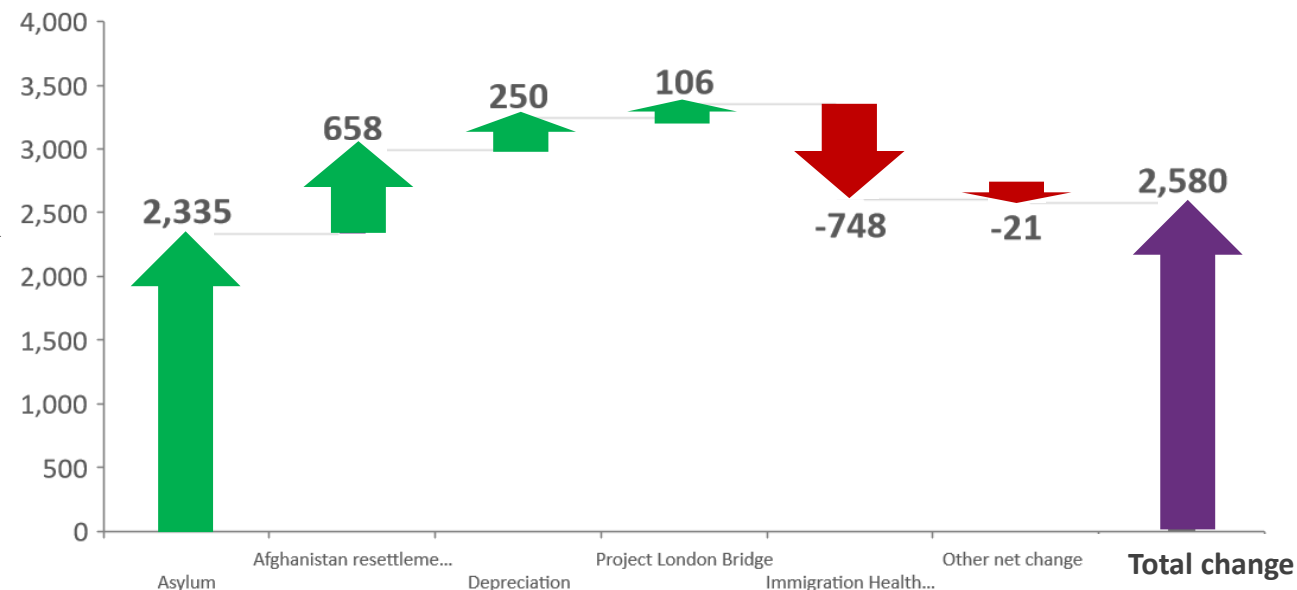
The Home Office **increased its Resource DEL budget by £2,580.1 million (+17.8%)**

Resource DEL budget in £m



### Demands on Asylum drive budget increases

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **£2,334.7 million budget increase for Asylum**, this can be broken into 2 tranches: i) previously agreed funding (above that provided in the Spending Review 2021) of £719.8 million to implement measures set out by the former Prime Minister on 14 April 2022 to “fix the UK’s asylum system” and ii) £1,614.9 million additional funding to “alleviate further pressures” in the asylum system
- **£658.1 million budget increase for Afghanistan Resettlement Schemes** which was not included in the SR21 or the Main Estimate earlier in the year;
- **£250 million increase for depreciation** requirements.
- **£106.3 million increase for the security arrangements surrounding the death of Her Majesty the Queen** in September 2022, code named “Project London Bridge”.
- **£748.4 million budget reduction for the Immigration Health surcharge** transfer to the Department of Health and Social Care.

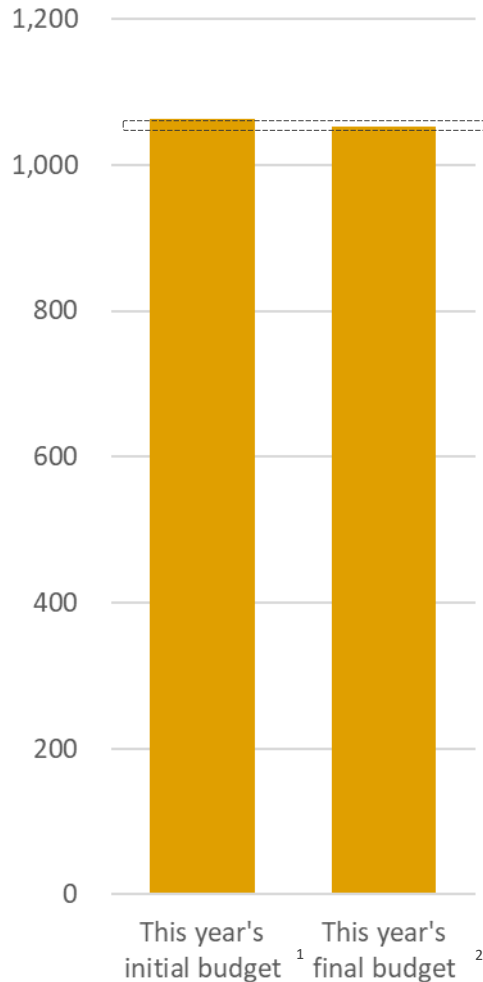
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is the Home Office's investment spending changing in 2022-23?

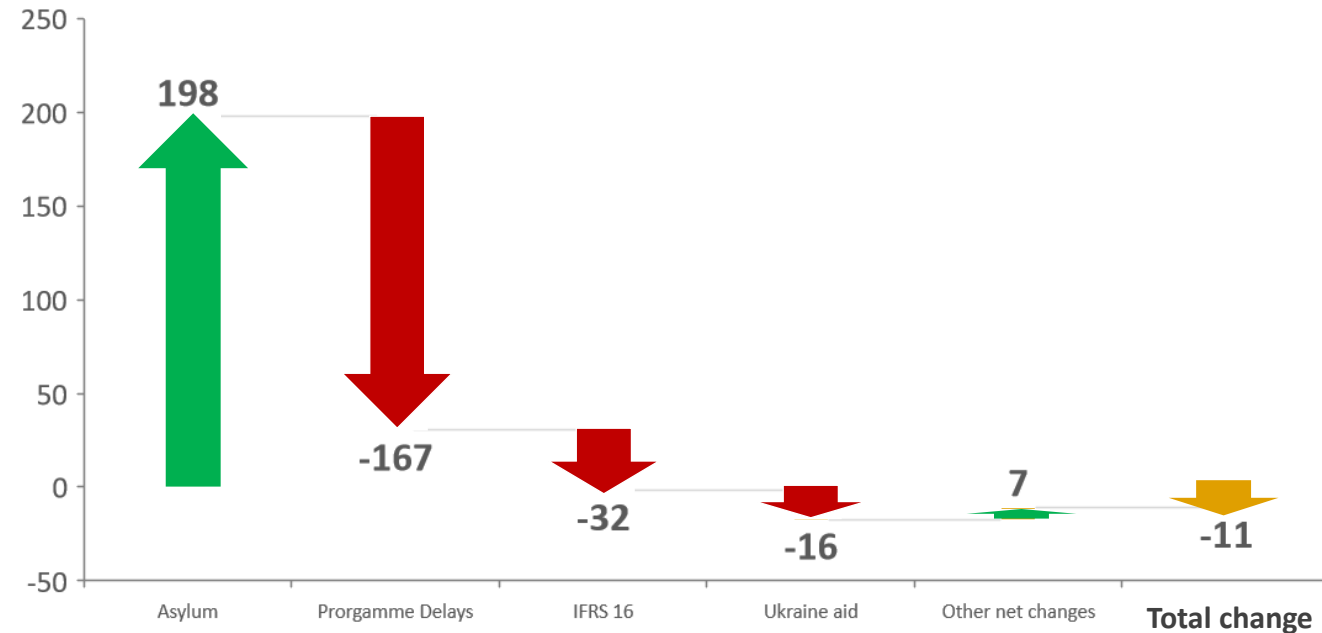
Home Office is reducing its CDEL budget by £10.5 million (-1%),

Capital DEL budget in £m



### Additional budget for Asylum offset by budget surrender due to programme delays

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



#### Changes in 2022-23

- £198.0 million claim on the reserves for pressures in the asylum system; offset by,
- £217.9 million capital surrender to the reserves. This relates to:
  - £167.4 million programme delays,
  - £32.0 million budget returned for IFRS 16 changes (accounting standard change)
  - £15.9 million contribution to support Ukraine aid.

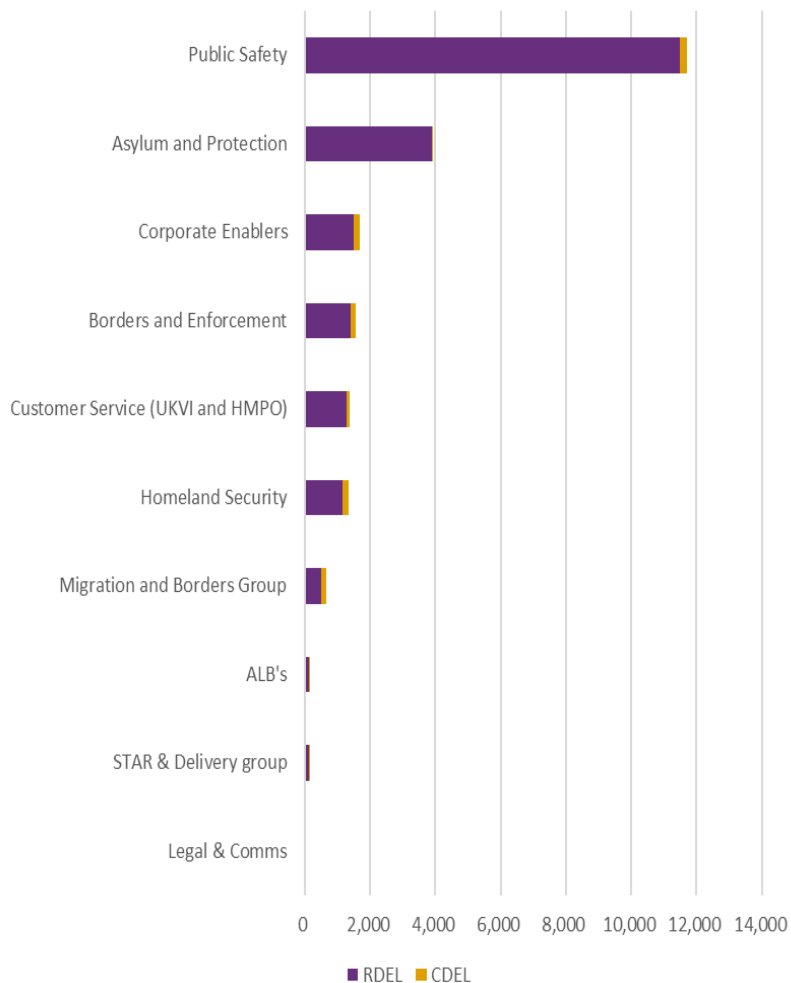
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How the Home Office spends its money

A breakdown of £17.1 billion RDEL and £1 billion CDEL expenditure included in Supplementary Estimate 2022-23

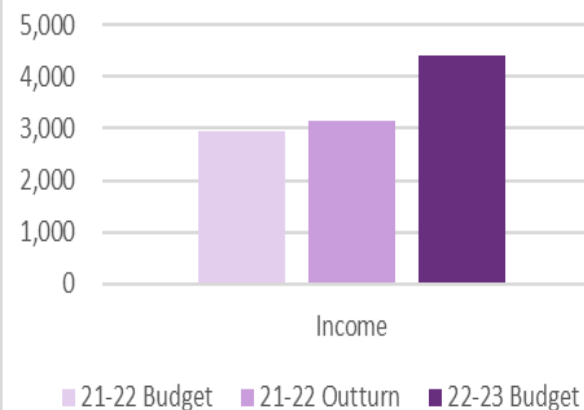
Home Office budget 2022-23 £ million (excluding income)



**Public Safety is the largest cost to the Home Office**, this includes the Police Settlement of £10.5bn.

**Visa's and Passports:** Services relating to the provision of Passports and VISA's are budgeted to cost £1.3 billion in 2022-23. Income from fees generated from this service is budgeted to be £4.4 billion leading to an over-recovery of 338%. Passport income is targeted at 100% cost recovery, whereas Visa income is targeted at 149% over-recovery to cover departmental overheads.

UKVI & HMPO Income £ million

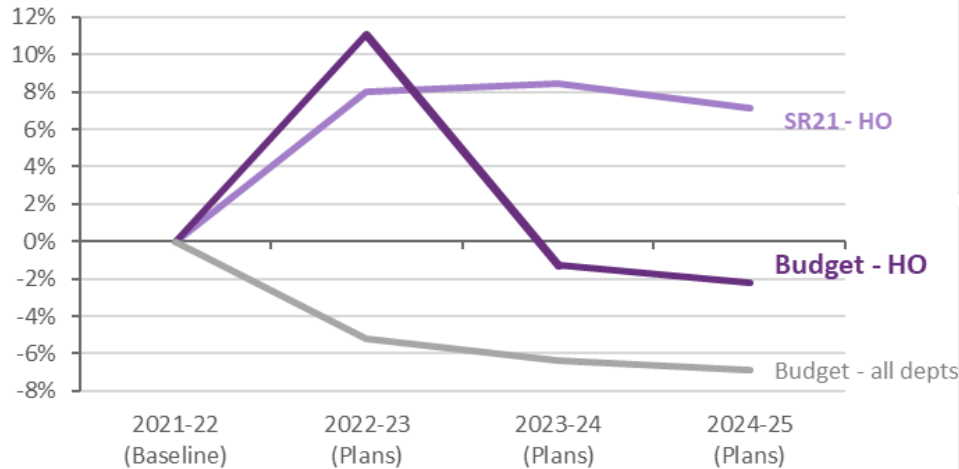


**Asylum and Protection** costs include: i) Staffing and other related business costs, ii) Asylum costs and iii) Grant costs. The Asylum costs are £2.4 billion (£1.5 billion in 2021-22). Asylum costs are for accommodation, sustenance and financial support as well as other service costs for social workers, nurses and care workers. In 2022-23, the HO received additional Reserve funding from the ODA to alleviate pressures in the Asylum system as well as the Afghanistan resettlement scheme. The ODA funding increased 165% from the allocation in 2021-22. It is estimated that between 20-25% of the UK ODA budget was allocated to the Home Office in 2022-23.

## Home Office's spending beyond 2022-23

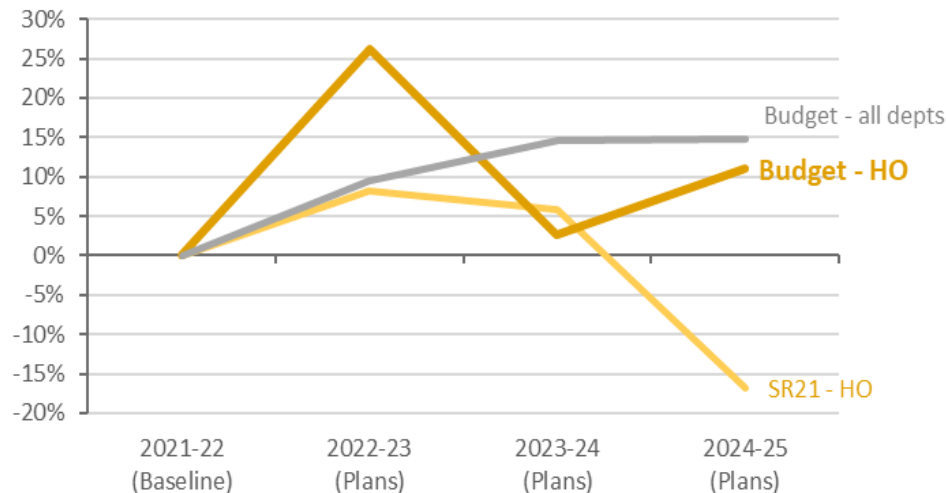
### Day-to-day spending in Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



### Investment spending in Spending Review 2021

Capital DEL (real-terms % change since baseline year)



These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

SR21  
Average Annual  
Real Terms Growth  
Rate  
2.5%

changed to

Budget  
Average  
Annual Real Terms  
Growth Rate  
-0.7%

### Why has the RDEL growth rate changed from 2.5% to -0.7%

The original average annual real terms growth rate reported in the SR21 over the three-year period was 2.5% (comparing the 2024-25 plans with the 2021-22 baseline and averaging the growth over the three years). Since then, there has been: **i) an increase in the nominal cash settlement** this year (2022-23), the HO received more money due to pressures in the Asylum system. **ii) Inflation**, with the nominal settlement for the outer years in the plan remaining constant the real terms growth rate has decreased due to changes in inflation assumptions and **iii) a shift in the baseline assumptions for 2021-22**, the SR21 growth rate was based off 2021-22 planned outturn whereas the Budget growth rate can be calculated using the actual outturn.

**NB: Future spending plans do not include any additional funding like that received in 2022-23 to alleviate the pressures in the Asylum system. This assumption could change.**

The overall **investment settlement** over the Spending review period (22-23 to 24-25) has **increased by £0.5 billion**, with more capital expenditure planned for 24-25.

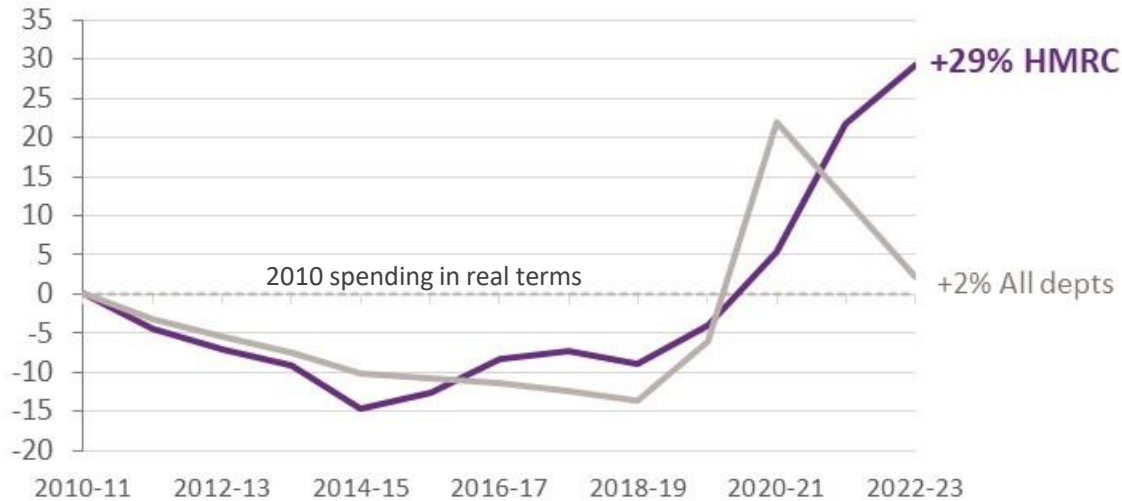
Note: baseline year for Spending Review 2021 is 2021-22

# HM Revenue and Customs (HMRC)



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

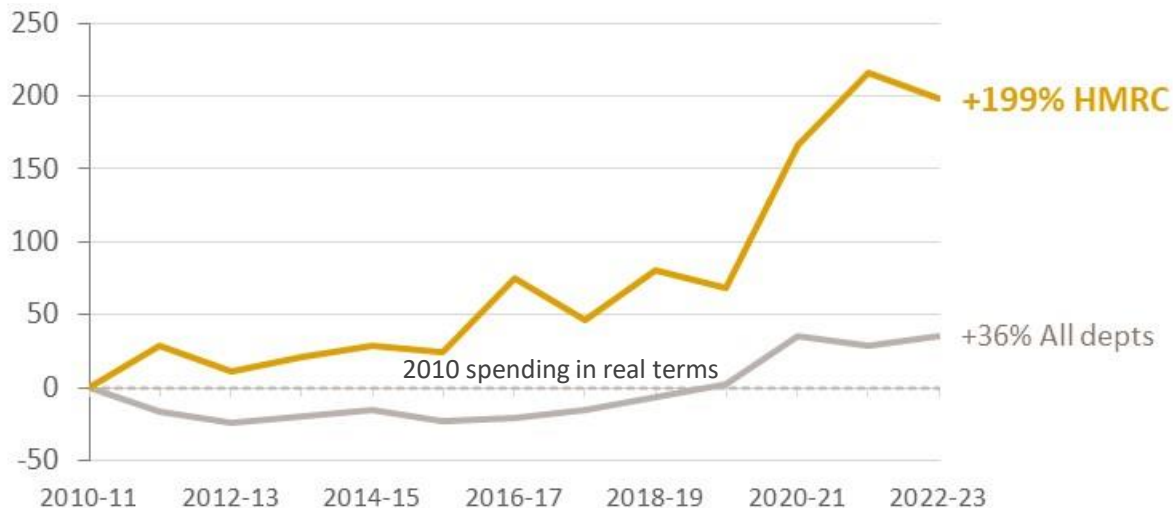
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



### Day-to-day spending trends

- HMRC Resource DEL spending has recovered from the reductions after 2010-11, largely due to increased spending during the pandemic. It is now set to be 29% higher in 2022-23 than in 2010-11, in real terms.
- Although AME budgets (pensions and benefits) make up the bulk of HMRC's expenditure, they are excluded, as they are generally driven by external forecasts and respond to demand. (Although note that resource AME is reducing in recent years due to gradual replacement of Personal Tax Credits by Universal Credit, run by DWP.)

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



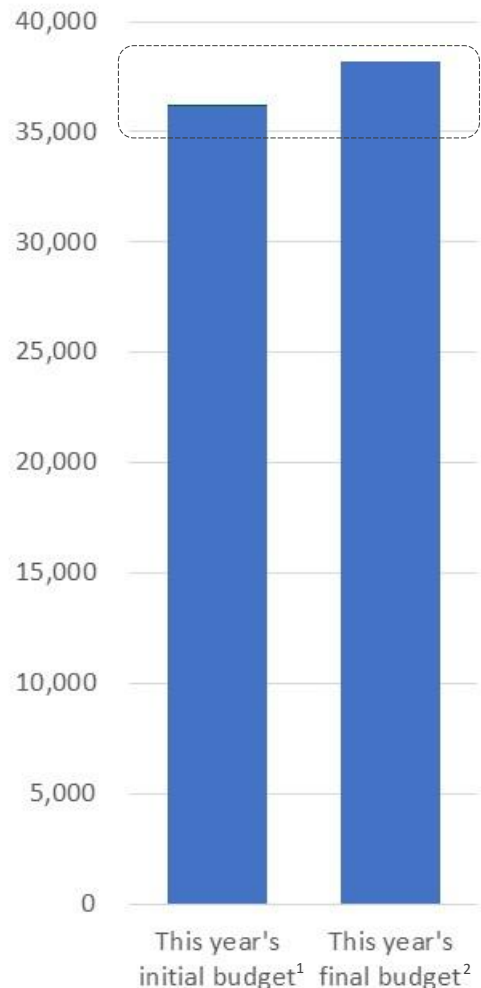
### Investment spending trends

- The Investment spending (Capital DEL) budget is relatively low at £662 million in 2021-22 and is set to be £661 million in 2022-23. Because the value is low, moderate increases in spending lead to large percentage changes. It is 199% above the 2010-11 baseline in real terms.
- Increases in recent years are mainly due to investment in HMRC's IT systems on EU exit.

# How is HMRC's demand-led spending changing in 2022-23?

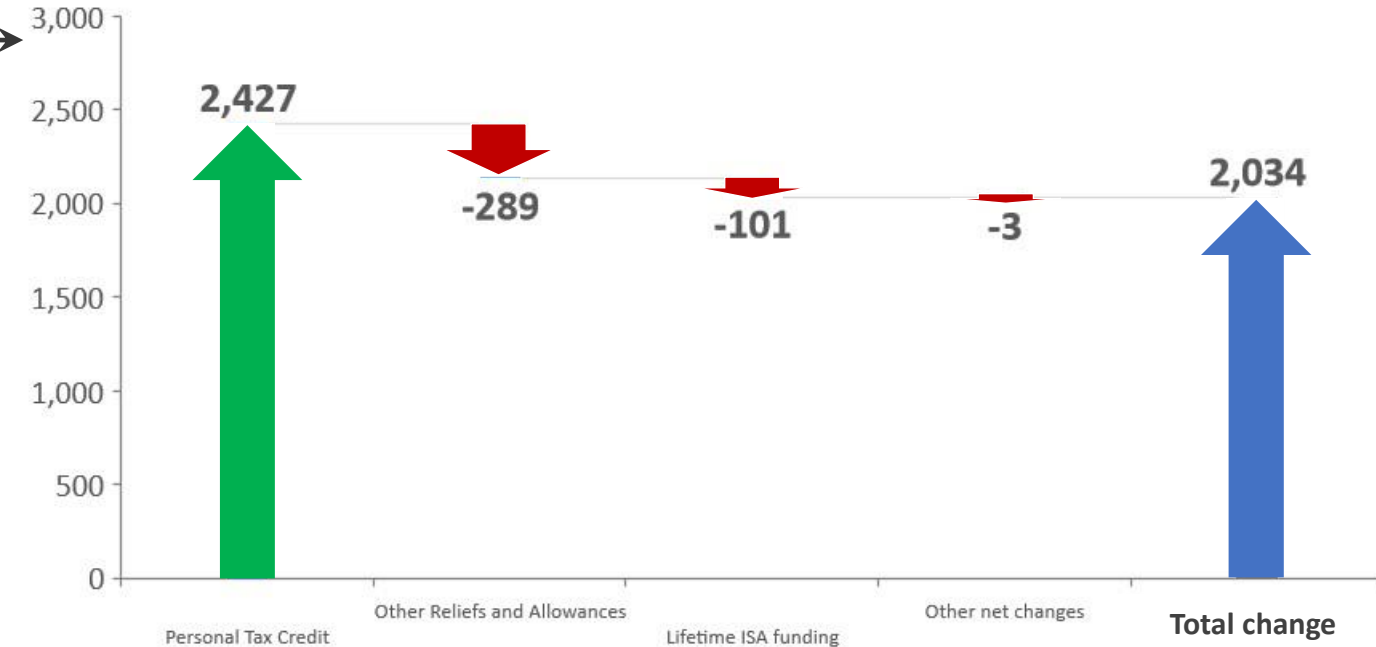
HMRC's demand-led budget increased by £2,034.1m (+5.6%)

Resource AME budget in £m



HMRC's demand-led spending increase is driven by an increase in Personal Tax Credit funding

Changes in Demand-led (Resource AME) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Personal Tax Credit:** the £2.4 billion increase in Personal Tax Credit funding is based on the forecasts in the most recent OBR publication at the date of the Supplementary Estimate, which indicated higher tax credit caseloads due to slower-than-projected exits from Tax Credits onto Universal Credit, and higher average tax credit awards.
- **Other Reliefs and Allowances:** includes Large Companies Research and Development Relief, Small Companies Research and Development Relief, Film Tax Relief, and the Guardians Allowance. Adjustment is also to align with latest forecasts.
- **Lifetime ISA funding:** the most recent OBR publication at the Supps forecast a decrease in savings.

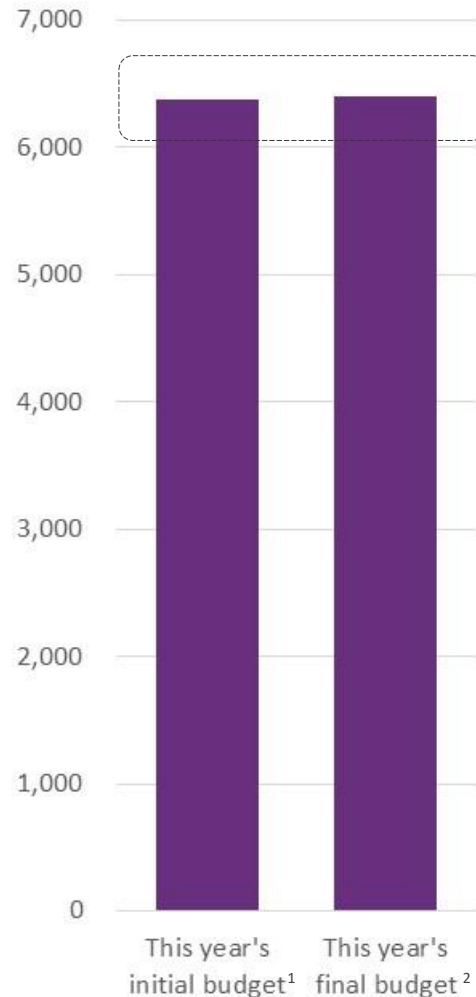
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is HMRC's day-to-day spending changing in 2022-23?

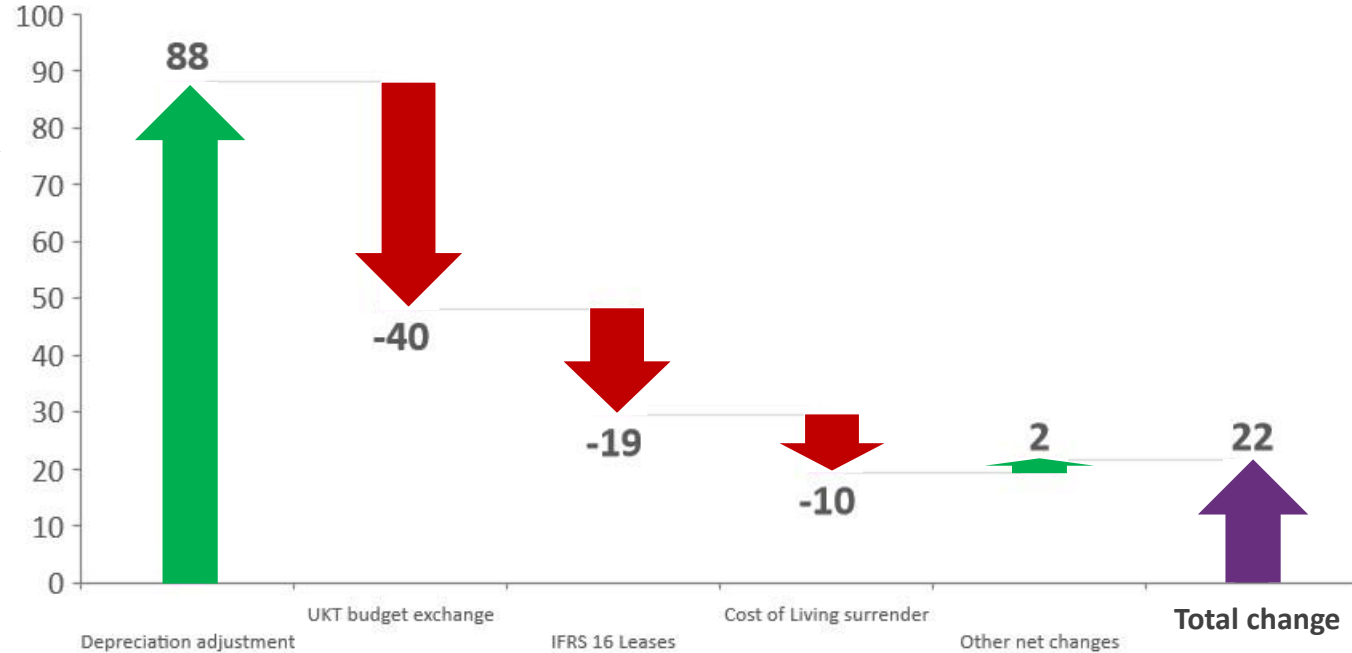
HMRC's day-to-day budget increased by £21.5m (+0.3%)

Resource DEL budget in £m



HMRC's day-to-day spending increase is mainly accounting adjustments offset by budget transfers

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

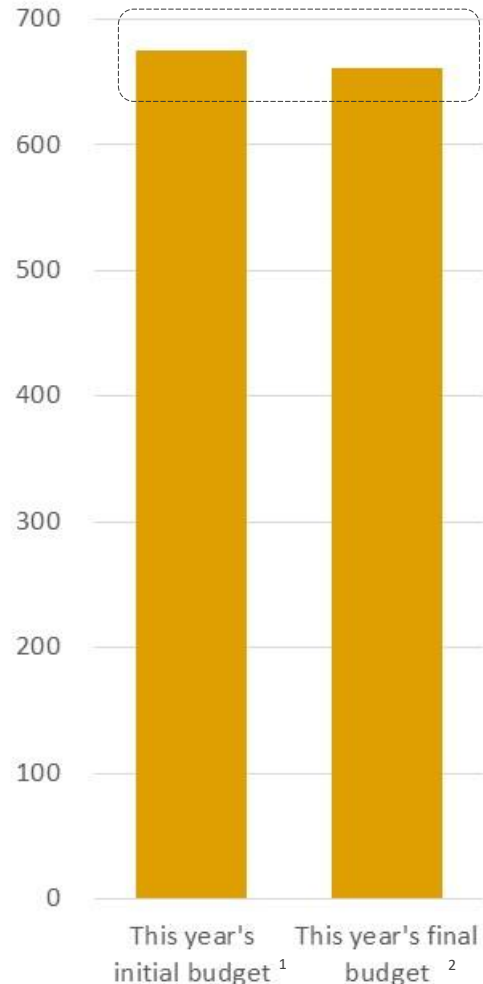
- **Depreciation adjustment:** this increase is driven by changes to reflect the latest depreciation forecast.
- **UKT budget exchange:** £40.0m of the UK Transition (UKT) budget has been transferred by budget exchange into 2023-24 because of scope and delivery timeline changes as a result of ongoing negotiations with the EU.
- **IFRS 16 Leases:** the new IFRS 16 accounting standard for leases led to a reduction in RDEL of £18.8m.
- **Cost of Living surrender:** the funding for Cost of Living measures has been adjusted downwards based on the latest forecast and actual payments made in the year to date (i.e. less was paid out to low-income households than expected).

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

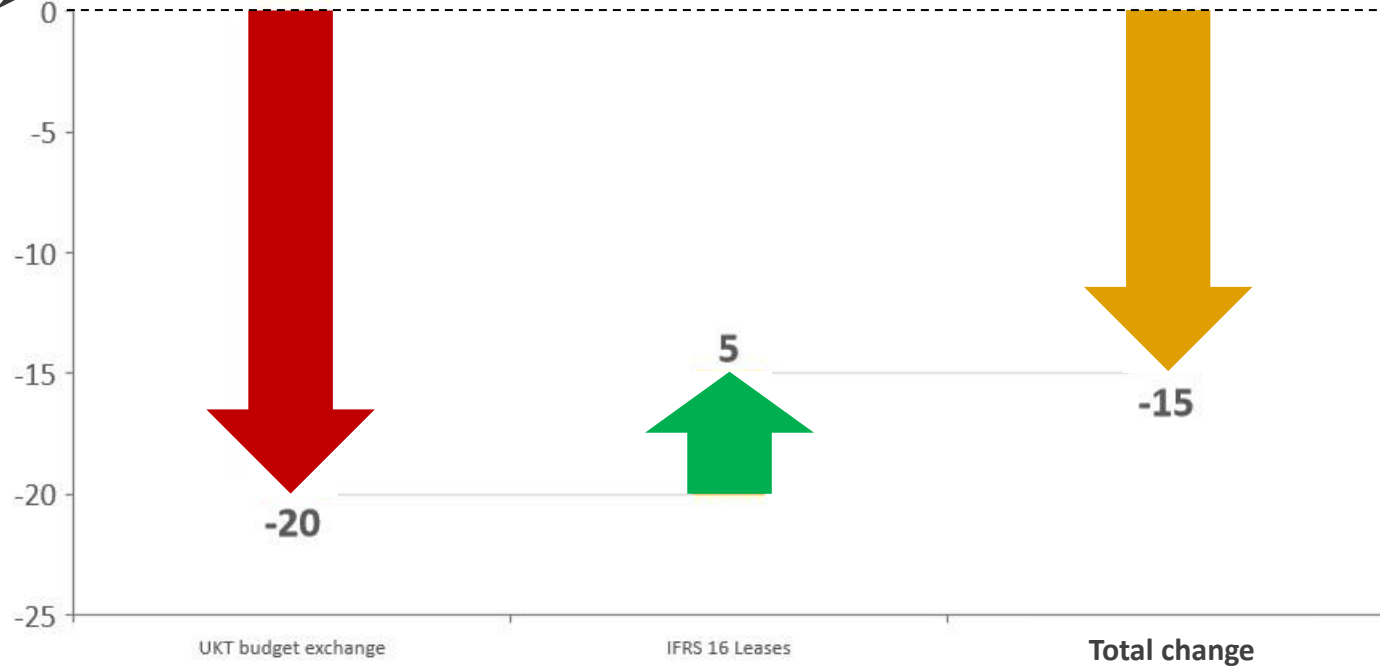
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is HMRC's investment spending changing in 2022-23?

HMRC's investment budget decreased by £15.0m (-2.2%)  
Capital DEL budget in £m



HMRC's investment spending decrease is mainly a budget transfer offset by accounting adjustments  
Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **UKT budget exchange:** £20.0m of the UK Transition (UKT) capital budget has been transferred by budget exchange into 2023-24 because of scope and delivery timeline changes as a result of ongoing negotiations with the EU.
- **IFRS 16 Leases:** the new IFRS 16 accounting standard for leases led to a reduction in the capital income budget of £5.0m, meaning an increase in the net capital spending of the same amount.

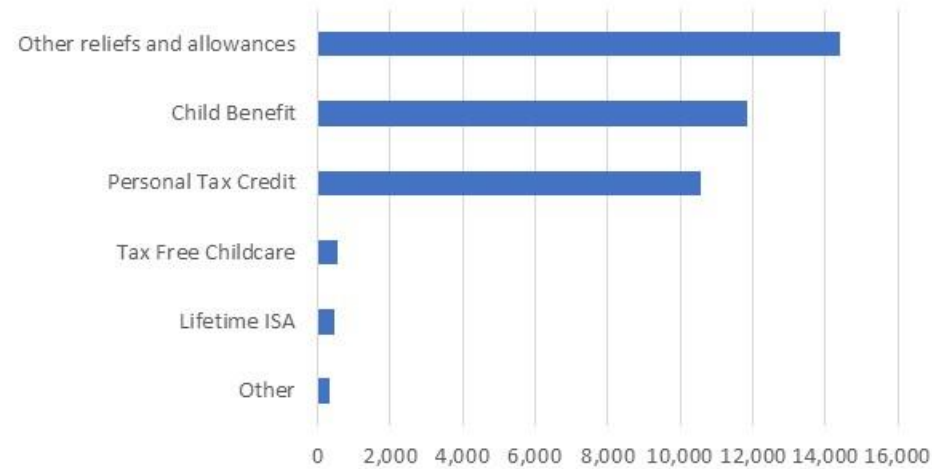
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of the HMRC budget is on tax reliefs, allowances, Child Benefit and Personal Tax Credit

Breakdown of HMRC budget 2022-23 (£ million)

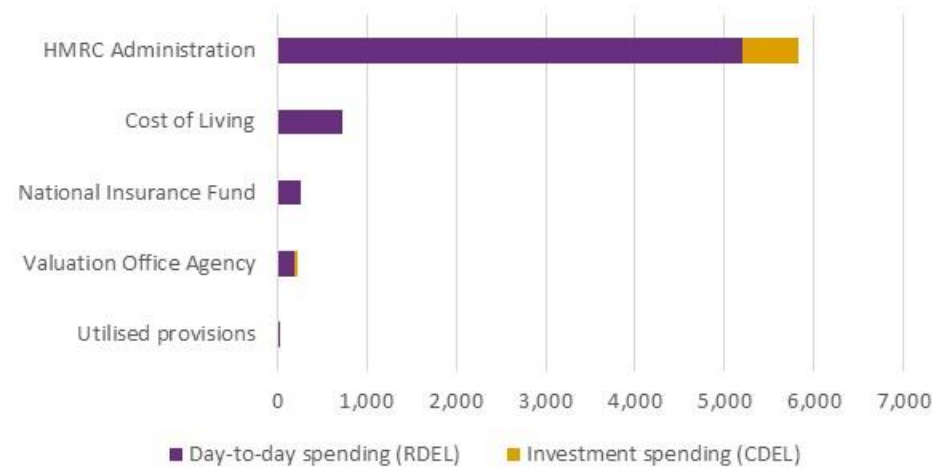
Demand-led spending (RAME)



## Demand-led day-to-day spending (Resource AME)

- Total resource AME budget is £38,162 million.
- **Child Benefit** is the largest single component of resource AME at £11,860 million, or 31.1% of the total. **Tax Free Childcare** is a further £532 million, or 1.4% of the total.
- **Personal Tax Credit** accounts for £10,582 million or 27.7% of the total. This is reducing year-on-year as claimants are gradually being moved onto Universal Credit, administered by DWP.
- **Other reliefs and allowances** include Large Companies Research and Development Relief, Small Companies Research and Development Relief, Film Tax Relief, and the Guardians Allowance. They total £14,406 million.
- Other Resource AME costs include £73.1 million for the Valuation Office Agency, £67.5 million for Help to Save, and £30 million on HMRC administration.

Day-to-day and investment spending (DEL)



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

- The total resource DEL budget for HMRC is £6,400 million, and the total capital DEL budget is £661 million.
- Over 80% of this is for **HMRC administration** (£5,203 million resource and £622 million capital).
- £735 million (13%) is for the £650 payment for households who receive working tax credit to alleviate the **Cost of Living**.
- Other funding is for the **National Insurance Fund** (£257m) and the **Valuation Office Agency** (£186m resource, £38m capital).

## Investment spending (Capital DEL)

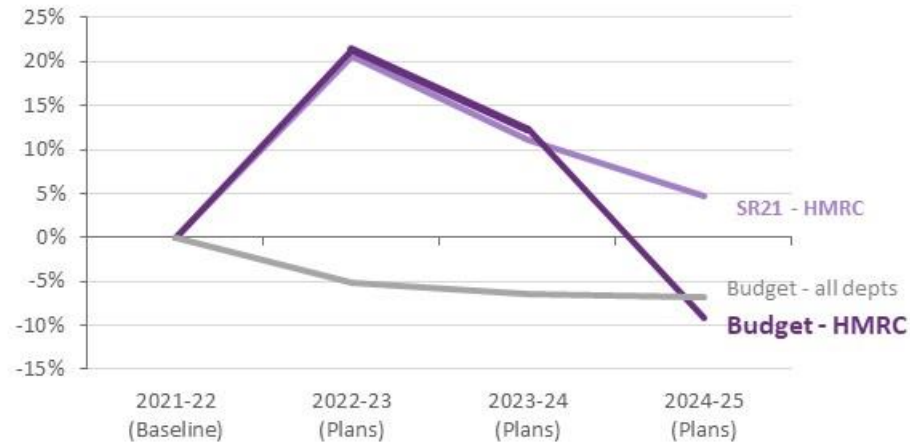
- The capital DEL budget is made up of just £622 million for **HMRC administration** and £38 million for the **Valuation Office Agency**.

## HMRC's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

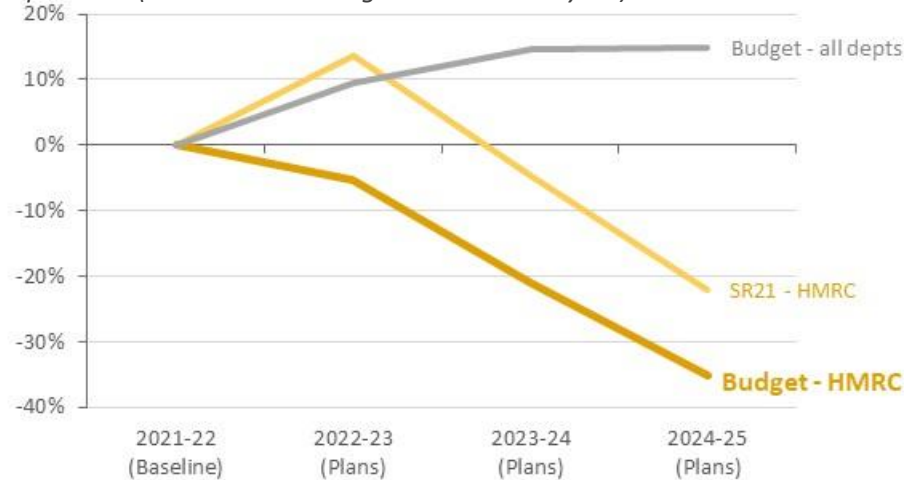


### Trends in day-to-day spending plans

- Resource DEL plans show average annual real growth of -3.1% from 2021-22 to 2024-25, compared to published SR21 plans of 1.2% growth; real spending in 2024-25 is set to be -9.1% lower than 2021-22, whereas SR21 set it to be 4.6% higher.
- This reduction reflects lower nominal spending in 2024-25 (reduced by £0.1 billion to £4.6 billion), an overspend of £0.4 billion (10%) in 2021-22, and a higher inflation forecast.
- Higher nominal spending in 2022-23 and 2023-24 (offsetting the increased inflation forecast to maintain real-terms spending) is largely due to cost of living measures
- Budget 2023 shows investment in HMRC debt management capabilities increasing tax revenue by around £280 million each year.

### Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

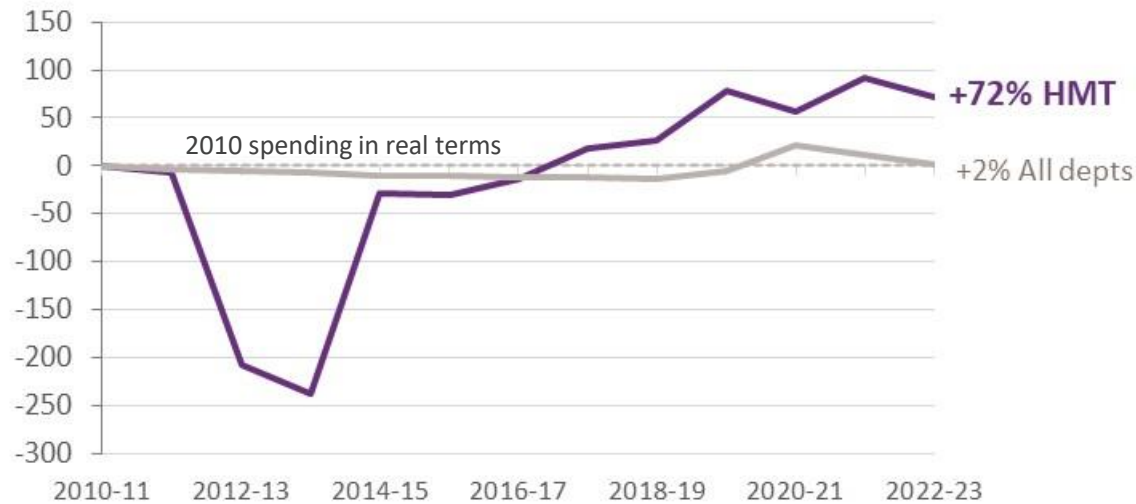
- Capital DEL plans show average annual real growth of -13.4% from 2021-22 to 2024-25, compared to published SR21 plans of -9.1%.
- Real spending in 2024-25 is set to be 35% lower than in 2021-22, compared to an increase of 14.8% across all departments.
- HMRC had an overspend of £0.1 billion (17%) in 2021-22, which drives much of this change.
- Nominal spending plans for 2022-23 onwards are unchanged from SR21, with the higher inflation forecast now eroding the real value of these budgets.

Note: baseline year for Spending Review 2021 is 2021-22

# HM Treasury (HMT)

## Long-term trends in HMT's spending (in real terms)

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



### Day-to-day spending trends

- Day-to-day spending was reduced significantly in 2012-13 and 2013-14, largely because the years up to 2011-12 included large non-cash costs relating to macroeconomic factors from the financial crisis of 2008, and when those costs were not needed, spending decreased.
- Day-to-day spending is set to be 72% higher in 2022-23 than in 2010-11, in real terms.
- This year's budget includes £45 million for the UK Infrastructure Bank, reduced from £71 million at Main Estimates.

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



### Investment spending trends

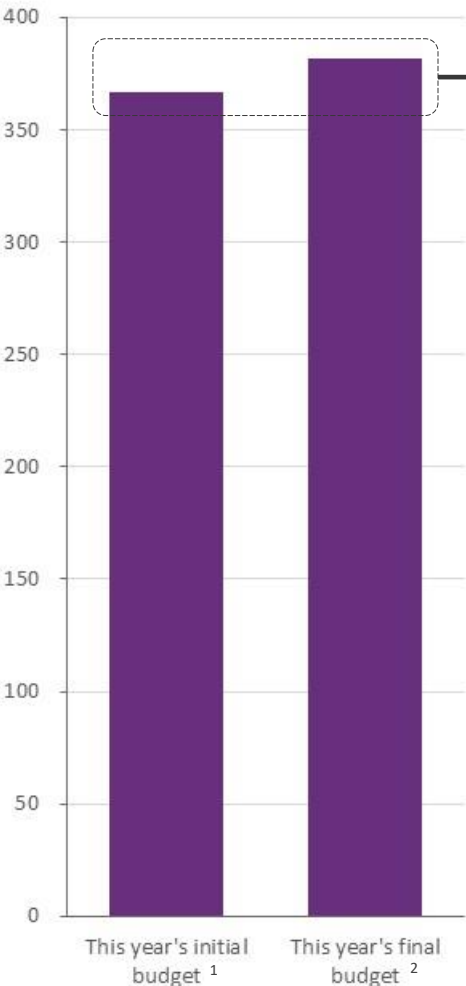
- Investment spending fluctuates significantly because investment budget at HMT is relatively low and, in some years, becomes a net income rather than net expenditure. For example, in 2015-16 net Capital DEL income was £660 million due to the gain on the sale of the government's stake in Eurostar.
- As a result, moderate movements in the budget value can lead to large percentage swings.
- In 2022-23, investment spending is set to be 73% lower than in 2010-11 in real terms.



# How is HMT's day-to-day spending changing in 2022-23?

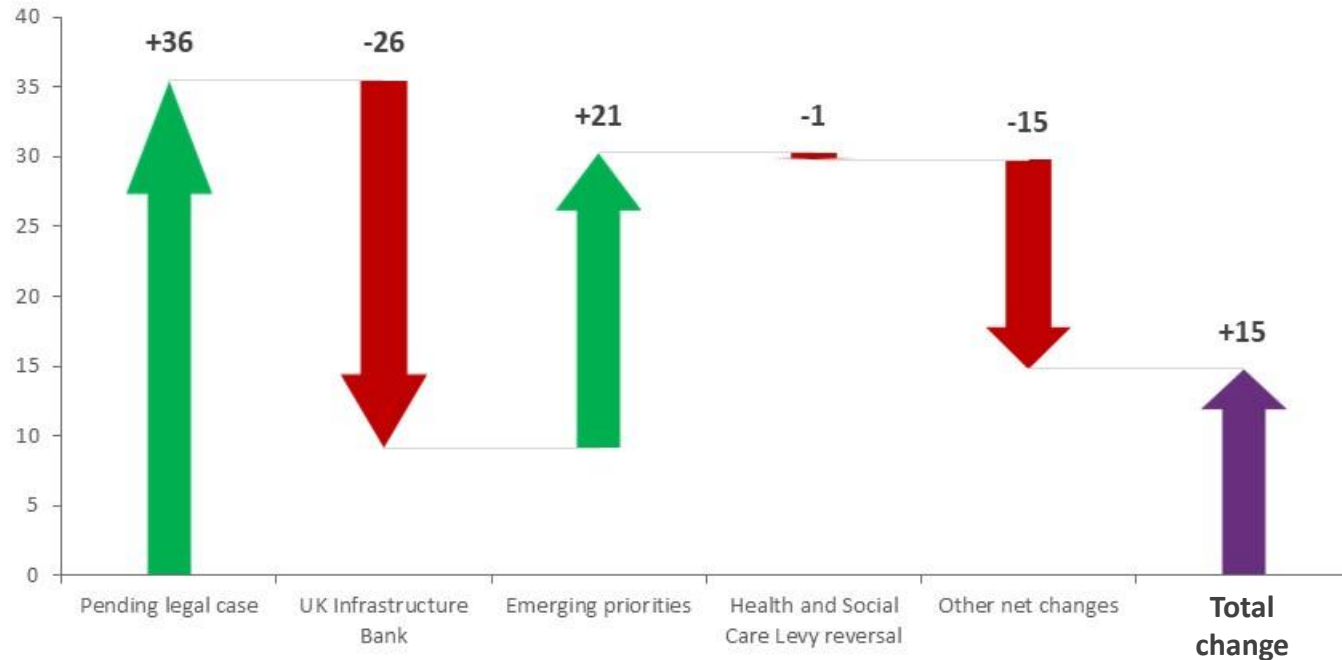
HMT's day-to-day budget increased by **£14.8m (+4.0%)**

Resource DEL budget in £m



HMT's day-to-day spending increase is mainly due to cover for a pending legal case

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Pending legal case:** due to underspends in the Restart and Access to Work schemes.
- **UK Infrastructure Bank:** UKIB are returning funding due to being unable to meet recruitment targets from the Main Estimate. This has been used to fund the emerging priorities (next).
- **Emerging priorities:** These include the HMT Business Engagement process (£5.9m), the Office of Sanctions Implementation (£1.7m), and the Functional Convergence programme (£2.3m).
- **Health and Social Care Levy reversal:** The Health and Social Care Levy was reversed as part of Liz Truss and Kwasi Kwarteng's "Mini Budget" in September 2022. Money budgeted to be collected through the Levy has therefore been surrendered.

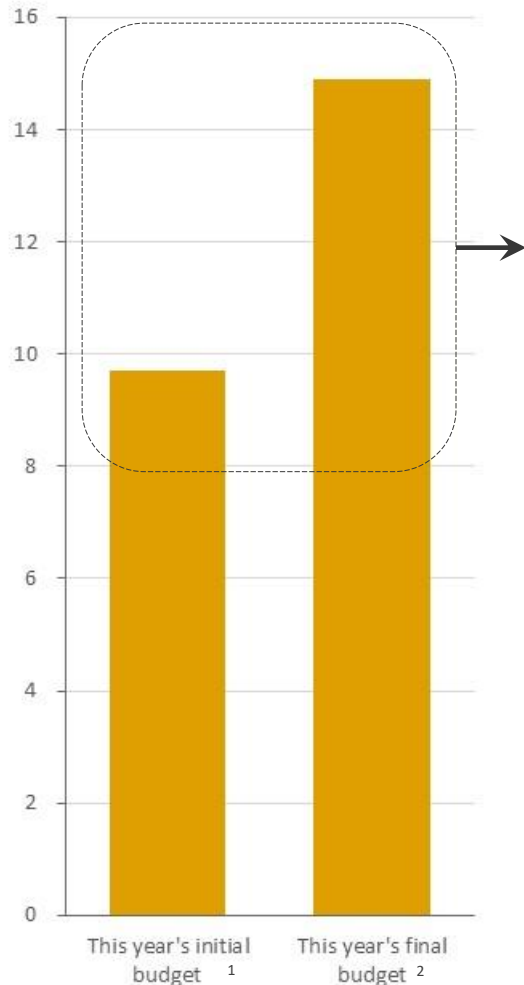
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is HMT's investment spending changing in 2022-23?

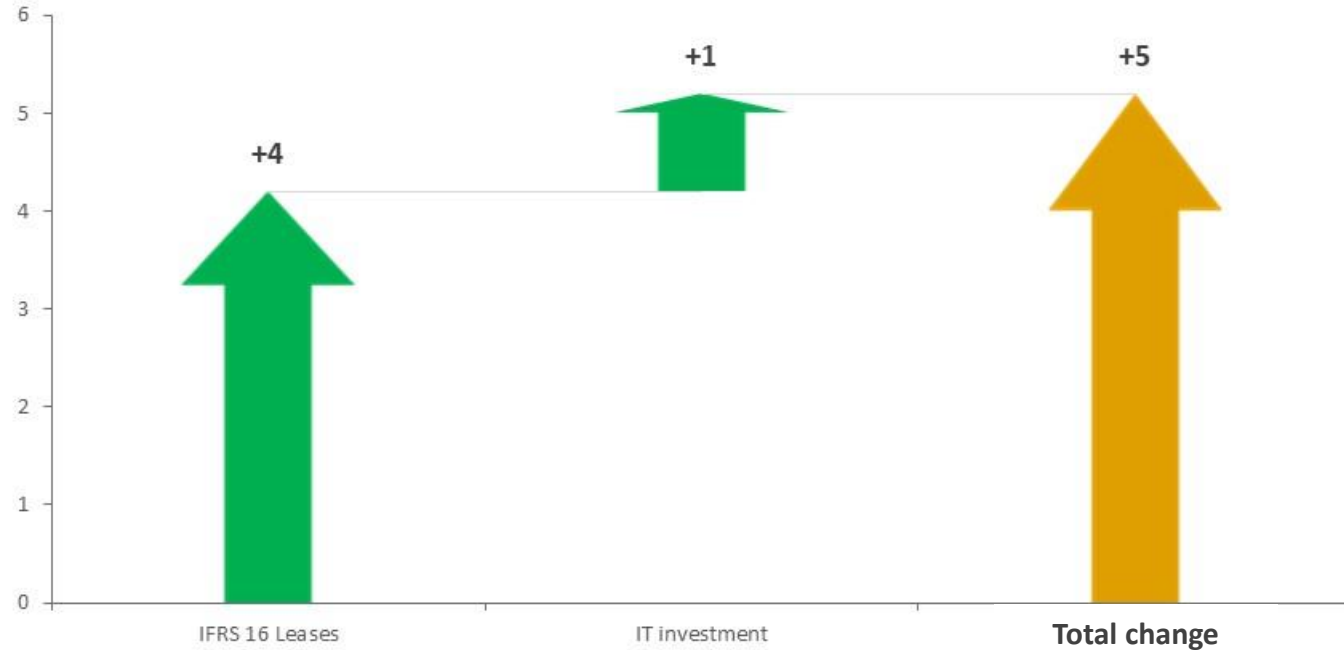
HMT's investment budget increased by £5.2m (+53.6%)

Capital DEL budget in £m



HMT's investment spending increase is mainly because of the new accounting standard for leases

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **IFRS 16 Leases:** £4.2 million of non-cash budget have been requested to cover the capitalisation of new leases commencing in-year, in line with HMT's adoption of the new IFRS 16 accounting standard on leases.
- **IT investment:** £1 million of investment in Information Technology have been funded through a release of unspent DEL by UK Infrastructure Bank (UKIB).

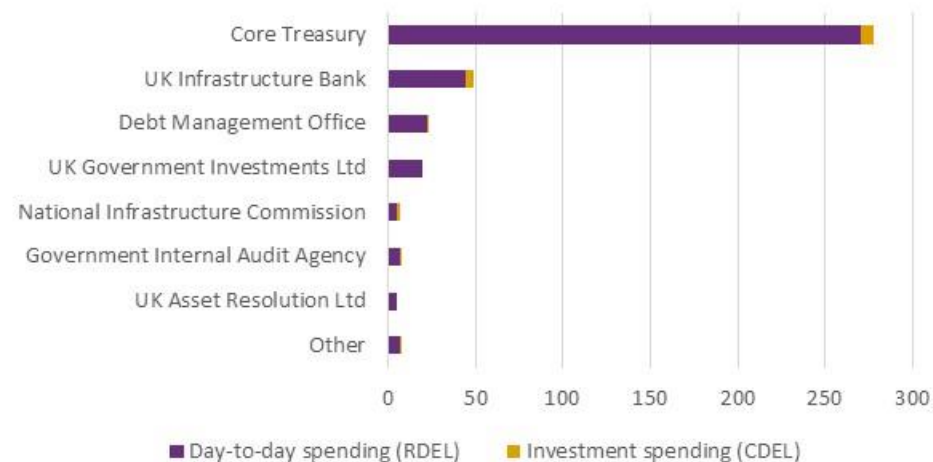
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Most of HMT's budget in 2022-23 is for movements in financial assets

Breakdown of HMT budget 2022-23 (£ million)

## Day-to-day and investment spending (DEL)



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

- The total Resource DEL budget for HMT is £381 million.
- **Core Treasury** makes up the largest element in the day-to-day budget at £270 million, or 71% of the total.
- The **UK Infrastructure Bank's** budget makes up a further 12% at £71 million.
- Of the other bodies which sit within HMT, the **Debt Management Office** makes up 6% (£23 million), **UK Government Investments Ltd** makes up 5% (£19 million), and the other bodies combined make up 6% (£24 million).

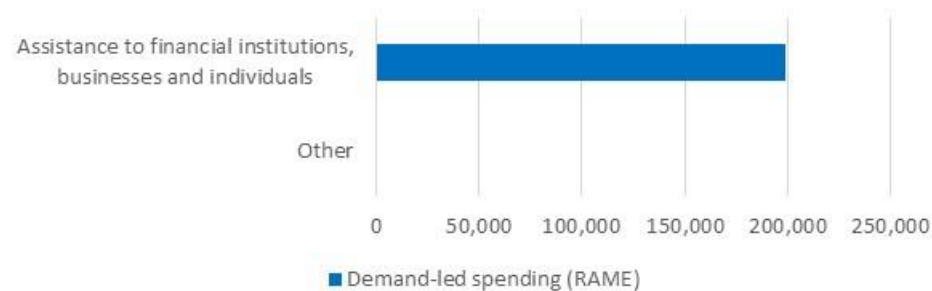
## Investment spending (Capital DEL, left)

- Total Capital DEL budget is £14.9 million, £7.6 million of which (or 51% of the total) is for **Core Treasury** functions.
- **UK Infrastructure Bank** receives £3.9 million, or 26% of the total.
- Of other bodies, £2.1 million is for **National Infrastructure Commission**, £1.0 million is for the **Debt Management Office**, and £0.3 million is for the **Government Internal Audit Agency**.

## Demand-led spending (Resource AME, below)

- £199.5 billion, or 99.8% of HMT's demand-led spending, is in **assistance to financial institutions** and other businesses, mostly movements in the indemnity of the **Bank of England's Asset Purchase Facility**, which transfers gains and losses as a result of quantitative easing or tightening from the Bank to HMT.
- Other funding includes £385 million for payment of the **EU Withdrawal Agreement Financial Settlement** and £112 million for the Sovereign Grant to the **Royal Household**.

## Demand-led spending (RAME)

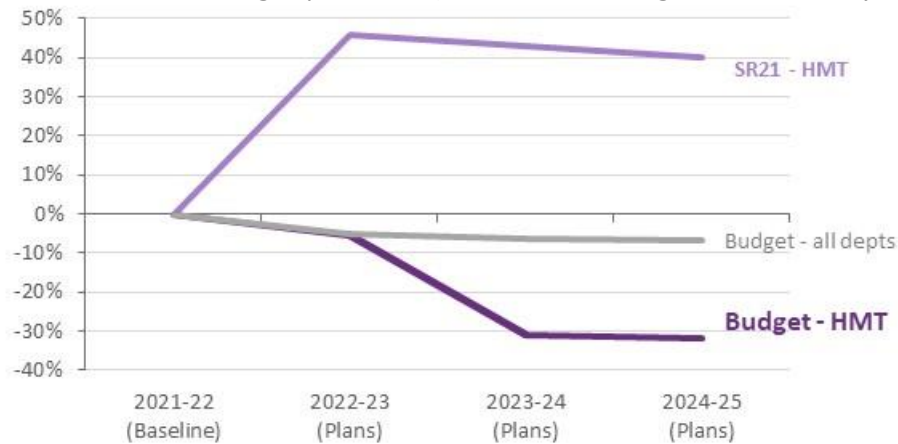


## HMT's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)

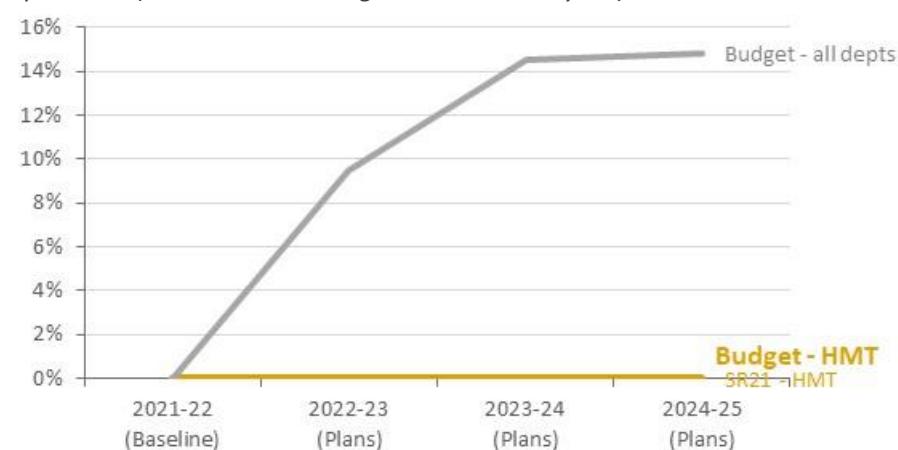


### Trends in day-to-day spending plans

- Budget 2023 and SR21 plans are published in £ billions, meaning HMT's small DEL settlements can be hard to analyse.
- Resource DEL plans show average annual real growth of -12% from 2021-22 to 2024-25, compared to SR21 plans which indicated +12% growth (although the published calculation stated this was 0.9%).
- Spending in 2024-25 is now set to be 32% lower in 2024-25 than in 2021-22, compared to SR21 plans of a 40% increase.
- HMT spent £0.4 billion in 2021-22, against SR21 plans of £0.2 billion, which makes subsequent spending plans appear proportionately smaller, compounding the effect of a higher inflation forecast on spending in real terms.
- Nominal spending for the next two years is set to match SR21 plans of £0.3 billion a year.

### Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

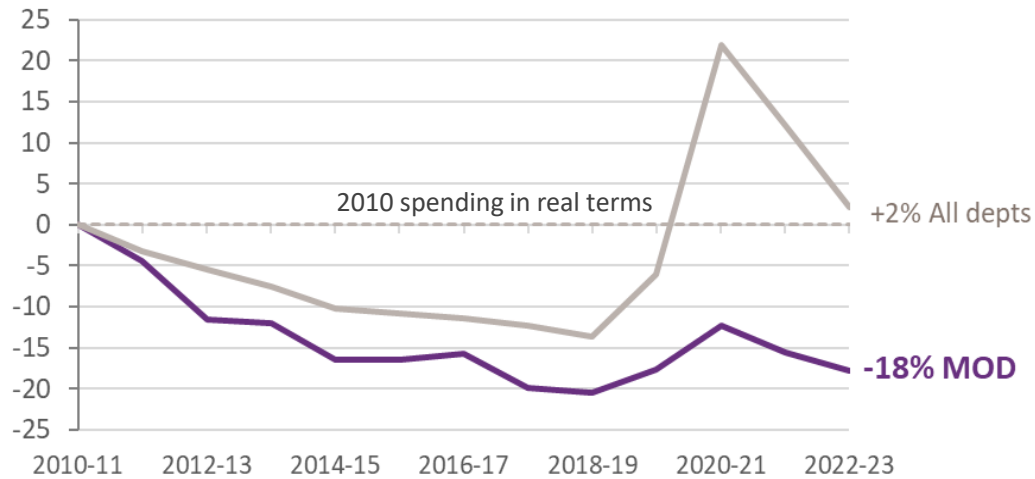
- HMT's nominal investment budget figures have been rounded down to nil in both the Budget and SR21 plans.
- Investment spending is usually relatively low, as evidenced by this year's £14.9 million budget.

Note: baseline year for Spending Review 2021 is 2021-22

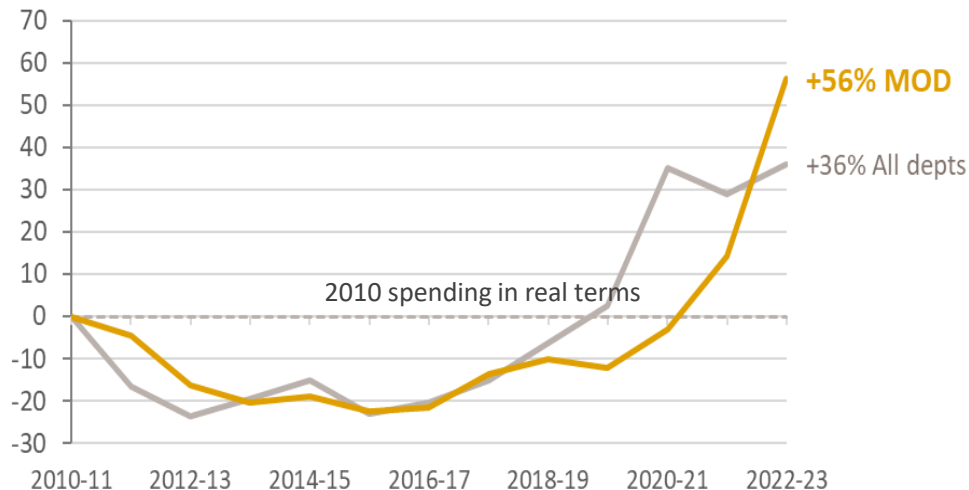
# Ministry of Defence (MoD)

## Long-term trends in MOD's spending (in real terms)

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



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



### Day-to-day spending trends

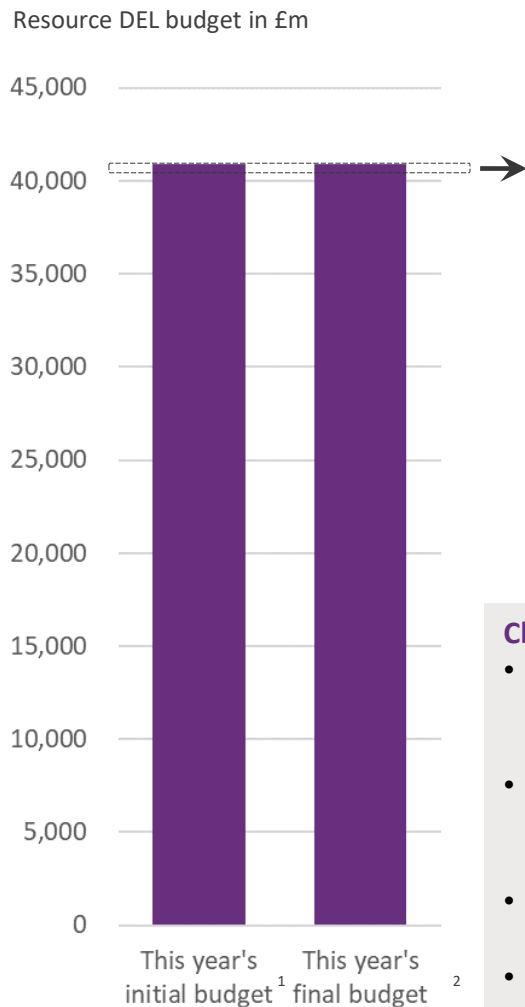
- There were significant reductions to the MOD's day-to-day expenditure following the **2010 Spending Review**, in real terms it fell by 20% from 2010-11 to 2018-19.
- Nominal Spending stabilised after the **2015 Spending Review** following the government's commitment to spend **2% of GDP on defence**.
- The RDEL budget today is 18% lower than in 2010 in real terms, this is despite a nominal increase of £2.6bn over the same time frame.
- When considering real-terms movements the baseline year plays an important role. These graphs show expenditure compared to 2010 (pre-austerity measures). Comparisons made to expenditure levels over a shorter time span, say five years ago (2017-18) would show RDEL increasing in real terms by 3%.

### Investment spending trends

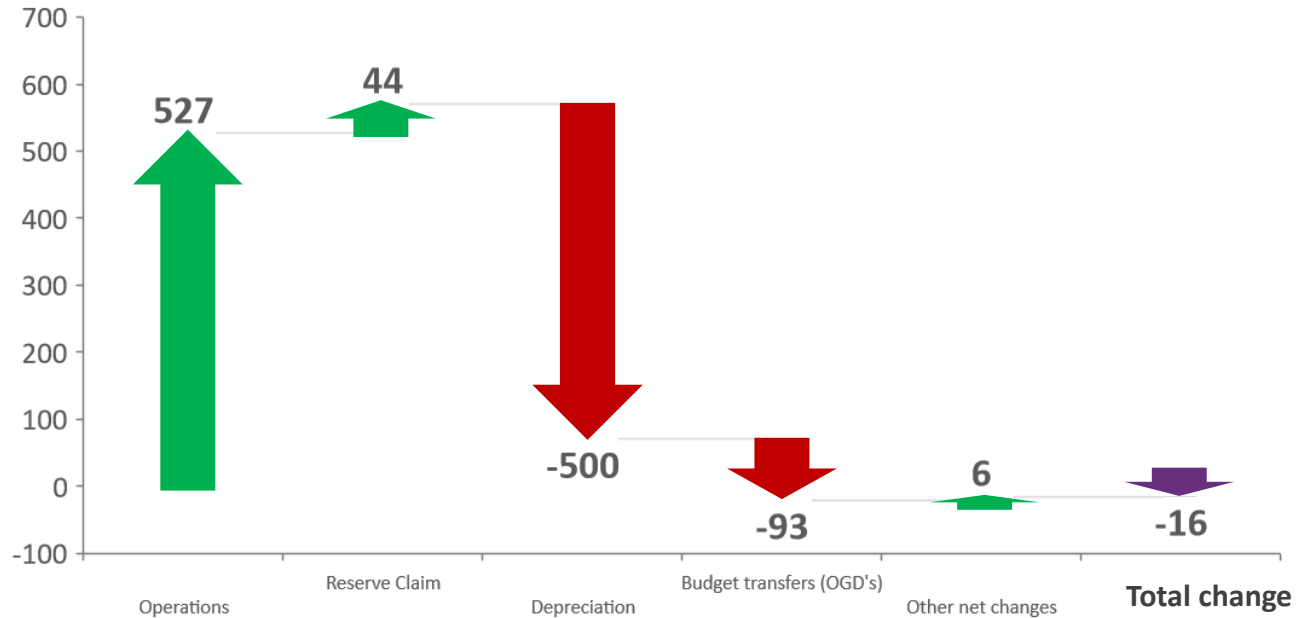
- Capital expenditure went from £10 billion a year in 2010-11 to £8.4 billion in 2015-16, a real terms reduction of 22.5%.
- The 2020 Spending Settlement provided "*an increase in defence spending of over £24 billion in cash terms over the next four years against the 2020-21 budget*".
- The 2023 Integrated Review Refresh provided crucial updates to take into consideration the **war in Ukraine** as well as other shifts in geopolitical tensions. 2022-23 expenditure includes an up tick in CDEL expenditure for Operations.

# How is MOD's day-to-day spending changing in 2022-23?

MOD's day-to-day budget decreased by £15.7m (0.0%)



Defence's Operation spending is offset by lower depreciation  
Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Operations and Peacekeeping (including the MOD's share of the CSSF fund):** The Main Estimate included £300 million, this increased by £527 million at the Supplementary Estimate driven by funding support to Ukraine.
- The £44 million increase driven by a **Reserve Claim** for Operation ARAP: Afghanistan Relocations and Assistance Policy (£37.3 million) and Operation Isotrope: military support for dealing with Migrant boats in the English Channel (£6.8 million).
- £500 million surrender of budget back Treasury for **depreciation**. Depreciation is a ring-fenced budget, which means underspends in this area cannot be used for other means.
- £93 million reduction driven by **budget transfers** to and from the MOD to other government departments.

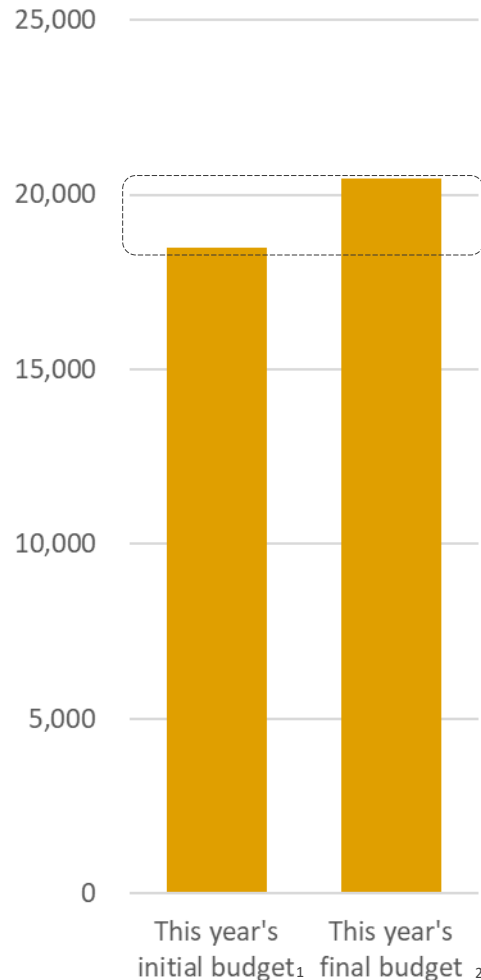
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is MOD's investment spending changing in 2022-23?

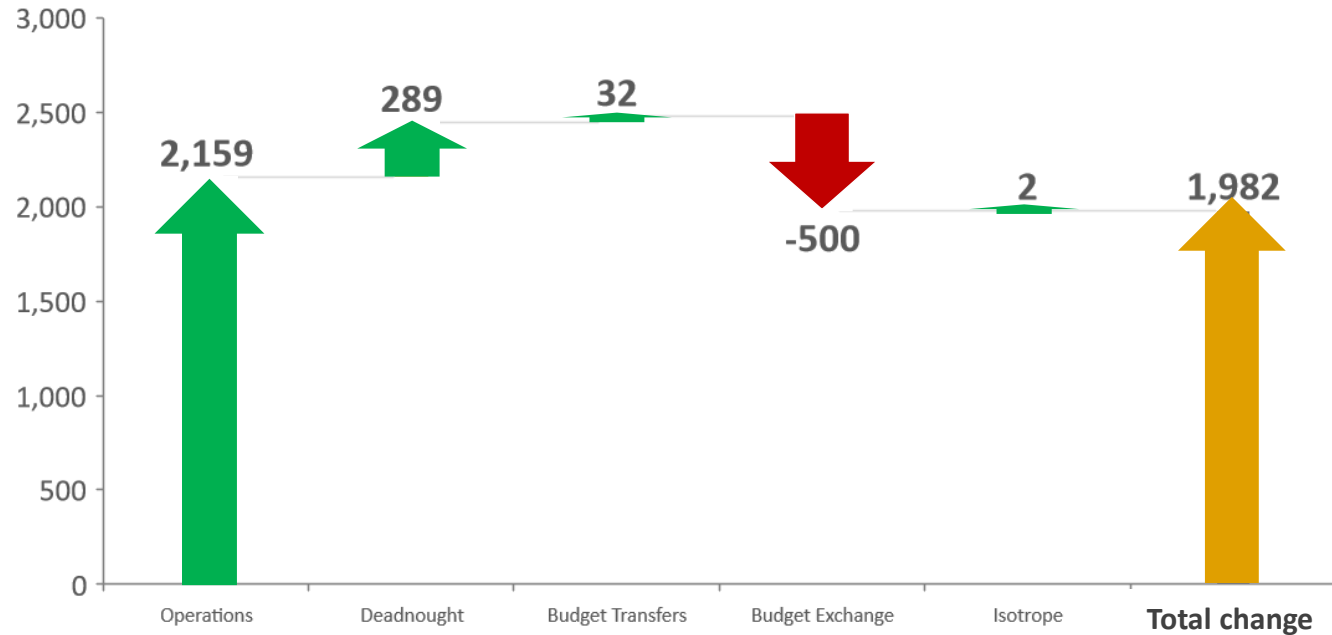
Defence's investment budget increased by **£1,981.7m (-10.7%)**

Capital DEL budget in £m



Defence's investment budget increased due to the demands driven by the war in Ukraine

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Operations and Peacekeeping:** the MoD presented the initial cost at the Main Estimates and requests the full amount at the Supplementary Estimate. The full budget for Operations and Peacekeeping for 2022/23 is £3,059.5 million (including RDEL). The CDEL budget increase (+£2,159m) is driven by Ukraine, replenishing UK stocks and on a smaller scale continuing Counter Daesh Operations.
- **Dreadnought:** £289 million budget increase driven by a draw-down for Dreadnought, funding is held in the central reserve and draw downs are made at the Supplementary Estimate. £10 billion has been made available for drawdown from 2021 – 2025 should it be required.
- **£500.0 million** re-profiled into future years using the budget exchange mechanism.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

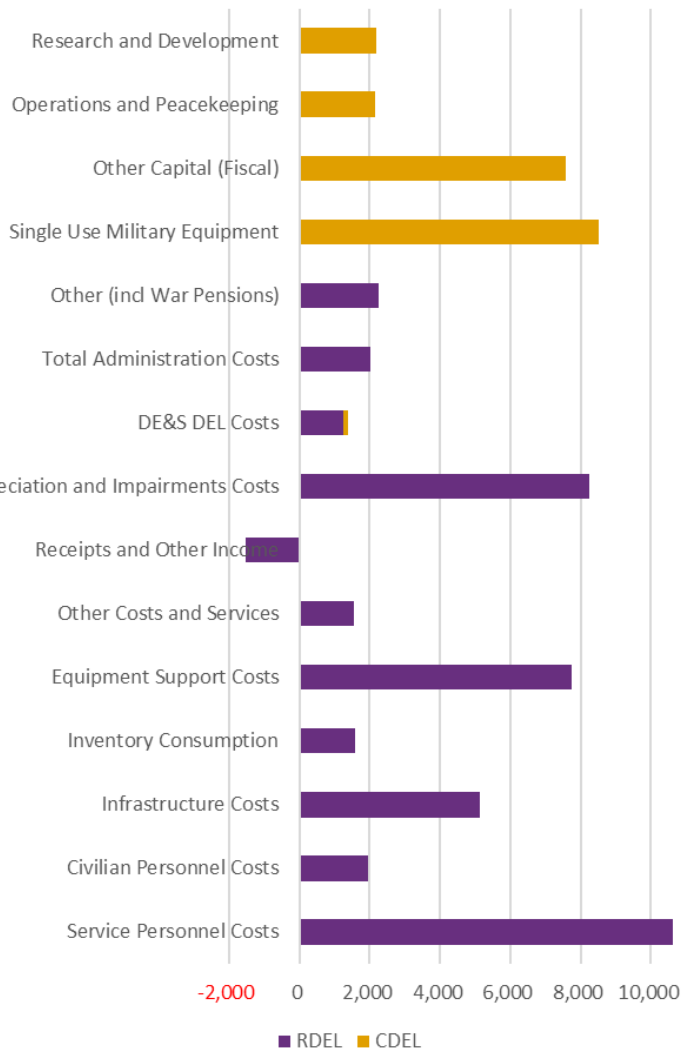
<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)



# How the MOD spends its money?

A breakdown of £40.9bn RDEL and £20.5bn CDEL expenditure included in Supplementary Estimate

Defence Spend Profile 2022-23 (£ million)



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

- The largest area of annual expenditure for the MOD are their personnel costs amounting to £12.6 billion or 24% of the Total Department Expenditure Limit (excluding depreciation). A breakdown of these costs against the outturn for 2021-22 is provided below:

£ million	Supplementary Estimate 2022-23	Outturn 2021-22	% variance
Service Personnel	10,629	10,391	+2%
Civilian Personnel	1,954	1,612	+21%

- Depreciation and Impairment** (write-off) costs are the second largest RDEL 'expenditure'. Depreciation is an accounting adjustment, it represents the falling value of assets owned by the MOD and although part of the RDEL settlement, it does not represent an outflow of cash and to do so would be double counting. Many expenditure totals exclude depreciation for this reason.
- £7.8 billion is budgeted for **Equipment Support costs**, these costs include lease and hire charges for plant, machinery and transport and represents 19% of the RDEL budget.

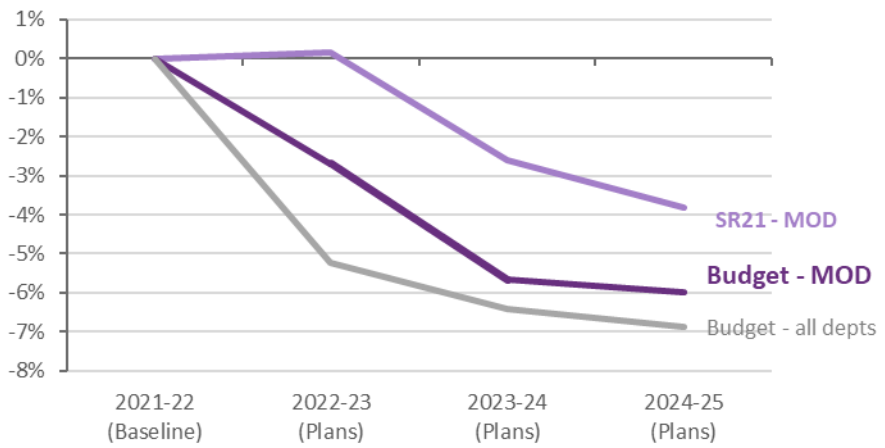
## Investment spending (Capital DEL)

- Single Use Military Equipment**, (weapons and equipment that supports and delivers such weapons) is the largest area of investment spend, representing 42% of the total.
- Other Fiscal Capital expenditure** is expected to be £7.6 billion in 2022-23. NB: this has increased by 96% since the 2021-22 outturn of £3.9 billion. *The department has not provided detail explaining this increase.*
- Operations and Peacekeeping** include the claim on the Reserves for Ukraine.

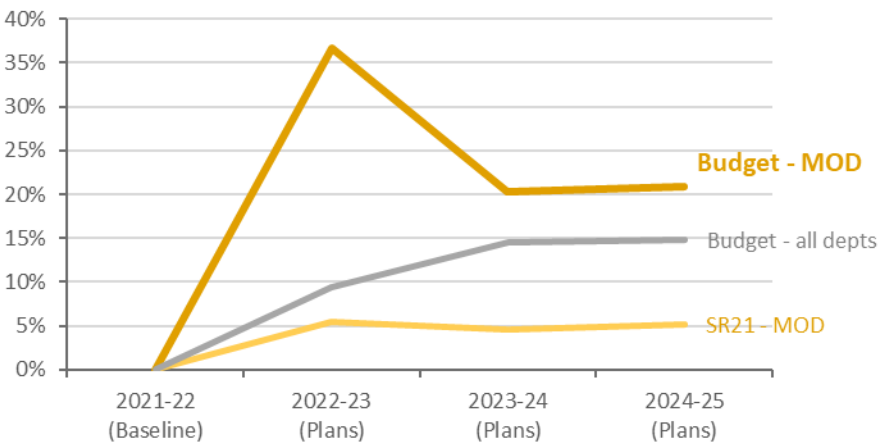
# MOD's spending beyond 2022-23

The latest departmental spending plans were published in Spending Review 2021 in October last year. These plans were made in cash terms for 2022-23 to 2024-25. Subsequent increases to the inflation forecast have meant that in real terms these budgets have tightened.

**Day-to-day spending in Spending Review 2021**  
Resource DEL excluding depreciation (real-terms % change since baseline year)



**Investment spending in Spending Review 2021**  
Capital DEL (real-terms % change since baseline year)



These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

During the budget, the government announced an additional £5 billion funding for Defence over the next two years and an additional £2 billion per year thereafter in the outer years of the plan. The RDEL / CDEL breakdown of these plans are as follows:

£ billion	2023-24	2024-25	2025-26	2026-27	2027-28	Total
<b>Total</b>	<b>2.0</b>	<b>3.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>11.1</b>
RDEL	0.5	0.8	0.5	0.5	0.5	2.8
CDEL	1.5	2.3	1.5	1.5	1.5	8.3

With 75% of the new settlement attributed to CDEL, pressures on RDEL remain as Defence day to day expenditure remains exposed to inflation. The average annual real terms growth rate over the remaining two years of the Spending Review period (2023-24 and 2024-25) is -1.7% (this compares the 2024-25 RDEL budget to 2022-23 in real terms), this is despite nominal increases provided in the 2023 Budget.

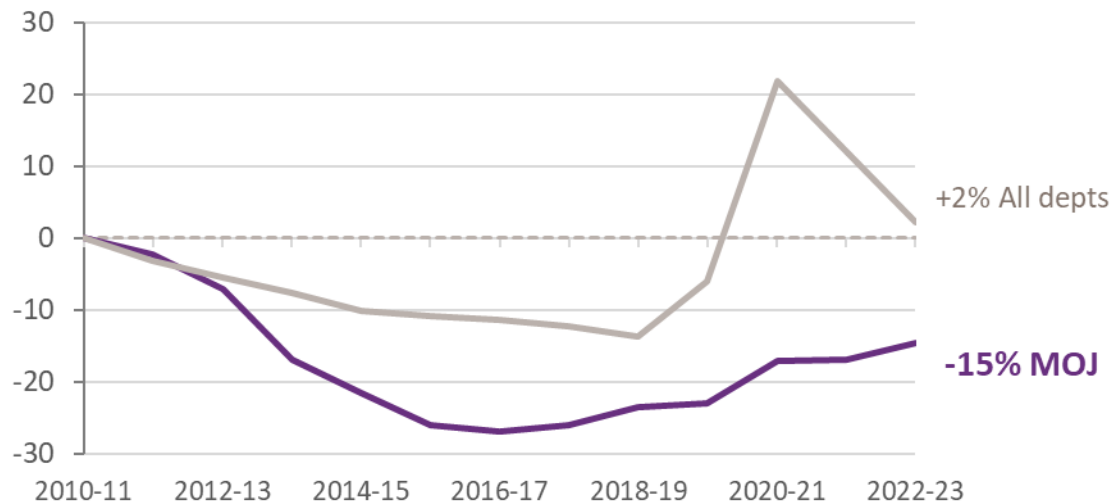
**Trends in investment spending** reflect more of the additional capital provided by the Budget. The spike in 2022-23 includes the capital claim on Reserves for Operations in Ukraine. Future claims are expected in 2023-24 that are not included in the baseline budget.

Note: baseline year for Spending Review 2021 is 2021-22

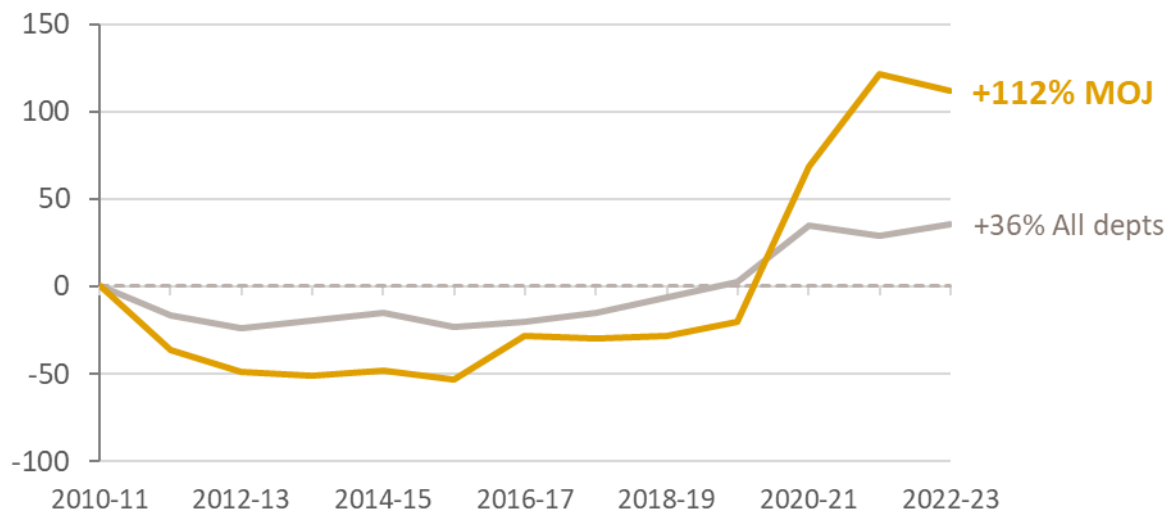
# Ministry of Justice (MoJ)

## Long-term trends in the MoJ's spending (in real terms)

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



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



### Day-to-day spending trends

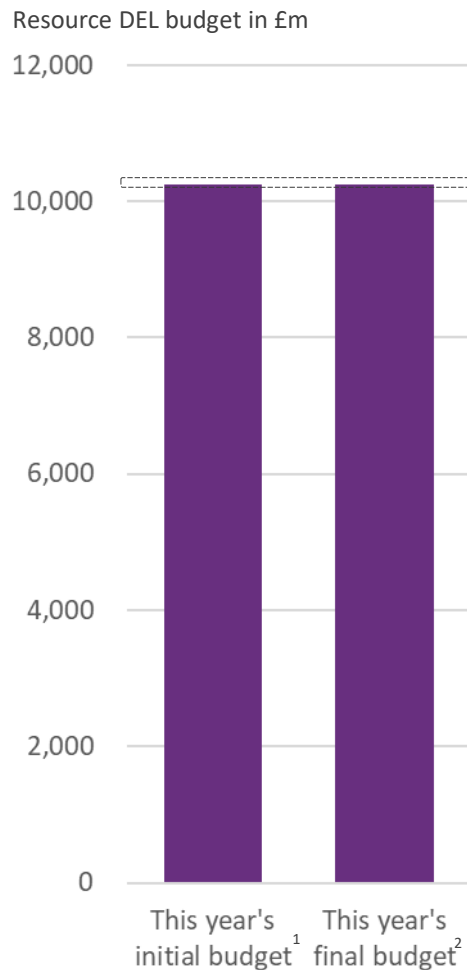
- The RDEL budget was reduced by 27% in real terms during austerity (from 2010-11 to 2016-17).
- In the last five years, (since 2017-18), the MoJ has seen a real terms increase of 15% in its RDEL budget. This increase has been driven by more funding for prisons, victim support, legal aid, maintenance across the prison estate, courts and tribunals and funding to recover from court backlogs.
- Despite these increases RDEL remains 15% lower in real terms when compared to 2010, in part due to higher inflation.

### Investment spending trends

- Investment reduced during the years of austerity. In 2013-14 investment was 51% less in real terms than it was in 2010.
- Steep real term increases in investment spend after 2019-20 are driven by the prison capacity programmes and HMCTS reform programme.

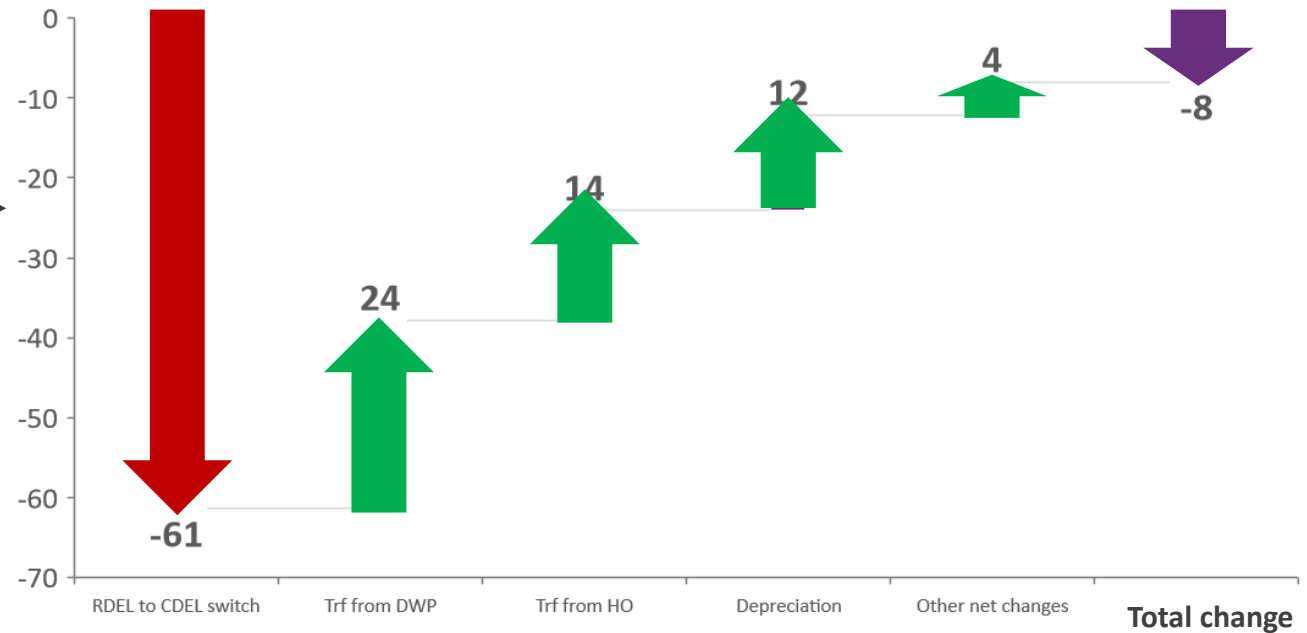
## How the MoJ's day-to-day spending changing in 2022-23?

MoJ decreased its Resource DEL budget by £8.1 million (<1%)



Underspends in RDEL have been transferred to CDEL to support investment requirements

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

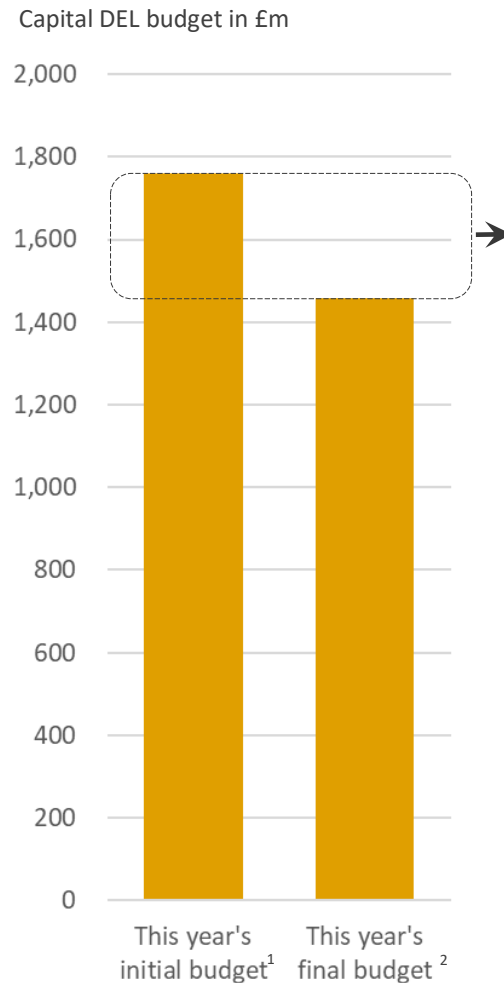
- £61.3 million budget reduction following a **switch from RDEL to CDEL**, of which £35 million was for the MoJ Estates to support with court maintenance work and £26.3 million to support capital requirements for the reduction of re-offending and combatting drugs.
- £41.2 million net budget increase **following transfers from other government departments**, the largest transfers were for: i) £23.5 million from DWP for social security and child support tribunal support costs, and ii) £13.7 million from the Home Office for the New Plan for Immigration Programme; and
- £12 million budget increase for additional **depreciation requirements**, agreed with Treasury.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

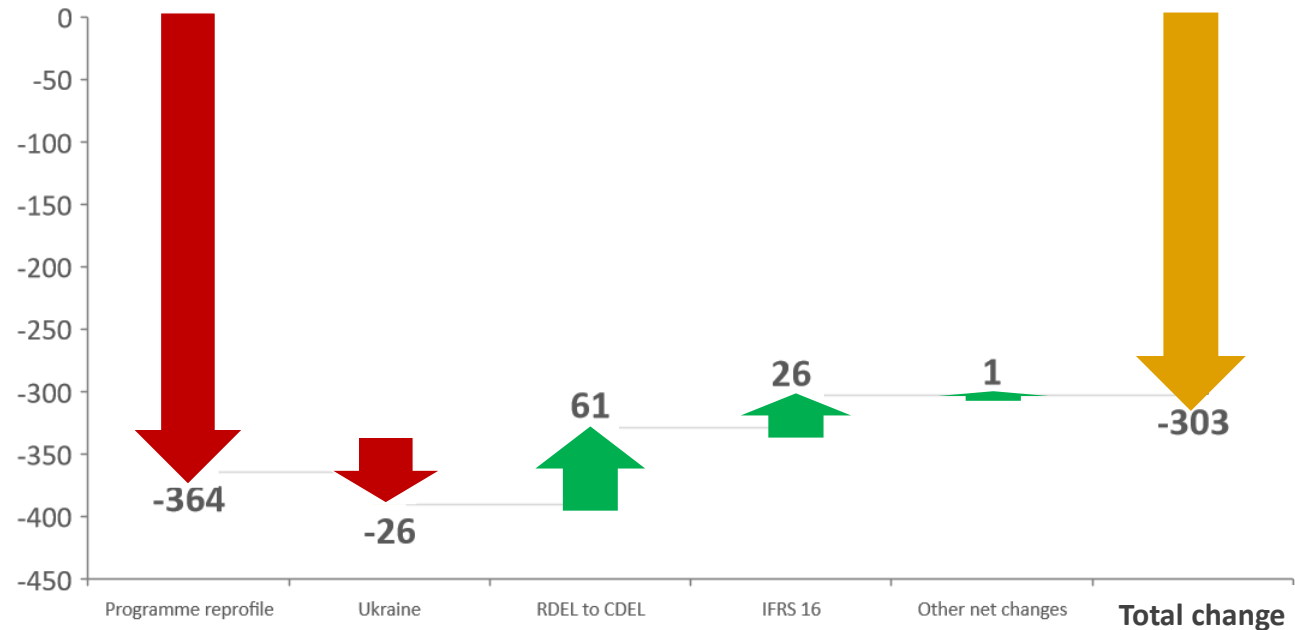
# How is the MoJ's investment spending changing in 2022-23?

## MoJ is reducing its CDEL budget by £302.5 million (-17.2%)



## Reprofile of investment spend relating to the Prison expansion programme into future years

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

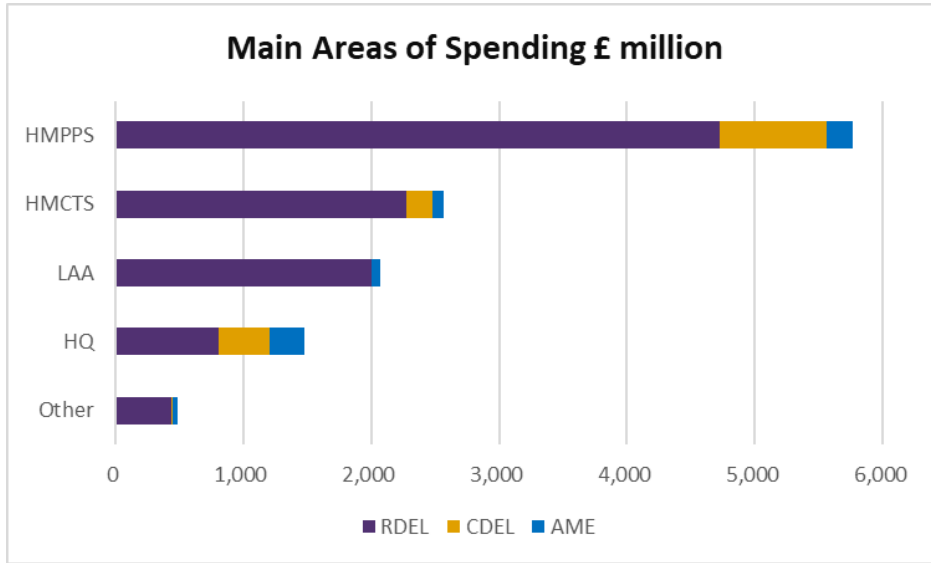
- £364.0 million reduction in budget due to **re-profiling investment spend relating to the Prison expansion programmes**.
  - £26.0 million reduction in budget to contribute to support for **Ukraine**.
- These reductions are offset by:
- £61.3 million budget increase following a **switch from RDEL to CDEL**, of which £35.0 million was for the MoJ Estates to support with court maintenance work and £26.3 million to support capital requirements for the reduction of re-offending and combatting drugs; and
  - £25.6 million increase in budget allowance for lease requirements due to changes in accounting standard **IFRS 16**. This is a non-cash item.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

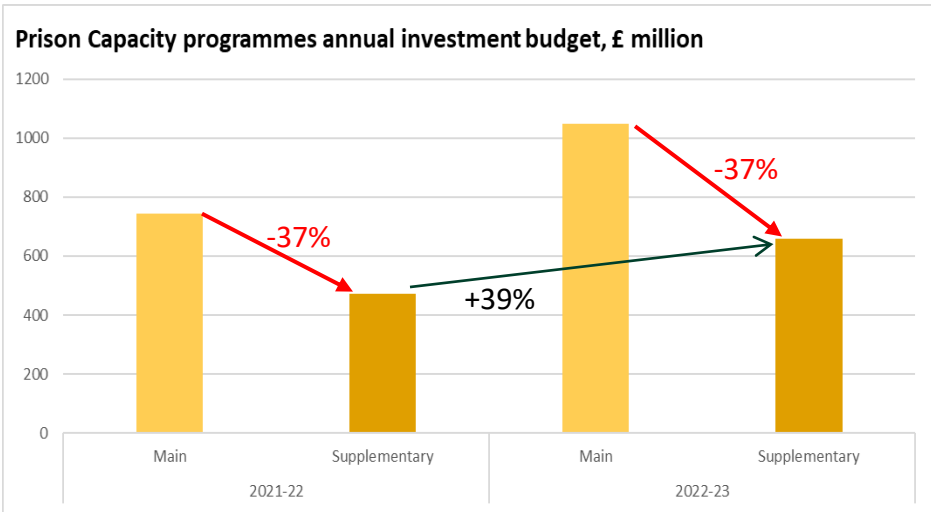
# How the MoJ spends its money

A breakdown of £10.2bn RDEL, £1.5bn CDEL and £0.7bn AME expenditure included in Supplementary Estimate 2022-23



- **The HM Prison and Probation Service (HMPPS) budget for 2022-23 is £5.7 billion.** This expenditure relates to the Prison Service including immigration removal centres, the Youth Custody Service and the Probation Service.
- In 2021-22 and 2022-23 the Prison Capacity Programmes have reprofiled 37% of their annual budget into future years, indicating there may be delays to the programme schedules.

- **Legal Aid Agency (LAA)** works with solicitors, barristers and others to provide access to legal aid. The LAA also provides a public defender service. Since 2019-20 (pre pandemic), the budget for Legal Aid has increased by 15%, however, in real terms this amounts to just 3%.



## Legal Aid budget comparison

£m	Budget				Nominal % Change (Comparing 2022-23 to 2019-20)	Real % Change (Comparing 2022-23 to 2019-20)
	2019-20 (pre-pandemic)	2020-21	2021-22	2022-23		
Administration	67	62	61	65	-3%	-13%
Criminal Legal Aid	846	797	914	953	13%	1%
Civil Legal Aid	777	873	884	925	19%	7%
Central Funds	48	50	50	60	25%	12%
<b>Total</b>	<b>1,738</b>	<b>1,782</b>	<b>1,909</b>	<b>2,003</b>	<b>15%</b>	<b>3%</b>

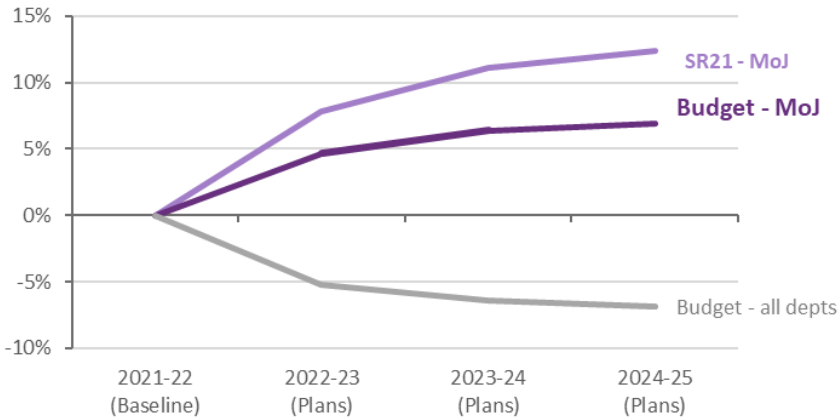
- **The HM Courts & Tribunals Service (HMCTS) budget for 2022-23 is £2.6 billion.** HMCTS administers the criminal, civil and family courts and tribunals in England and Wales, and non devolved tribunals in Scotland and Northern Ireland.

## Defence's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



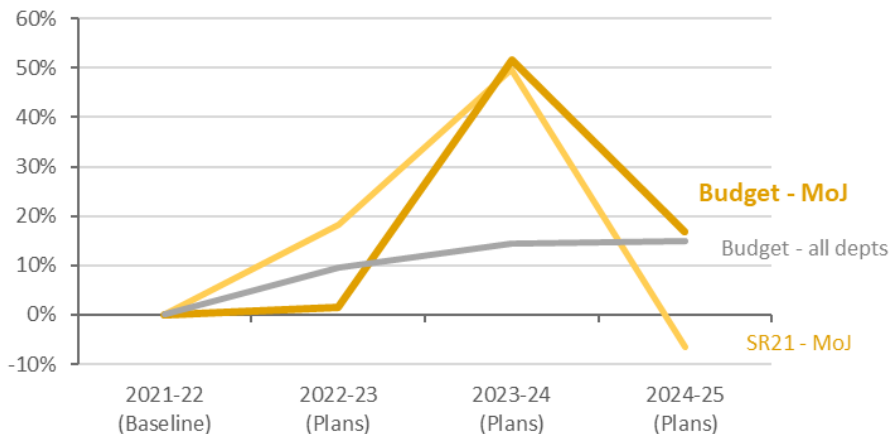
These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

### Trends in day-to-day spending

- The day to day resource budget will now grow at an average annual real terms rate of 2.2% (a reduction from the 4.1% purported in the SR21), this change is driven by the impact of higher inflation.
- The uplift in the nominal settlement during the SR21 (from the 2021-22 baseline) was to fund resource for prisons, court backlogs, legal aid and court maintenance.

### Investment spending in Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending

There are 4 major programmes to increase prison capacity which dominate the department's capital spend, they are:

- Glen Parva** due to finish 2023;
- Accelerated houseblocks** due to finish 2024;
- Estate Expansion** due to finish in 2025; and
- New Prisons** due to finish 2027.

The phasing of this expenditure is likely to extend until at least 2027 given the latest completion dates. The current plans to have expenditure spike in 2023-24 may therefore be pushed to the right.

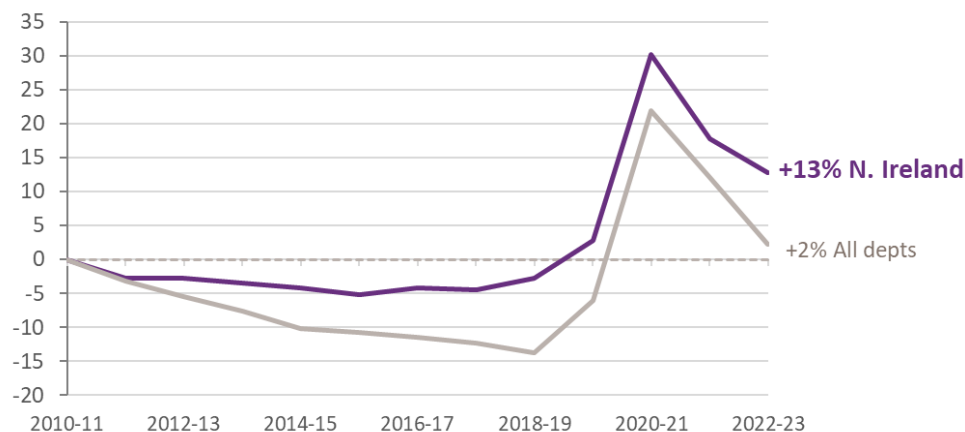
Note: baseline year for Spending Review 2021 is 2021-22



# Northern Ireland and the Secretary of State for Northern Ireland (Northern Ireland Office)

## Long-term trends in Northern Ireland's spending (in real terms)

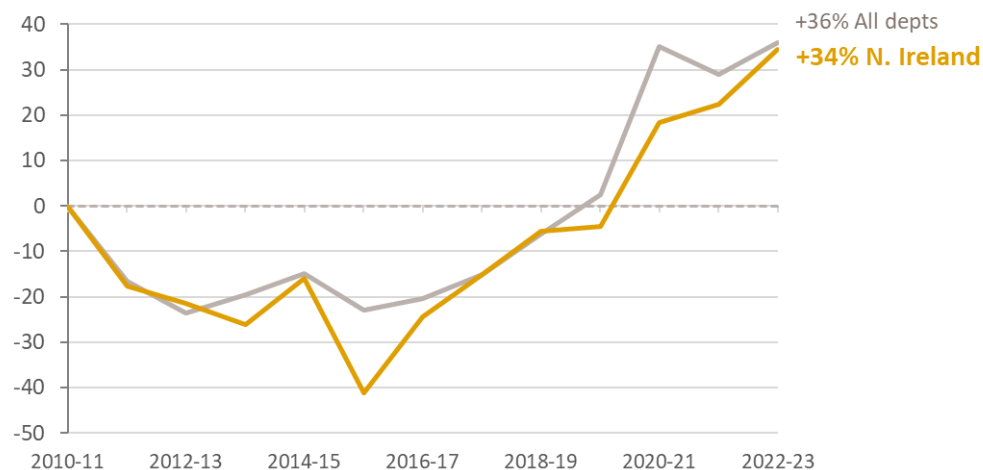
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



### Day-to-day spending

- Northern Ireland's budget decreased under austerity, with real terms reductions in spending of 5.4% in 2015-16 compared to 2010-11. These reductions were not as significant as other departments.
- The significant increase in the budget in 2020-21 was largely due to Barnett Consequentials relating to COVID-19 funding.
- Some additional funding outside of Barnett arrangements, such as post-EU Exit Farm Support, NDNA funding and City Deals has also been provided, boosting Northern Ireland's funding above what it would otherwise have been.
- Northern Ireland's RDEL allocation for 2022-23 is 13% larger than in 2010. This compares to a +2% increase across all departments.

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



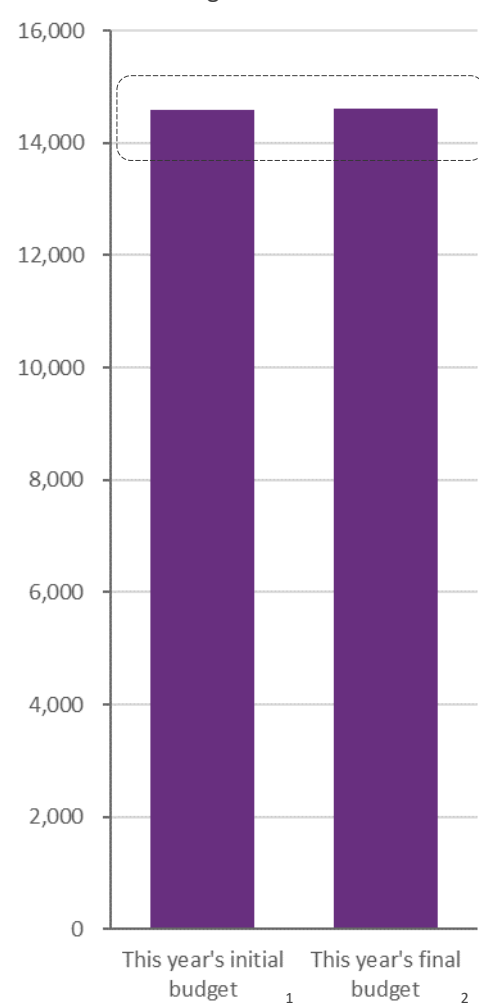
### Investment spending trends

- Northern Ireland's capital budget was severely cut over the austerity period, with real terms reductions of 42.2% in 2015-16. Capital funding has **risen consistently since 2016-17** as a result of Barnett consequentials of increased capital spend elsewhere and specific capital funding pledges under NDNA and other packages.

# How is Northern Ireland's day-to-day spending changing in 2022-23?

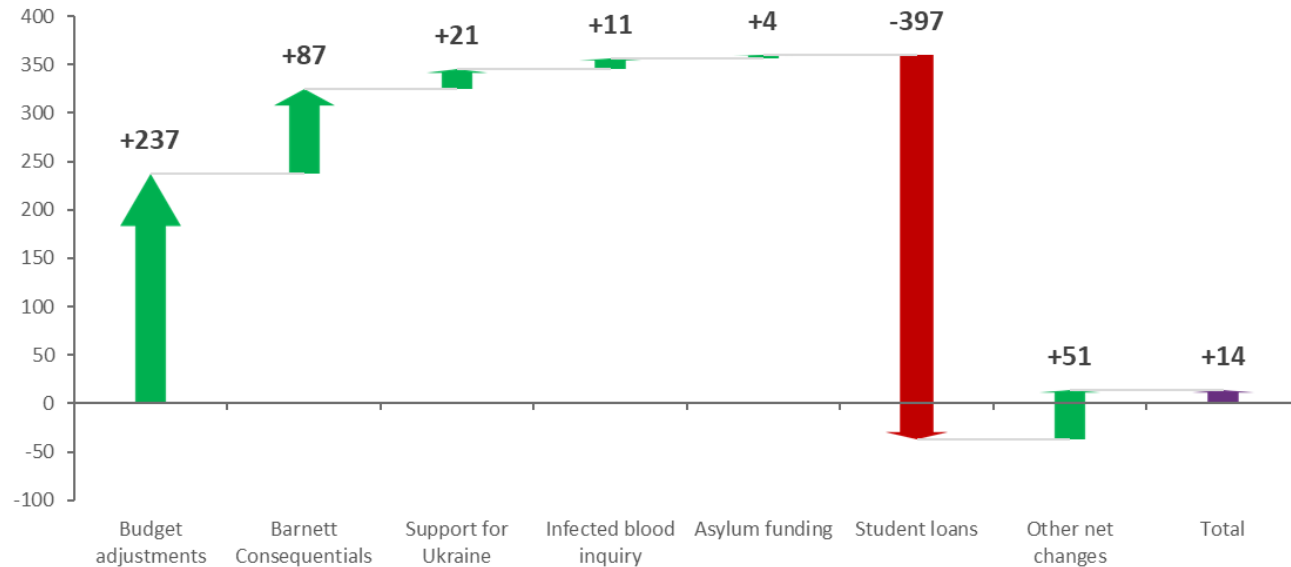
Northern Ireland's day-to-day budget increased by £13.9m (+0.1%)

Resource DEL budget in £m



Northern Ireland's spending increase is driven by budget adjustments and Barnett consequentials

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



## Changes in 2022-23

- **Budget adjustments:** includes a £104 million budget exchange with HM Treasury, a transfer to BEIS of £165 million in respect of the Energy Bill Support Scheme and a claim on the Reserve of £297 million due to overspends in 2022-23.
- **Barnett consequentials:** additional expenditure of £87 million due to Barnett consequentials, £41.3 million of this related to health and social care.
- **Support for Ukraine:** £20.6 million of funding for Ukrainian refugees from DLUHC
- **Student loans:** a £397 million decrease to RDEL due to student loans adjustments.

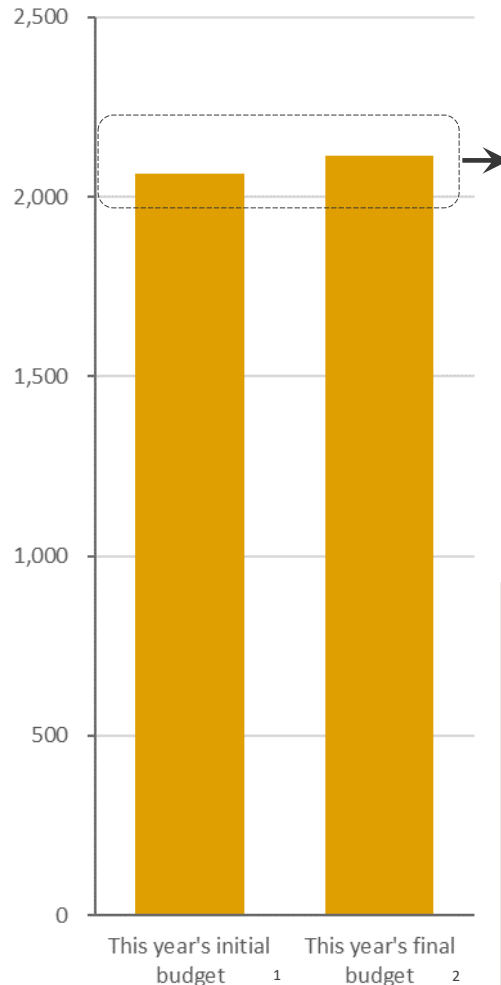
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is Northern Ireland's investment spending changing in 2022-23?

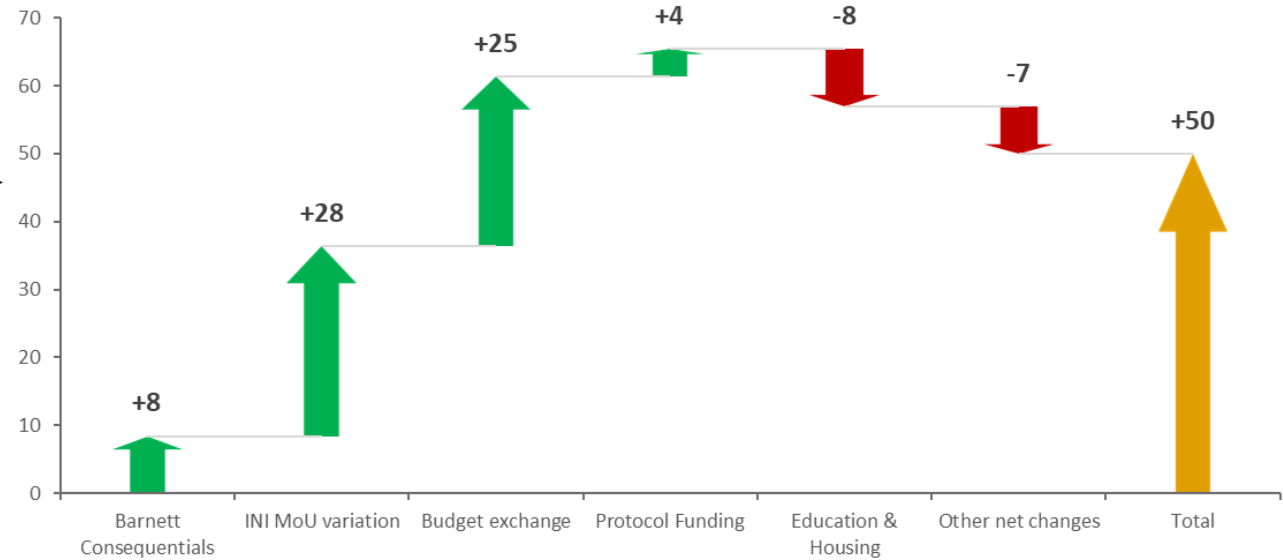
Northern Ireland's investment budget increased by £49.9m  
(+2.4%)

Capital DEL budget in £m



Northern Ireland's investment spending increases largely reflects budget transfers

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Barnett consequentials:** a decrease in spending related to DLUHC schemes including Help to Buy and a decrease in the TfL funding package have driven a reduction in capital budget as a result of Barnett consequentials.
- **INI MoU variation:** £27.7million funding from BEIS in respect of "Invest Northern Ireland variation to Memorandum of Understanding" (no further details are currently available)
- **Budget exchange:** £25.3 million Budget Exchange (where funding is transferred between financial years)
- **Protocol funding:** £4.4 million Northern Ireland Protocol Funding.
- **Education & Housing:** £8.4 million reduction in Fresh Start CDEL funding for Education and Housing.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Cash grant to the Northern Ireland Government and funding for the Northern Ireland Office

## To the Northern Ireland Government

*Cash grant to the Northern Ireland Government*

**£21,347.3 million (-£286.1 million (-1.3%) compared to the main estimate)**

This is the sum of

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

## To the Northern Ireland Office

- *Day to day spending (Resource DEL) : £52.8 million (+£11.6 million (+28.1%) compared to the main estimate)*
- *Investment spending (Capital DEL): £2.1 million (+£0.4 million (+22.5%) compared to the main estimate)*

The Estimate memorandum highlights the following drivers of increases in the Northern Ireland Office's Resource, Capital DEL and AME in 2022 23, however it does not specify financial values:

- Election funding costs for the Northern Ireland Assembly elections;
- IFRS 16 adjustments;
- Operation London Bridge / Operation Shamrock; and
- Potential first Peace Plus payment on agreement being signed.

## Northern Ireland's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021 Resource DEL excluding depreciation (real-terms % change since baseline year)

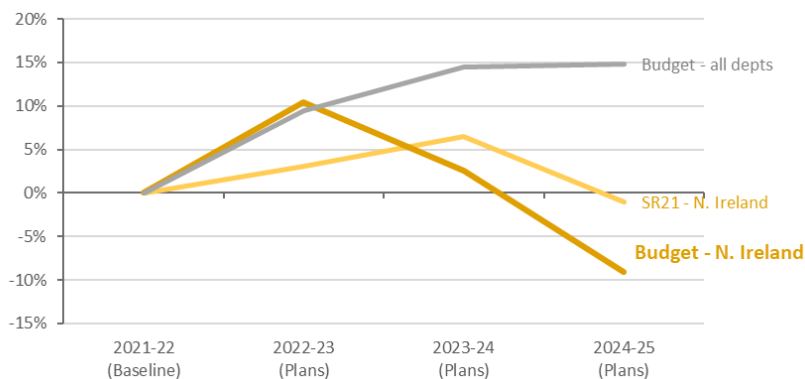


These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

### Trends in day-to-day spending plans

- Current RDEL spending plans provide a -0.4% real-terms decrease over the baseline by 2024-25, compared to a +7.1% increase in SR21.
- This is due to the budget baseline being £0.8 billion higher than the SR21 baseline, and increased day to day spend in 2022-23. This was caused by:
  - Covid 19 Barnett consequentials of £329 million in 2021-22
  - Council tax rebates totalling £280.3 million across 2021-22 and 2022-23

### Investment spending in Spring Budget 2023 and Spending Review 2021 Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

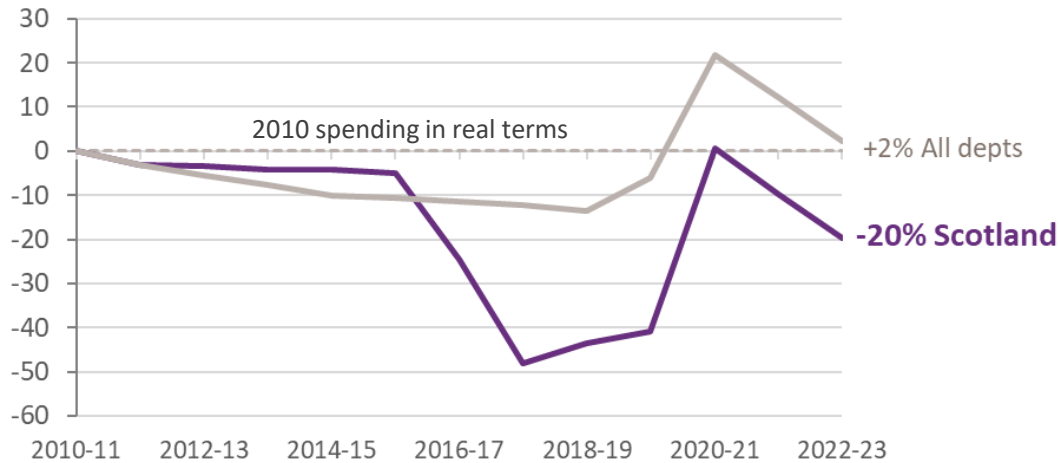
- Current CDEL spending plans provide a -9.1% decrease over the baseline by 2024-25, compared to -1.0% in SR21.
- This is due to the budget baseline being £0.1 billion higher in 2021-22 than SR21 and increased investment spend in 2022-23, this has risen as a result of:
  - Barnett Consequentials caused by the capital costs of the Special Administrative Regime for Bulb.
  - Increased costs due to the IFRS 16 accounting standard changes.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

# Scotland and the Secretary of State for Scotland (Scotland Office)

## Long-term trends in Scotland's spending (in real terms)

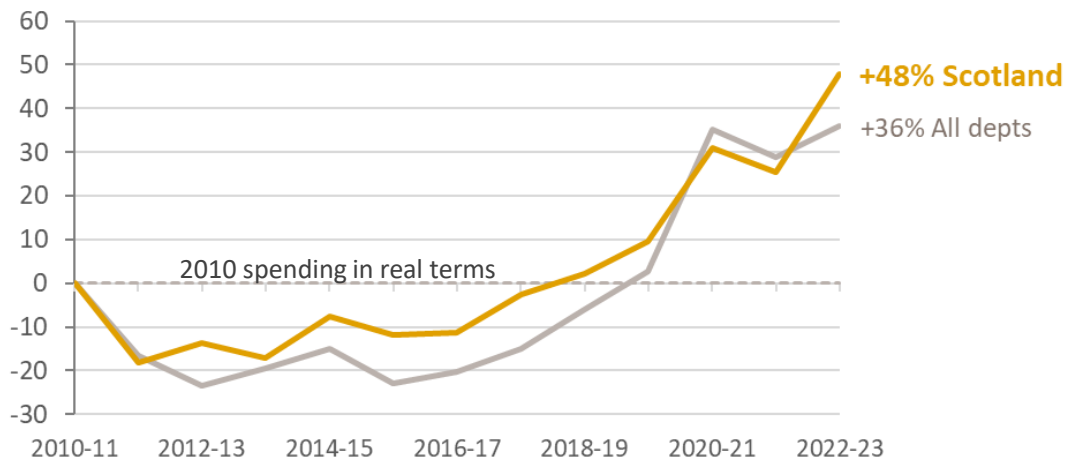
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



### Day-to-day spending trends

- Scotland's budget **decreased significantly under austerity**, with real terms reductions in spending of **48% in 2017-18 compared to 2010-11**.
- The significant increase in the budget in 2020-21 from Barnett Consequentials derived from **COVID-19 funding**.
- Some additional funding outside of the Barnett formula, such as **post-EU Exit Farm Support funding** and **City Deals**, has also been provided, **boosting Scotland's funding above** what it would otherwise have been.
- Scotland's resource allocation for 2022-23 is 20% lower than in 2010. This compares to an average of +2% increase across all departments.

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



### Investment spending trends

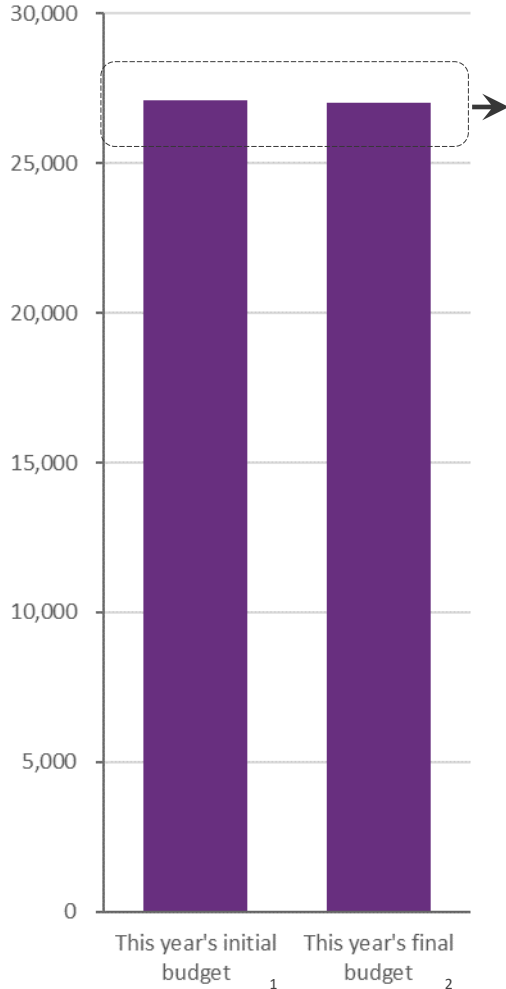
- Scotland's capital budget was not as severely cut over the austerity period and has **risen consistently since 2016-17** as a result of Barnett Consequentials from increased capital spend elsewhere.
- Scotland's 2022-23 capital allocation is 48% larger in real terms than in 2010. This compares to average growth of 36% across all departments.



# How is Scotland's day-to-day spending changing in 2022-23?

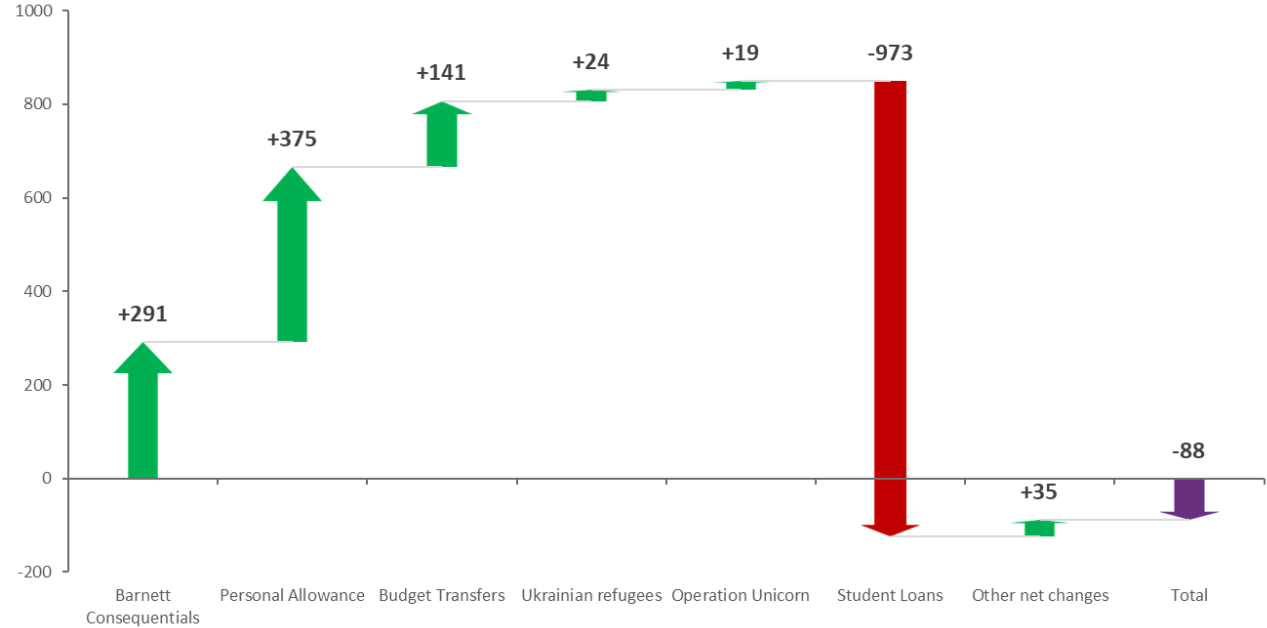
Scotland's day-to-day budget decreased by £87.7m (-0.3%)

Resource DEL budget in £m



Scotland's spending decrease is driven by a reduction to allocation for student loans

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Barnett consequentials:** Higher spending across government has meant Scotland has received an increased income of £291 million from Barnett consequentials in 2022-23.
- **Personal Allowance:** an additional £375 million in respect of a dispute with the UK Government regarding personal allowance calculations.
- **Budget Transfers:** includes transfers from DHSC for the infected blood support scheme and from the Home Office for the immigration health surcharge.
- **Student loans:** a £972.8 million decrease to RDEL due to student loans adjustments. This is described as a "reduction to allocation", with no further explanatory details.

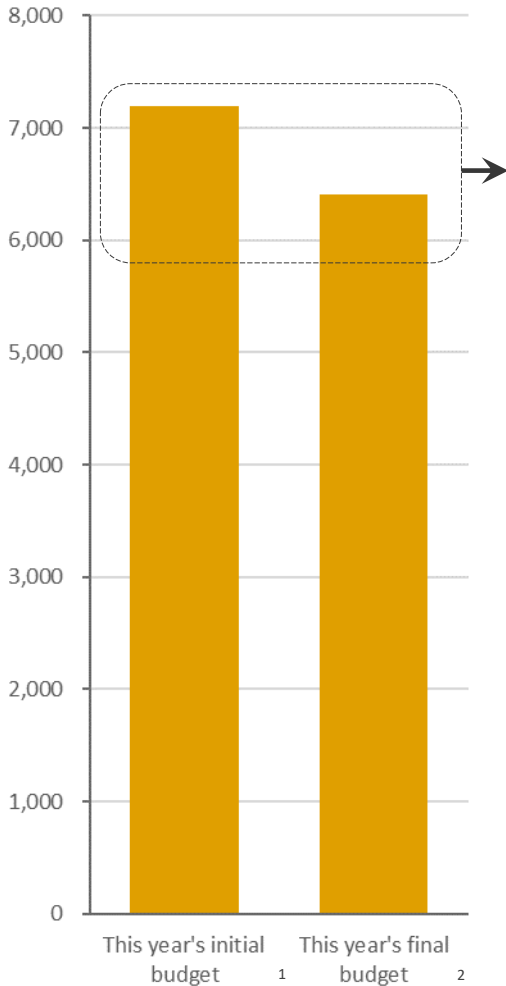
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# How is Scotland's investment spending changing in 2022-23?

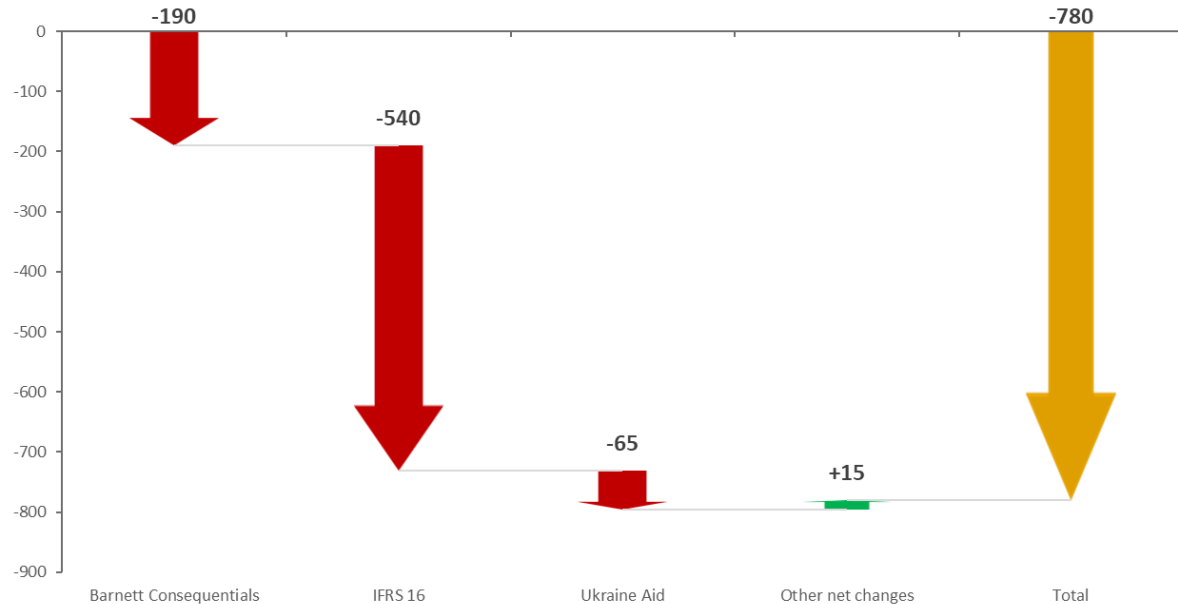
Scotland's investment budget decreased by £780.3 (-10.8%)

Capital DEL budget in £m



Scotland's investment spending decreases largely reflects accounting adjustments for IFRS16 (leases)

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Barnett consequentials:** the Barnett consequentials related to DLUHC schemes including Affordable Homes and Help to Buy have driven the reduction in the capital budget by £190.3 million.
- **IFRS 16:** a reduction in capital budget of £540 million due to the financial impact of implementing the IFRS 16 financial reporting standard related to leases which came into effect for the public sector from April 2022.
- **Ukraine Aid:** reduced funding of £65 million relating to a contribution to the war in Ukraine.

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

# Cash grant to the Scottish Government and funding for the Scotland Office

## To the Scottish Government

*Cash grant to the Scottish Government*

**£29,085 million (+£3,052.5 million (+11.7%) compared to the main estimate)**

This is the sum of

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

## To the Scotland Office

- *Day to day spending (Resource DEL) : £13.3 million (no change compared to the main estimate)*
- *Investment spending (Capital DEL): £0.05 million (no change compared to the main estimate)*

The Scotland Office itself plans no change in its Resource DEL and no change to its Capital DEL.

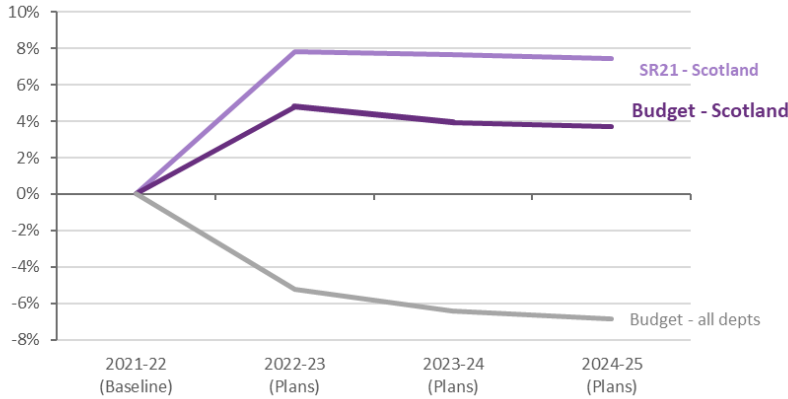
Resource DEL is therefore expected to be £13.3 million and Capital DEL £0.05 million.

# Scotland's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

## Day-to-day spending in Spring Budget 2023 and Spending Review 2021

Resource DEL excluding depreciation (real-terms % change since baseline year)



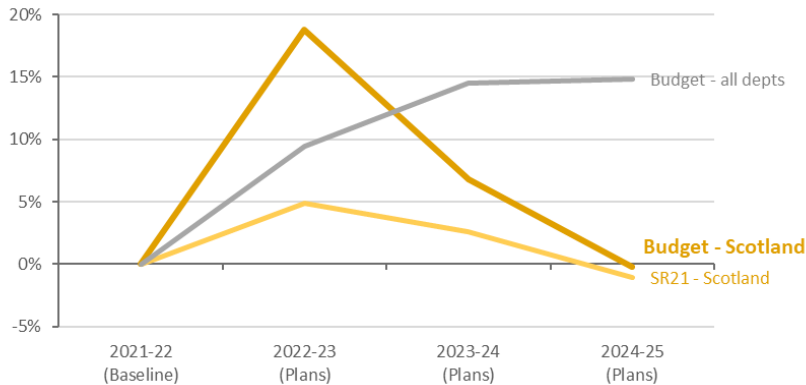
These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

### Trends in day-to-day spending plans

- Current RDEL spending plans provide a 3.7% real-terms increase over the baseline by 2024-25, compared to 7.4% in SR21.
- This is due to the budget baseline being £0.9 billion higher than the SR21 baseline, caused primarily by:
  - Covid-19 related Barnett Consequentials
  - Budget transfer from DHSC for post covid catch up
  - Budget transfer from the Cabinet Office to cover costs of hosting COP 26.

## Investment spending in Spring Budget 2023 and Spending Review 2021

Capital DEL (real-terms % change since baseline year)



### Trends in investment spending plans

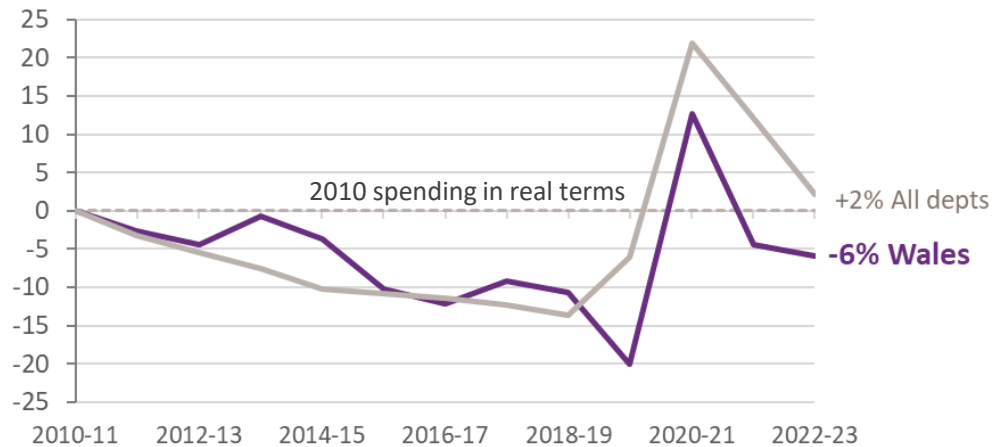
- Current growth assumptions for CDEL spending plans are broadly in line with SR21 baseline.
- Investment spend has increased significantly in 2022-23 largely due to additional budget for the IFRS 16 accounting standard changes requiring lease reclassifications.
- Additional capital funding was also allocated in 2022-23 for City Deals across Scotland.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements

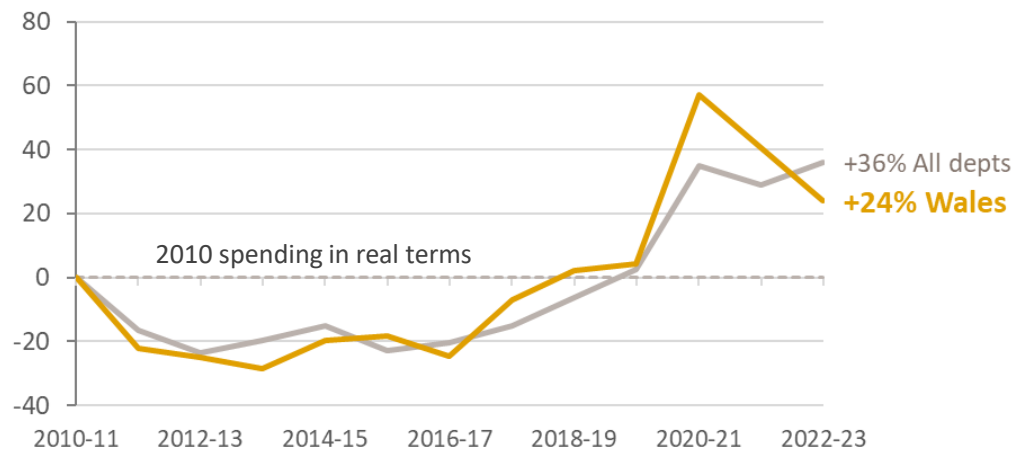
# Wales and the Secretary of State for Wales (Wales Office)

## Long-term trends in Wales's spending (in real terms)

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



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



### Day-to-day spending trends

- Wales's budget **decreased under austerity**, broadly in line with other departments, with real terms reductions in spending of 12.3% in 2016-17 compared to 2010-11.
- The significant increase in the budget in 2020-21 was largely as a result of Barnett Consequentials relating to **COVID-19 funding**.
- Some additional funding outside of the Barnett arrangements, such as **post-EU Exit Farm Support** funding and **City Deals**, has also been provided, **boosting Wales's funding above** what it would otherwise have been.
- Wales's RDEL allocation for 2022-23 is -6% smaller than in 2010. This compares to a +2% increase across all departments.

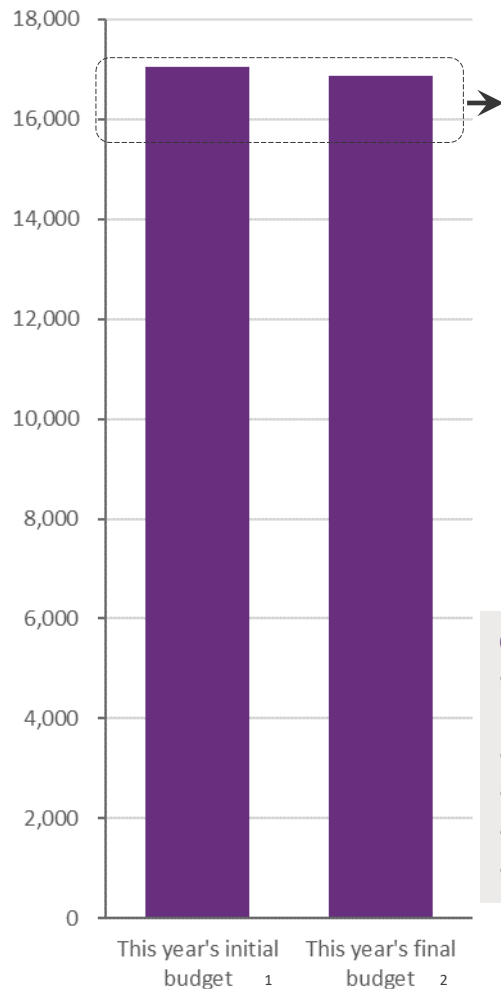
### Investment spending trends

- Wales's capital budget was cut over the austerity period and has risen consistently since 2016-17 as a result of Barnett Consequentials of increased capital spend elsewhere.
- Wales CDEL allocation for 2022-23 is 24% larger than in 2010. This compares to 36% growth for all departments.

## How is Wales's day-to-day spending changing in 2022-23?

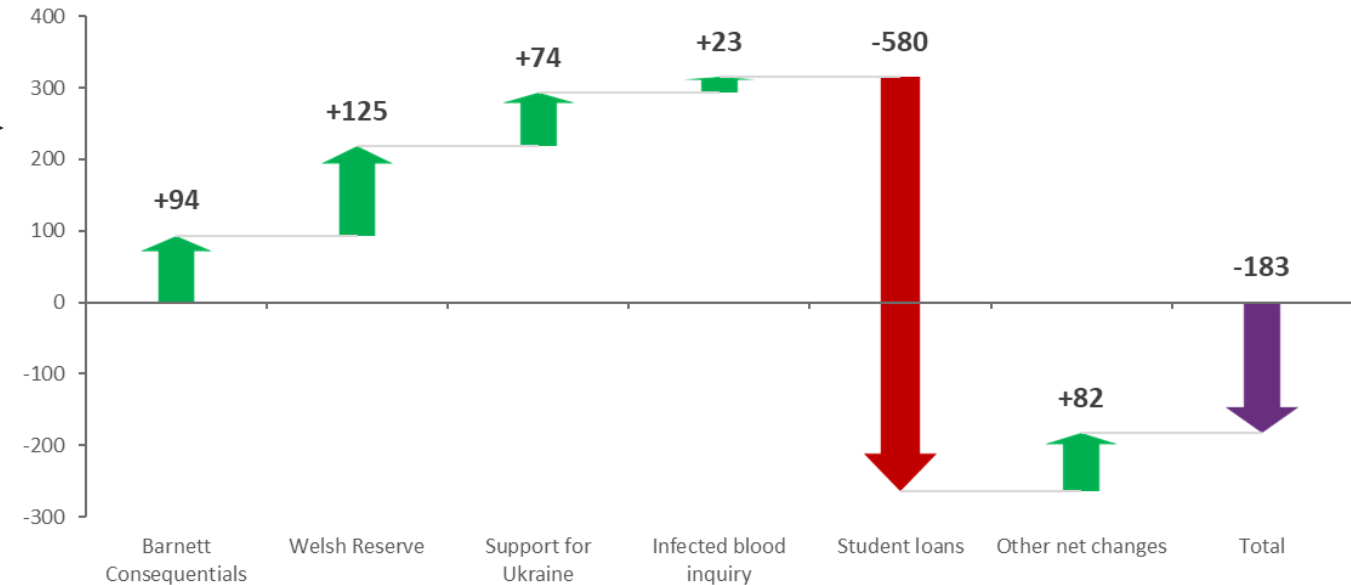
Wales's day-to-day budget  
decreased by £182.6m (-1.1%)

Resource DEL budget in £m



Wales's spending decrease is due to accounting adjustments related to Student Loans

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Barnett consequentials:** Higher spending across government has meant Wales has incurred an increase of £94 million from Barnett consequentials in 2022-23.
- **Welsh Reserve:** £125 million draw down from the Welsh Reserve (the maximum amount allowable).
- **Support for Ukraine:** £74.4 million funding from DLUHC and DfE to support Ukrainian refugees
- **Infected blood inquiry:** £23.3 million funding from DHSC as part of the infected blood inquiry.
- **Student loans:** a £580 million decrease to RDEL due to student loans adjustments.

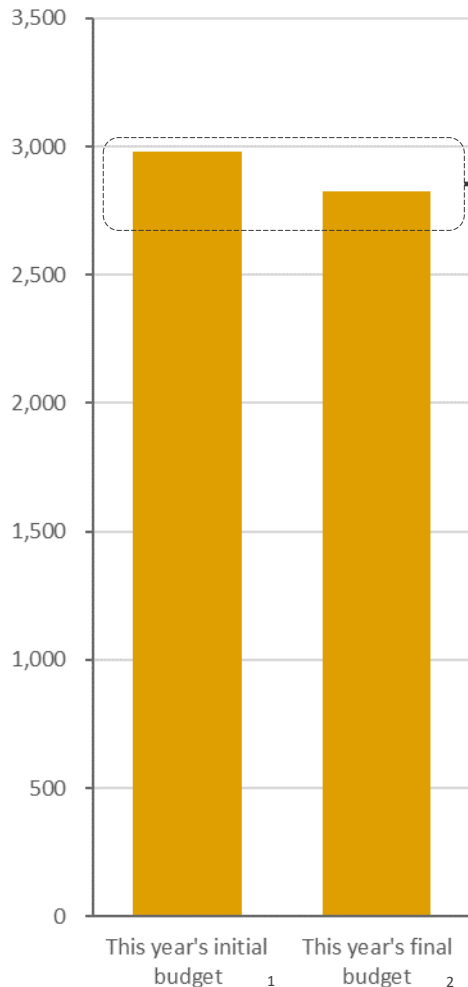
<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)

## How is Wales's investment spending changing in 2022-23?

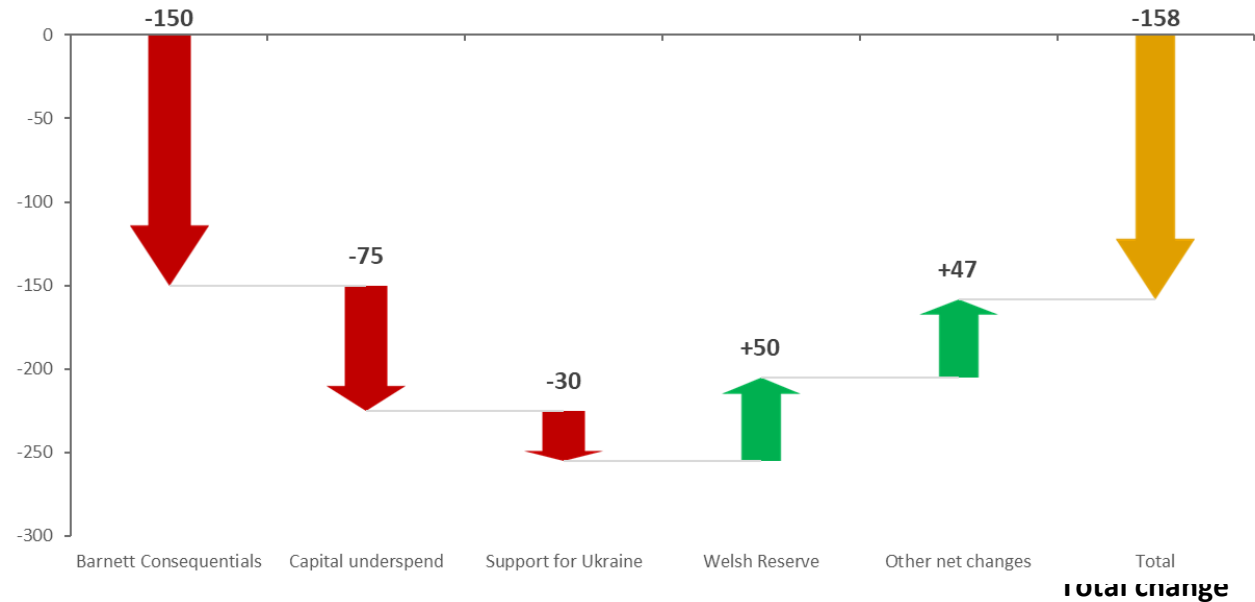
Wales's investment budget  
decreased by £158.1m (-5.3%)

Capital DEL budget in £m



Wales's investment spending decreases largely reflects Barnett consequential and underspend

Changes in Investment (Capital DEL) budget in £m since initial budget for 2022-23



### Changes in 2022-23

- **Barnett consequential:** Reduced investment spending by the UK Government has resulted in a reduction in Barnett consequential for Wales of £150 million in 2022-23.
- **Capital underspend:** £75 million of capital underspend in relation to the IFRS 16 financial accounting standard for leases.
- **Support for Ukraine:** £30 million capital contribution to support Ukraine
- **Welsh Reserve:** £50 million draw down from the Welsh Reserve (the maximum allowable).

<sup>1</sup> Initial Budget in Main Estimate 2022-23 (June 2022)

<sup>2</sup> Final Budget in Supplementary Estimates 2022-23 (Feb 2023)



# Cash grant to the Welsh Government and funding for the Wales Office

## To the Welsh Government

*Cash grant to the Welsh Government*

**£17,465.1 million (+£1,005.3 million (+6.1%) compared to the main estimate)**

This is the sum of

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

## To the Wales Office

- *Day to day spending (Resource DEL) : £5.6 million (-£0.1 million (-2%) compared to the main estimate)*
- *Investment spending (Capital DEL): £0.07 million (+£0.04 million (+58%) compared to the main estimate)*

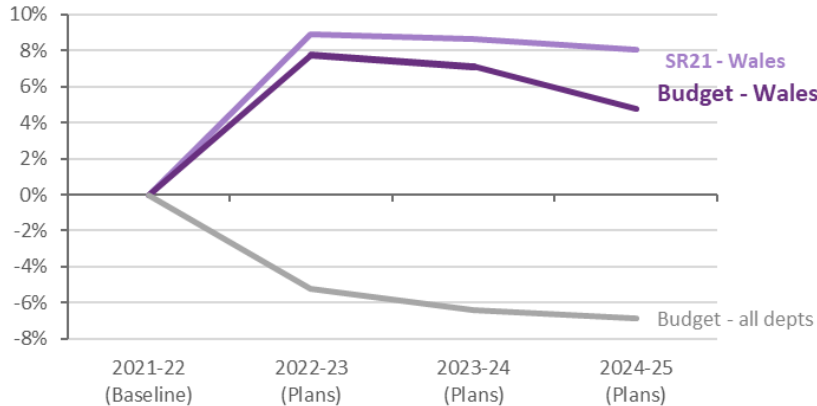
The increase in Capital DEL is the result of a budget transfer from the Cabinet Office for new capital equipment in the London headquarters.

## Wales's spending beyond 2022-23

The latest departmental spending plans were published in the Spring Budget in March 2023. These plans were made in cash terms for 2022-23 to 2024-25. Earlier spending plans in Spending Review 2021 covered the same period. This slide compares these two spending forecasts.

### Day-to-day spending in Spring Budget 2023 and Spending Review 2021

*Resource DEL excluding depreciation (real-terms % change since baseline year)*



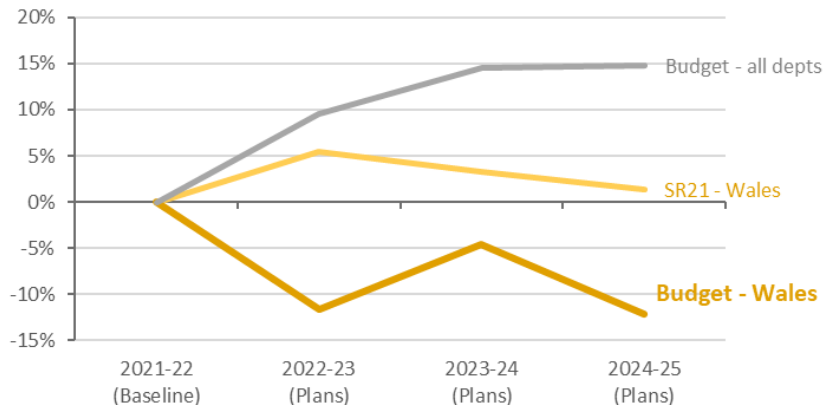
These graphs compare the real term growth assumptions in the 2021 spending settlement (SR21) compared to the 2023 budget (Budget) using latest inflation forecasts and uplifts to the nominal settlement.

#### Trends in day-to-day spending plans

- Current RDEL spending plans provide a 4.8% real-terms increase over the baseline by 2024-25, compared to 8.1% in SR21.
- Despite this variance budget and SR21 remain broadly in line, and small movements in forecast are caused by multiple Barnett consequentials reflecting the changes in spending across numerous central departments.

### Investment spending in Spring Budget 2023 and Spending Review 2021

*Capital DEL (real-terms % change since baseline year)*



#### Trends in investment spending plans

- Current CDEL spending plans provide a -12.2% decrease over the baseline by 2024-25, compared to +1.3% in SR21.
- This is due to the budget baseline being £0.6 billion higher in 2021-22 than SR21, this has risen as a result of Barnett consequentials caused by increased capital spend elsewhere.

Note: baseline year for Spending Review 2021 is 2021-22  
SR15 and SR10 gave five-year Capital DEL settlements