

# 2019-20 Supplementary Estimates: Overview of end-year budget changes for Government Departments

Impartial briefing from House of Commons specialists



**SCRUTINY UNIT**

*Strengthening scrutiny through specialist support*

For any questions, comments or feedback, please contact Larry Honeysett in the **Scrutiny Unit** at [honeysett1@parliament.uk](mailto:honeysett1@parliament.uk)

# What can you learn from this document?



## Overview:

- ✓ What **Supplementary Estimates** are
- ✓ What **types of government spending** there are
- ✓ The **share of total government spending** planned for each Department
- ✓ How spending changes of **different departments compare**

## For each department:

- ✓ Spending trends
- ✓ Changes in Department's overall budgets;
- ✓ Reallocations of funding within those budget

**Please note: these changes to spending plans do not include additional funding announced in the 2020 Budget for dealing with Coronavirus.**

For more detailed spending information, use the Scrutiny Unit's interactive [government spending chart](#)

# What are the Supplementary Estimates?

- The Supplementary Estimates (published in February) enable government departments to **alter budget totals (2019-20) towards year end** in the light of latest forecasts.
- They also provide an opportunity for departments to change their **internal allocations** between different spending areas (or “Estimate subheads”) within the spending totals
- These reallocations may mean that total changes to particular budgets may differ from the amount of extra money provided (or given up).

## Main Reasons for Supplementary Estimates:

- ✓ **Moving money** between Resource and Capital
- ✓ **Machinery of Government changes:** establishing new Departments and reallocating funding as responsibilities alter
- ✓ **Claims on the Reserve:** new money from Treasury for specific, unforeseen items. This year, this is expected to include new money for Brexit preparations
- ✓ **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’**).

## Spending in 2019-20

**Spending Review 2015**  
November 2015  
Set 2019/20 spending plans



**Main Estimates 2019-20**  
April 2019  
Published 2019/20 spending plans



**Supplementary Estimates 2019-20**  
February 2020  
Updated 2019-20 spending plans  
**PRESENTED IN THESE SLIDES**

## Spending in 2020-21

**Spending Round 2019**  
September 2019  
Set 2020/21 spending plans



**Budget 2020**  
March 2019  
Amendments to 2020/21 spending plans



**Main Estimates 2020-21**  
Will be published in April 2020  
Will publish 2020/21 spending plans

**WE ARE NOW  
HERE**

## Spending in 2021-22 and beyond

**Conservative Party Manifesto**  
November 2019  
Spending Commitments



**Budget 2020**  
March 2019  
Sets spending envelope for Spending Review 2020



**Spending Review 2020**  
July 2020  
Will set Departmental plans for 2021-22 and beyond



**Main Estimates 2021-22**  
Will be published in April 2021

# What are the different spending limits and what do they mean?

Most government spending is contained in Estimates and is known as **departmental spending**.  
 Departmental spending is divided into:

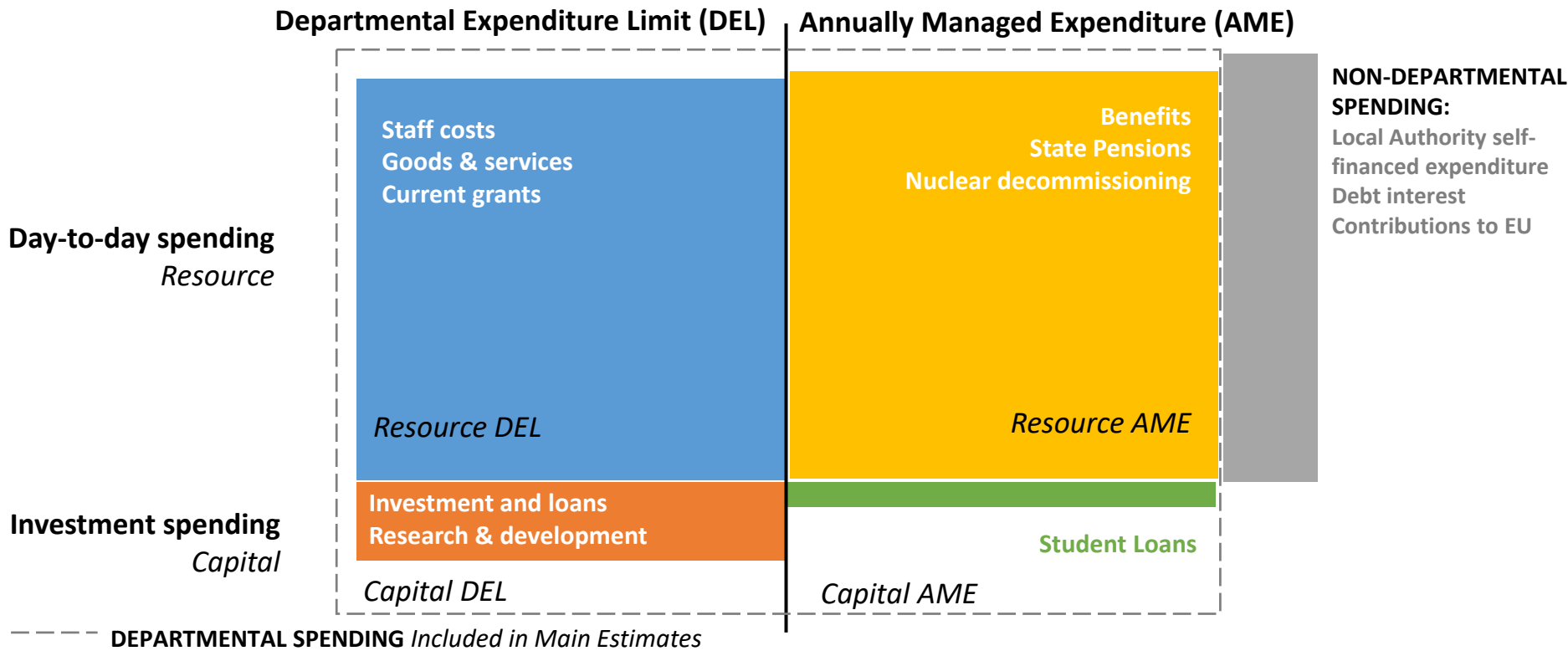
- **Departmental Expenditure Limits (DELs)** - spending planned through spending reviews
- **Annually Managed Expenditure (AME)** - spending which is demand-led and reforecast annually

Both types are further subdivided into :

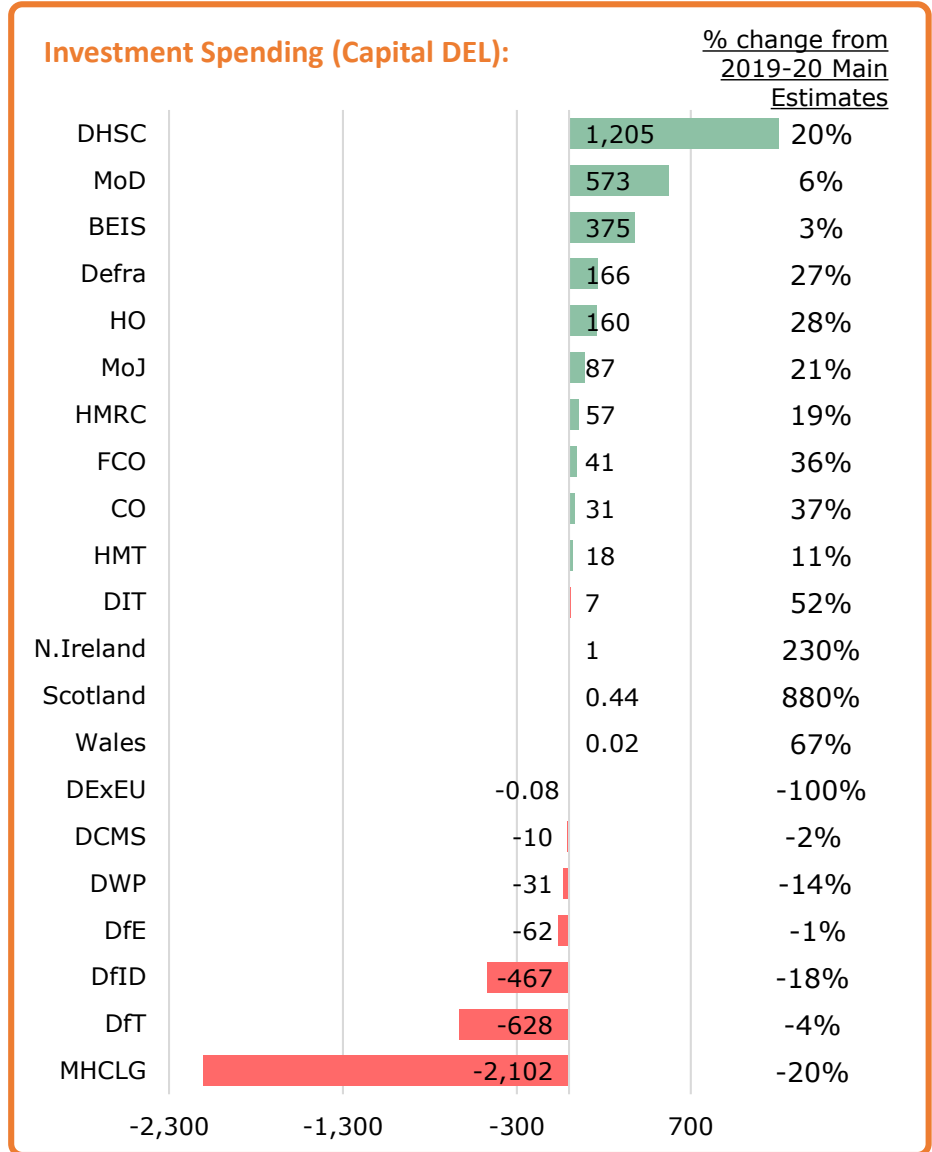
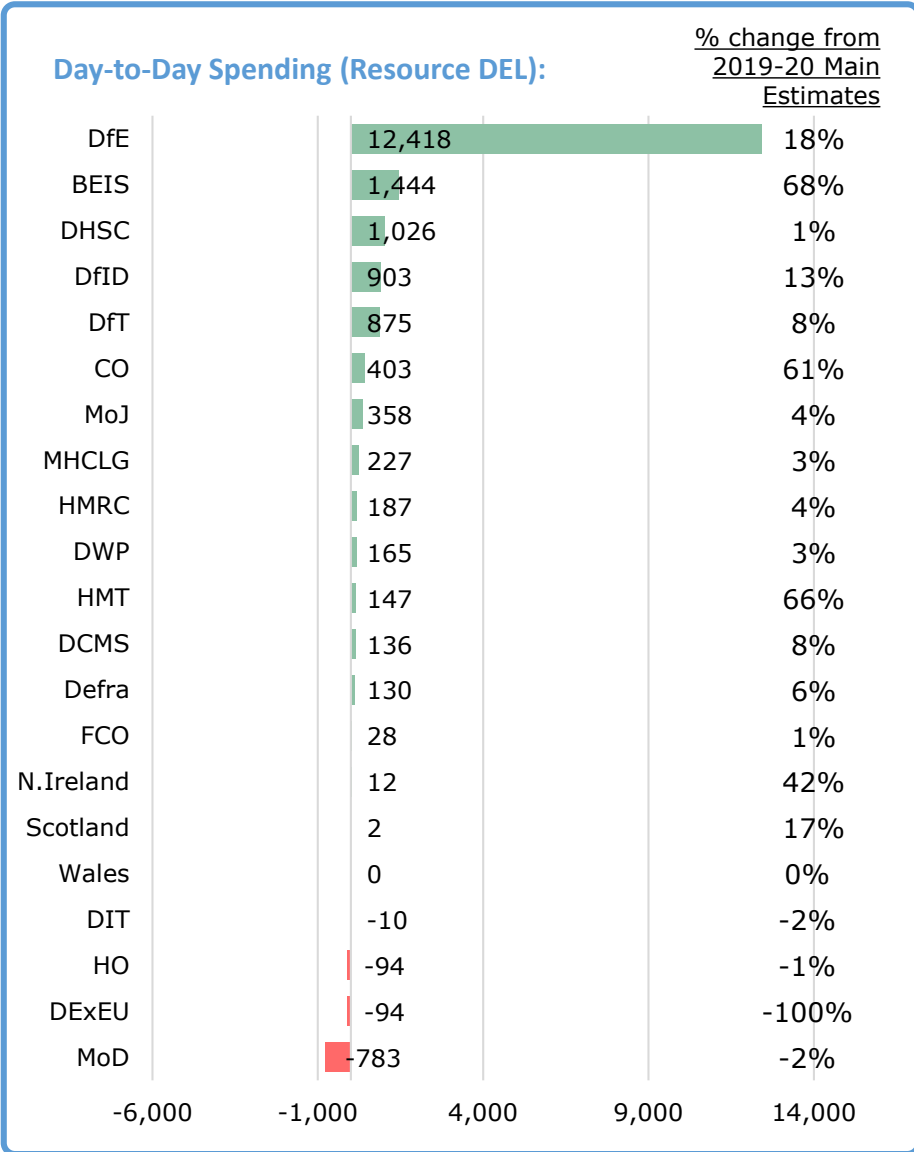
- *Day-to-day spending (known as **Resource**)*
- *Investment (known as **Capital**)*

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

Total public spending in 2019-20 is forecast by the OBR to be **£886.8 billion**



By how much are 2019-20 Departmental Expenditure Limits changing? (£ millions)

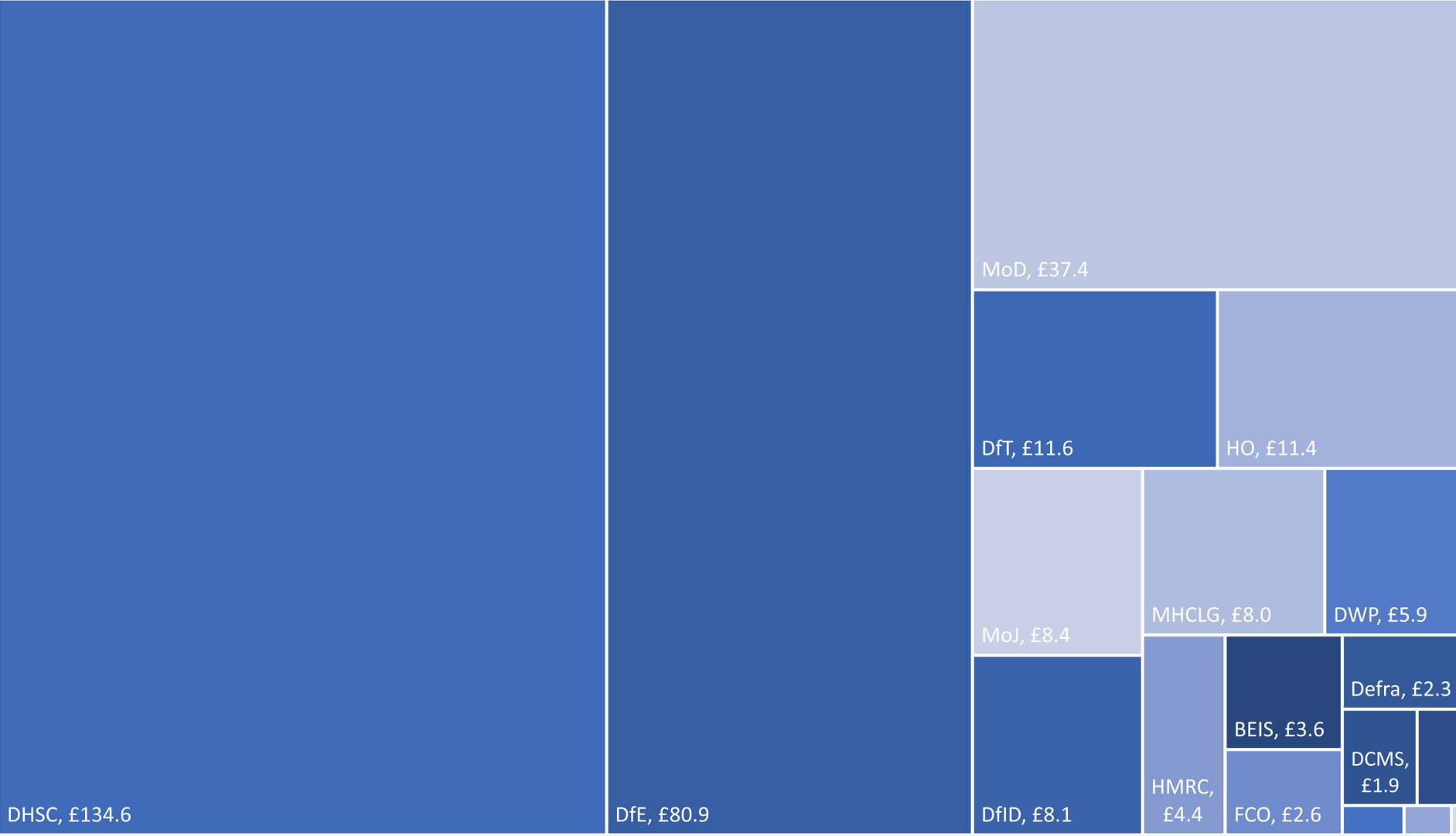
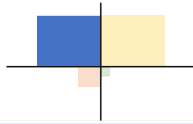


Selected departments and devolved authority grants.



# Day-to-day spending controlled through Departmental Expenditure Limits

Resource DEL budgets after Supplementary Estimates changes: **£373 billion** (5% increase from Main Estimate), £ billions

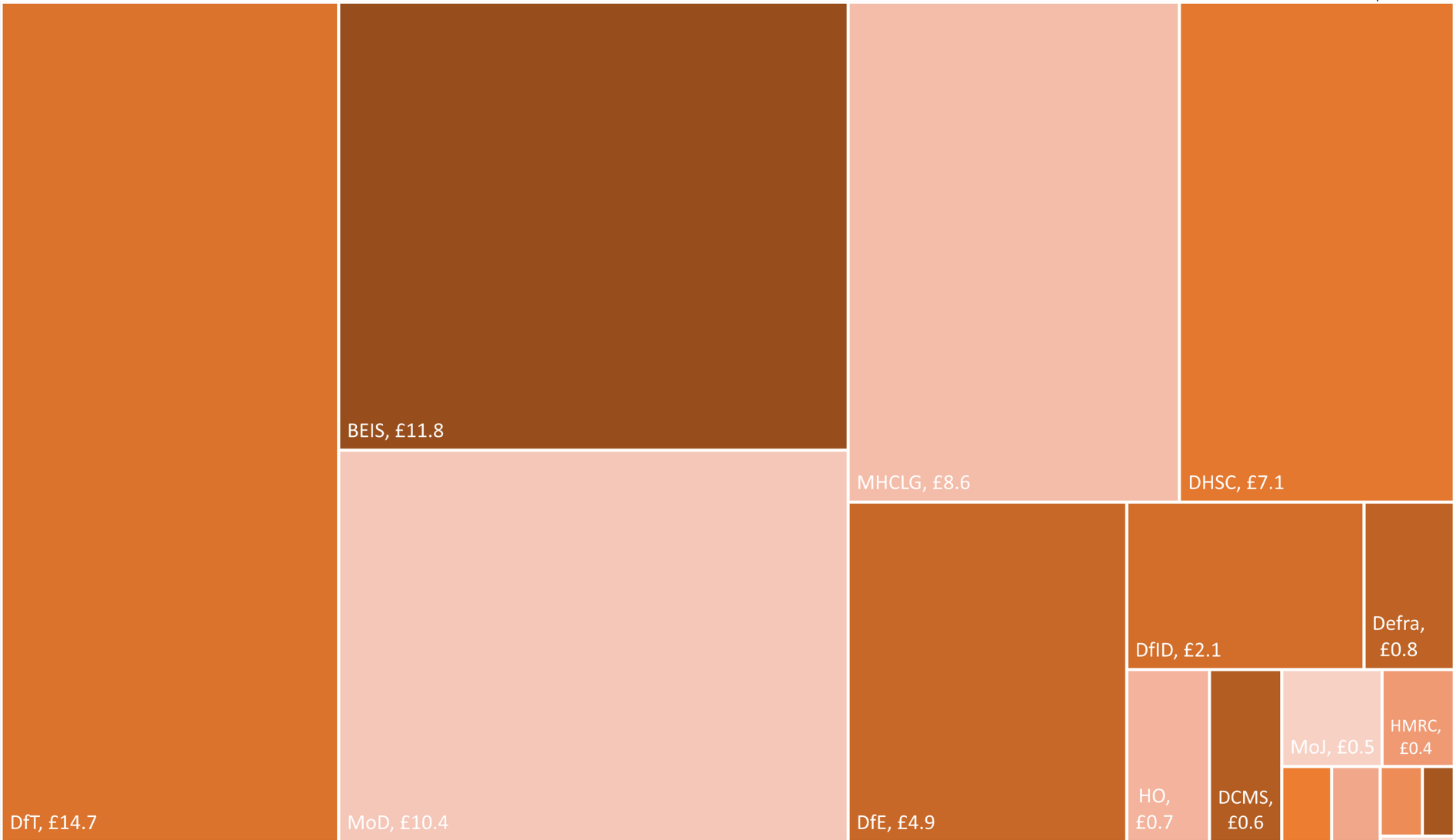


Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Day-to-day spending following Supplementary Estimate



# Investment spending controlled through Departmental Expenditure Limits

Capital DEL budgets after Supplementary Estimates changes: **£72 billion** (1% reduction from Main Estimate)



Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Investment spending following Supplementary Estimate

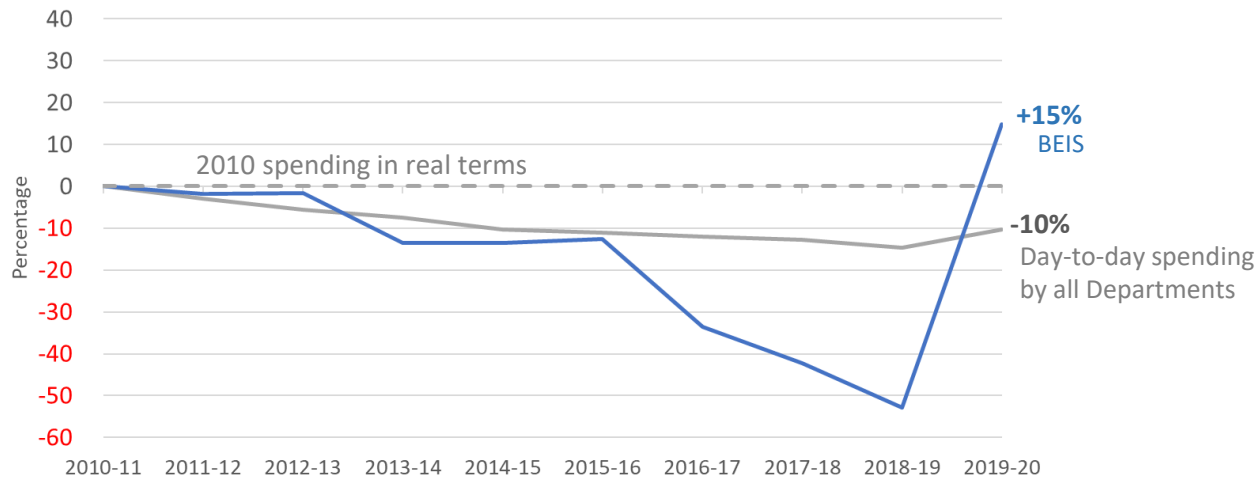




# Department for Business, Energy and Industrial Strategy

## Long term trends in BEIS' Spending (in real terms)

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



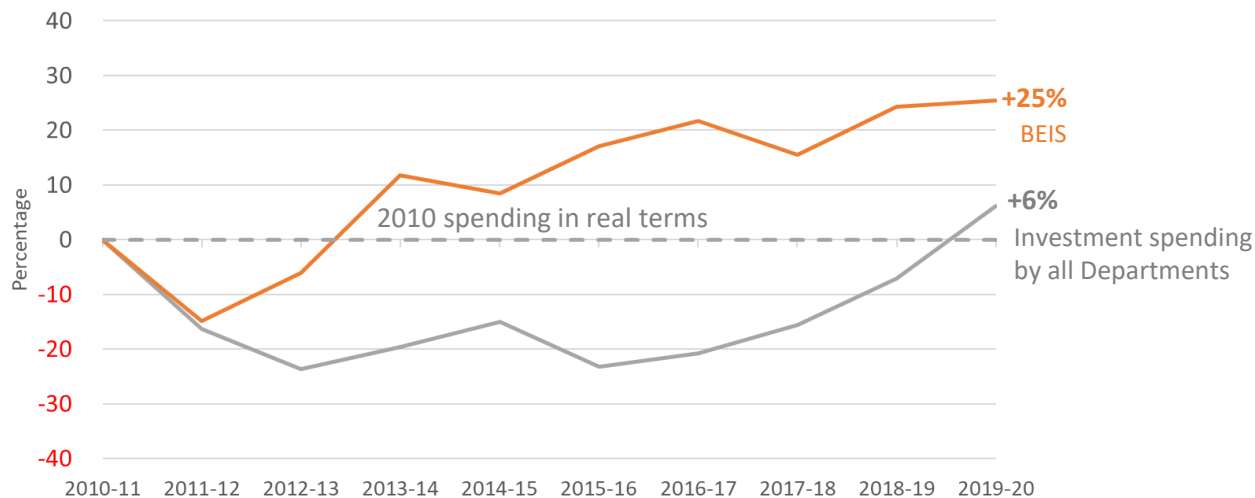
### Day-to-day spending trends:

- BEIS' day to day spending has been falling in recent years- with lower spending on industrial strategy and investment and “Government as shareholder”.
- BEIS’ 2019-20 supplementary estimate includes a spike in spending (including a contingency not now needed) for the costs of the Official Receiver incurred in relation to British Steel prior to its sale to Jingye Group.

### Investment spending trends:

- **Science and research** spending has grown from £5.5 bn in 2012-13 to £8.5 bn in 2019-20 and now accounts for over 70% of BEIS’ investment budget, which is 25% higher in real terms than in 2010-11.
- Other big elements include **nuclear decommissioning**, which has remained relatively stable at around £1.8 to £2bn pa throughout ; and **industrial strategy and investment** which accounts in 2019-20 for around £1bn – but which tends to fluctuate due to timing of investments by British Business Bank.

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



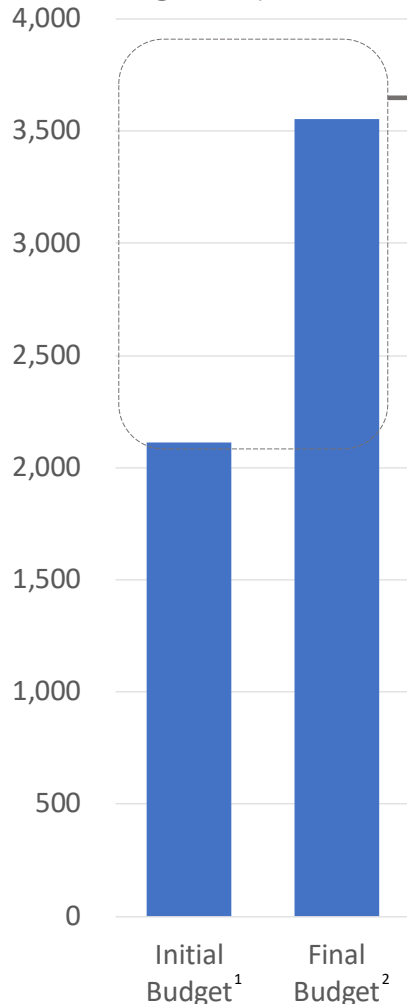
# How is BEIS' day-to-day spending changing in 2019-20?

BEIS spends 1% of Resource DEL for all Departments

BEIS day-to-day budget increased by **£1,444m**

**(+68.4%)**

(Resource DEL budget in £m)



## BEIS has supported the costs of keeping British Steel going while a buyer was found

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

Notable changes within the total include:

- **£1,201 million:** of which £700 m is for costs incurred by the Official Receiver prior to the sale of British Steel to Jingye and will come from the Treasury Reserve. A further £501 million contingency included in the Supplementary Estimate will not now be required now that the sale is complete;
- **£179 million** to cover a delay in nuclear decommissioning income;
- **£22 million** for the South Tees site company, as agreed in the 2017 Autumn Budget;
- **£14 million** for EU Exit costs, of which £10 million is for the Business Readiness fund;
- A transfer of **£70.2 million** to Investment budgets.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

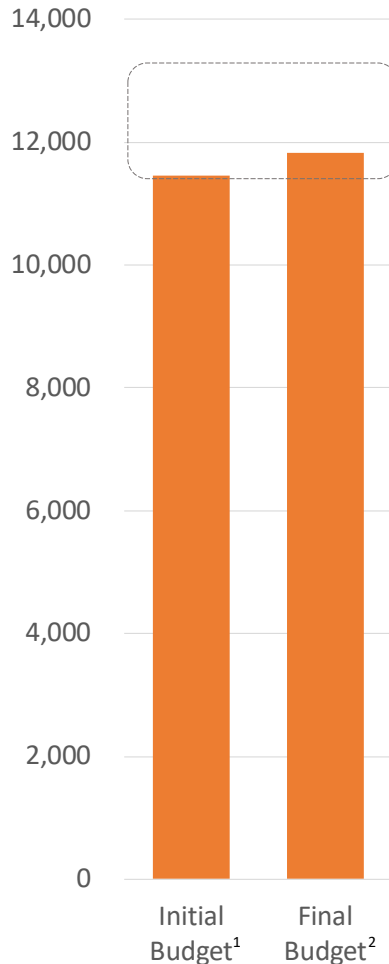


# How is BEIS' investment spending changing in 2019-20?

BEIS spends 16.3% of Capital DEL for all Departments

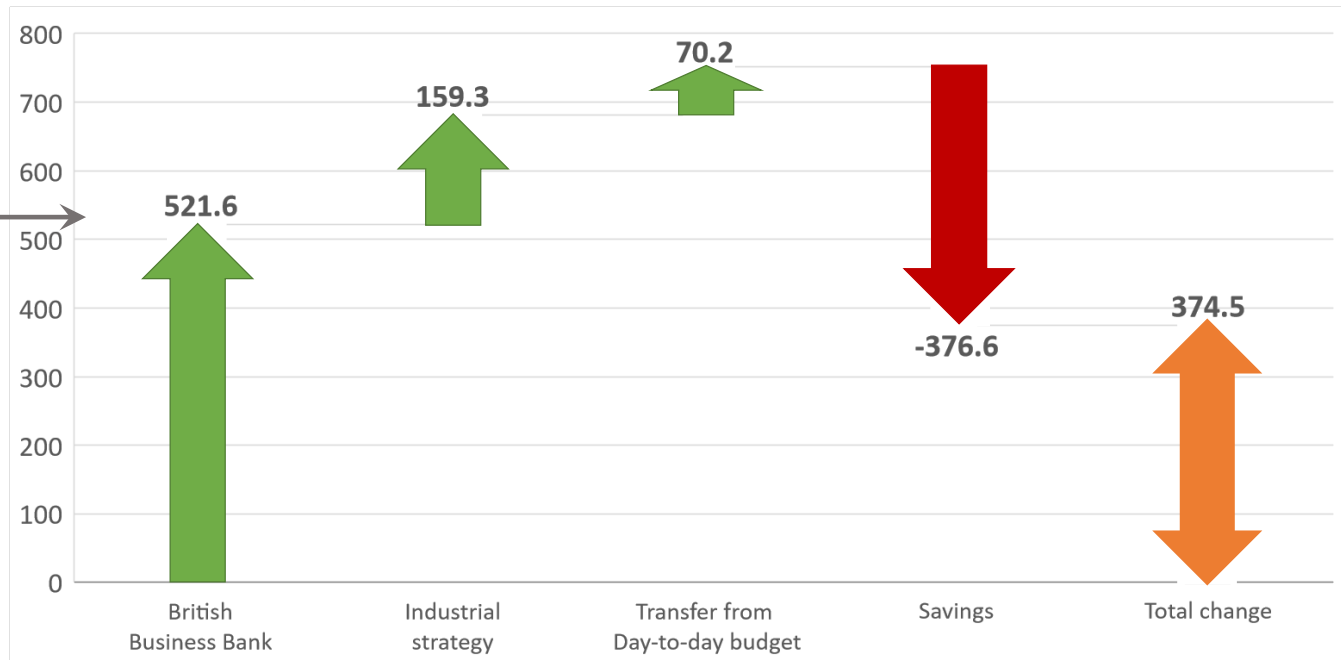
**BEIS investment budget increased by £374.6 m (+3.3%)**

(Capital DEL budget in £m)



**British Business bank is getting extra funding to allow flexibility at year end**

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



## Changes to in-year budget

- **£521.6 million** extra for the British Business Bank, to provide a funding buffer at year end;
- **£159.3 million** extra, of which £119 million is for the purchase of carbon credits under the European Trading Scheme for British Steel, prior to its sale to Jingye. The credits are expected to be sold in a subsequent financial year;
- A transfer of **£70.2 million** from day-to-day budgets.
- offset by savings including:
  - **£115 million** of Green Investment Bank underspends;
  - **£96.6 million** of savings on science and research

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# Science and research spending dominates BEIS' budget



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

- Until the Supplementary estimate BEIS' day to day DEL spending budget stood at **£2.1 bn**, much of which went on **administration and central costs and nuclear decommissioning**
- The Supplementary Estimate includes an extra **£1.4 bn** of which £500 million will not now be spent. £700 million covers costs incurred by the Official Receiver on British Steel prior to the sale to Jingye

## Investment spending (Capital DEL)

- **70% (£8.5 bn)** of BEIS' 2019-20 investment budget is spent on **science and research**. £7.7bn of this is now channelled through **UK Research and Investment**
- In year nuclear decommissioning spending is the next biggest component of the budget, comprising **£1.8 bn** in 2019-20.
- Other spending includes investments in the **British Business Bank** - around £0.7bn in 2019-20

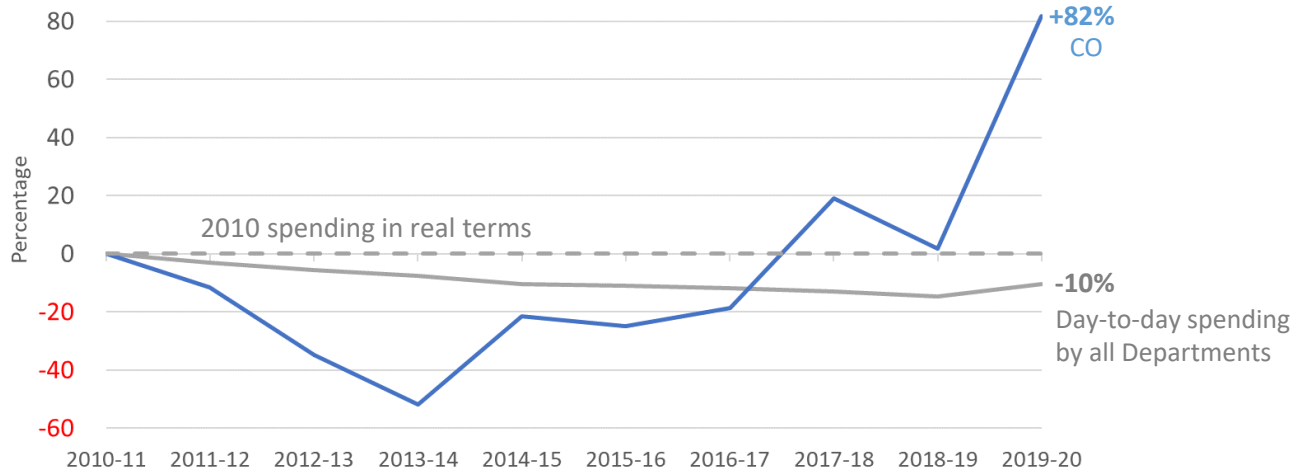
The BEIS Supplementary Estimate also allows for a **£4.1 bn increase in provision for nuclear liabilities - future decommissioning costs**. These were estimated at £131 bn in BEIS' accounts for last year. These extra estimated costs **do not count against BEIS' Departmental Expenditure Limit** until the year in which they are actually incurred.

Instead, for now, they are included against a separate budget line (Resource AME) within the Supplementary Estimate.

# Cabinet Office

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

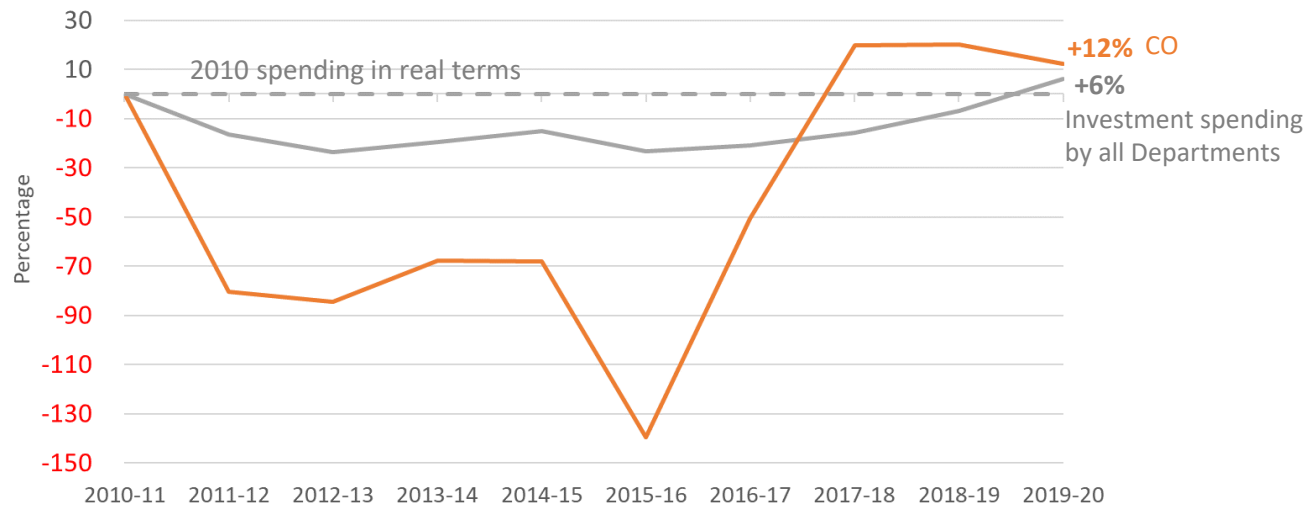
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- Cabinet Office budget is a **small department in terms of its spending**. It spends just **0.2% of the total for government Resource DEL** as a whole (2019-20).
- Cabinet Office spend is **volatile from year-to-year** – one of the reasons is that **the cost of elections** is borne by Cabinet Office.

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



## Investment spending trends:

- Cabinet Office capital investment spending can **vary significantly each year due to one-off projects and events**.
- In 2015-16 the Department recorded **negative net spending reflecting income from the sale of Admiralty Arch** which was greater than other capital spending.

# How is Cabinet Office's day-to-day spending changing in 2019-20?

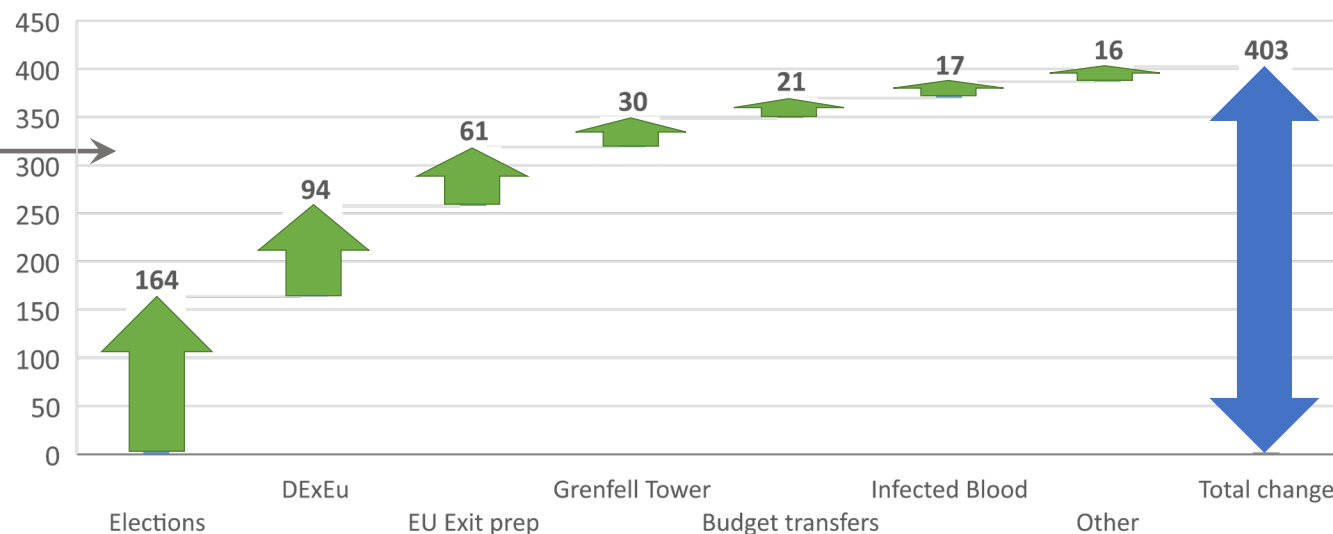
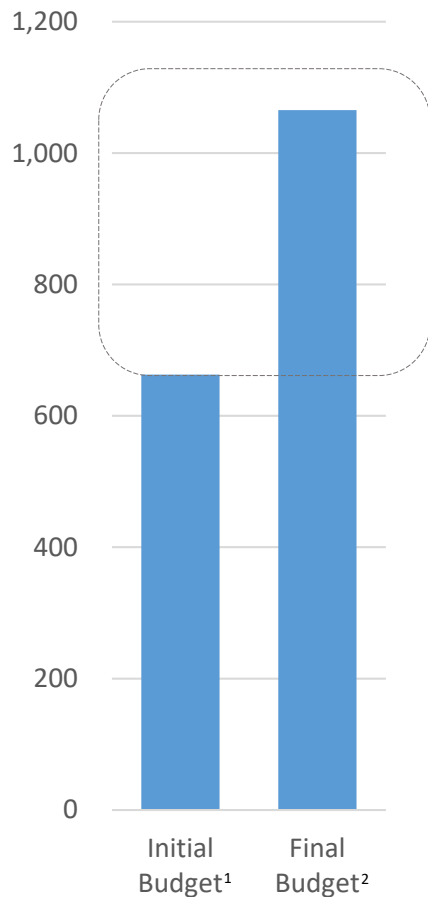
CO spends 0.3% of Resource DEL for all Departments

**Cabinet Office day-to-day budget increased by £402.6m (+60.7%)**

The increase is mainly driven by the General Election (£164.0m), the closure of the Department for Exiting the EU (DExEu) (£93.8m) and costs associated with the preparation for EU Exit (£61.0m).

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20

(Resource DEL budget in £m)



## Changes to in-year budget

- The day-to-day budget is increasing by **£402.6m (+60.7%) to £1,064.4m**.
- The UK Parliamentary General Election in England, Wales and Scotland increases costs by **£164m**.
- When DExEU closed, the remaining staff transferred into Cabinet Office increasing the budget by **£93.8m**.
- The net effect of EU exit preparation increases costs by **£61m** (£75.1m increase overall with **£14.1m** transferred over to other Government Departments).
- The two main inquiries that increase costs are **Grenfell Tower (£30.4m)** and **Infected Blood (£16.9m)**.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

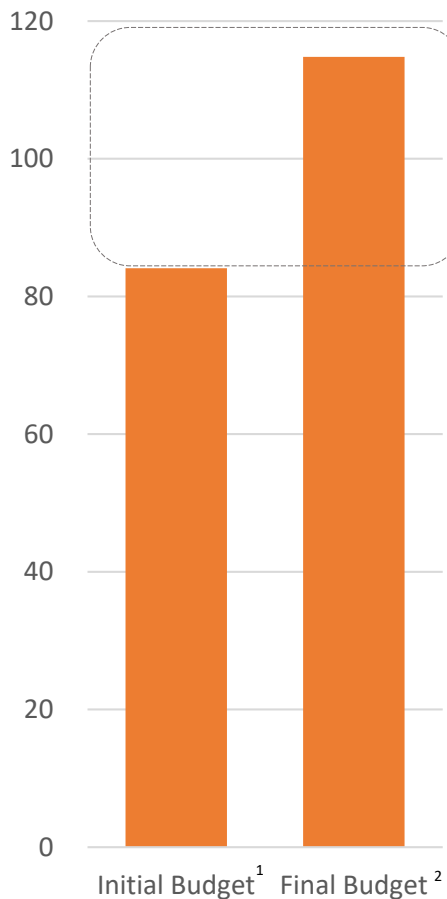
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



# How is Cabinet Office's investment spending changing in 2019-20?

**Cabinet Office investment budget increased by £30.7m (+36.5%)**

(Capital DEL budget in £m)



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Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

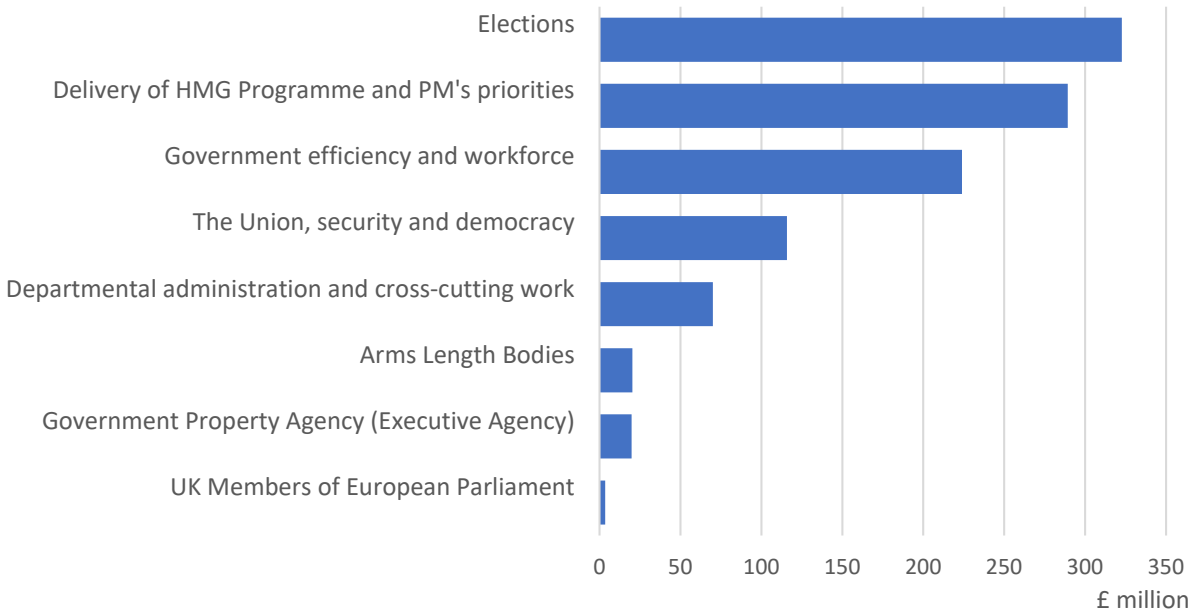
- **£16.6 million** increase relates to transfers in from other government departments.
- **£8.5 million** budget transfer from the Department for Business, Energy and Industrial Strategy to cover costs relating to Geospatial Commission contracts.
- **£4.5 million** increase to cover the costs of a new building for the Grenfell Inquiry Team.

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)



## Breakdown of day-to-day spending, £m (Resource DEL)



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

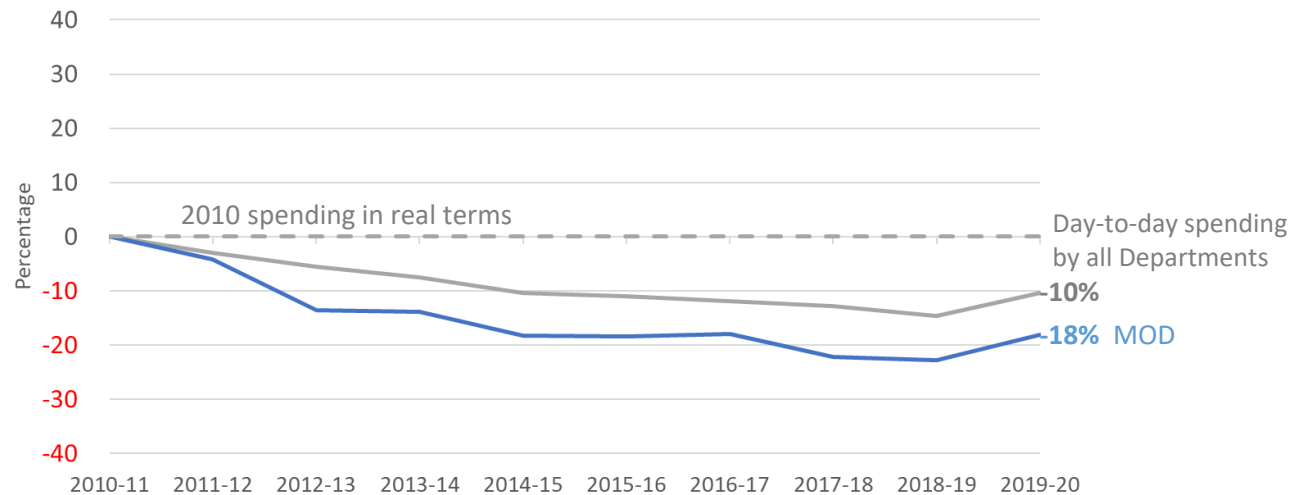
- **Spending on elections** increased in 2019-20, with £164.0 million spent on the UK General Election
- Spending on the budget for **“Delivery of HMG programme and the Prime Minister’s priorities”** has increased each year since 2015-16. In 2019-20, **the Department for Exiting the European Union ceased**, resulting in remaining staff transferring into Cabinet Office costing £93.8 million. Other increase relate to **spending on EU exit, Inquiries and the Geospatial Commission**.
- Government efficiency and workforce also includes **EU exit related cost**, including the Get Ready communication campaign.

*Note: The name of the budget lines have in some cases been altered/shortened so may not exactly match the wording used within the Estimates.*

# Ministry of Defence

# Long-term trends in the Ministry of Defence's spending (in real terms)

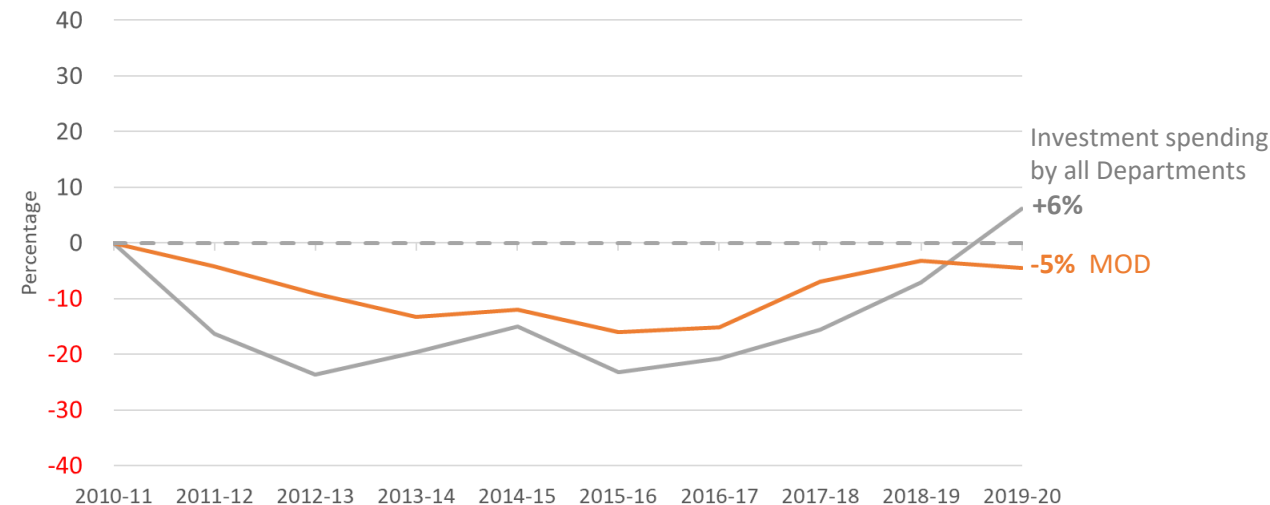
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- The budget has been **broadly flat since 2014-15**, following more significant real-terms cuts earlier in the decade.
- Annual changes in spending are often driven by variance in depreciation; final non-ringfenced cash spending by the department, which is a better indicator of actual expenditure, is usually very close its budget limits.

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



## Investment spending trends:

- The budget had been **increasing in real terms since 2015-16**, recovering earlier reductions, but falls this year
- Investment (Capital DEL) underspend against the budget has been less than 1% since 2014-15.
- Reduction may reflect **wider funding pressures on the Equipment Plan**

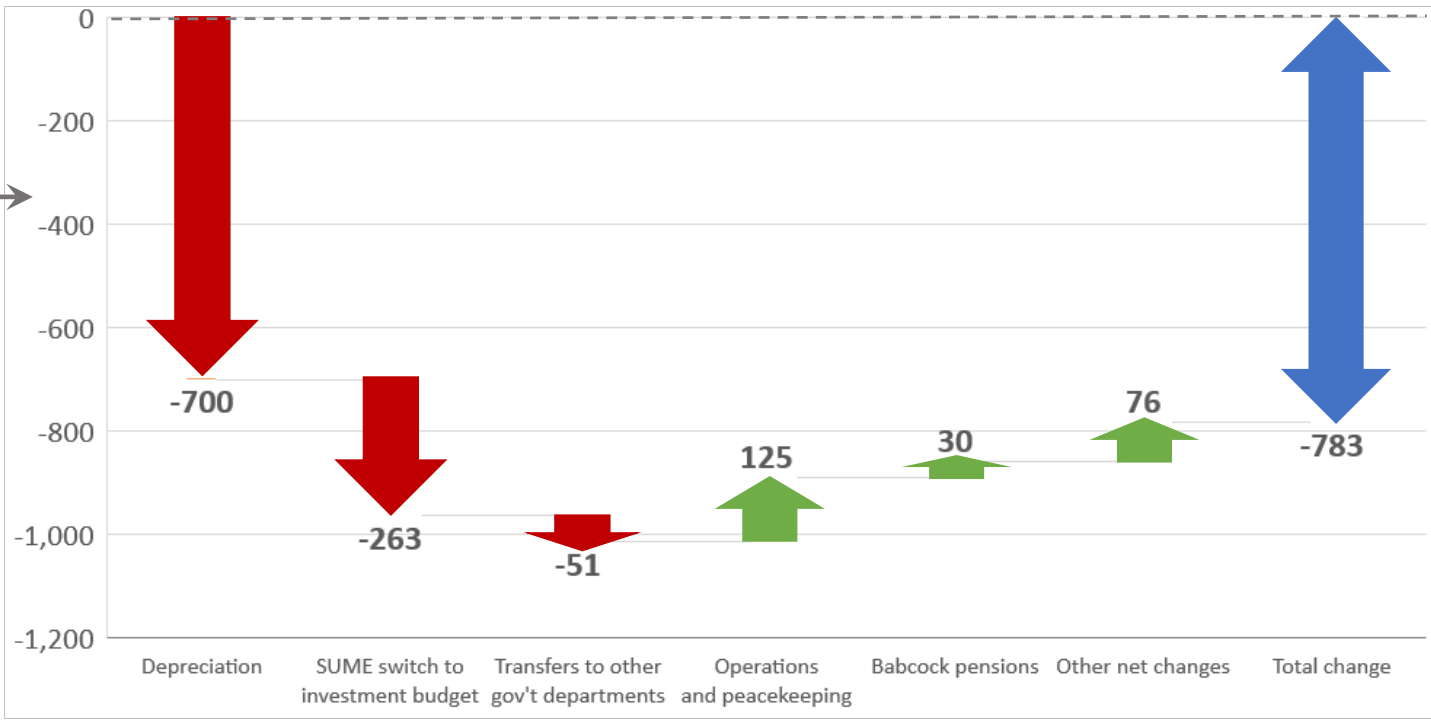
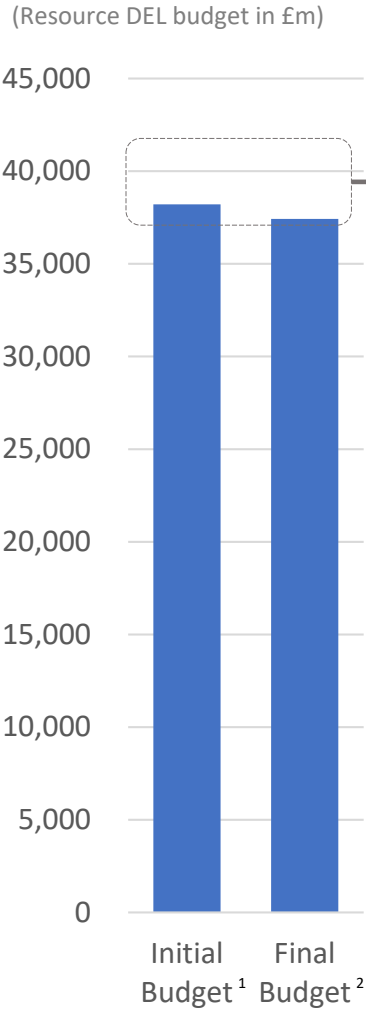
# How is MOD's day-to-day spending changing in 2019-20?

MOD spends 10% of Resource DEL for all Departments

**MOD day-to-day budget decreased by £783m (-2%)**

**The decrease is mainly due to a reduction in the ring-fenced depreciation budget**

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



**Changes to in-year budget**

- **Depreciation:** the ring-fenced budget for depreciation is adjusted to reflect current assets
- **SUME switch:** annual budget switch for Single Use Military Equipment (e.g. munitions, missiles)
- **Transfers to other gov't departments:** predominantly to Security and Intelligence Agencies for Cyber.
- **Operations and peacekeeping:** additional funding for military operations, such as Afghanistan, the Wider Gulf, counter-Daesh
- **Babcock pensions:** increased budget to cover pension costs of employees from engineering firm Babcock.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

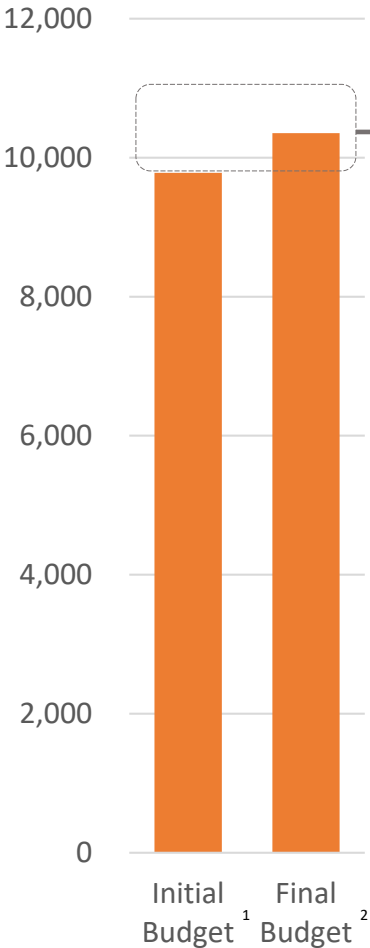


MOD spends 14.2% of Capital DEL for all Departments

# How is MOD's investment spending changing in 2019-20?

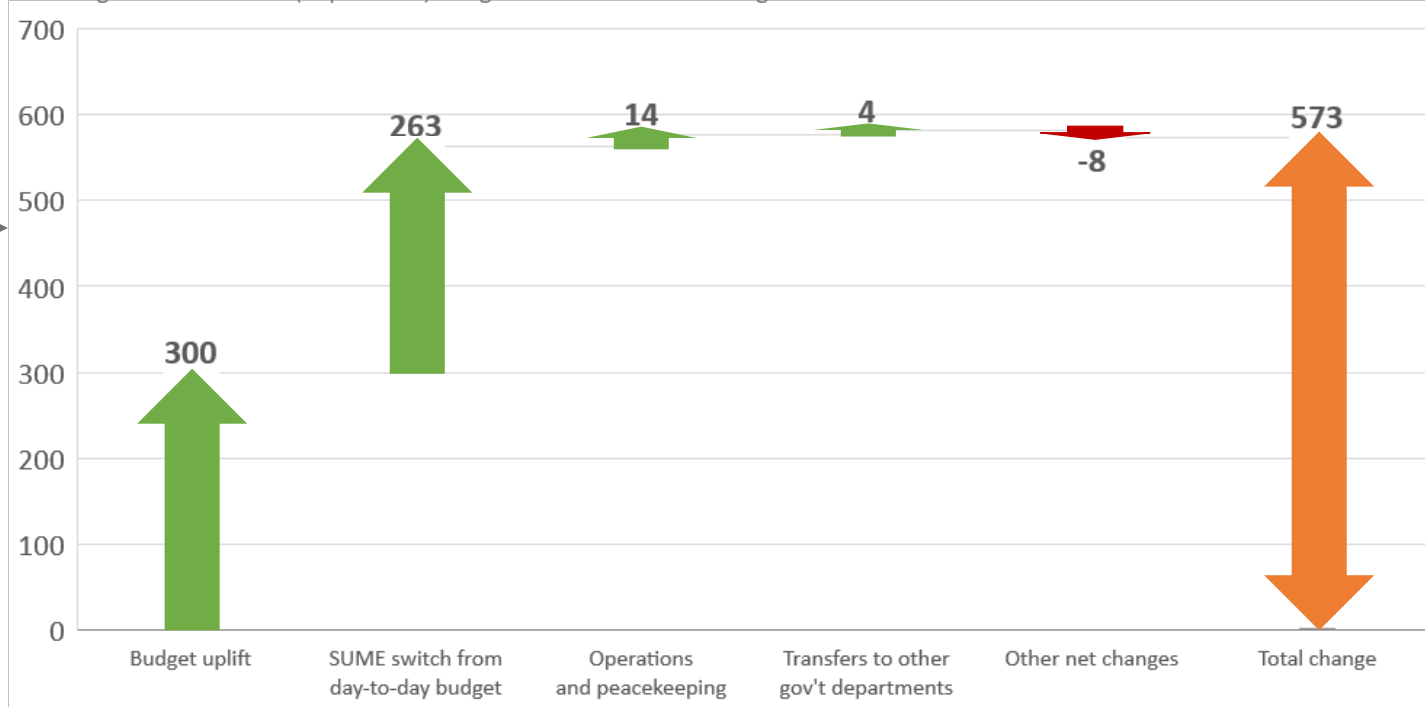
MOD investment budget increased by £573m (+5.9%)

(Capital DEL budget in £m)



The increase is mainly driven by bringing spending forward and a switch from the Day-to-day Budget

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

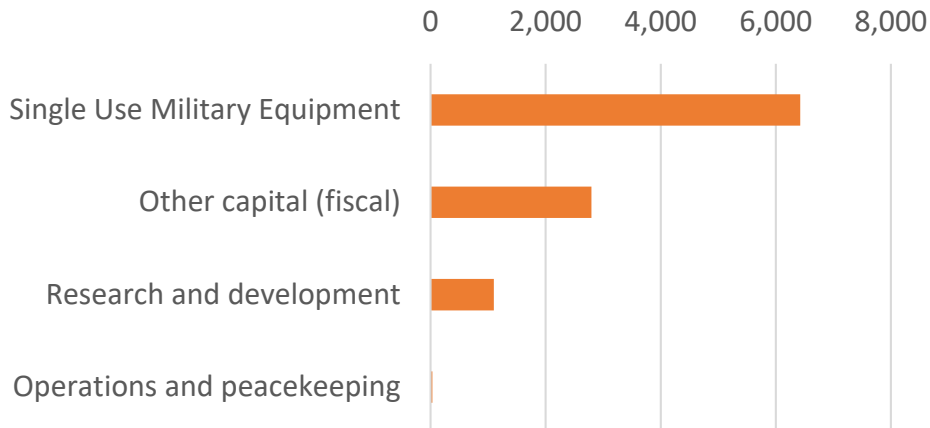
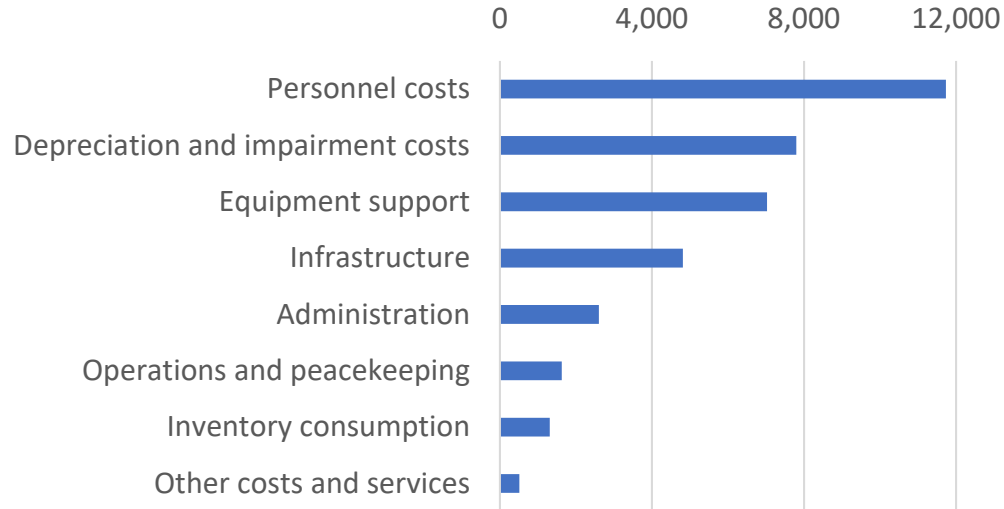
- **Budget uplift:** £300m brought forward from 2020-21 budget in order to reduce equivalent pressures this year.
- **SUME switch:** annual budget switch for Single Use Military Equipment.
- **Operations and peacekeeping:** small additional funding for military operations.
- **Transfers to other government departments:** mainly from Cabinet Office for Cyber.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



## Breakdown of spending, £m: MOD



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

- **Personnel costs** represent nearly a third of day-to-day spending; 85% of this is on military personnel (£9,950 million).
- Although large and subject to significant annual variation, **depreciation and impairment** costs are ringfenced and will not influence annual cash spending.
- Planned spending on equipment support has fallen by 22% since May; this contributes to the Department's annual [Equipment Plan](#); the [NAO assessment](#) suggests this plan is unaffordable.
- No further breakdown of Operations spending (such as by region) is provided

### Investment spending (Capital DEL)

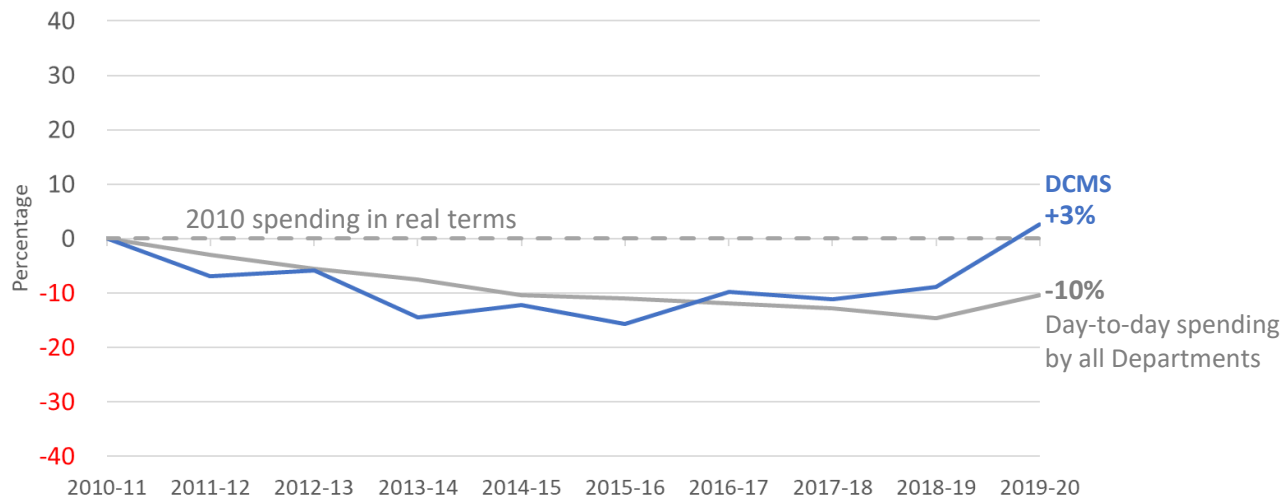
- Single Use Military Equipment (SUME) spending, such as **munitions and missiles**, is the main spending area following the (annual) switch from the day-to-day budget.
- Spending on other capital and the MOD estate has decreased this year possibly due to [rationalising the estate](#).

# Department for Digital, Culture, Media & Sport



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

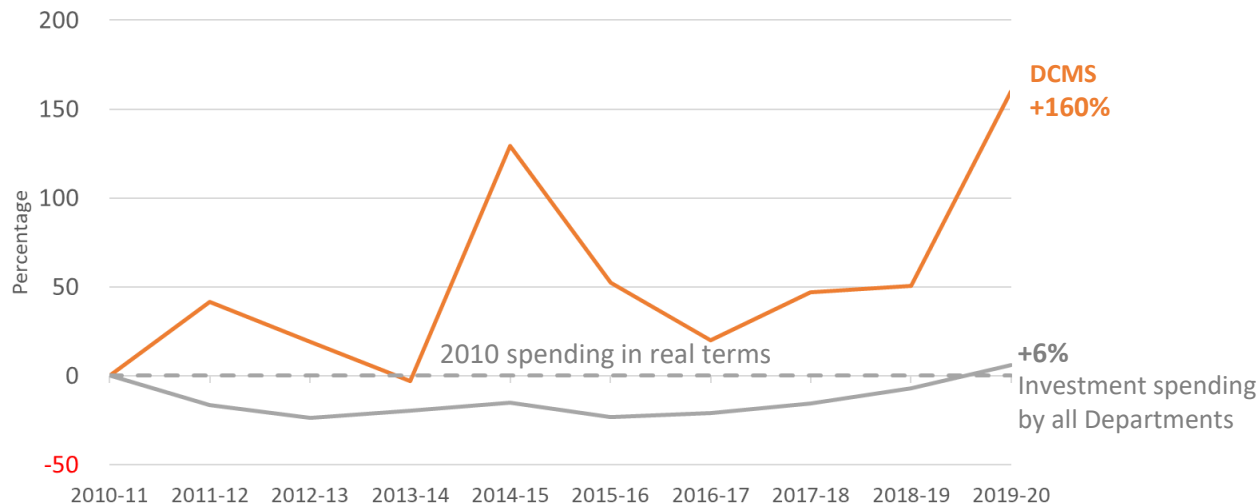
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- Nominal spending has been **increasing since 2015-16**, creating the upward trend.
- Increases in budget for the **Office for Civil Society** and **National Citizens Service** to nearly £280 million have contributed to the overall trend
- Spending on **London 2012 Olympics** has been removed from the trend.

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



## Investment spending trends:

- Large increases since 2017-18** due to funds for 5G and 'Local Full Fibre Networks' as part of the £750m digital allocation of National Productivity Investment Fund.
- An **accounting change** for this year (IFRS16 on capitalisation of leases) has caused a significant spike.
- Spending on **London 2012 Olympics** has been removed from this trend.

# How is DCMS's day-to-day spending changing in 2019-20?

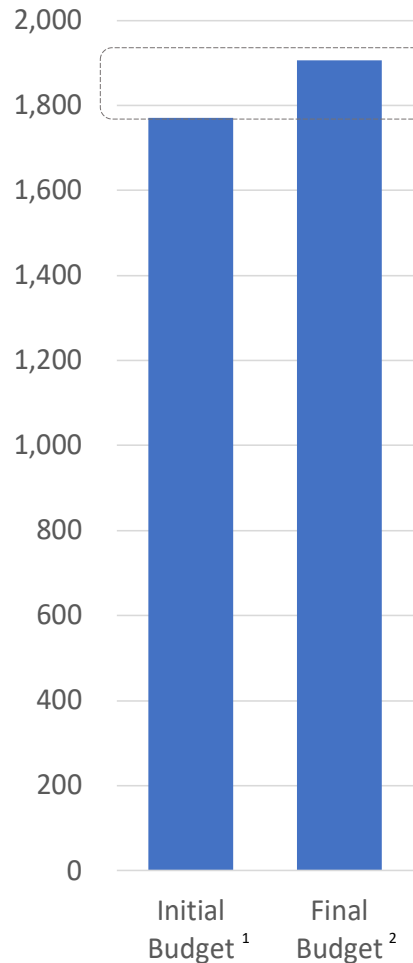
DCMS spends 0.5% of Resource DEL for all Departments

DCMS day-to-day budget increased by £136m (+7.7%)

(Resource DEL budget in £m)

The increase was driven by many smaller budget additions, including a £24 million switch from the investment budget

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



## Changes to in-year budget

- **Museums Freedoms:** allows institutions to borrow money and spend previously generated reserves
- **Commonwealth Games:** £28.7 million for Birmingham 2022, of which £8.2 million is made available for future years.
- **Listed Places of Worship:** grant scheme to cover VAT costs incurred making repairs to listed building used as places of worship
- **Switch from Investment budget:** £35 million is made available from underspend in the 700 MHz spectrum clearance programme (including £13.4 million to 5G and Local Full Fibre Network programmes, £12 million for viewer support costs). These types of switches are usually against Treasury guidance. There are a series of smaller switches from day-to-day budgets to investments that offset the increase, including a \$5.5 million switch by the Arts Council.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

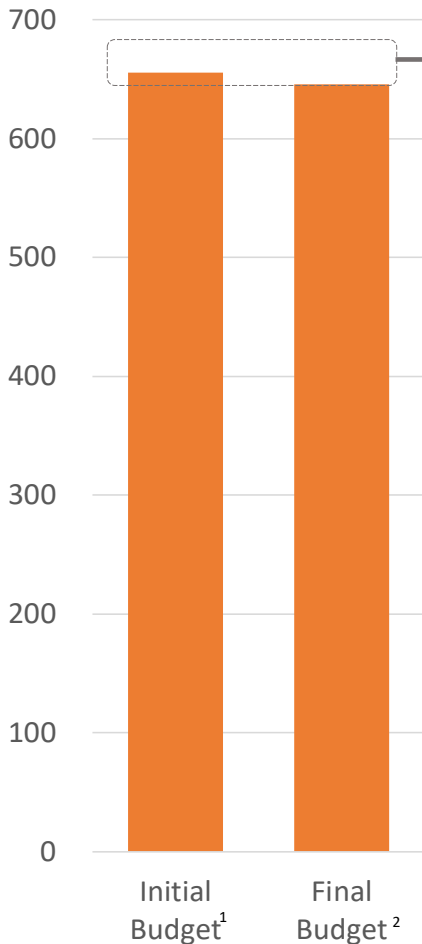
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# How is DCMS's investment spending changing in 2019-20?

DCMS spends 0.9% of Capital DEL for all Departments

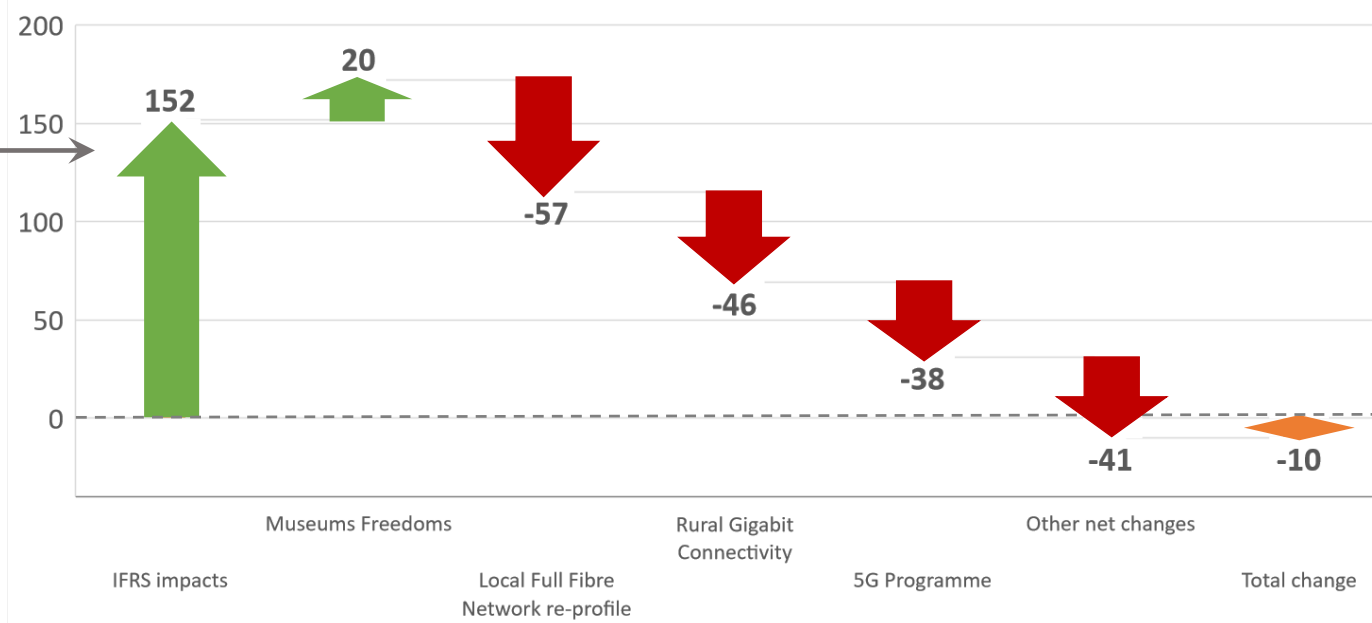
DCMS investment budget decreased by £9.9m (-1.5%)

(Capital DEL budget in £m)



The decrease is driven by underspend and re-profiling of several broadband-related programmes

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



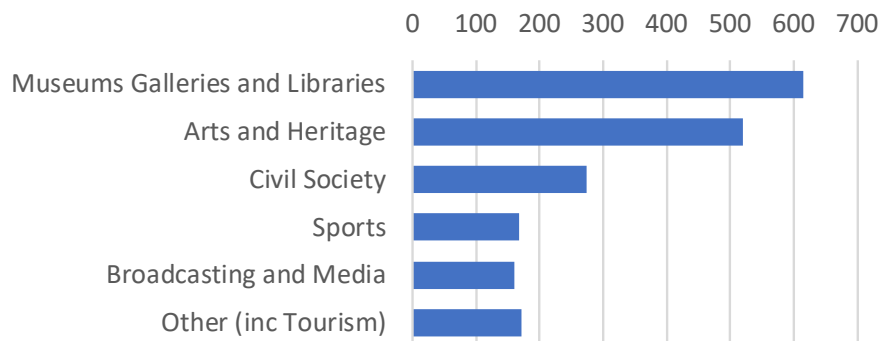
## Changes to in-year budget

- **International Financial Reporting Standard (IFRS) impacts:** IFRS16 requires a new accounting treatment for leases (now capitalised in the investment budget). All departments will adopt it next year; DCMS is an early adopter due to the need to reconcile with BBC accounts. There is no effect on overall costs of these leases.
- **Local Full Fibre Network (LFFN) re-profile:** £5.3 million returned to Treasury, £51.4 million remains available for future years.
- **Rural Gigabit Connectivity:** return of underspends from the £200 million programme aimed at connecting local 'hubs' in rural areas
- **5G Programme:** reduction in the budget for 5G testbeds and trials; the programme is rated 'amber' by the Infrastructure and Projects Authority.

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

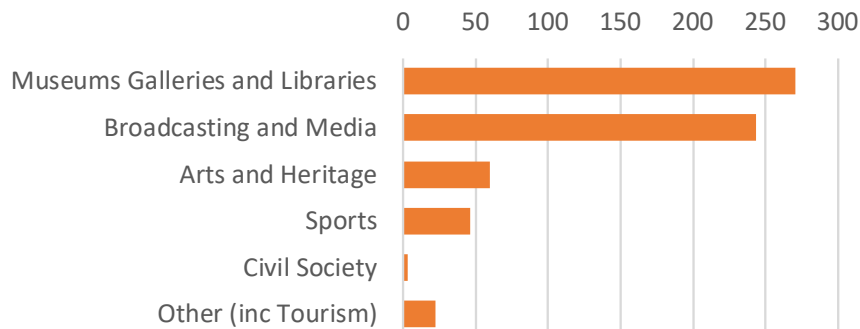
<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)

## Breakdown of spending, £m: DCMS



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

- Spending on **museums, galleries and libraries** is dominated by large institutions such as the British Library (£94 million), British Museum (£54 million) and Science Museum Group (£44 million).
- **Arts and Heritage** spending is predominantly through Arts Council England (£463 million).
- Civil Society spending on National Citizen Service and Office for Civil Society has been significantly reduced in the Supplementary Estimates for the last few years.
- Spending on **Sport** is largely through Sport England (£67 million) and UK Sport (£59 million).



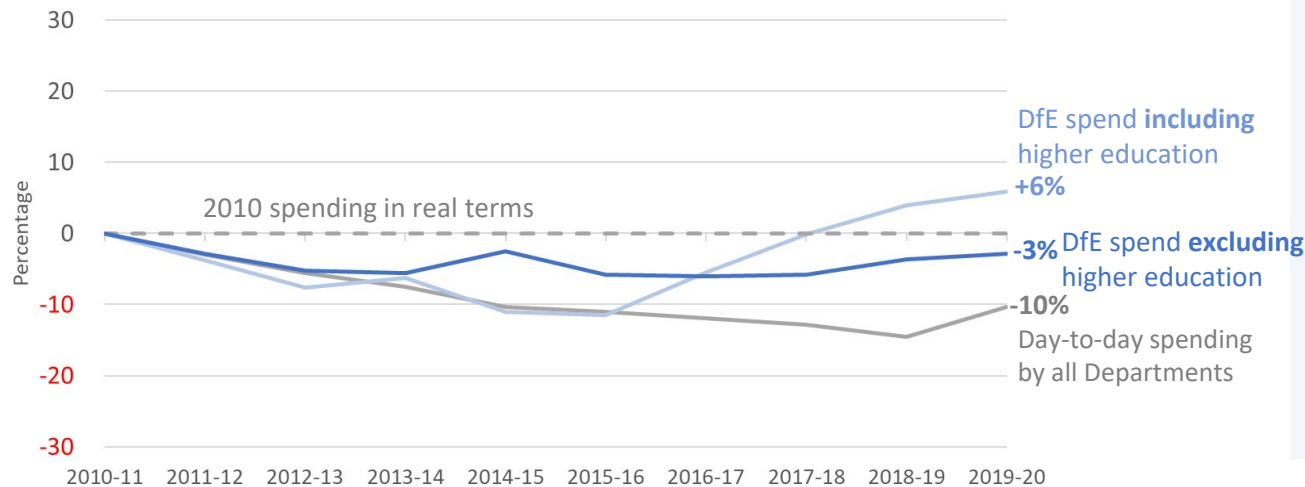
### Investment spending (Capital DEL)

- Investment in **museum and galleries** has been dominated by a few schemes, such as Blythe House archives refurbishment. A significant proportion of the budget this year is for International Financial Reporting Standard (IFRS16) application to the Victoria & Albert Museum.
- Investment in **broadcasting and media** was planned to be significantly higher at the start of the year, but the majority of underspend (see previous slide) has been in this area.

# Department for Education

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

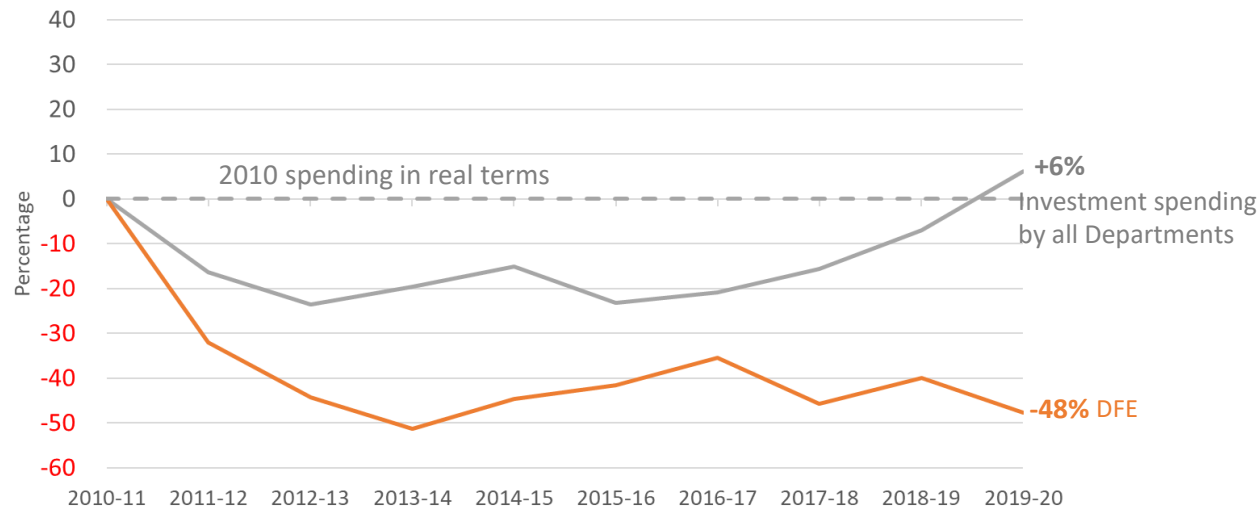
Percentage change in Day-to-day spending<sup>1</sup> compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- The costs of higher education impairments has led to increased spending by DFE in the last few years
- Excluding these amounts overall day to day spending- most of which supports schools, directly or indirectly, remains, in real terms, below 2010 levels
- DFE says real terms per pupil funding is 1.9% below 2010-11 levels

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



## Investment spending trends:

- DFE Investment spending was reduced significantly in the 2010 Spending Review and has not fully recovered since.
- Investment funding for schools is provided through a variety of programmes, with funds distributed either formulaically based on school places needed, or in response to bids.

<sup>1</sup> Restated to take account of changes in departmental responsibilities since 2010. 2017-18 and 2018-19 day to day spending includes large increases due to extra costs of student loan write downs.

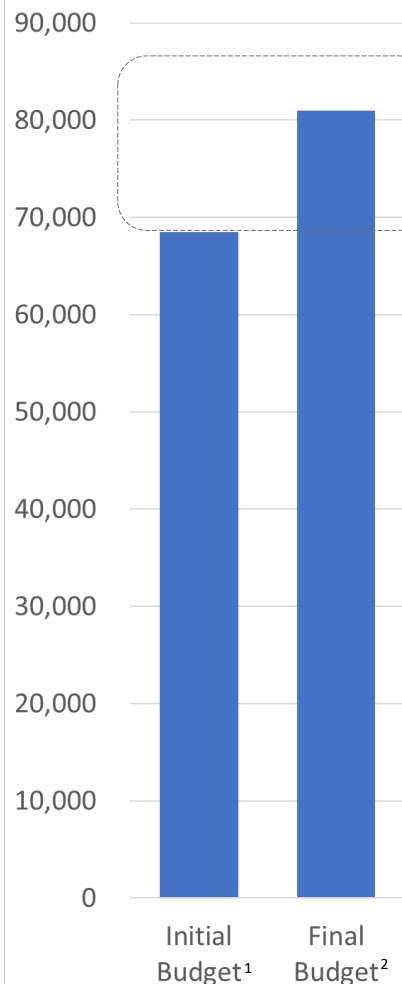
# How is DFE's day-to-day spending changing in 2019-20?

DFE spends 21.7% of Resource DEL for all Departments

DFE day-to-day budget increased by **£12,418m (+18.1%);**

**Excluding student loans it falls by £343m**

(Resource DEL budget in £m)



## Costs of student loans drive the increase, alongside small savings elsewhere

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

The rise is almost all due to a **revaluation of the student loan book**, including the impact of raising the income threshold above which loans start to be repaid from £21,000 to £25,000.

#### There is also:

- An increase of £209.7 million in **grants for schools** (+0.4%), including funding for pay and pension increases;
- A reduction in support to **the Education and Skills Funding Agency** of £337.7 million, as a result of lower levels of apprenticeship starts than originally anticipated and lower unit cost increases than expected; and
- A reduction of £237.6 million in DFE's centrally held budgets including a £147 million reduction in the schools protection budget; **lower recruitment to teacher training than expected** and savings on Teaching School designation, Teaching School Council regional delivery activity, Home Learning Environment and MultiAcademy Trust Development funding.

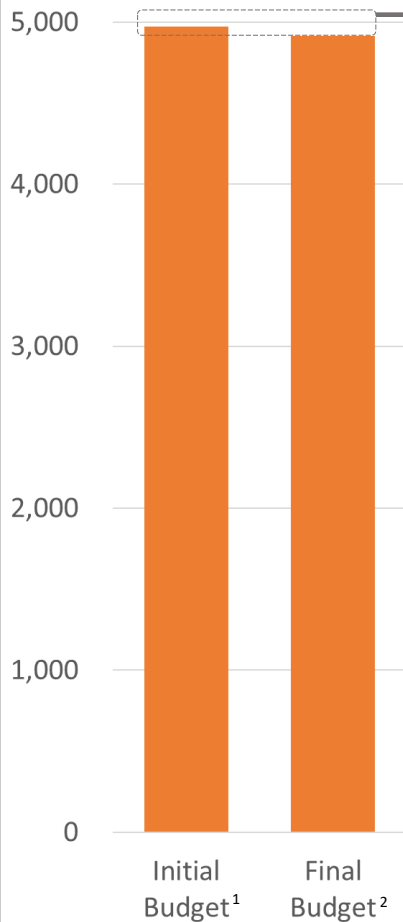
<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# How is DFE's investment spending changing in 2019-20?

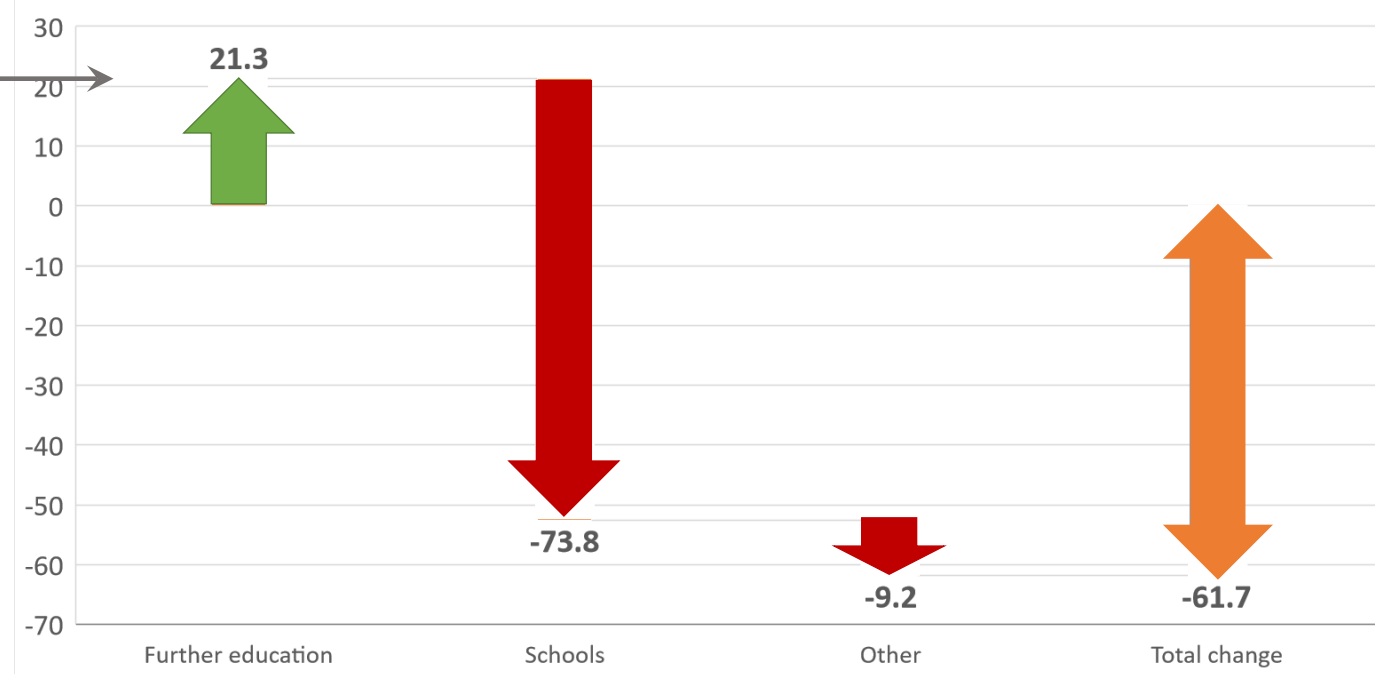
DFE investment budget  
decreased by £61.7m (-1.2%)

(Capital DEL budget in £m)



A little more for FE, offset by bigger savings on school capital projects

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



## Changes to in-year budget

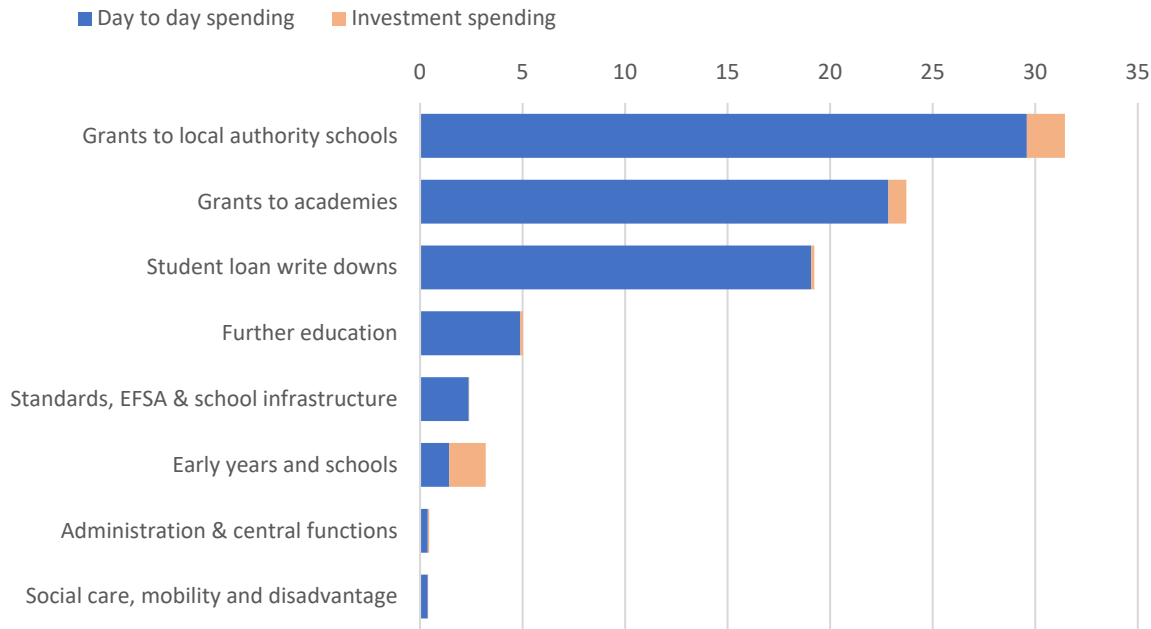
- An increase of £21.3 million for **further education**, of which £22 million is for the **previously unfunded Insolvency Regime**, to support FE colleges in financial distress; and £10 million is for the **purchase of the site of Kensington and Chelsea college** (part of a package to secure and improve FE provision in the community around **Grenfell Tower**);
- A £73.8 million reduction in **the Capital Improvement fund for schools** (the initial budget was an estimate before bids were in).

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)



# Where DFE's money goes (Departmental Expenditure Limits)

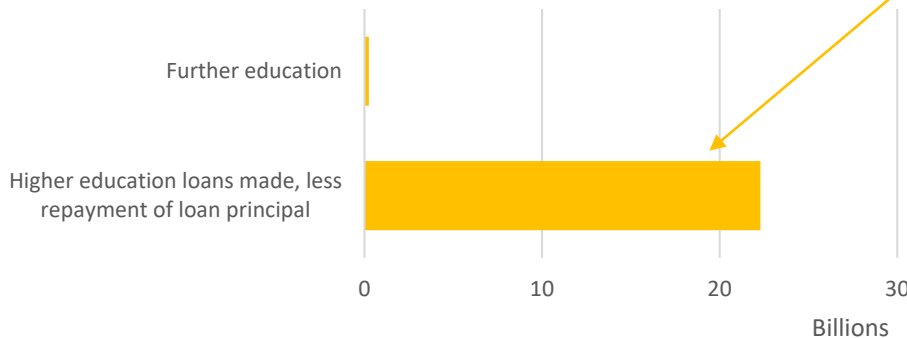


DFE's **day-to-day spending** within its Resource Departmental Expenditure Limit is predominantly made up of grants to **schools** to cover their running costs. It also includes **write downs** when the student loan book is revalued annually

DFE's **investment spending** (Capital DEL) is predominantly **grants to schools for capital works through various programmes** (£4.2 billion of £4.9 billion total). These include:

- Free schools, University Technical colleges and studio schools (£1 billion)
- Basic needs funding (£0.9 billion)
- Priority school building programme (£0.8 billion)
- Condition allocations (£0.5 billion)
- Condition improvement fund (£0.4 billion)

DFE expects to lend £22 billion more in student loans than it receives in repayments in 2019-20



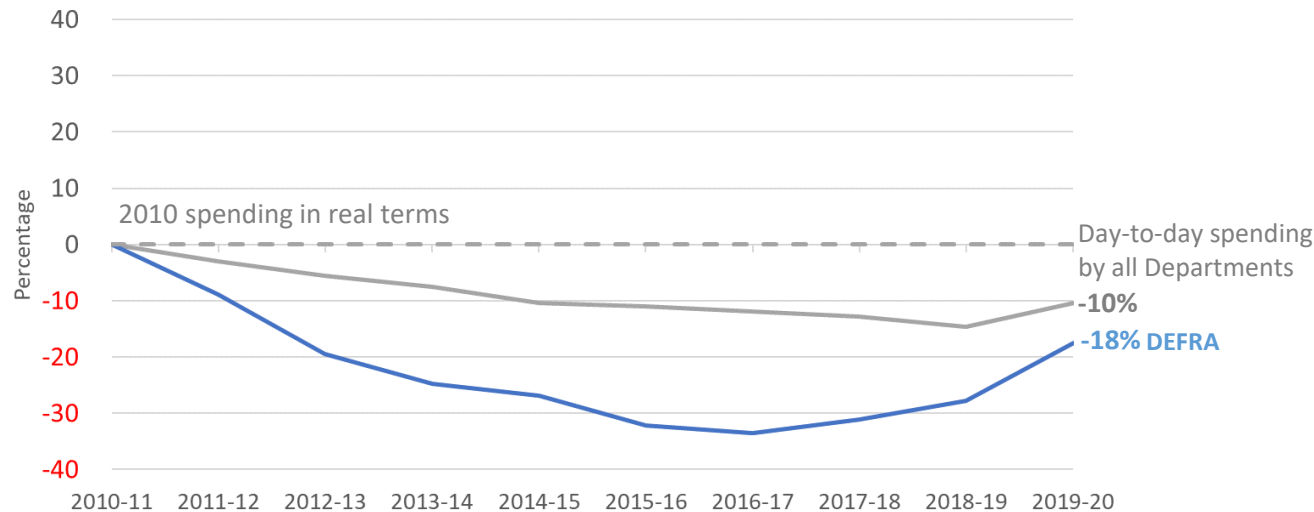
DFE also provides funding for **student loans**. These are scored against a separate budget, called Capital Annually Managed Expenditure. The net forecast this year is around £22 billion

A fourth budget, Resource Annually Managed Expenditure records **interest on student loans received**. Interest income of around £0.9 billion is forecast this year

# Department for Environment, Food and Rural Affairs

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

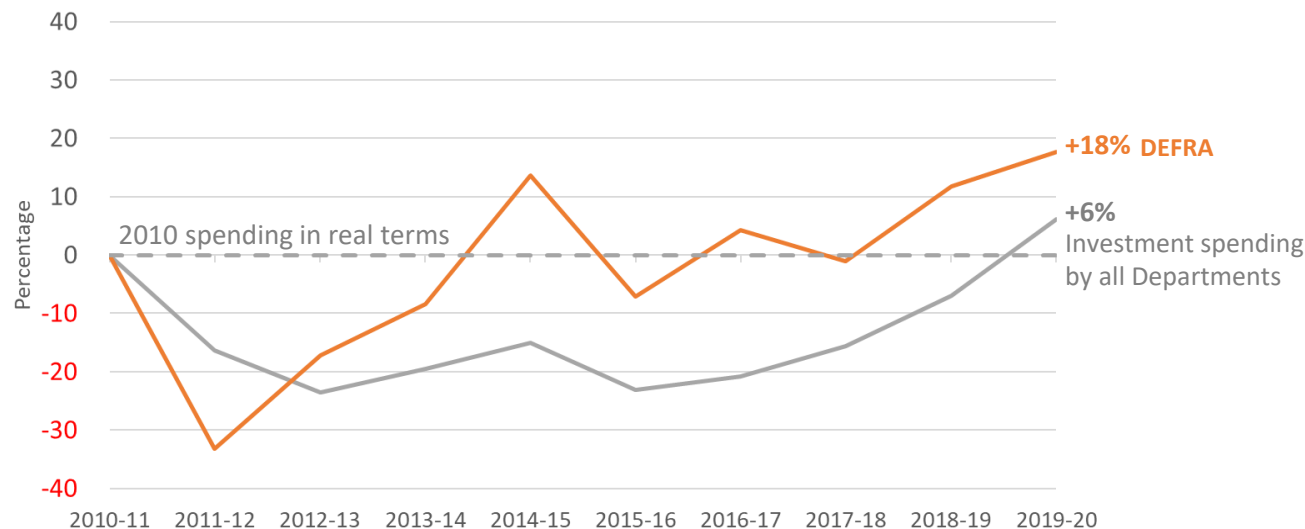
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- The budget **decreased significantly under austerity**, with real terms reductions in spending of **33% in 2016-17 compared to 2010-11**.
- Recent increases in the budget largely reflect **additional funding for EU Exit planning**.
- Additional funding was also received for flood defence maintenance in Budget 2016 and the Clean Air Fund in Budget 2017.

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



## Investment spending trends:

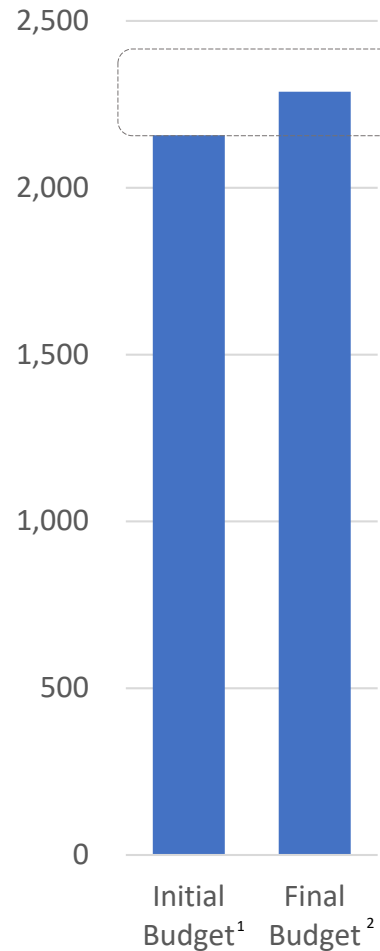
- The budget was **not squeezed as hard as that for day-to-day spending**, but has been lumpy over this period.
- Since 2015-16 increased investment has been due to **investment in IT and property** to reduce day-to-day spending on corporate services, **EU Exit** preparations and more recently increased spending on **flooding** repair and defence work

# How is DEFRA's day-to-day spending changing in 2019-20?

DEFRA spends 0.6% of Resource DEL for all Departments

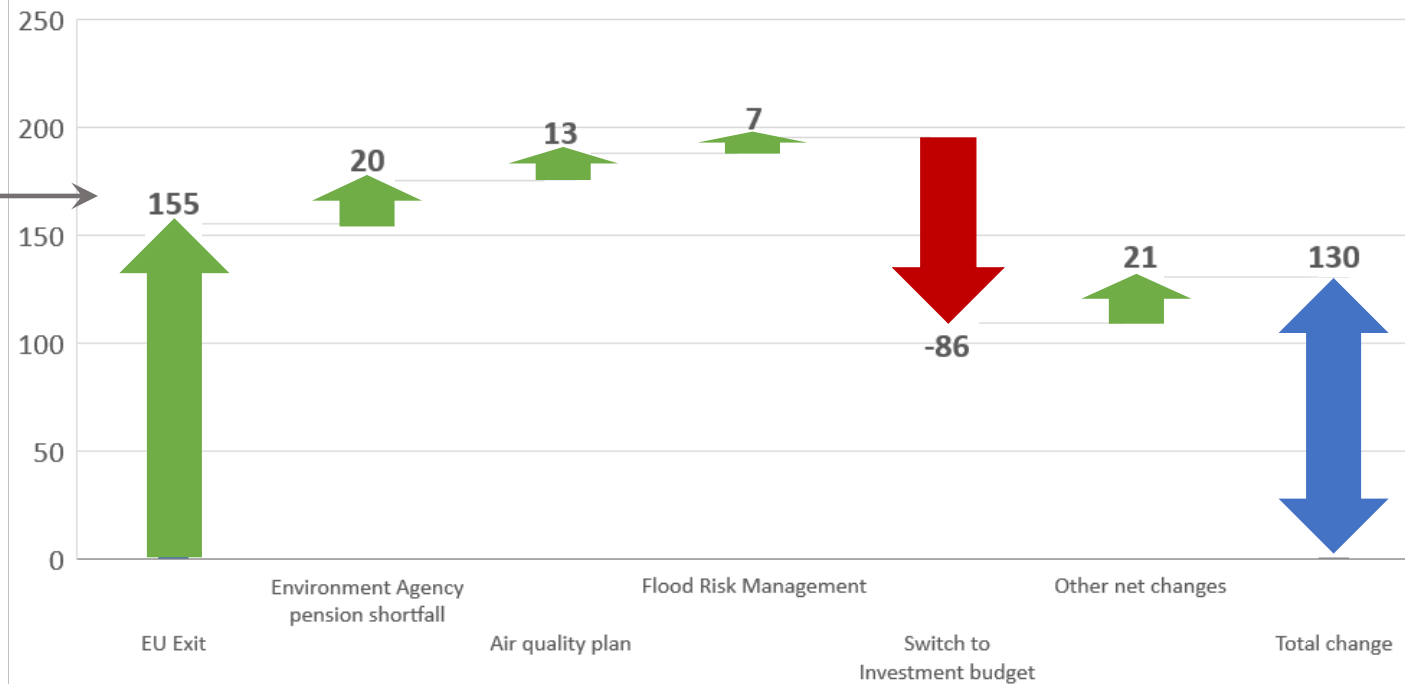
DEFRA day-to-day budget increased by £130.4m (+6%)

(Resource DEL budget in £m)



The increase is mainly driven by funding for EU Exit preparations

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



## Changes to in-year budget

- **EU Exit:** increased spending includes capacity building in cross-cutting functions, including international trade agreements and new border arrangements.
- **Environment Agency Pension shortfall:** some EA staff were transferred into core Defra following the consolidation of corporate service functions across many Defra ALBs.
- **Air quality plan:** related to roadside nitrogen dioxide levels
- **Flood Risk Management:** additional funding following the November floods
- **Switch to Investment budget:** Defra regularly switch budgets as the investment requirements of flood and environmental improvement projects becomes clear.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

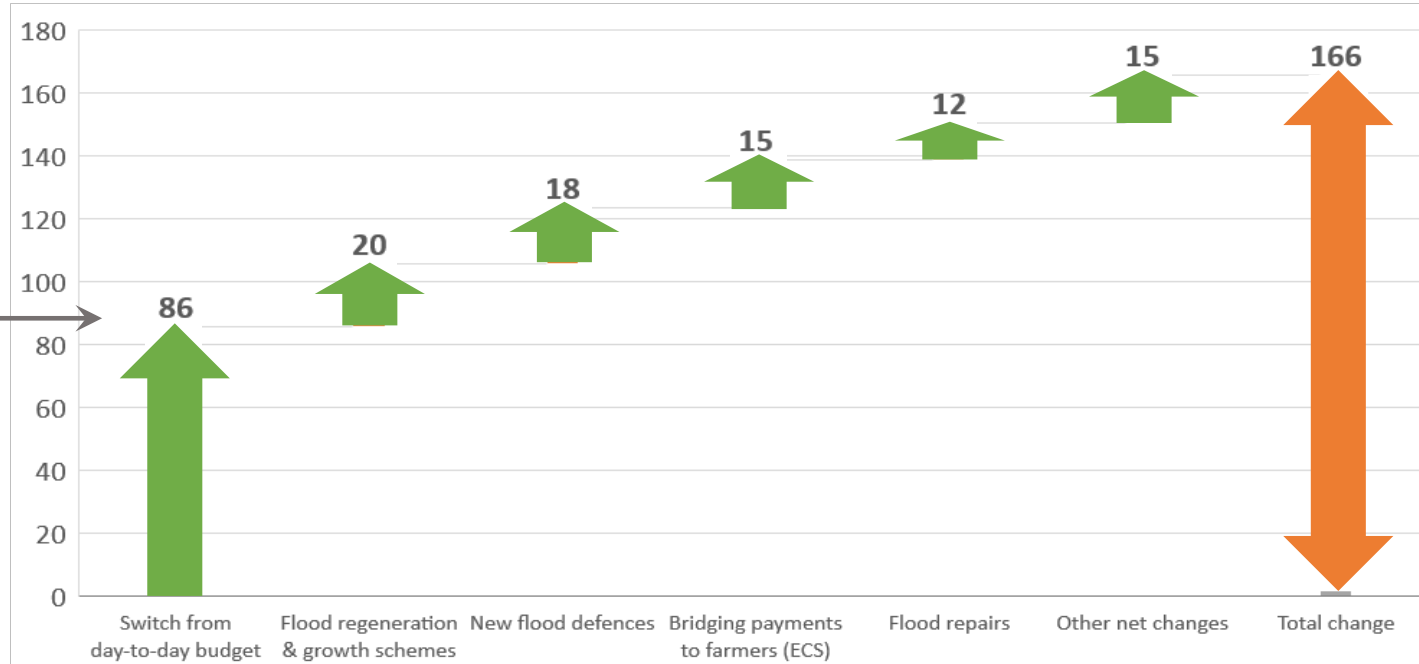
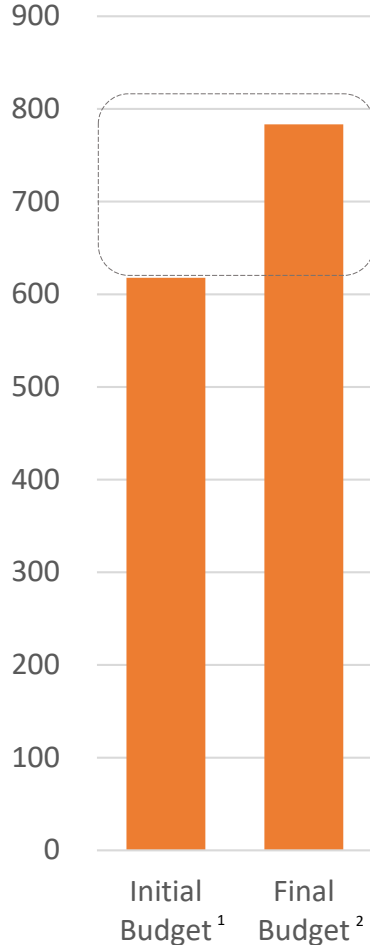
## How is DEFRA's investment spending changing in 2019-20?

DEFRA investment budget increased by £165.5m (+26.8%)

The increase is driven by the switch from day-to-day spending (mainly for the Environment Agency)

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20

(Capital DEL budget in £m)



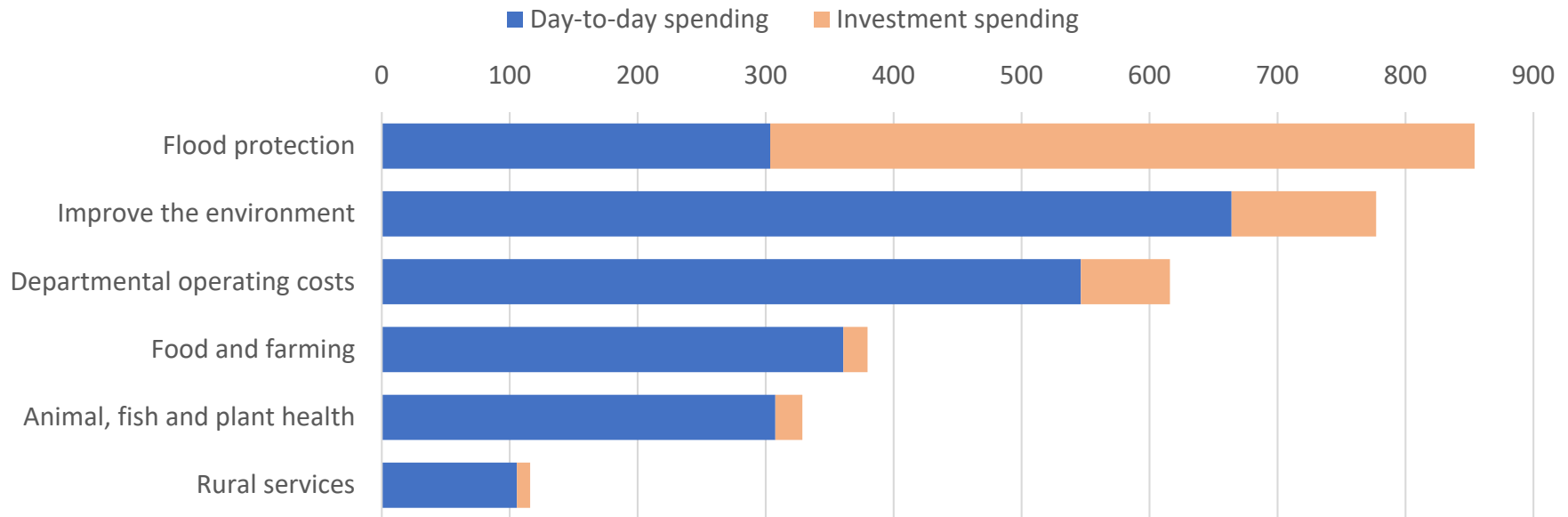
### Changes to in-year budget

- **Switch from day-to-day budget:** Defra regularly switches money to the investment budget when there is more certainty about flood and improvement projects. £37 million of the switch is within the Environment Agency
- **Flood regeneration, new flood defences and flood repairs:** a total £50 million additional funding for work related to flooding, including the Carlisle flood defences.
- **Bridging payments to farmers:** funding to pay eligible farmers and land-owners with outstanding loans under the Environmental and Countryside Stewardship scheme (re-imbursment will be sought from the EU once payments are fully processed).

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

## Breakdown of spending, £m: Defra



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

- **Flood protection** is almost entirely composed of the Environment Agency (EA) budget, and the combined budget with investment spending is more important (EA regularly moves funding to the investment budget through the year).
- **Improve the environment** constitutes many programmes, including natural environment and atmosphere improvement (£249 million) wildlife, international, climate and forestry programme (£64 million), water (£43 million) and waster (£29 million)
- **Departmental operating costs** include £189 million of core EU Exit planning costs

### Investment spending (Capital DEL)

- **Flood protection** investment spending is the largest element of the Defra budget (70% of investment, 20% of total) and is administered by the Environment Agency; Defra publishes details of central government funding for [flood and coastal erosion risk management \(FCERM\) in England](#)
- Improve the environment again constitutes many programmes, of which EA environmental protection (£37 million) is largest.

Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

# Department for Exiting the EU

## Spending trends

The Department for Exiting the European Union (DEXEU) was **established on 14 July 2016, and closed on the 31st January 2020.**

DEXEU has been responsible for **overseeing negotiations to leave the EU and establishing the future relationship between the UK and EU.** This included leading the Government's preparations for leaving the European Union, domestic preparations in both a deal and a no deal scenario, the necessary legislation to ensure a smooth exit, and preparations for the negotiations to implement the detail of the future framework.

Since its establishment, the Department's resource expenditure had increased dramatically, reflecting the increasing intensity of Brexit negotiations and preparations. **All funding was transferred to the Cabinet Office at the 2019-20 Supplementary Estimate.**

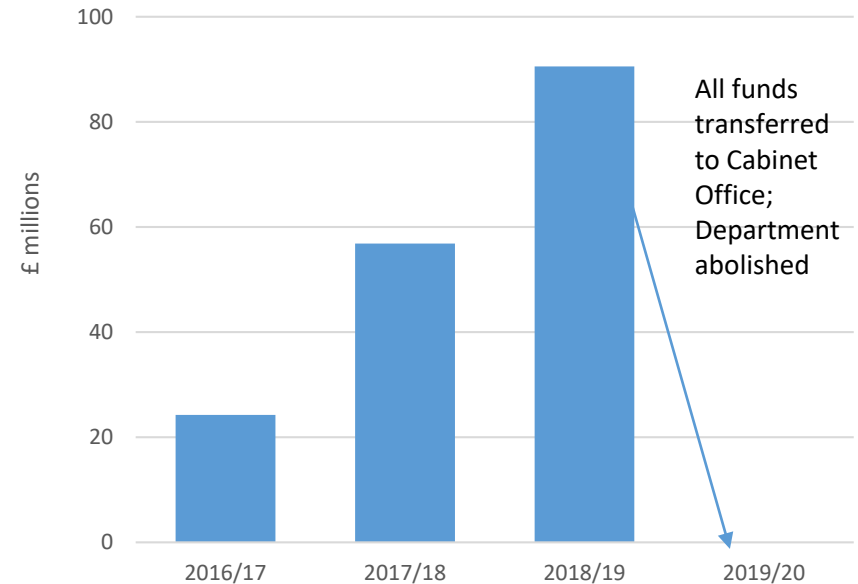
## Abolition

It was announced that **the Department would close in December 2019,** and abolition formally took place on 31 January 2020 – the Day the UK left the EU.

Those of its functions which are still required have **been transferred to relevant government departments.** The administration of the closure of DEXEU is being carried out by the Cabinet Office.

HM Government said that they would assist staff in looking for new jobs.

### Spending trends (£m, nominal)



### Investment budget

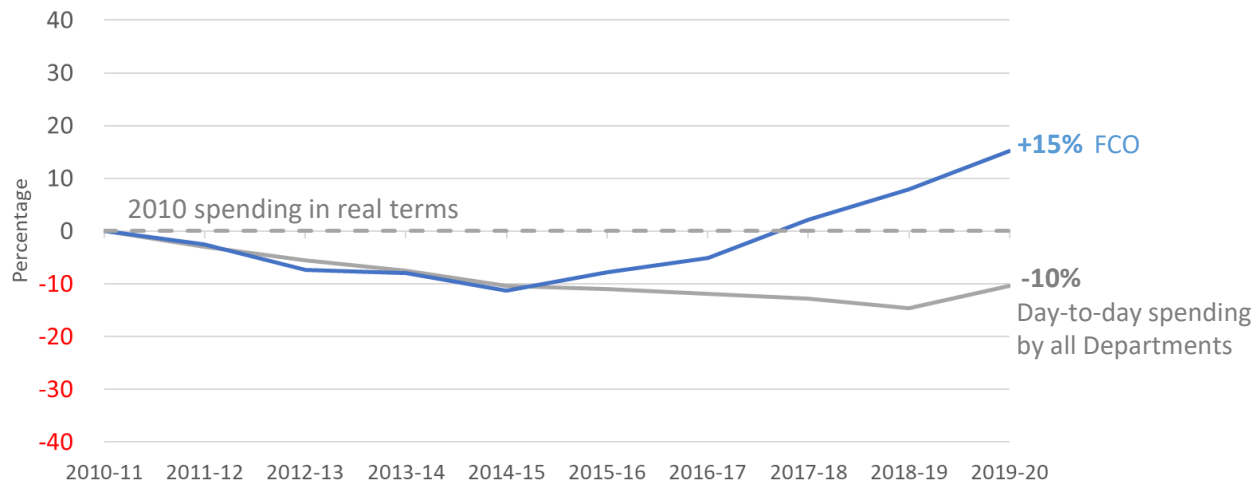
DeXEU had a **small investment budget of less than £1 million,** which was also transferred to the Cabinet Office upon its abolition.



# Foreign & Commonwealth Office

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

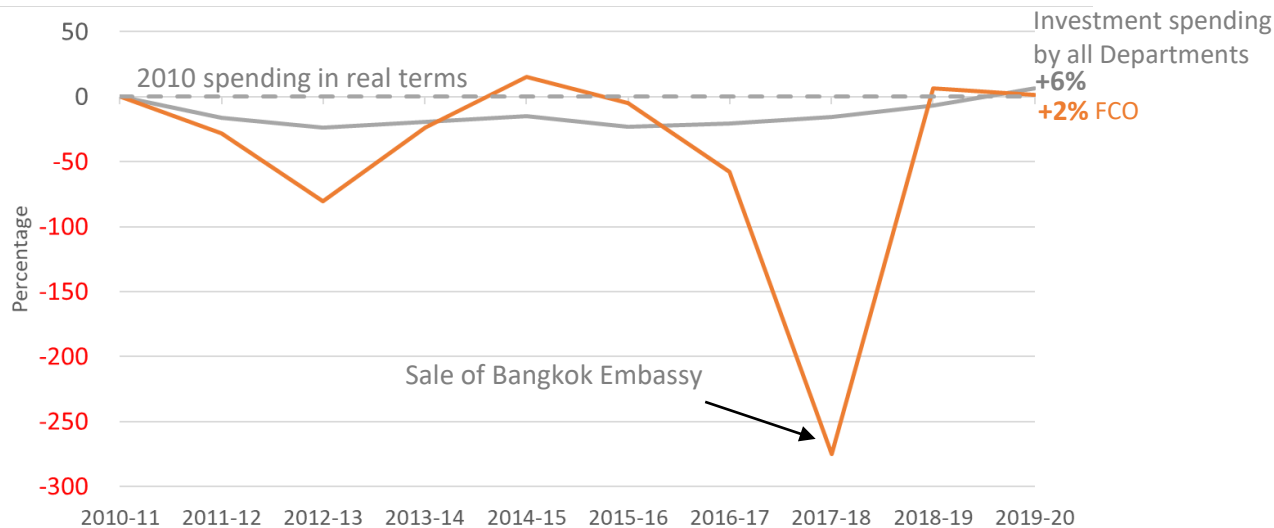
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- In real terms FCO spending **reduced in the 2010 Spending Review period at roughly the same rate as other Departments, but increased in the 2015 Spending Review period.**
- The relatively sharp increase from 2016-17 reflects increased spend related to exiting the EU and 'Global Britain', as well as the FCO being allocated an increasing proportion of the Overseas Development budget and the cross-Whitehall CSSF and Prosperity funds.

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



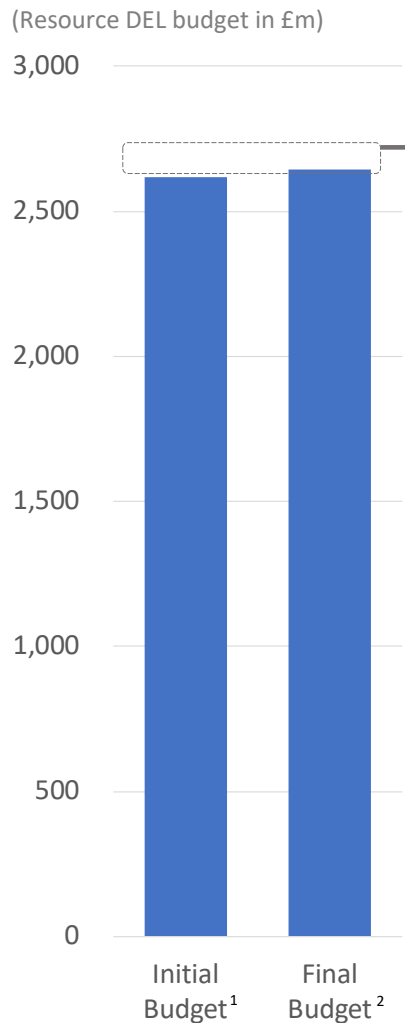
## Investment spending trends:

- There are often large **fluctuations** in FCO's investment budgets year-on-year due to **the investment profile of capital projects as well as one-off income gains from sales of assets.** In particular, the large 'negative' capital spend is a result of **£426m sale of the British embassy in Bangkok**, of which £385 million was recognised in the 2017-18 accounts and £41 million deferred to future years.
- The FCO's investment programme is dependent **on asset sales** (in particular the sale of the Bangkok embassy compound), and the Department has **flexibility from HM Treasury to draw down sale proceeds to reinvest** in later years.

# How is FCO's day-to-day spending changing in 2019-20?

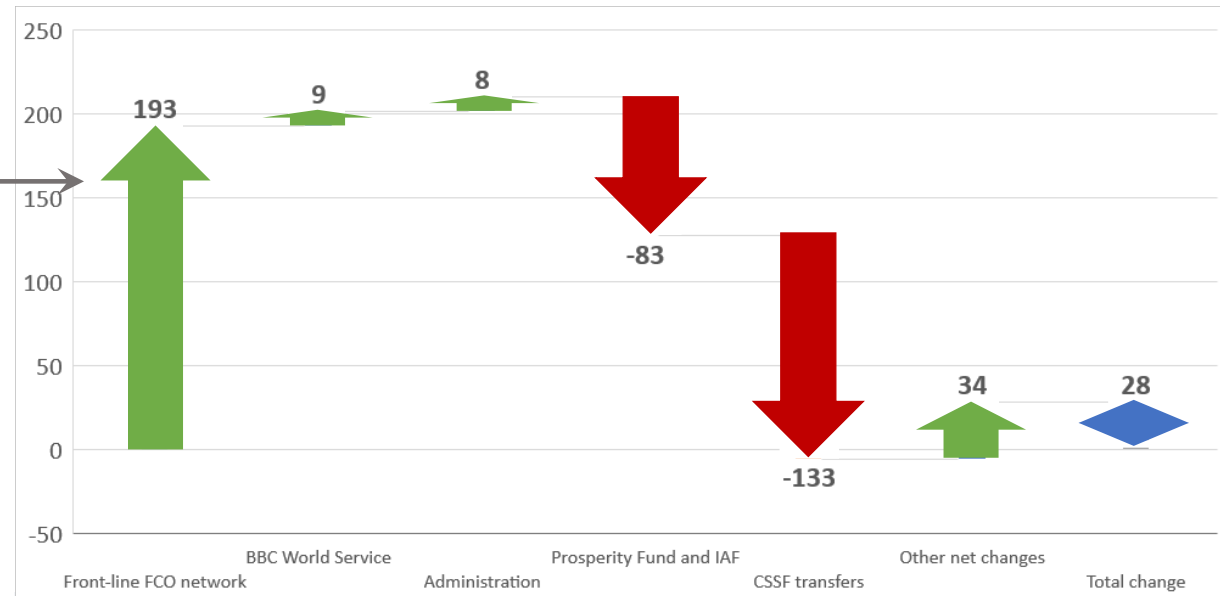
FCO spends 0.7% of Resource DEL for all Departments

FCO day-to-day budget increased by £28.3m (+1.1%)



FCO's modest increase is driven by increases to their front-line budget, such as embassy running costs

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

Since the initial budget there has been some additional funding and some technical budget adjustments. The additional funding included £22.5 million drawn down from the proceeds of the Bangkok Embassy sale in 2017-18 for maintenance work on the FCO estate that cannot be capitalised, and £2.9 million for EU exit preparations.

The additional funding has been partially offset by transfers to other Departments (particularly cross-Whitehall funds like the CSSF). The FCO budget transfers amount to £134.6 million, including £6 million from the MoD for the NATO Conference, £56 million to DFID of the Prosperity Fund, and £84.6 million of CSSF funding transferred to various other government departments, including £35.9 million to DFID.

The FCO made a claim of £40.6 million on the Emergency Disaster Relief Fund, which will help it respond to emergencies including the collapse of Thomas Cook and COVID-19.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)  
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

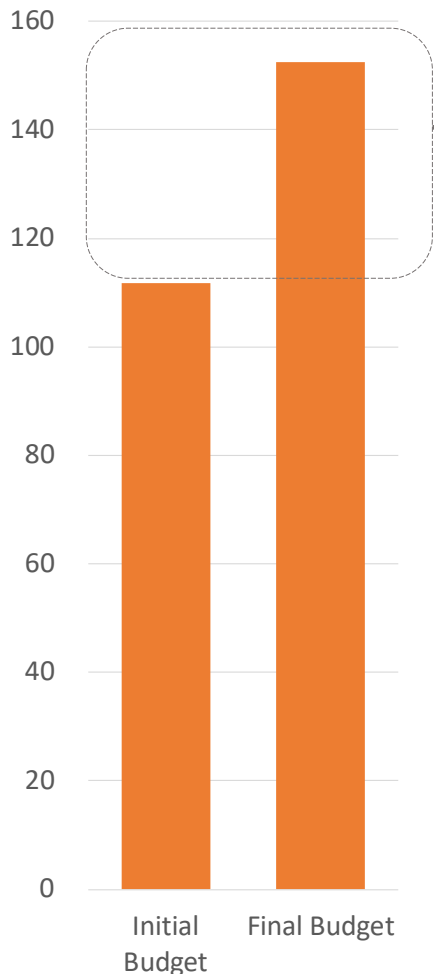


# How is FCO's investment spending changing in 2019-20?

FCO spends 0.2% of Capital DEL for all Departments

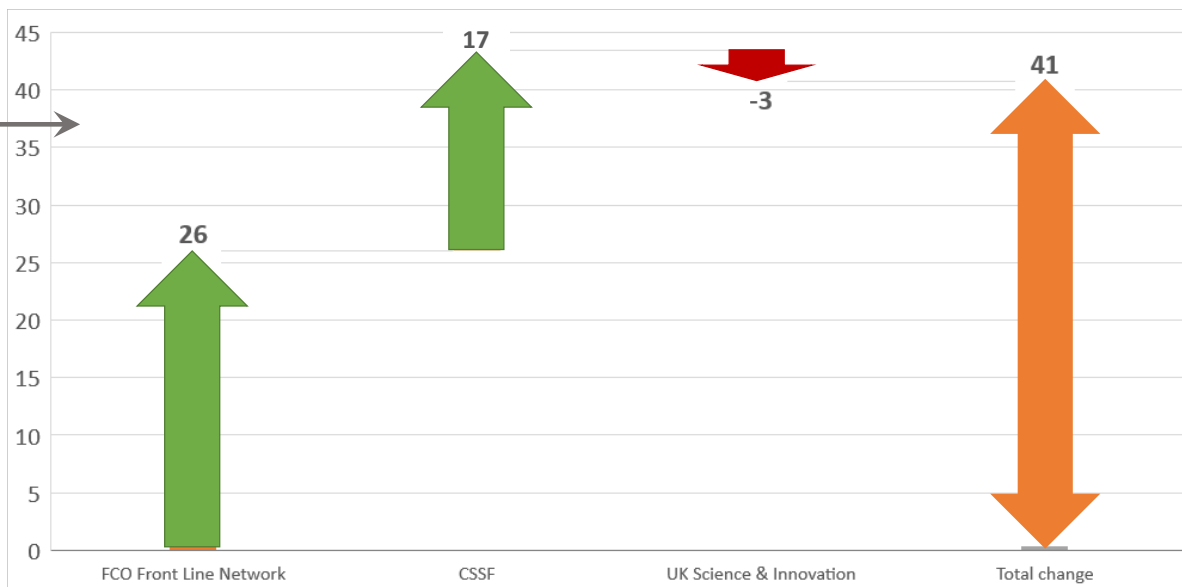
FCO investment budget increased by £40.7m (+36.4%)

(Capital DEL budget in £m)



The FCO continues to draw down on the proceeds of the Bangkok Embassy sale to fund its investment programme

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

The Supplementary Estimate has resulted in an **overall increase of £40.7 million** in excess of the Main Estimate. This is largely funded by **the sale of the British embassy in Bangkok**, where a further £24 million was drawn down from the proceeds of this at the Supplementary Estimate.

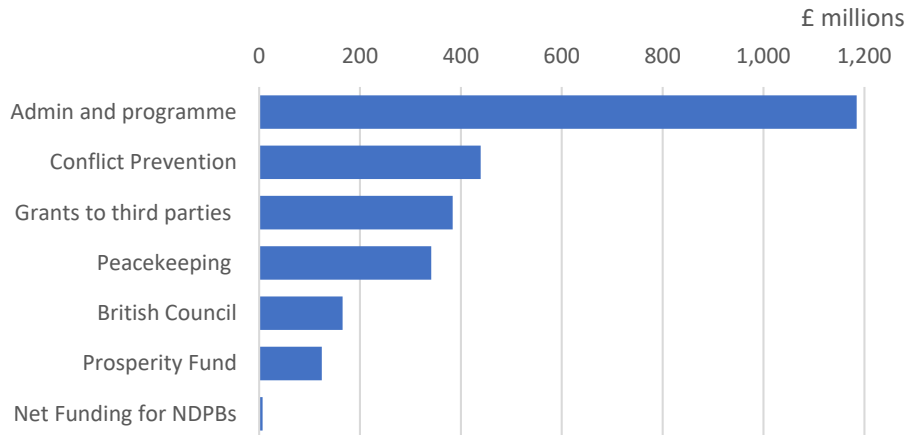
There was a **transfer of CSSF funding of £17.4 million** from Day-to-day budget to Investment.

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)

# Breakdown of departmental spending: what does FCO spend its money on?

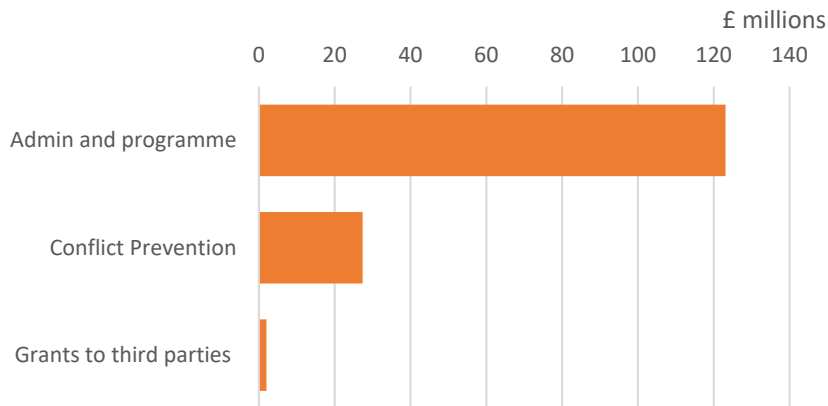
## Total day-to-day spending of £2,655m:



### Day-to-day spending

- The majority (**59%**) of FCO's day-to-day expenditure is categorised as "Admin and Programme", which includes, for example, **embassy running costs, international subscriptions and funding for the BBC World Service.**
- Cross government funds including **the Prosperity Fund and the CSSF** (which funds conflict prevention and peacekeeping activities) together make up around **34%** of the FCO's day-to-day spending

## Total investment spending of £152.5m:



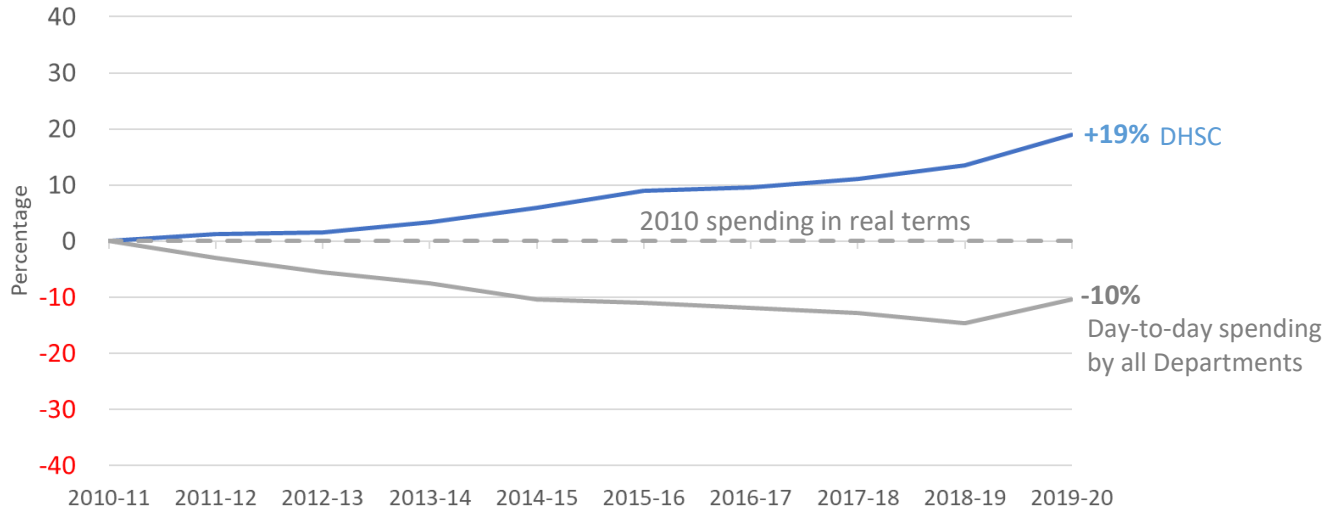
### Investment spending

- Most of the FCO's investment budget is spent **on security and technology**. It has also funded works in the FCO's new **Global Britain posts** and provided **electric/hybrid cars** to 30 overseas missions.
- CSSF capital spending on conflict prevention amounts to **£27.4 million**, or **18%** of the total investment budget.
- The proceeds of **the Bangkok Embassy sale** will support a number of projects under the FCO's **Global Asset Management Plan (GLAMP)**. These include the fit-outs of new embassies in Bangkok, Mexico City and a number of smaller posts in their network, as well as commencing major refurbishments/reconfiguration programmes in Washington and Paris.

# Department of Health and Social Care

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

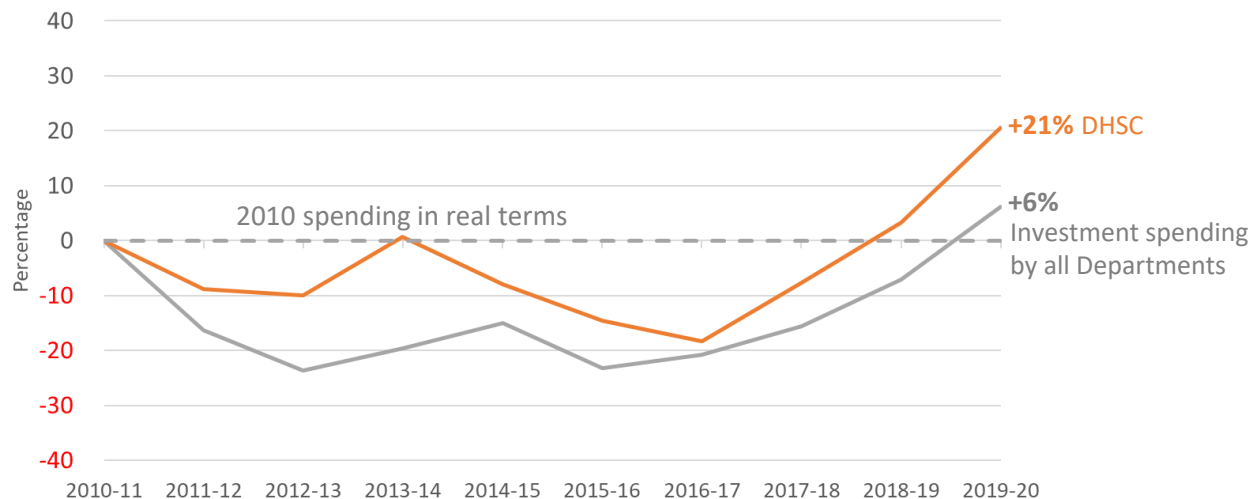
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



### Day-to-day spending trends:

- **Health spending for day-to-day costs, such as staff, has grown by 19% in real terms since 2010-11.** Over the same time period total departmental spending (of all departments) has **fallen by 12%**.
- The rate of growth slowed between 2015-16 and 2017-18 but has picked up again since then.

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



### Investment spending trends:

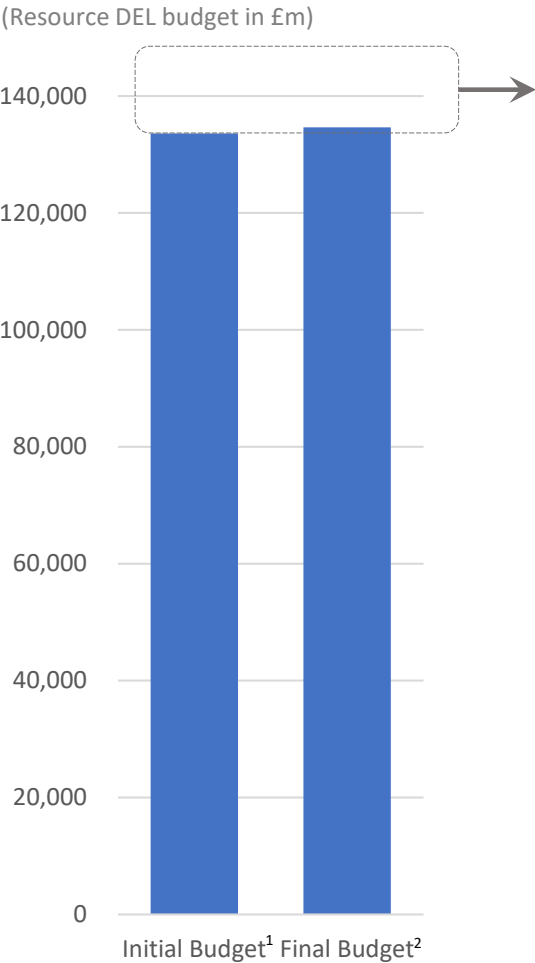
- The nature of capital projects means that **the level of investment can be more volatile from year-to-year.**
- Between 2013-14 and 2016-17 investment spending fell significantly in real terms but has increased since. **The investment budget for 2019-20 is set to 1% higher in real terms than investment levels were in 2010-11.**

# How is DHSC's day-to-day spending changing in 2019-20?

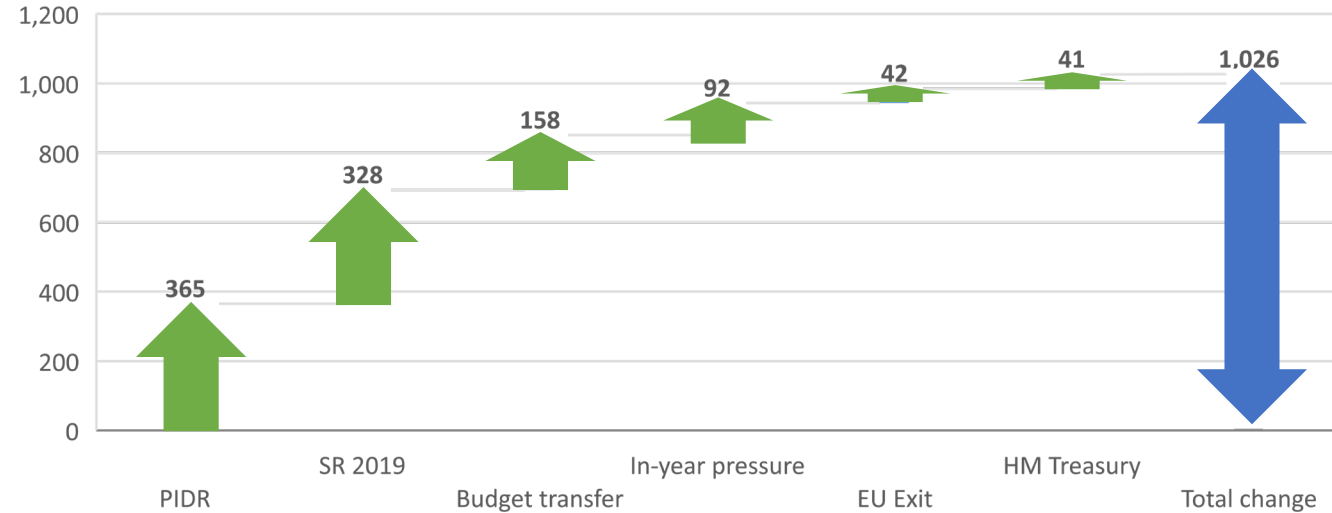
DHSC spends 36.1% of Resource DEL for all Departments

DHSC day-to-day budget increased by £1,026.4m (+0.8%)

Increases mostly driven by the changes Personal Injury Discount Rate, and the Spending Review 2019 adjustment



Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

- There has been an in-year increase of £1,026.4m (+0.8%) to DHSC's day-to-day budget, which now stands at £134,627.8m.
- The Personal Injury Discount Rate (PIDR) changed resulting in an increase of £365m.
- Increase of £328m to reflects the baseline addition made as part of Spending Review 2019.
- £158.1m increase relating to budget transfers from Other Government Departments.
- £92m increase requested to cover in-year budgetary pressures.
- £42m increase due to preparations for EU Exit.
- Increase of £41m from HM Treasury relating to the 2018-19 Immigration Health Surcharge (£39m) and LIBOR grants (£2m)

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



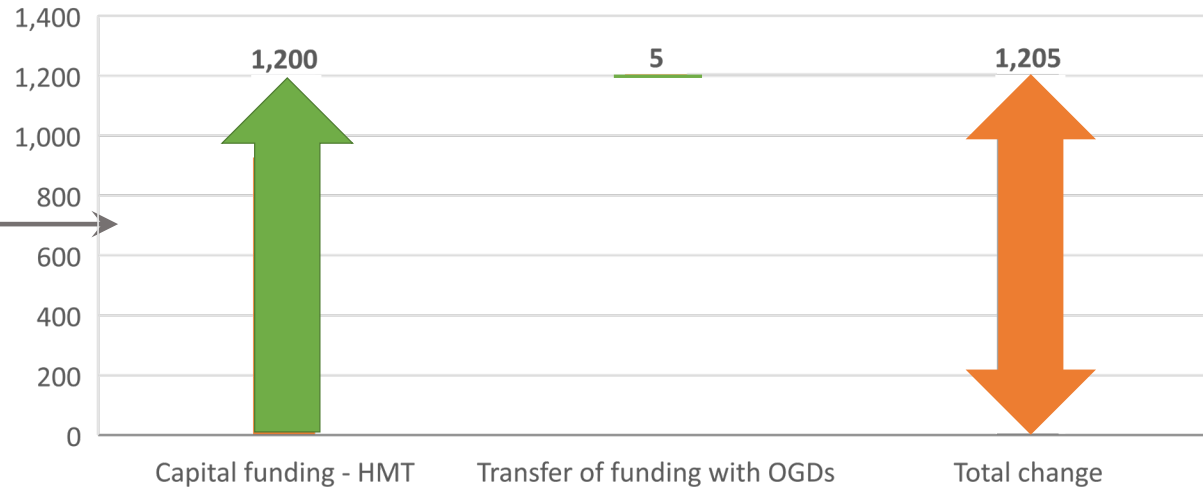
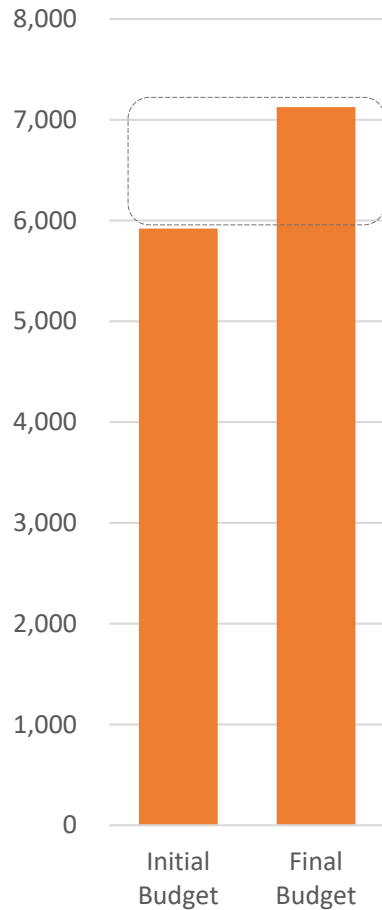
# How is DHSC's investment spending changing in 2019-20?

Put an active title here

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20

DHSC investment budget increased by £1,204.7m (+20.3%)

(Capital DEL budget in £m)



### Changes to in-year budget

- DHSC's capital investment budget is set to increase by £1,204.7m from £5,920.4m to £7,125.1m.
- £1,200.0m is additional funding from the HM Treasury reserve to formalise various announcements previously made by the Government which include:
  - £1,000m to boost NHS Capital Spending;
  - £100m to upgrade facilities and equipment; and
  - £100m for cancer screening overhaul to improve diagnosis.
- The remaining £4.7m increase come from inward budgetary transfer from Other Government Departments.

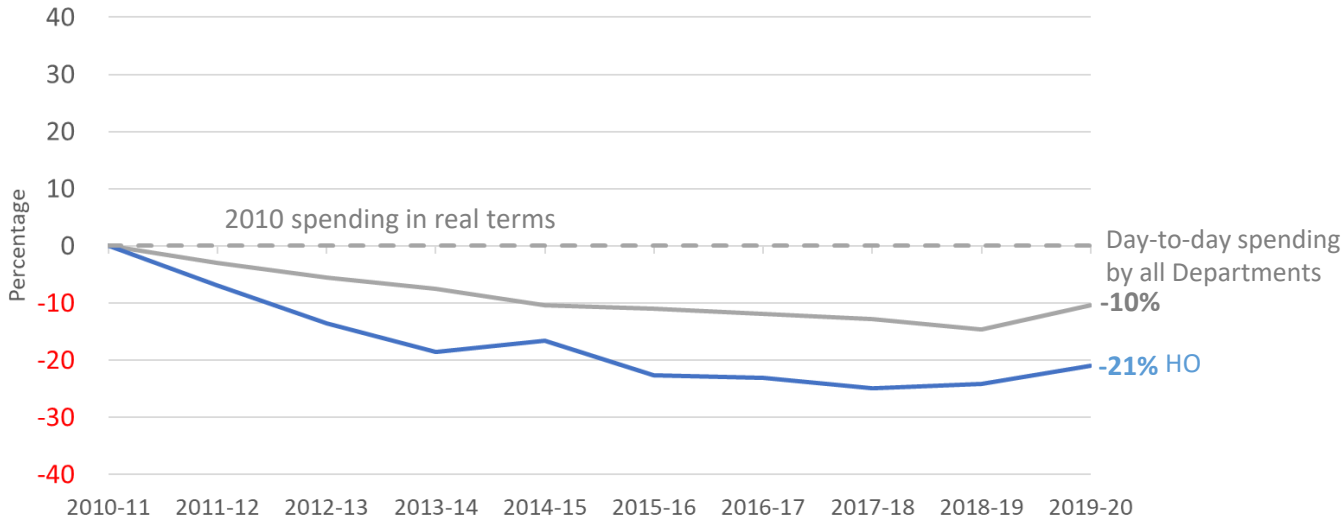
<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)

# Home Office

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

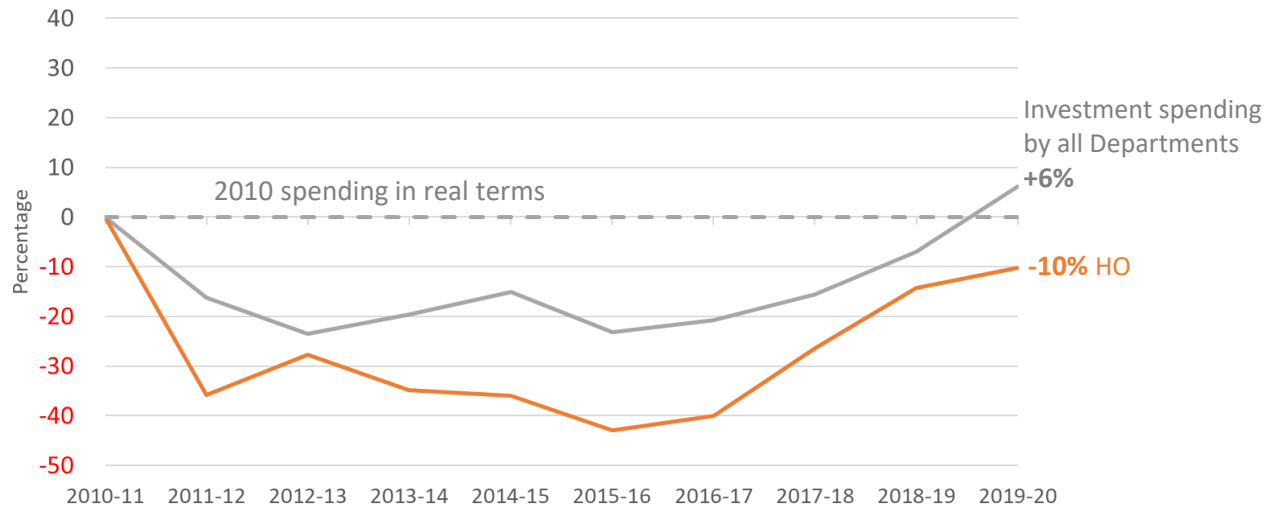
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- By 2017-18 the budget had **decreased by 25% in real terms** compared to 2010-11.
- Since then increases have largely been driven by **additional funding for EU Exit preparations**.
- Additional funding for **new police officers** is likely to continue this increasing trend.

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



## Investment spending trends:

- As with day-to-day spending, the investment budget was **reduced under post 2010 austerity**; in 2015-16 it was **43% lower** than it had been in 2010-11.
- Recent increases largely represent **additional EU Exit funding**;

# How is Home Office's day-to-day spending changing in 2019-20?

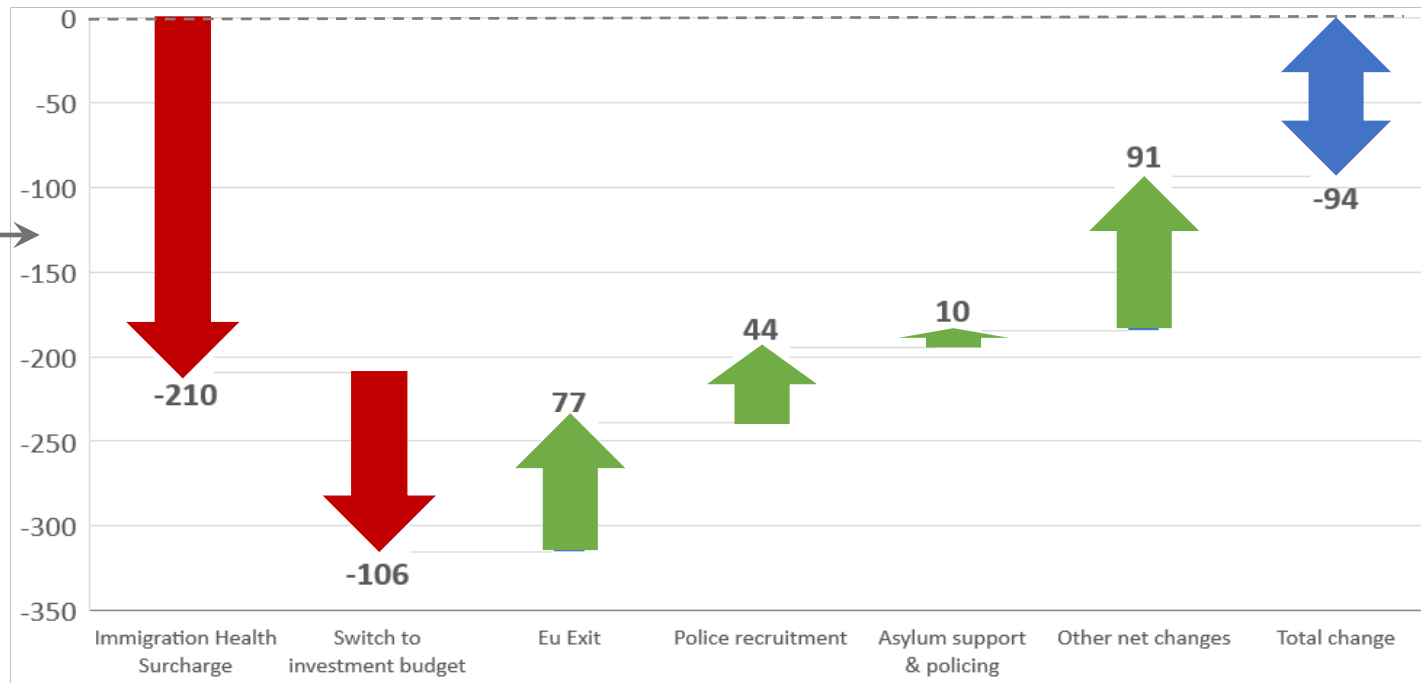
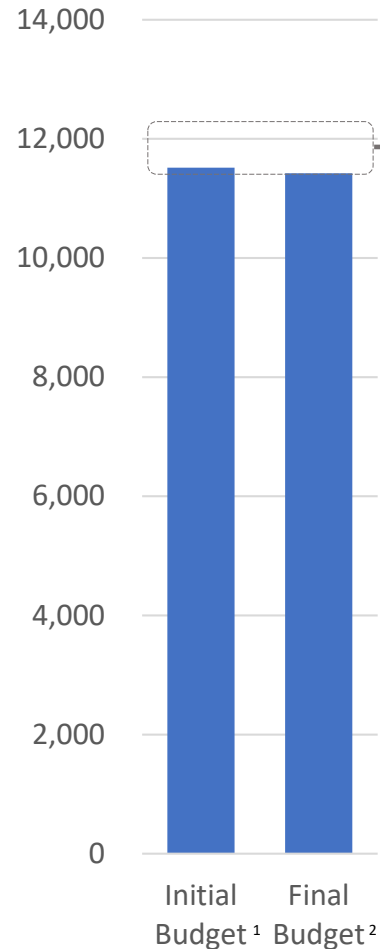
HO spends 3.1% of Resource DEL for all Departments

HO day-to-day budget decreased by £93.5m (-0.8%)

The minimal reduction is mainly caused by the Immigration Health Surcharge

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20

(Resource DEL budget in £m)



## Changes in in-year budget

- **Immigration Health Surcharge:** each year 75% of income received for the surcharge is transferred to DHSC at the Main Estimate and the remainder in the Supplementary Estimate.
- **Switch to investment budget:** the budget for Major Law Enforcement is re-classified as investment
- **EU Exit:** additional funding for preparations for EU Exit.
- **Police recruitment:** the campaign to start the recruitment of 20,000 additional officers began in October 2019.
- **Asylum support and policing:** additional funding to 'cover pressures' that have emerged.

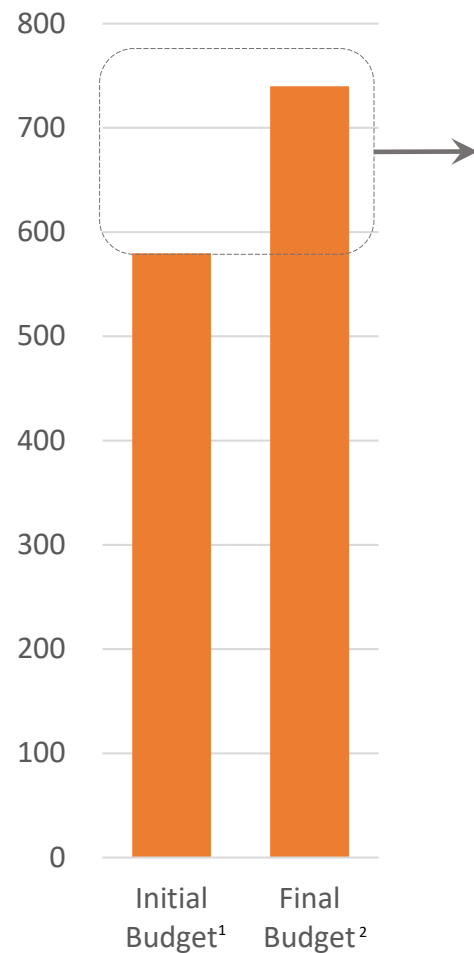
<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# How is Home Office's investment spending changing in 2019-20?

HO investment budget increased by £160.1m (+27.6%)

(Capital DEL budget in £m)



The increase is mainly driven by a re-classification of Major Law Enforcement day-to-day spending

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



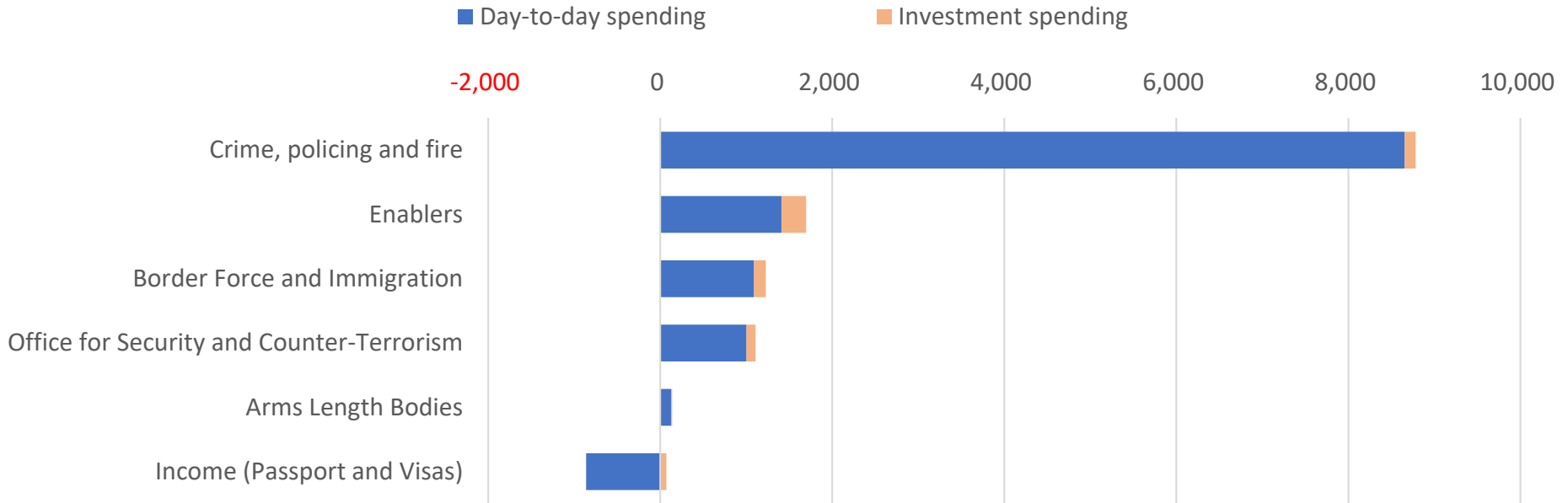
## Changes to in-year budget

- **Switch from day-to-day spending:** the budget for Major Law Enforcement is re-classified as investment
- **EU Exit:** additional funding for preparations for EU Exit

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

## Breakdown of spending: what does Home Office spend money on? £m



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

- **Crime, policing and fire** (CPF) group includes Serious and Organised Crime; day-to-day spending in these areas constitutes around 75% of day-to-day spending.
- **Enablers** represents cross-departmental functions such as digital, data and technology.
- **Border Force and immigration** includes Border Force (£623 million) as well as Immigration Enforcement (£392 million) and policy and strategic functions (£75 million).
- Home Office receives **income** from UK Visas and Immigration and HM Passport Office (total £861 million); this is shown as a negative above, and helps reduce net spending.

### Investment spending (Capital DEL)

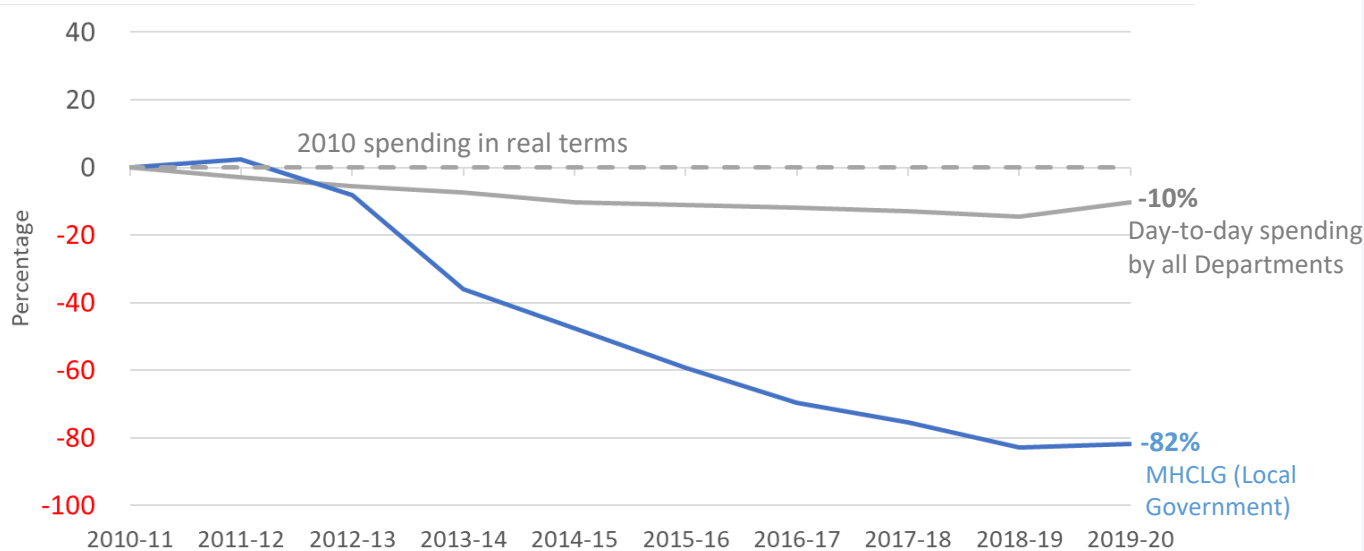
- Investment spending is very low compared to day-to-day spending, reflecting the labour intensive nature of policing and
- The budget for **Enablers** represents 39% of investment spending, due to its heavy use of IT, and the transfer of the Major Law Enforcement group from the CPF, which is also capital-heavy.
- **Border Force** received a budget increase of £90 million (488%) since the Main Estimate, largely due to EU Exit funding.

Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

# Ministry of Housing, Communities and Local Government

# Long term trends in MHCLG's spending on local government (in real terms)

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



## Day-to-day spending trends:

- MHCLG day-to-day funding for local government **has reduced significantly since 2010-11 as grants have been reduced and replaced by retained business rates** which are not included in these figures.
- MHCLG forecasts that **core spending power of local government** (which includes business rate retention, council tax and central government grants) **will increase by around 2.8% in 2019-20.**

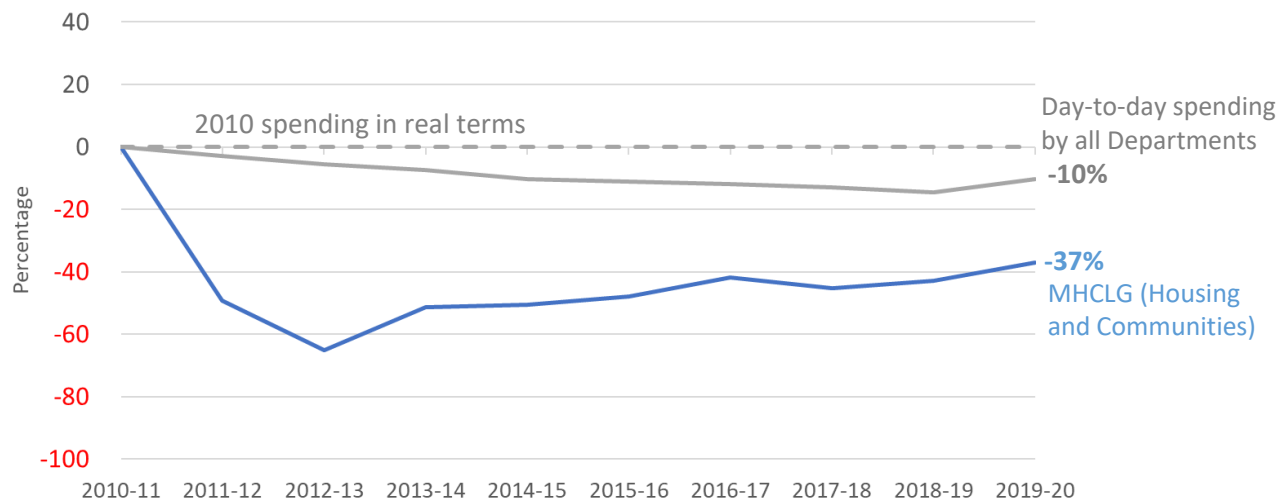
## Changes to in-year budget

- *MHCLG - Housing & Communities* day-to-day local government budget **decreased by a net amount of £19.7m (-0.4%) from £5,205.8m to £5,186.1m.**
- The decrease is due to budget cover transfer with the Department (i.e. moving funds from one spending area to another).



# Long term trends in MHCLG’s spending on housing and communities (in real terms)

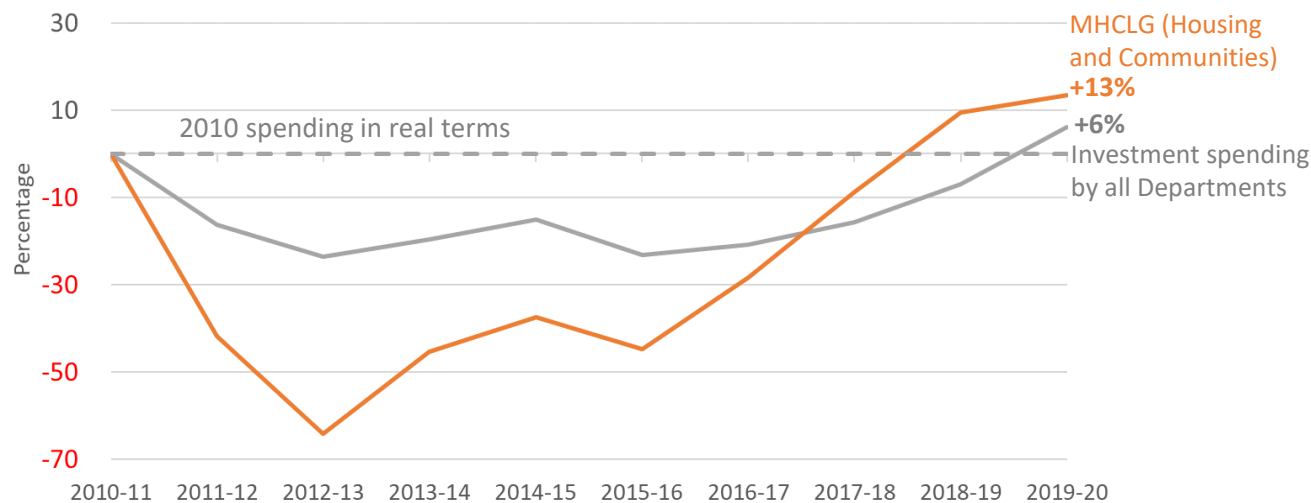
Percentage change in Day-to-day spending compared to 2010 (Resource DEL):



## Day-to-day spending trends:

- The **day-to-day budget** for MHCLG (Housing and Communities) **fell significantly between 2010-11 and 2012-13** but since then it has risen.
- However the day-to-day **budget for 2019-20 is still much lower (42% lower in real terms)** than it was in 2010-11.

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



## Investment spending trends:

- The **investment budget** for MHCLG (Housing and Communities) fell significantly between 2010-11 and 2012-13 but since then has increased and is now **42% higher in real terms than investment was in 2010-11**.
- The main driver behind the increases in recent years are **higher levels of financial transactions** (mostly Help to Buy loans) which make up over half of the 2019-20 budget.

# How is MHCLG's day-to-day spending on housing and communities changing in 2019-20?

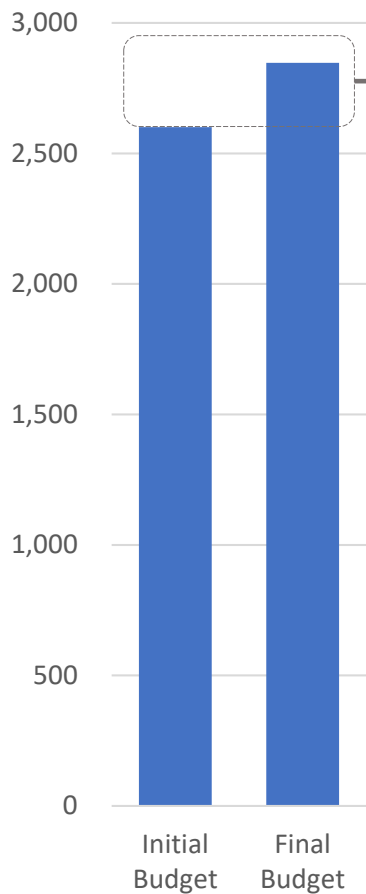
MHCLG spends 0.8% of Resource DEL for all Departments

MHCLG day-to-day Housing and Communities budget increased by **£246.4m (+9.5%)**

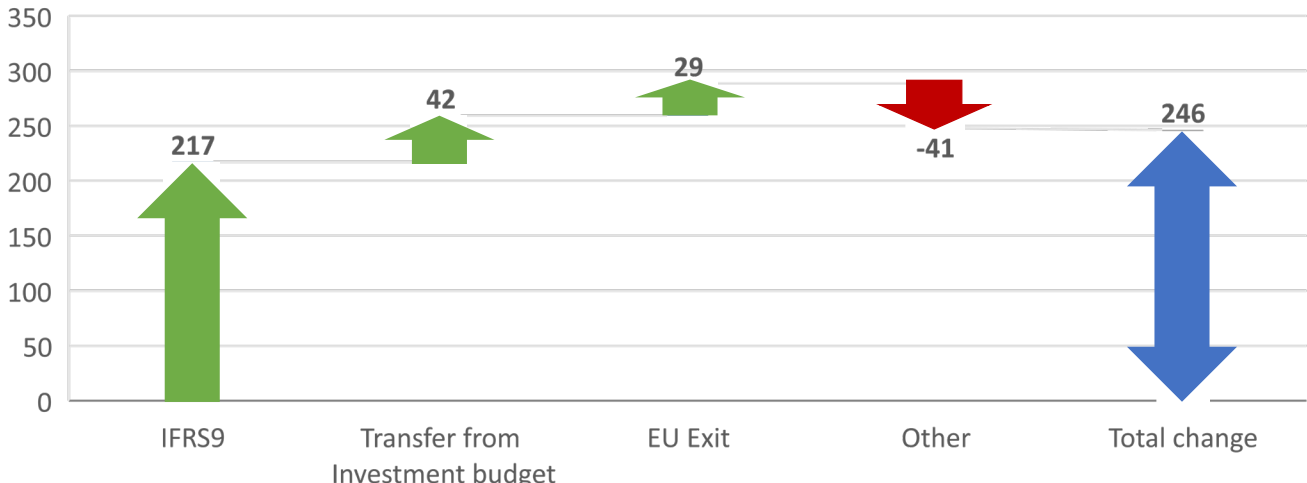
(Resource DEL budget in £m)

The increase MHCLG's budget for Housing and Communities is driven by a change in International Financial Reporting Standards (IFRS)

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



1 2



### Changes to in-year budget

- Total MHCLG - Local Government Resource DEL budget **increased by a net amount £246.4m (+9.5%)** from £2,600.6m to £2,847.0m.
- The main increases were:
  - **£217m** accounting adjustment required for the introduction of **IFRS9** which changes how financial instruments are accounted for;
  - **£42m** for the acquisition of More Land in the Right Places funded though a transfer from the Investment Budget (Capital DEL);
  - **£29m** relating to **EU Exit costs**.
- Other is the net position of various small budget transfers, budget exchanges and reserve claims.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

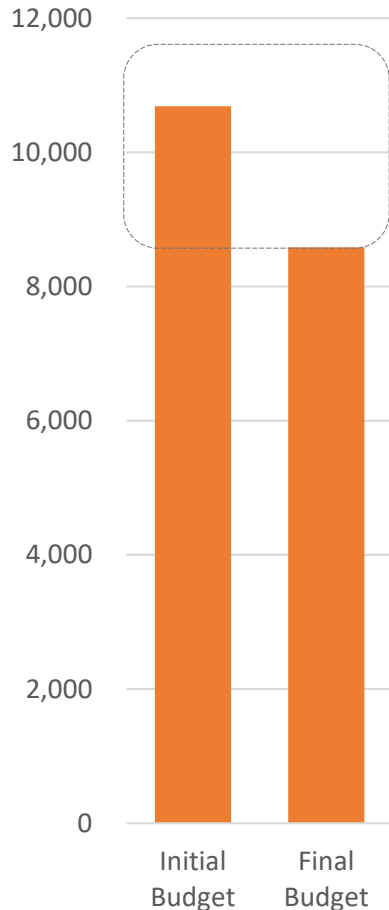
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



# How is MHCLG's investment spending on housing and communities changing in 2019-20?

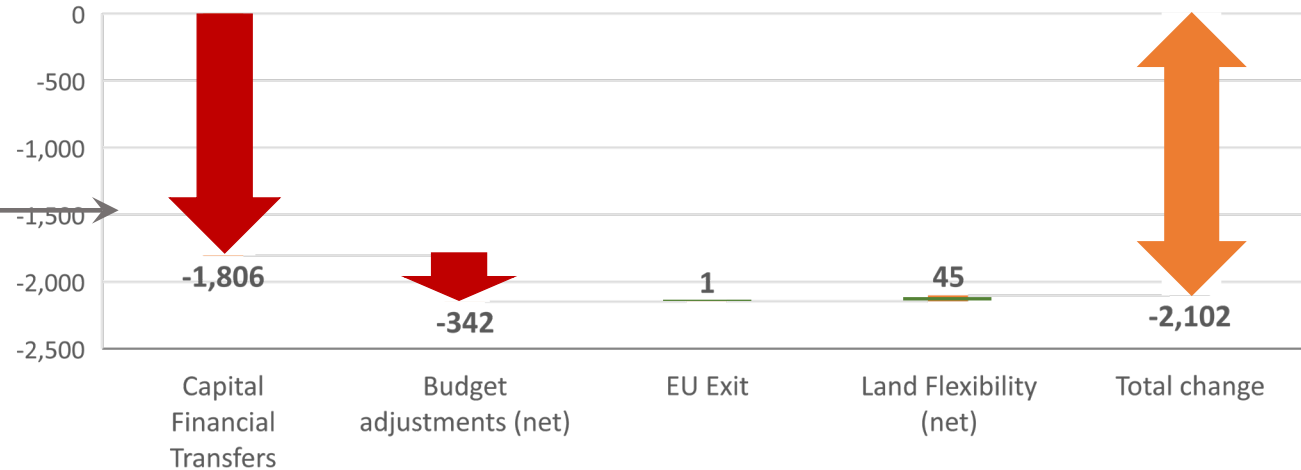
MHCLG spends 11.8% of Capital DEL for all Departments

**MHCLG investment budget for housing and communities decreased by £2,101.7m (-19.7%)**  
(Capital DEL budget in £m)



## Put an active title here

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

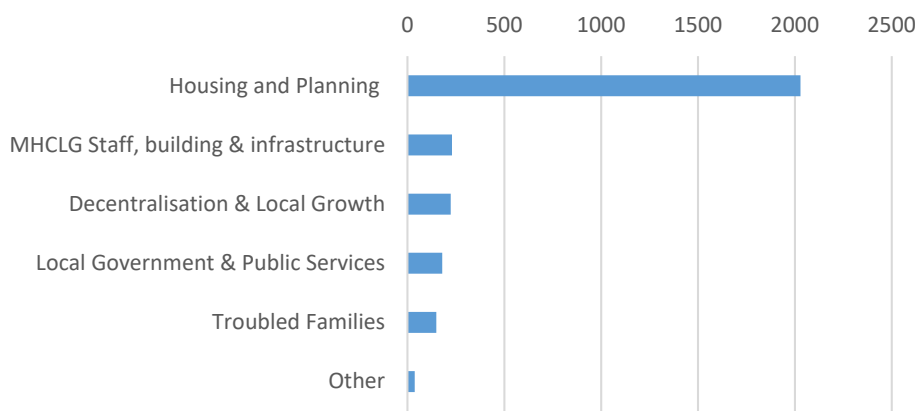
- The in-year budget has **decreased by £2,101.7m (-19.7%) to £8,584.4m**.
- The decrease has been mainly driven by:
  - £1,067.0m reduction in the “Departmental Unallocated Provision”, which is **an overall contingency budget that is no longer required**;
  - Budget surplus release of £410.2m due to **lower than expected demand for Help to Buy**;
  - Surrender of £337.3m relating to **Market Diversification and Guarantees that are no required**.
- A net increase of £45.4m in **Public Sector Land Flexibility funding**, which allows some of the approved budget to be moved between financial years.
- The remaining reductions are due to other financial transactions being lower than expected and income being higher than forecast (which reduces net spending).

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)

## Breakdown of spending: MHCLG

### MHCLG's Housing and Communities day to day spend (£m)



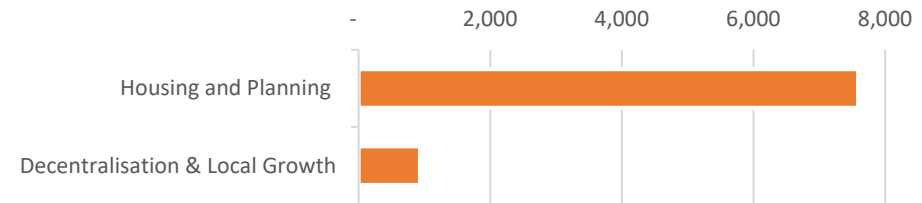
### Housing and Communities day-to-day spending (Resource DEL)

- 71% of spend is on Housing and Planning, which includes Departmental and Arms Length Bodies spend (£2,029m).
- 8% of spend is on MHCLG staff, buildings and infrastructure (£229m).
- 8% of spend is on Decentralisation and Local Growth (£223m).
- 6% of spend is on Local Government and Public Services (£179m).
- 5% of spend is on Troubled Families (£149m).
- 1% of spend is on Other.

### Housing and Communities investment spending (Capital DEL)

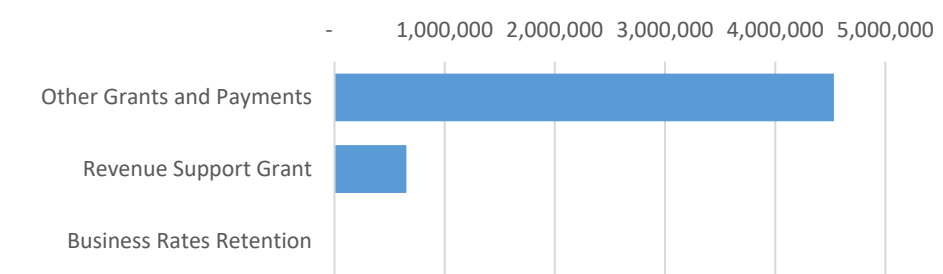
- 88% of spend is on Housing and Planning, which includes Departmental and Arms Length Bodies spend (£7,587m).
- 11% of spend is on Decentralisation & Local Growth (£932m).
- 1% of spend on Other which includes Research, MHCLG buildings, and Local Government and Public Services (£65m)

### MHCLG's Housing and Communities investment spend (£m)



Note: Graph does not include £0.07bn spent on Other (1%).

### MHCLG's Housing and Communities day to day spend (£m)



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

- 87% of spend is on Other Grants and Payments (£4,532m).
- 13% of spend is on Revenue Support Grant (£653m).
- £207k of spend is on Business Rates Retention.

### Local Government investment spending (Capital DEL)

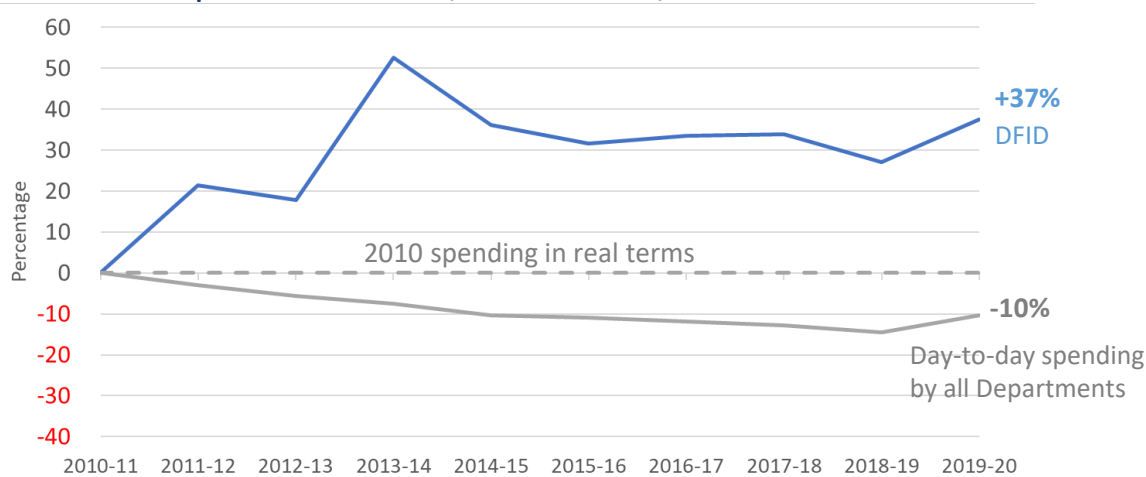
There is no budget for Local Government investment spend.



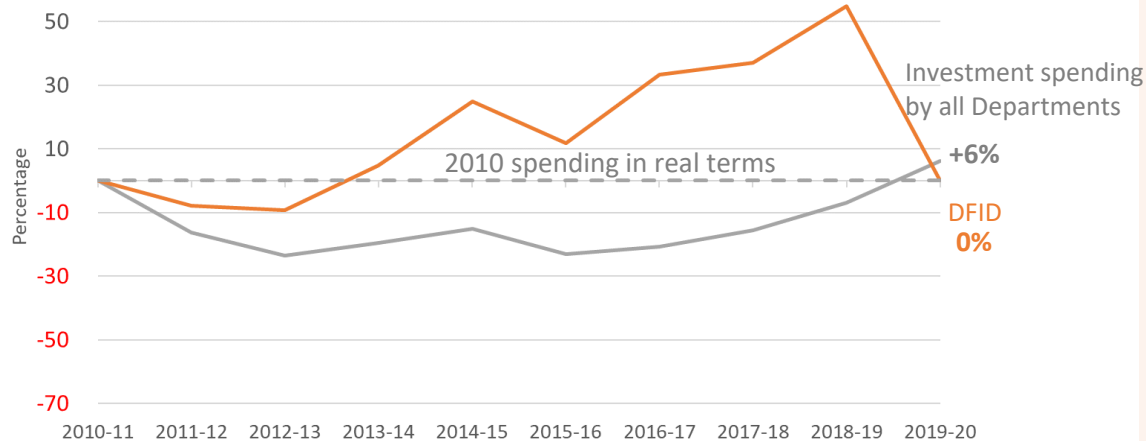
# Department for International Development

## Long term trends in DFID'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

- Since 2010/11 there has been a **37% real terms increase** in DFID's day to day spending. DFID increased expenditure substantially in the 2010 Spending Review so that by 2013-14 the UK would meet the government's commitment to achieve the **UN target of spending 0.7% of Gross National Income on Overseas Development Assistance (ODA)**. The UK government signed up to this target in 1974, but only achieved it for the first time in 2013.
- The commitment has meant that DFID, which is the primary ODA spending Department, has not experienced the same level of budget reductions as many other parts of government in recent years
- An increasing proportion of ODA spending is spent by departments other than DFID, and some ODA spend is classified as capital expenditure.

### Investment spending trends:

- Since 2010/11 there has also been a **0% real terms increase** in DFID's investment spending, however investment spend has been volatile year-on-year. Investment spending can also be included in the definition for ODA spending, supporting capital investment overseas.
- The recent sharp dip in investment spending has a corresponding increase in day-to-day spending, due to a transfer of £405 million from DFID's investment budget to day-to-day spending.
- DFID's investment budget is around a quarter of the size of its budget for day-to-day spending.

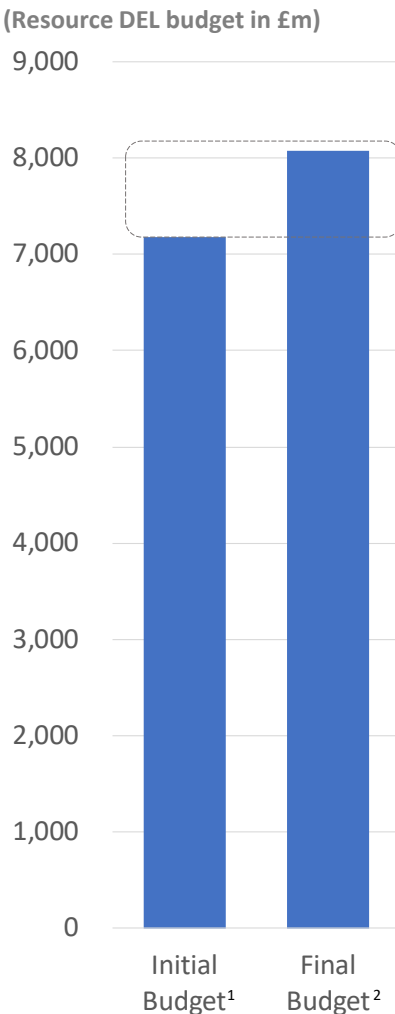
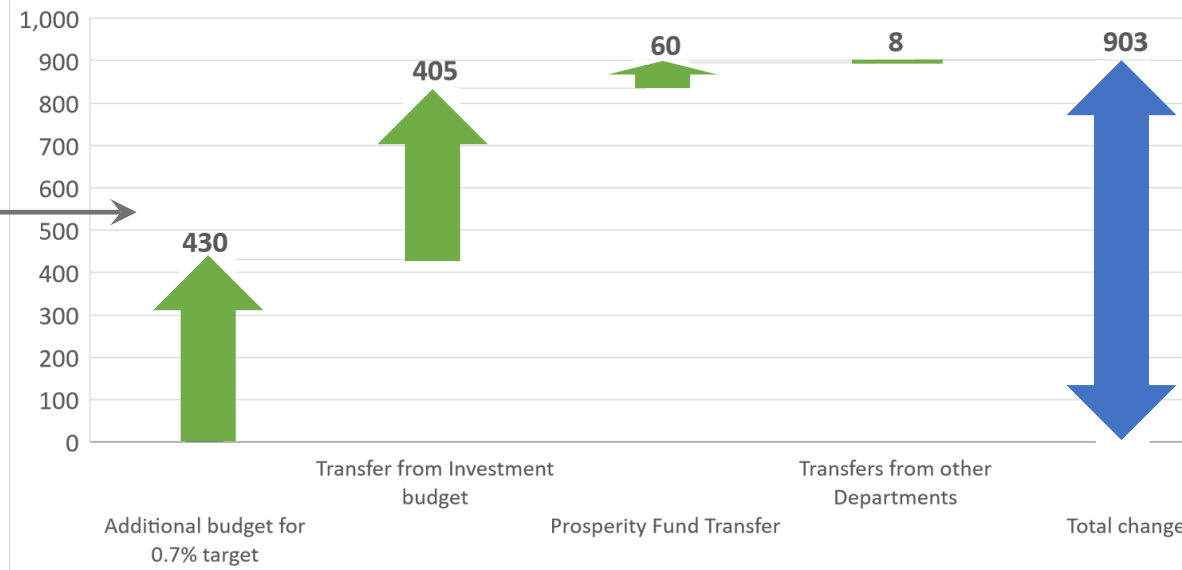
# How is DFID's day-to-day spending changing in 2019-20?

DFID spends 2.2% of Resource DEL for all Departments

DFID day-to-day budget increased by £903m (+12.6%)

DFID's ODA target spend and a large transfer from capital to resource has driven increases in day-to-day spend

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



## Changes to in-year budget

At the Supplementary Estimate DFID received £430 million extra funding from HM Treasury **to ensure that the UK meets its ODA commitment to spend 0.7% of GNI on aid**. The extra funding is to reflect changes to estimates of GNI. This combined with a large transfer of £405 million from investment to day-to-day spending make up the bulk of the overall £903 million increase.

DFID received an additional spend £60 million from the cross-Whitehall Prosperity Fund, which aims to **“support the broad-based and inclusive growth needed for poverty reduction”**.

The rest of the increase is accounted for through a net inward £8 million of **transfers to/from other government departments**. Within the net total the largest transfer was £40.9 million from the FCO to DFID, from the cross-government Conflict, Security and Stability Fund (CSSF).

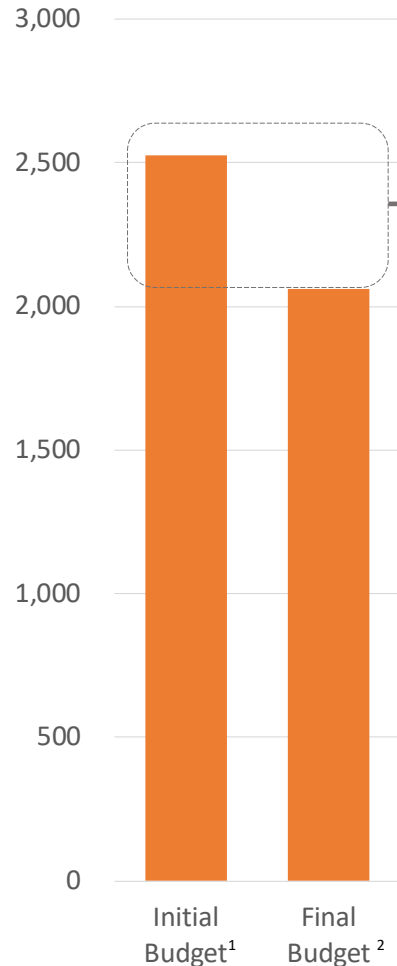
<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# How is DFID's investment spending changing in 2019-20?

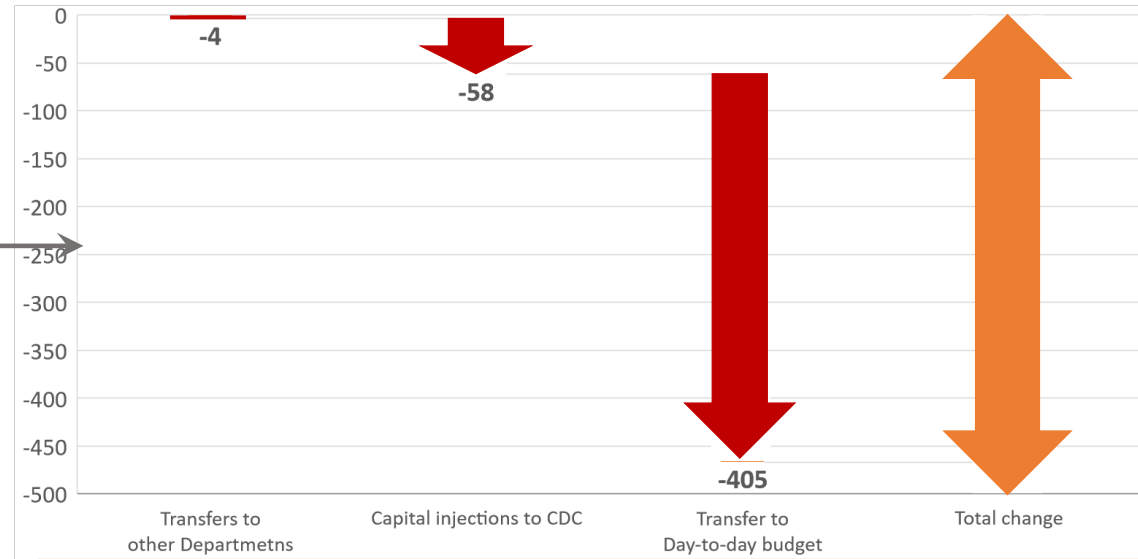
DFID investment budget decreased by £467.2m (-18.5%)

(Capital DEL budget in £m)



Transfers from DFID's investment budget to its day-to-day budget account for around 87% of the £476.2 reduction at the Supplementary Estimate

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



## Changes to investment budget and investment in the CDC

DFID's investment budget is set to **decrease by £405 million** as a result of a **transfer from investment to day-to-day spending**. This is to reflect **increased multi-lateral commitments** funded from the Day-to-day budget.

The Supplementary Estimate plans a £58 million transfer from Investment budget (Capital DEL) to Capital Annually Managed Expenditure to reflect the **Department's capital investment in the CDC, a development finance institution wholly owned by the UK Government**. Total investment into the CDC for 2019-20 now stands at £955 million (2018-29 £736 million).

Other changes are a net £4 million reduction in investment spending due to transfers from DFID to other government departments. The largest transfer was £2.2 million to the FCO as a contribution to **"Estate project costs"**.

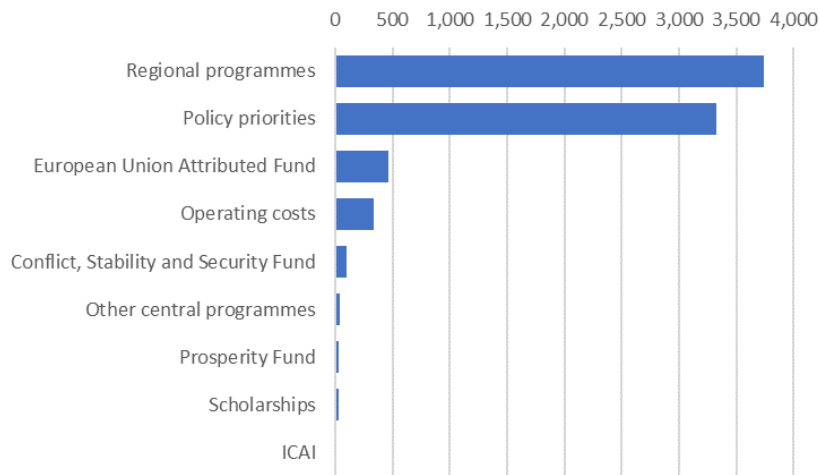
<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



# Breakdown of spend

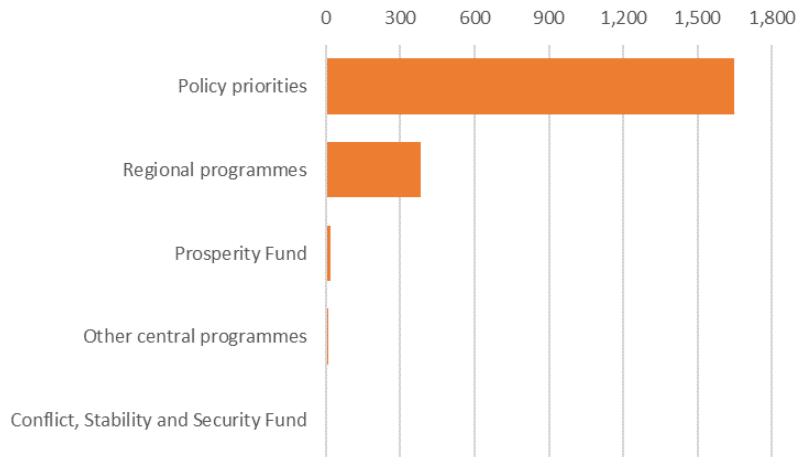
## Total day-to-day spending of £8,079m:



## Day-to-day spending

- **Regional Programmes and Policy Priorities** account for the vast majority (**74%**) of DFID day-to-day expenditure.
- Regional programmes includes **increased funding allocated from the £200 million Crisis Reserve**, allocated so far this year for crises in **Democratic Republic of Congo, Yemen, South Sudan and Somalia**.
- Policy priorities includes **funding provided to international organisations and humanitarian aid**.

## Total investment spending of £3,015m:



## Investment spending:

- DFID spends **£1,645.9 million (55%)** of its capital investment budget on **policy priorities**, including payments to **international organisations and humanitarian aid**.
- A relatively small portion of DFID's overall investment (**<1%**) budget comes from **the cross-government Prosperity Fund and Conflict, Security and Stability Fund**.

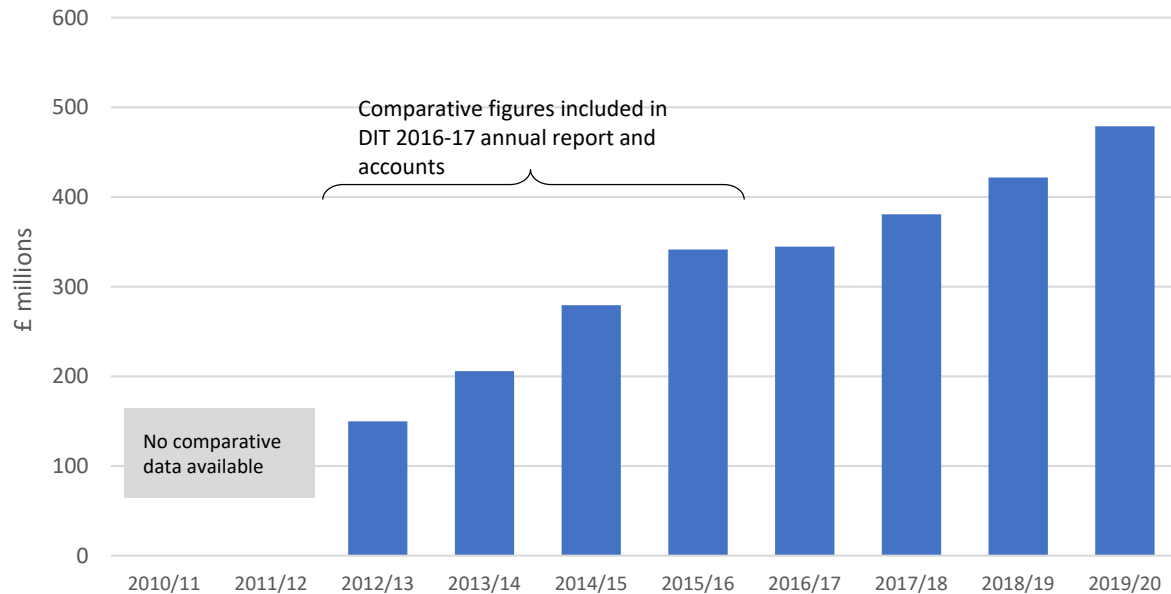
# Department for International Trade

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

### Trends

- The Department was established on **14 July 2016**. Comparative data on international trade public spending is available as far back as 2012-13, using data from **UKTI and the Trade Policy Unit in the former Department for Business, Innovations and Skills**.
- Overall spend has **increased year on year since the 2015 Spending Review** that preceded the creation of DIT. 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.

### Long-term spending trends (£m, nominal)



## How is DIT's day-to-day spending changing in 2019-20?

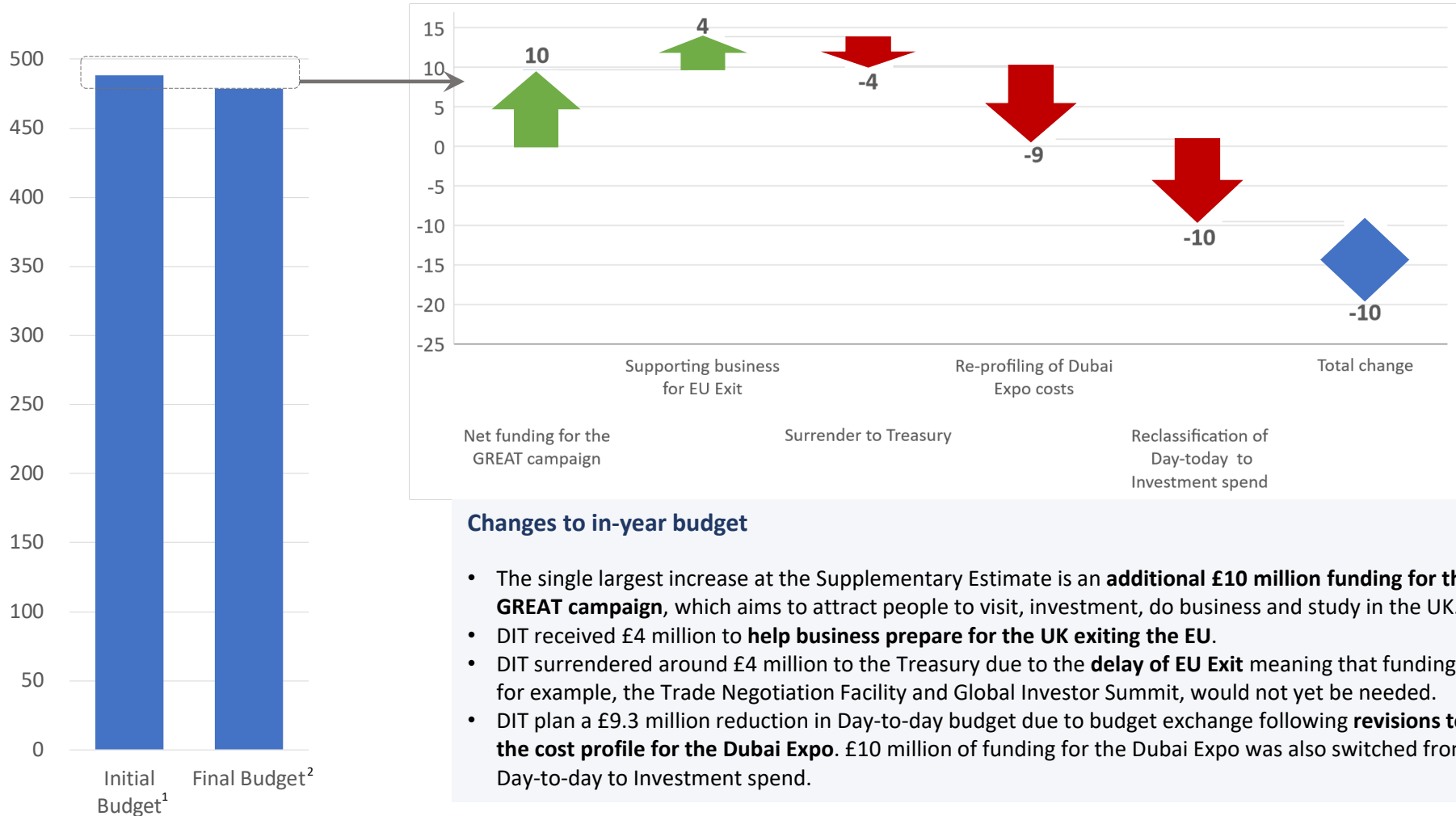
*DIT spends 0.1% of Resource DEL for all Departments*

**DIT's day-to-day budget decreased by £9.5m (-1.9%)**

(Resource DEL budget in £m)

**A number of budget adjustments, transfers and additional funding allocations have resulted in a small net reduction in DIT's day-to-day spend**

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

- The single largest increase at the Supplementary Estimate is an **additional £10 million funding for the GREAT campaign**, which aims to attract people to visit, investment, do business and study in the UK.
- DIT received £4 million to **help business prepare for the UK exiting the EU**.
- DIT surrendered around £4 million to the Treasury due to the **delay of EU Exit** meaning that funding for, for example, the Trade Negotiation Facility and Global Investor Summit, would not yet be needed.
- DIT plan a £9.3 million reduction in Day-to-day budget due to budget exchange following **revisions to the cost profile for the Dubai Expo**. £10 million of funding for the Dubai Expo was also switched from Day-to-day to Investment spend.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

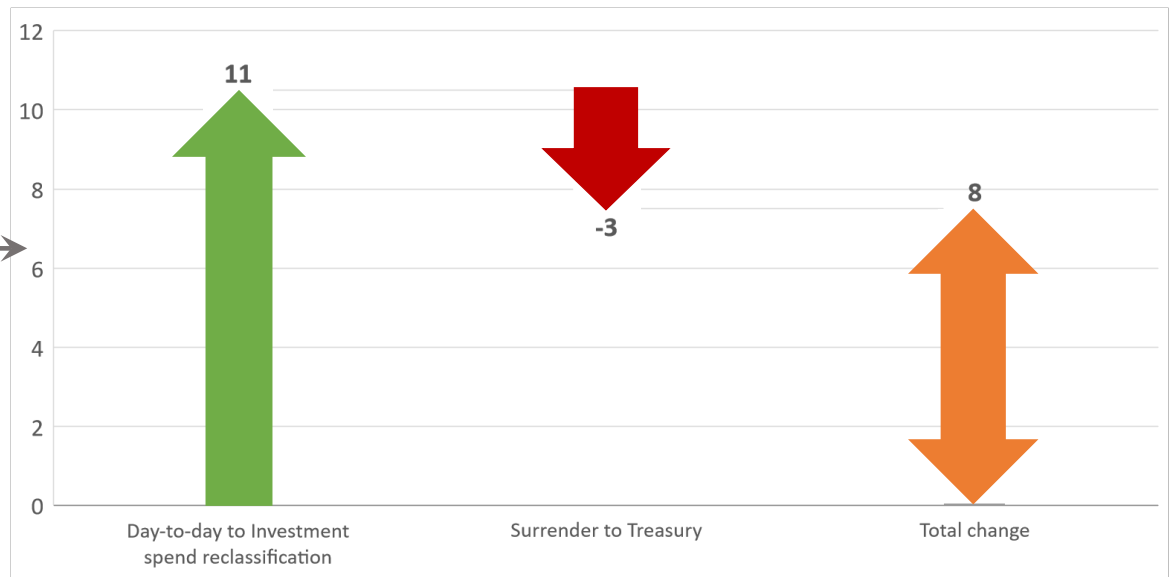
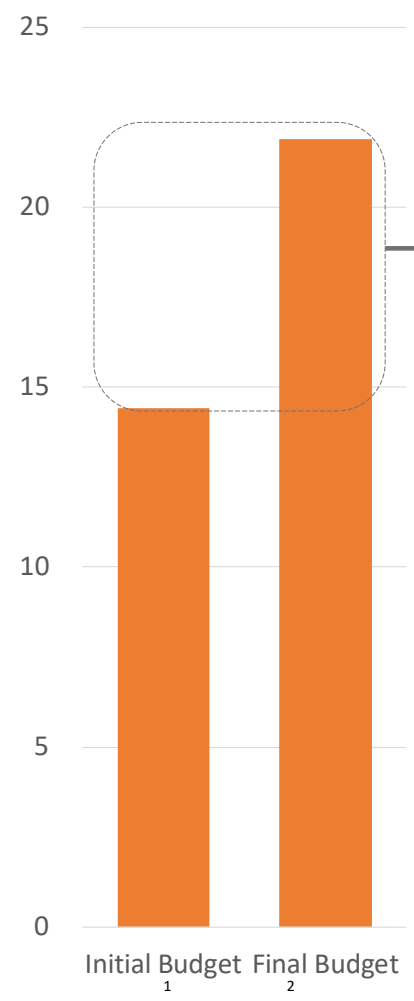
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# How is DIT's investment spending changing in 2019-20?

**DIT investment budget increased by £7.5m (+52.1%)**  
 (Capital DEL budget in £m)

Put an active title here

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



**Changes to in-year investment spending**

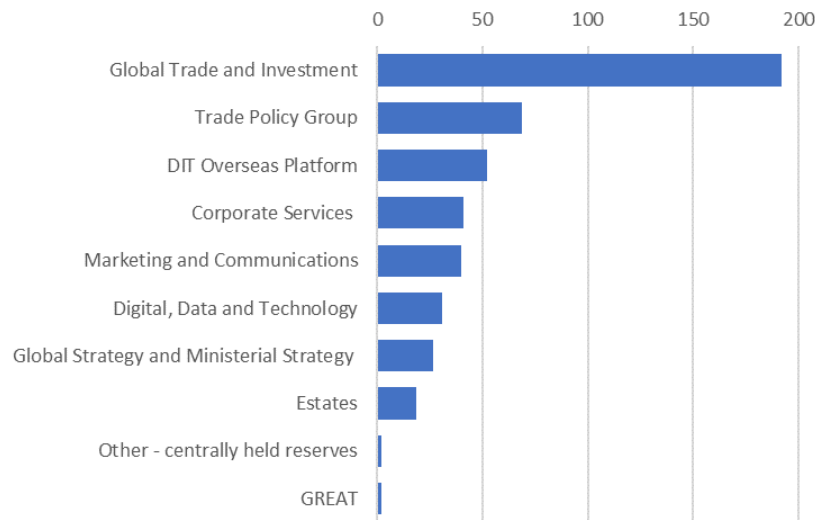
A re-classification of Dubai Expo funding from Day-to-day to Investment spend makes up the majority of the increase in investment spending. This is slightly offset by a £3 million surrender to HM Treasury.

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)  
<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)



## Breakdown of day-to-day Resource DEL spending – 2019-20

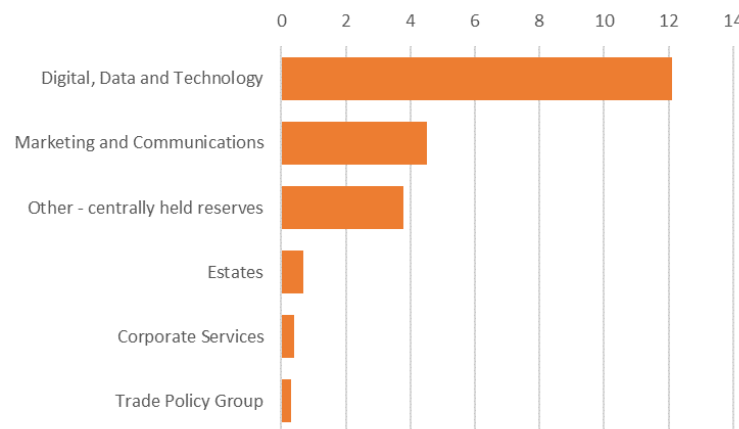
Total day-to-day spending of £478.8m:



### Day-to-day spending

- Nearly half of DIT's planned day-to-day expenditure is on **Global Trade and Investment (£192 million)**, which aims to drive growth in the value of UK exports and supporting investment into and out of the UK.
- The Trade Policy Group (£68.6 million) aims to get **the most favourable international frameworks for the UK**.
- The Overseas Platform (£52.1 million) relates to DIT's contribution to the FCO for their delivery on behalf of HMG of the overseas infrastructure which DIT uses to deliver its objectives.

Total investment spending of £21.8m:



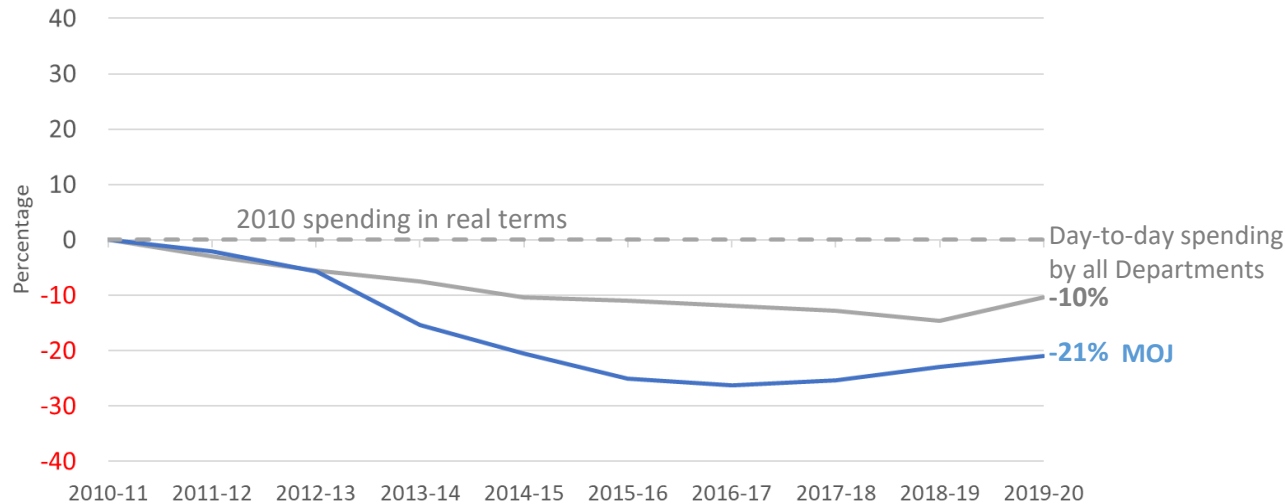
### Investment spending

- DIT has a small investment budget, over half of which (£12.1 million) is spent on **Digital, Data and Technology**. This provides the digital services to support exporters and investors as well as the infrastructure required for the achievement of DIT strategies.
- **Marketing and Communications** (including the GREAT campaign) has a revised budget of £4.5 million, providing capital support support for **trade missions, promotional campaigns and events**.

# Ministry of Justice

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

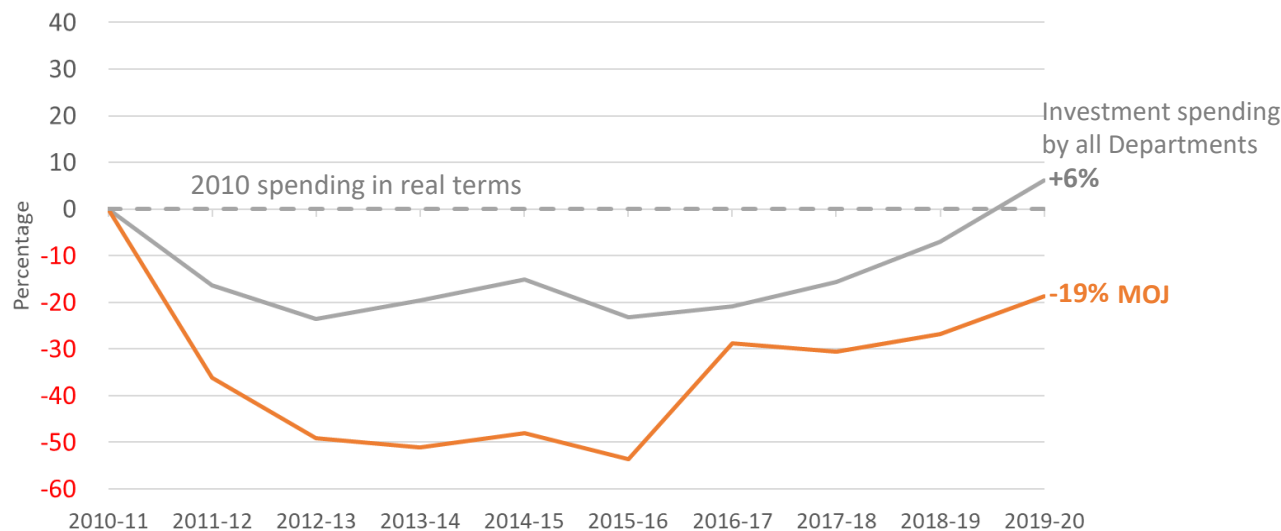
Percentage change in Day-to-day spending compared to 2010 (*Resource DEL*):



## Day-to-day spending trends:

- The budget for day-to-day spending has been reduced significantly under **austerity**.
- Further planned reductions outlined in the **Spending Review** have not been achieved, and since last year significant spending increases have been included in Estimates to address funding pressures within the department, particularly in prisons.

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



## Investment spending trends:

- Initial cuts to the budget under **austerity** were reversed in the 2015 Spending Review, with **significant investment** planned for both the court and prison estates.
- There has been significant **slippage** against these plans, but investment is increasing.
- Since 2015-16 the investment budget has been reduced when budgets are adjusted in February, often being **switched to day-to-day** spending to ease pressures.

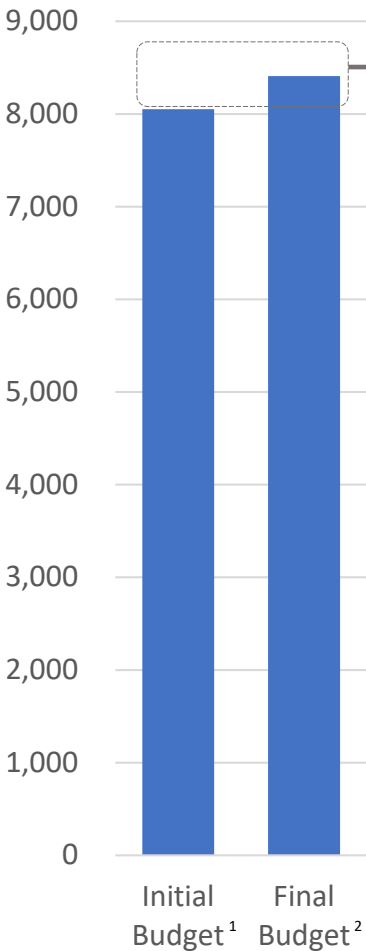


# How is MOJ's day-to-day spending changing in 2019-20?

MOJ spends 2.3% of Resource DEL for all Departments

**MOJ day-to-day budget increased by £357.7m (+4.4%)**

(Resource DEL budget in £m)



## The increases continues to address ongoing pressures on courts and prisons

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget:

- **Probate fee income shortfall:** MOJ altered the fee schedule, and forecasts of the new income stream used in the 2015 Spending Review overestimated the revenue which is now made up by the Treasury
- **Unspent funds from previous years:** carried over using Budget Exchange
- **Court reform:** previously agreed spending increases to continue reform programme
- **Prison capacity and safety:** addition agreed this year to address ongoing maintenance and violence concerns within the prison estate

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

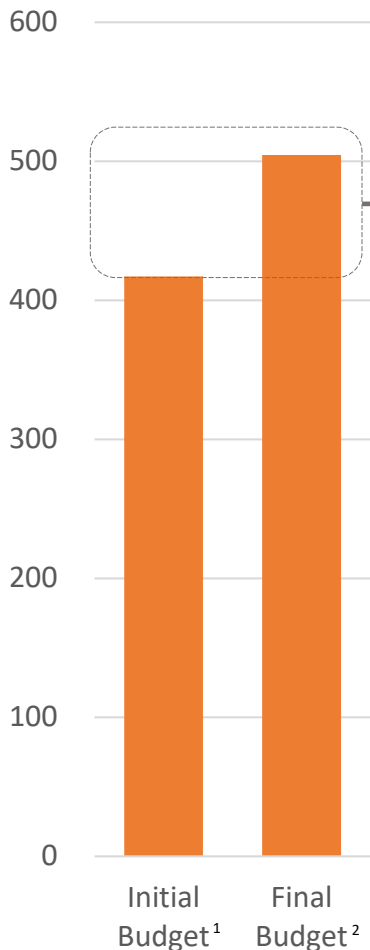
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



# How is MOJ's investment spending changing in 2019-20?

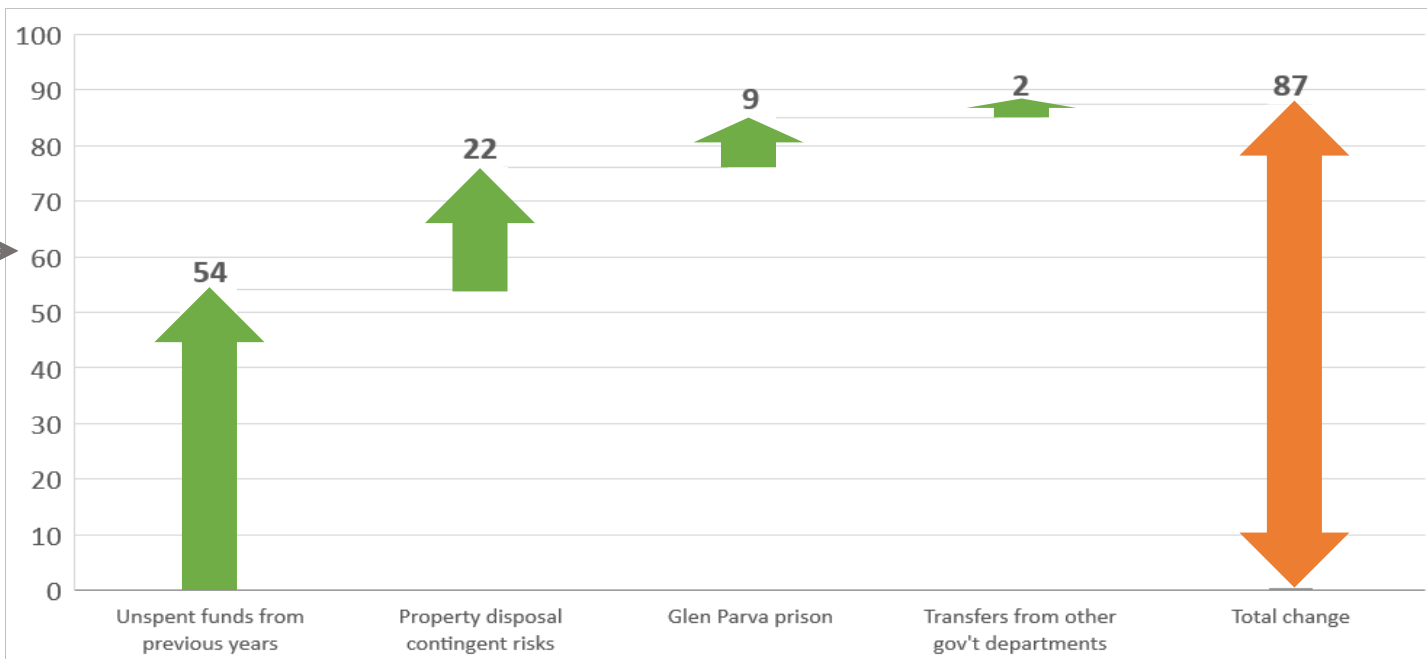
MOJ investment budget increased by £87.4m (+20.9%)

(Capital DEL budget in £m)



This increase is mainly from unspent funds from previous years that have been carried over

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



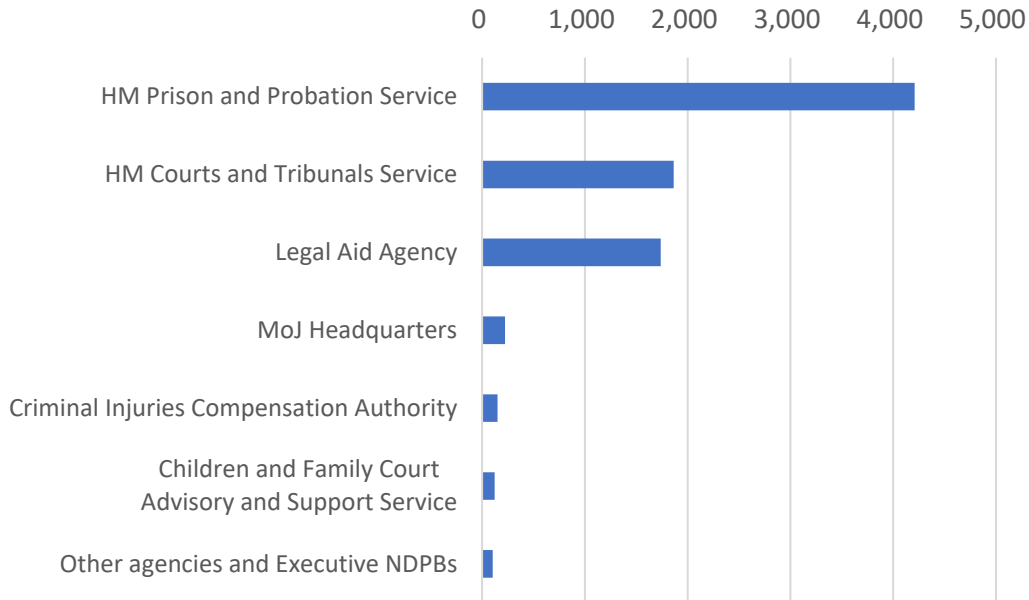
### Changes to in-year budget:

- **Unspent funds from previous years:** carried over using Budget Exchange
- **Property disposal and contingent risk:** previously the budget has concerned the uncertain final timing of the sale of Holloway prison.
- **Glen Parva prison:** additional funding for the (delayed) construction of Glen Parva Prison in Leicestershire.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

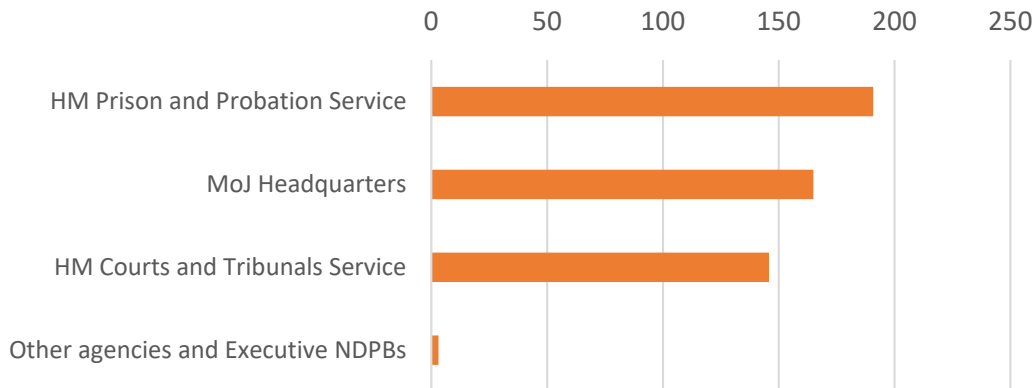
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

## Breakdown of spending: Where does MOJ spend its money? £m



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

- **HM Prison and Probation Service's** (HMPPS) budget of £4,209 million represents 50% of total day-to-day spending.
- **HM Courts and Tribunal Service** (HMCTS) spending was intended to be reduced by investment in the courts estate, although [analysis by the NAO](#) suggests savings may be lower than forecast.
- The **Legal Aid Agency** budget is set, despite being highly demand-driven; previous forecasts have underestimated level of demand and composition/complexity.
- Other agencies include Youth Justice Board (£85.6 million) and Parole Boards (£18.5 million).



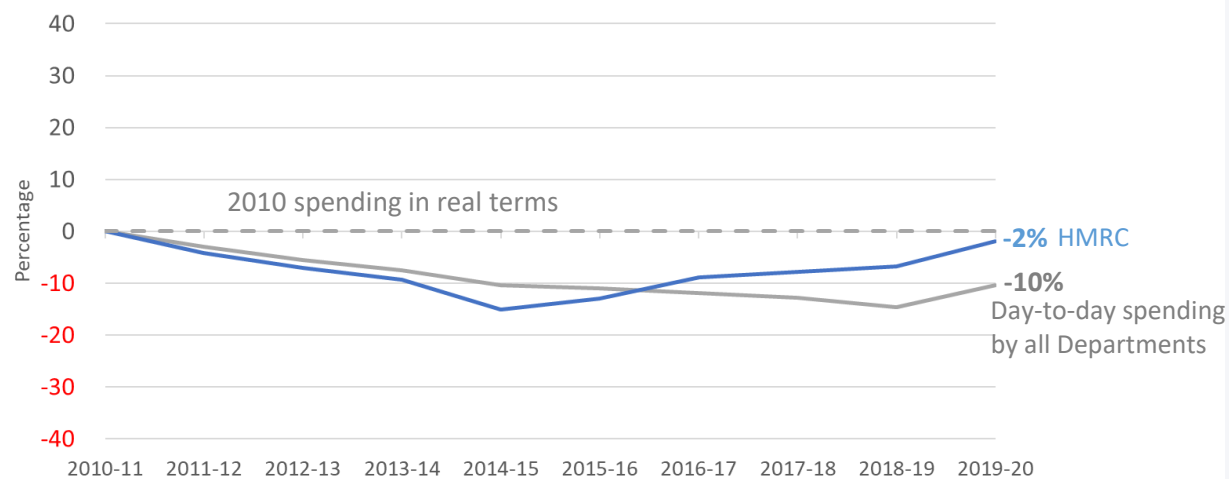
### Investment spending (Capital DEL)

- **HMPPS** budget of £191 million is significantly below plans set out in the 2015 Spending Review; [NAO analysis](#) estimates an annual £450 million investment is required to maintain the current estate.
- **MoJ Headquarters** includes 'policy, corporate services and associated offices' which includes back office IT functions which account for majority of £165 million budget.
- **HMCTS** spending is part of the court reform programme intended to complete in March 2022.

# HM Revenue & Customs

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

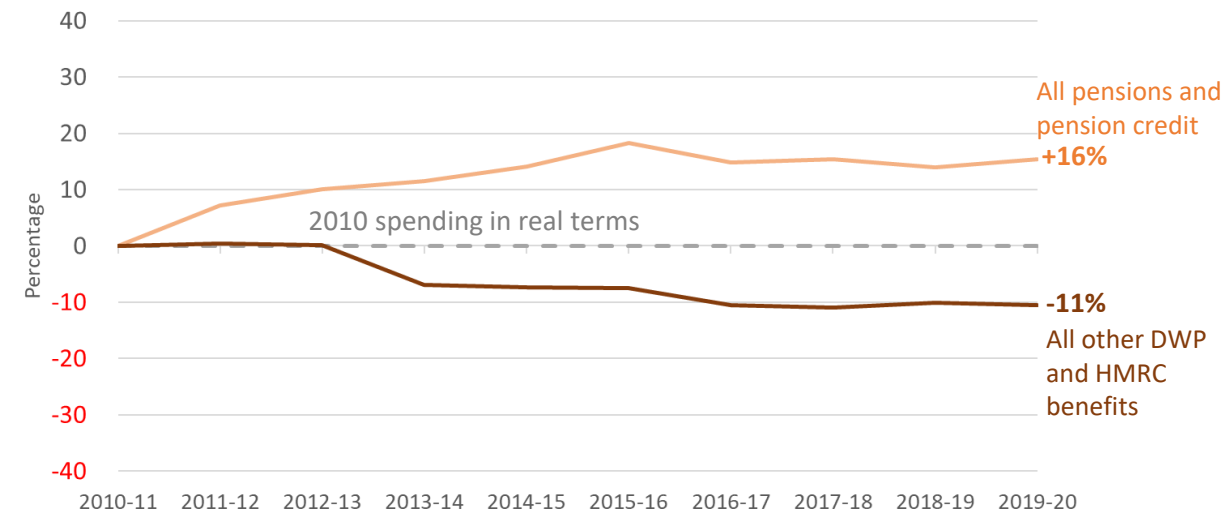
Percentage change in day-to-day spending compared to 2010 (*Resource DEL*):



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

- Real terms **efficiency reductions** were always planned for HMRC as part of the 2015 Spending Review, to be delivered through **investment in digitisation and smaller workforce**. But **over £350m of additional funding**, over and above original spending plans, has since been provided by Treasury in 2019-20.
- MHCLG has also transferred **£122m in to HMRC to cover Valuation Office costs**
- Further additional resources have also been provided for costs **unforeseen** at the time of the Spending Review, such as **additional employers' pension costs and costs of Brexit**.

## Spending on pensions and benefits compared to 2010



## Tax credits & child benefit (Resource AME) trends:

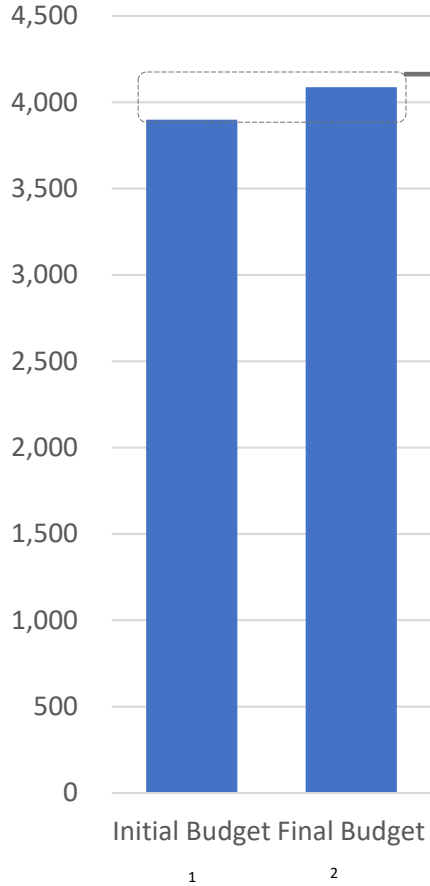
- **Tax credit spend is falling over time** as an increasing number of claimants receive **Universal Credit, paid for by DWP**, instead. Rates of tax credits have also been **frozen for four years**
- **Child benefit spending has also fallen in real terms** due the **freeze in rates**, higher earners' taxation, and **restrictions on payments to those with more than two children**.

# How is HMRC's day-to-day spending changing in 2019-20?

HMRC spends 1.2% of Resource DEL for all Departments

**HMRC day-to-day budget increased by £187.5m (+4.8%)**

(Resource DEL budget in £m)



## Increase in HMRC's day-to-day budget mostly driven by EU Exit costs

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

- There has been a 4.8% in-year increase to HMRC's day-to-day budget from £3,899.7m to £4,087.2m.
- Funding for **EU exit preparations** resulted in an increase of £125.6m, of which £2.6m relates to Budget Transfers from Other Government Departments.
- Other budget transfers from Other Government Departments account for an increase of £71.8m, which is partially offset by outgoing budget transfers of £10.9m.
- There is a £1m increase in the administration budget for the Valuation Office Agency (VOA).

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

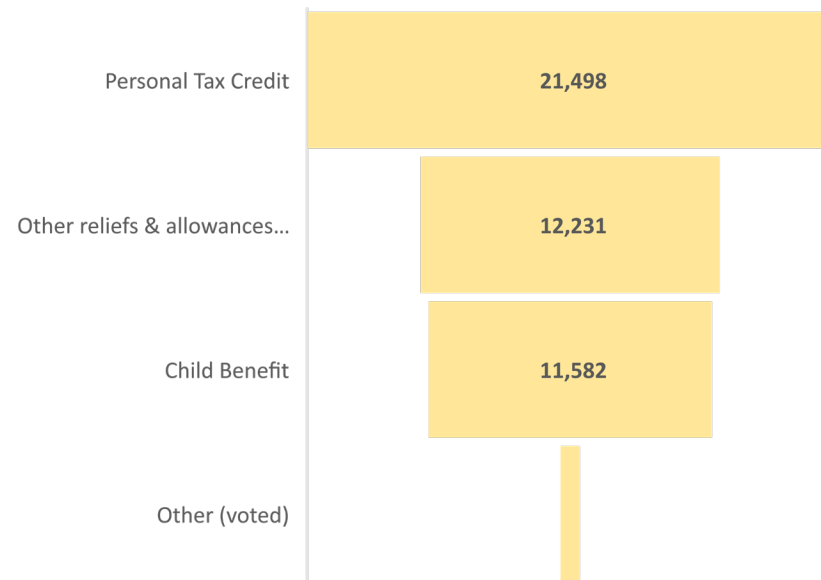


## Resource AME (Annually Managed Expenditure) – demand led day-to-day spending.

- HMRC’s day-to-day demand led (Resource AME) budget, which is spent on items such as **tax credit, benefits and tax reliefs** is set to increase by £3.4m to £46.1bn in 2019-20.
- HMRC’s Resource AME budget is consistently around 10 times higher than its Resource DEL budget.
- Changes as part of the Spring Supplementary Estimates include:
  - £117.8m decrease in Child Benefit due to an accounting adjustment;
  - £67.4m decrease due to lower than expected take-up of Lifetime ISAs;
  - £12m increase in payments to Local Authorities due to businesses relocating outside of London as a result of the EU Exit;
- £13.4m increase relating to Payments in Lieu of Tax Relief consisting of Stakeholder Pensions (£7.6m), Gift Aid on Micro Donations (£6.0m), and a decrease in training spend (£0.2m); and
  - £21m increase in new provisions relating to HMRC’s Building Our Future Locations.

### Resource AME spending in 2019-20

£ million



### Investment Spending (Capital DEL)

HMRC investment budget increased by £57.0m for EU Exit preparations (+18.6%) and is now £363.7m.

Note: The Investment (Capital DEL) budgets are not included in the charts on this slide.

# HM Treasury

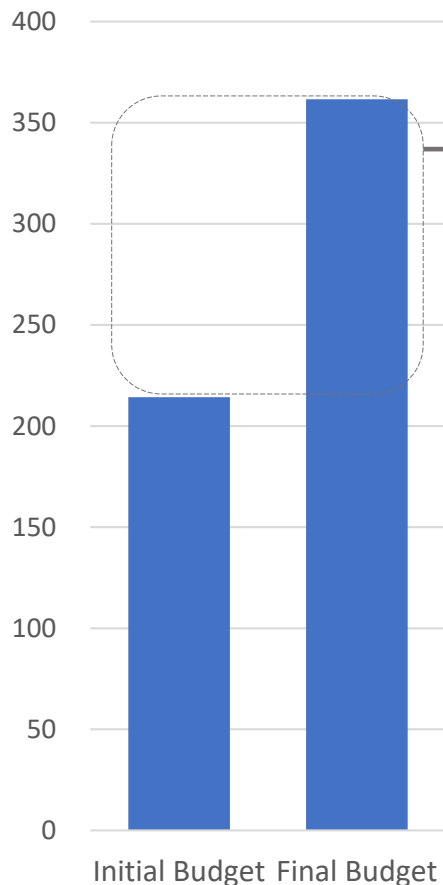


# How is HM Treasury's day-to-day spending changing in 2019-20?

HMT spends 0.1% of Resource DEL for all Departments

HMT's day-to-day budget increased by £147.3m (+68.8%)

(Resource DEL budget in £m)

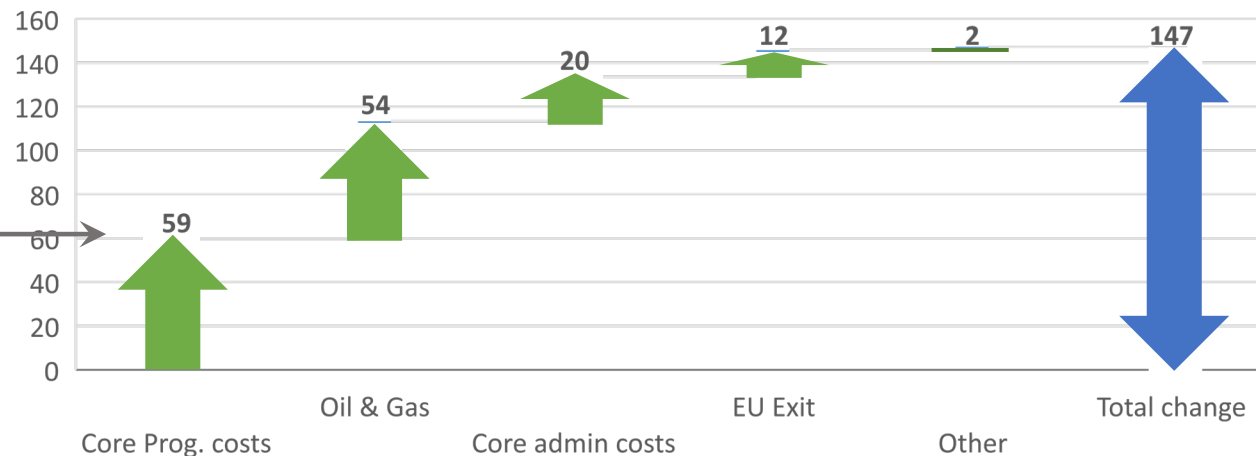


1

2

## Increase in HMT's day-to-day spend caused by

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

- HMT's day-to-day spend has increased by £147.3m to £361.6m, of which by £84.2m relates to the settlement of a legal claim.
- £54.0m relates to HM Treasury using part of a provision held in respect for **Decommissioning Relief Deeds** relating to the oil and gas industries.

### Investment Spending (Capital DEL)

HM Treasury's investment budget of has decreased by £18.3m (10.7%) from to £172m to £190.3m.

The increase of £18.3m is mostly due to £13.3m to cover exchange rate fluctuations relating to the Asian Infrastructure Investment Bank.

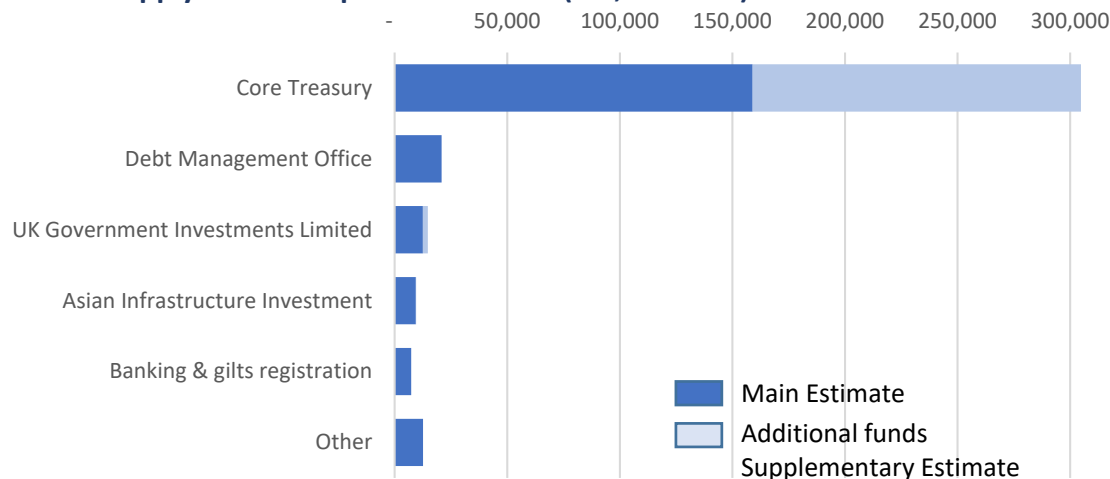
Note: The Investment (Capital DEL) budgets are not included in the charts on this slide.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

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

Main and supply estimate spend in 2019-20 (£m, nominal)



### Trends

- The Day-to-day (Resource DEL) budget for 2019-20 now amounts to £368.9m, a **40.9% increase on the previous year**.
- HMT Resource DEL spending has been volatile since 2010-11.
- In 2019-20, the Supplementary Estimates process resulted in a 50.4% increase in HMT’s budget, of which £145.8m of the £147.3m requested was **for use by HMT**.
- Of the £145.8m increase requested for Core Treasury, **the majority related to programme expenditure** (£125.7m; 86%).

## Resource Annually Managed Expenditure ( Resource AME)

### Changes in year:

- Resource AME is generally volatile. Assistance to Financial Institutions relates to the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF) derivative, resulting which in a net £13.9m adjustment in 2019-20.
- In 2019-20, HMT is recognising its first provision relating to payments that could be made after 31 March 2021 for £47.0bn.

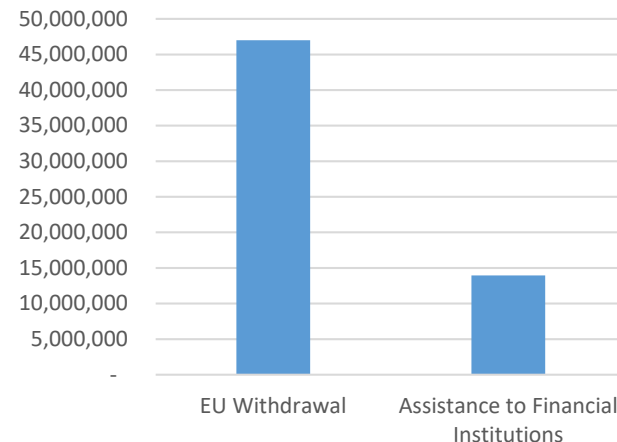
### Investment Annually Managed Expenditure (Capital AME)

HM Treasury’s investment budget increased by £56.5m (10.7%) from to -£2,153.2m to -£2,096.7m.

The increase is due to a decrease in forecast possession sales and repayments of principal within UK Asset Resolution Limited.

*Note: The Investment (Capital AME) budgets are not included in the charts on this slide.*

### Resource AME in 2019-20 (£m, nominal)

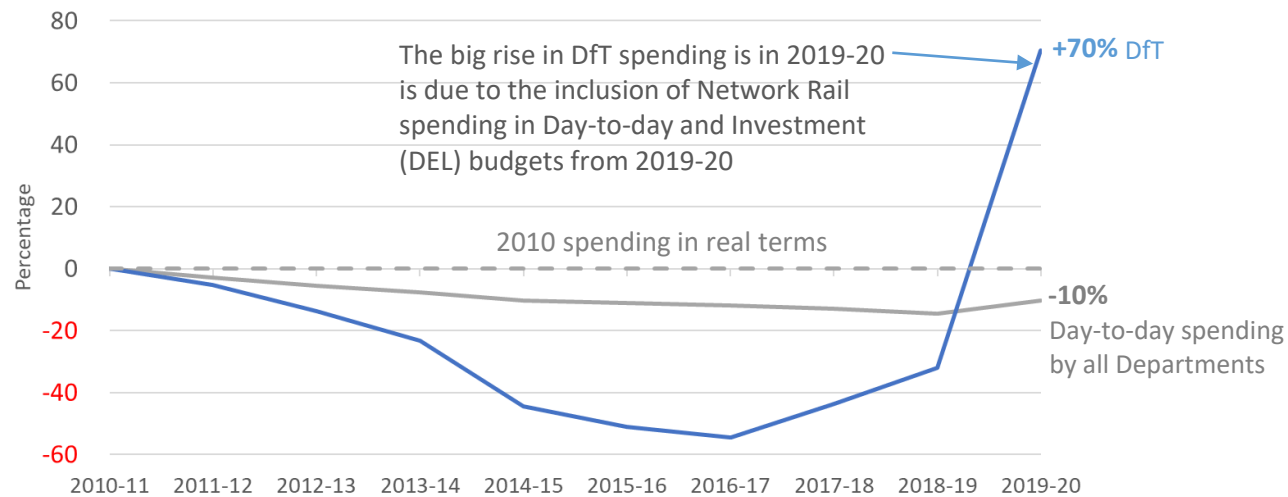


*Note: Graph does not include ‘Other’ of £0.15m (0.2%) of Resource AME.*

# Department for Transport

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

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

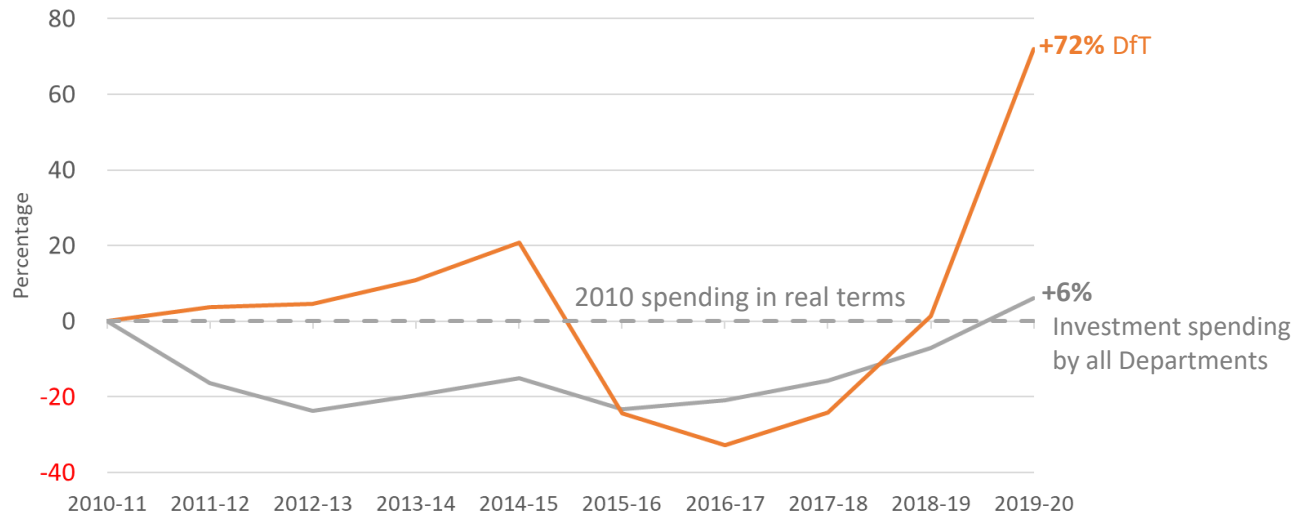


### Day-to-day spending trends:

- A factor in the spending reductions up until 2016-17 were **significant reductions in GLA transport grants for London**.
- The significant **increase** in 2019-20 has been caused **by the inclusion of Network Rail in DEL budgets**.

*Note: The RDEL budget also includes depreciation which is a non-cash cost*

## Percentage change in Investment spending compared to 2010 (Capital DEL):



### Investment spending trends:

- Up until 2014-15 around £4bn of **Network Rail capital spending** scored in Capital DEL each year. Its **removal from the DEL budgets between 2015-16 and 2018-19** accounts for the lower spending levels in these years.
- **Network Rail investment spending returned to the DEL budget in 2019-20** causing a significant increase
- **Higher investment levels on HS2** have also caused **increases since 2016-17**.

# How is DfT's day-to-day spending changing in 2019-20?

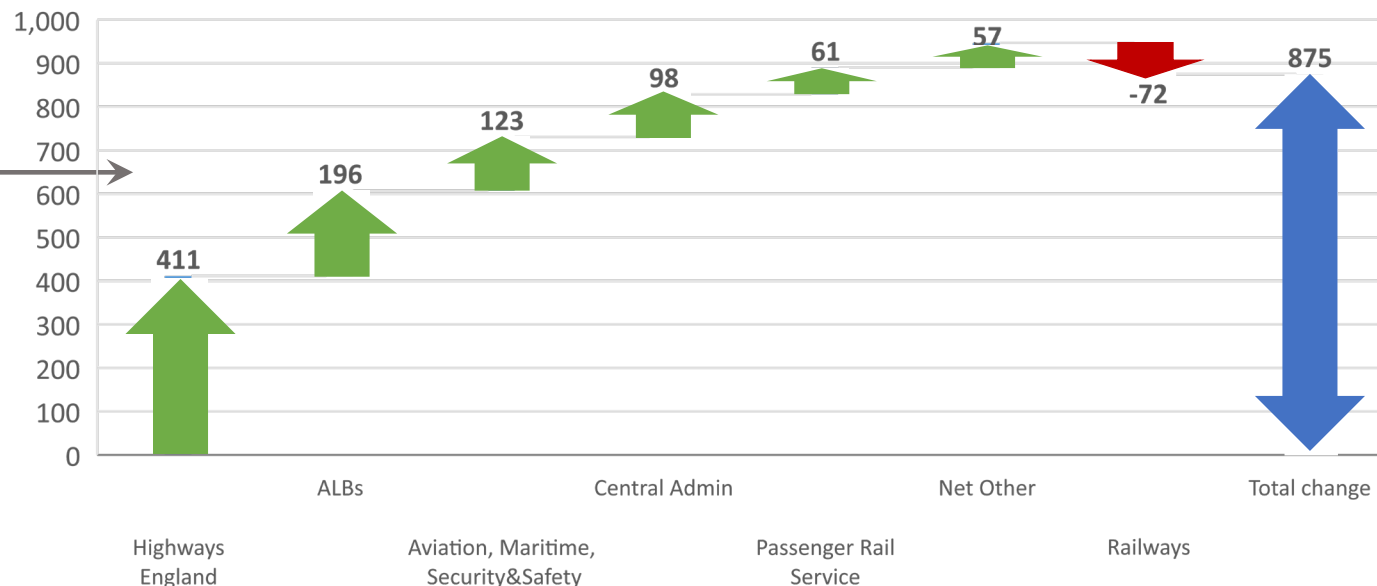
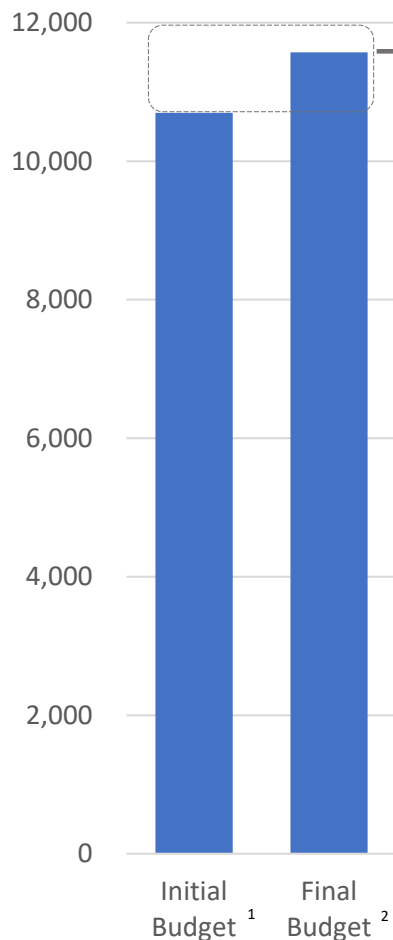
DfT spends 3.1% of Resource DEL for all Departments

DfT day-to-day budget increased by £874.7m (+8.2%)

Increase in DfT's day-to-day spend caused by

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20

(Resource DEL budget in £m)



## Changes to in-year budget

- DfT day-to-day spend has increased by £874.7m to £11,571.7m.
- Highways England** has increased spend by £411.1 million due to the uplift for Operation Brock (the series of measures implemented around the M20 to provide resilience in the event of delays around the channel tunnel), and a decision by HMRC not to allow highways England to reclaim VAT.
- Funding to arm's-length bodies increased by £196.1 million which was driven by costs incurred from **refunding Air Travel Organiser's Licence (ATOL)** protected customers for holidays paid for but not taken, and **repatriation of ATOL customers stranded abroad**.
- Of the £122.9 million increase for Aviation, Maritime, Security and Safety, £108 million relates to **costs incurred following the collapse of Thomas Cook** necessitating the repatriation of non-ATOL customers stranded abroad, alongside other insolvency-related costs.

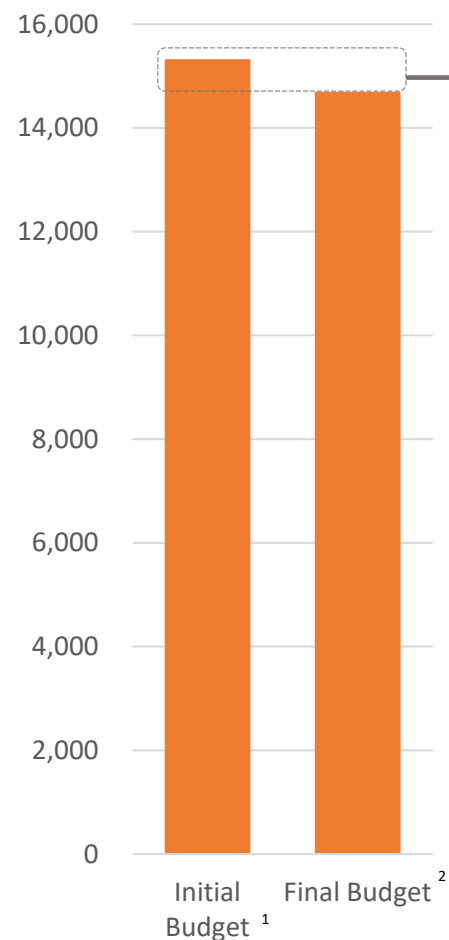
<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

# How is DfT's investment spending changing in 2019-20?

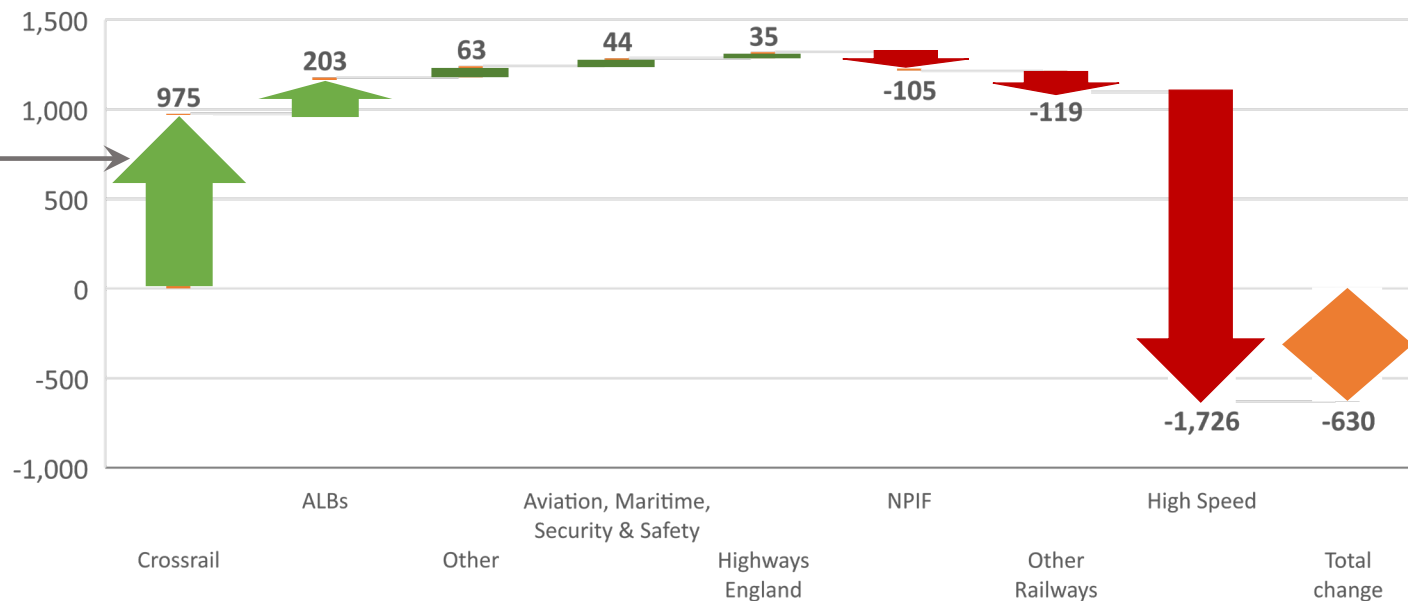
DfT investment budget decreased by £9.9m (-1.5%)

(Capital DEL budget in £m)



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Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



## Changes to in-year budget

- Overall the changes amounted to a net increase in the investment budget of £431m (+5%) – the capital investment budget is now £8.5bn.
- The largest increase was **£532m for Crossrail** – most of this was the first part of a loan to the GLA to ensure completion of the project.
- There was also an **extra £469m for local authorities** – £420m of this funding was announced in the 2018 Budget.
- These increases were **offset by decreases in other areas** including: a fall in the combined High Speed Rail/HS2 budget (-£240m); a decline in the “Other railways” investment budget (-£118m).

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

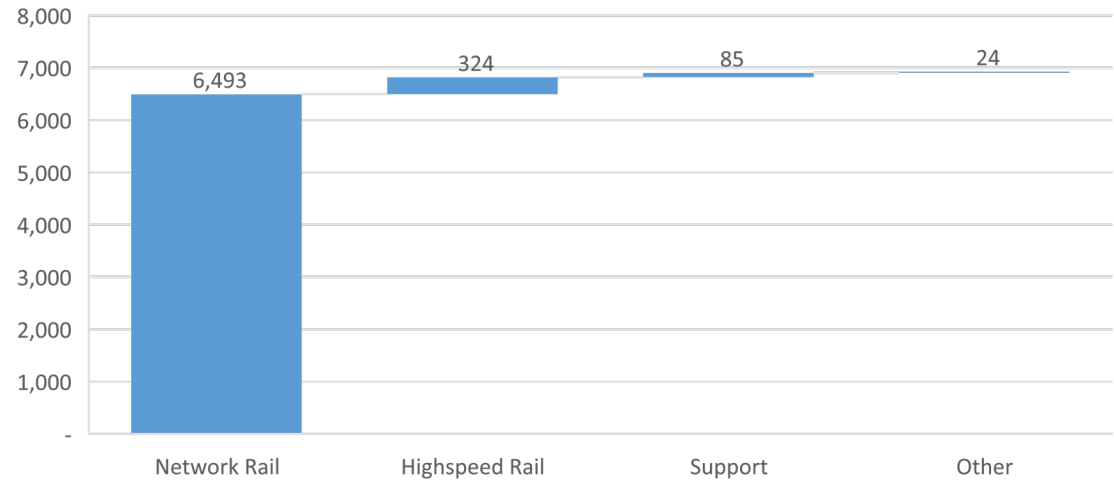
<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)

# Day-to-day spending (Resource DEL): Split by area

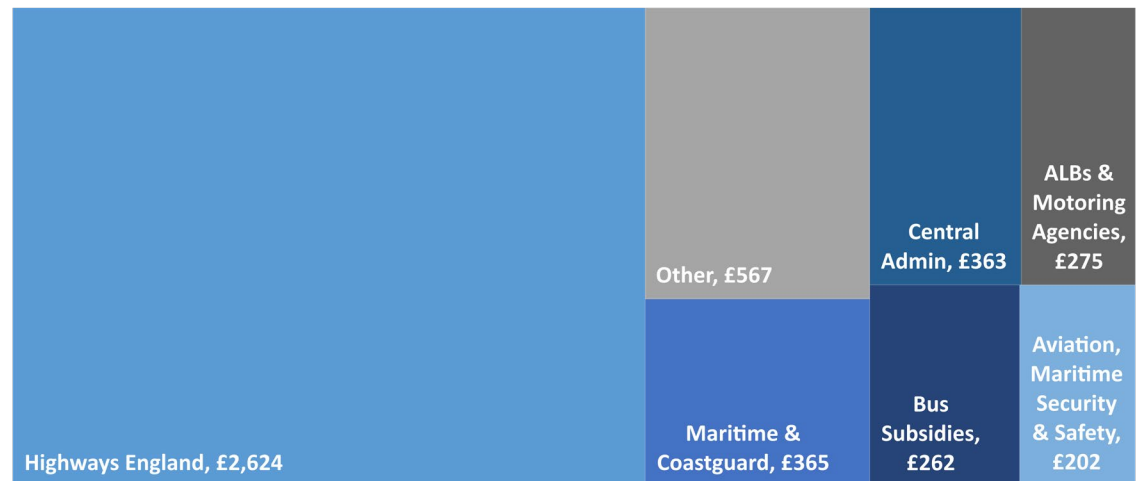
## Annual spending (£11,584.8m)

- Spending on **Railways** accounts for **£6,926m (60%)** of DfT's day-to-day spend.
- The majority of railway spend comes from **Network Rail** (£6,493m).
- £324m is spent on **High Speed Rail**.
- £85m is spent on **Support for Passenger Rail Services**.
- £24m is spent on Other which includes **Crossrail, East West Rail Company and Other Railways**.

How DfT's day-to-day spend is split on Railways



How DfT's day-to-day spend is split excluding railways

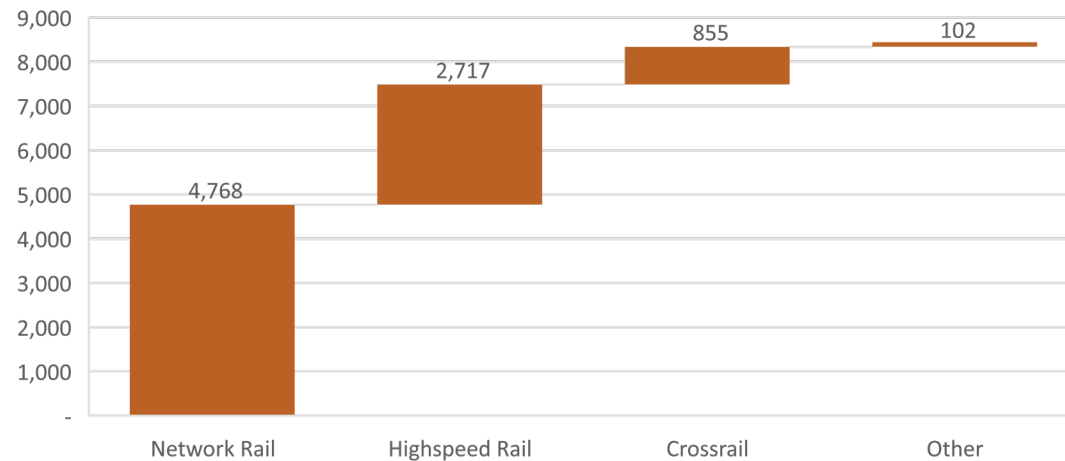


- **Highways England** is DfT's second biggest day-to-day spending category, accounting for **£2,624m\*** (23%) of DfT's day-to-day spend.
- All other areas shown represent between 2% and 4% of DfT's day-to-day spend.

\*Figure presented net to include Tolerated Crossings.

# Investment Spending (Capital DEL and Network Rail): Split by area

How DfT's investment spend is split on Railways (£m, nominal)



## Railway investment

- **Network Rail investment in the railways is the largest area of transport capital spending (73%).** From this financial year, it is included in the Department's DEL budget.
- **Other key areas of expenditure on railway for the Department are:**
  - **Investment in High Speed 2 where costs have been increasing since 2015-16.**
  - Crossrail, which has received £1.3bn in loans from the Department in 2018-19 and 2019-20.

How DfT's remaining investment spend is split excluding Railways (£m, nominal)



## Non-railway investment

- **Highways England is the second biggest area of capital expenditure for the Department (28%),** with the costs associated with maintaining the strategic road network, and its major investment projects such as Smart Motorways and the Lower Thames Crossing.
- Local Authority Transport Grant expenditure relates to capital investment programmes operated by Local Authorities, including the Greater London Authority (15%).
- The remaining investment categories represent between 2% and 4% of the overall capital investment budget.



# Department for Work and Pensions

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

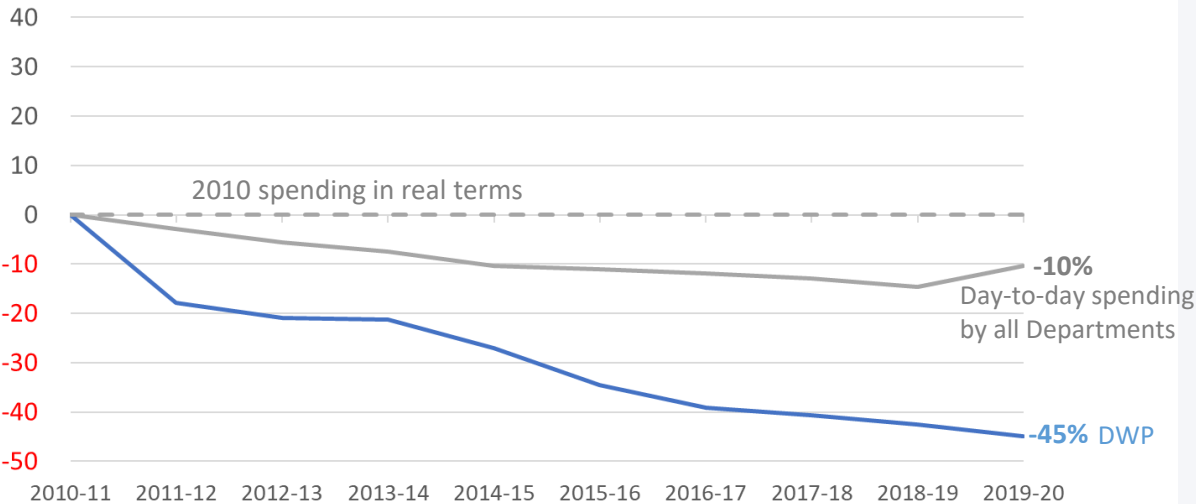
Percentage change in day-to-day spending (excluding benefits & pensions) compared to 2010 (*Resource DEL*)

### Day-to-day spending (excluding benefits and pensions) trends:

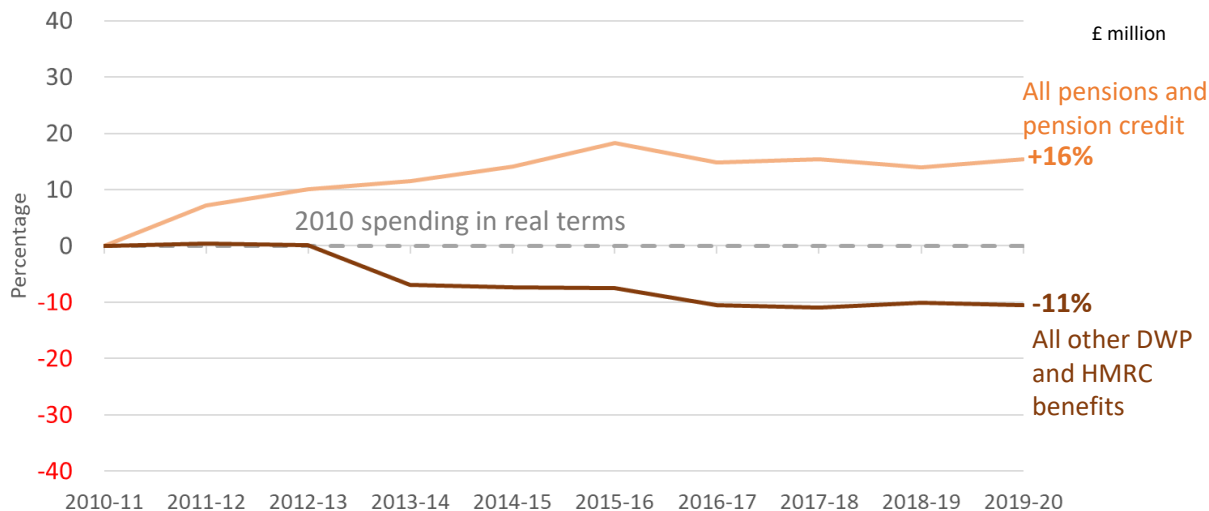
- Overall Departmental spending has reduced from £9.1 bn in 2010-11 to £5.9 bn in 2019-20
- £4.6 bn of this relates to staff & admin costs.
- [Staff numbers](#) have been reducing for many years: as at December 2019 DWP employed 69,267 full time equivalents, compared to 73,892 the previous December.
- Spending on employment programmes has also fallen from a peak of £1bn in 2013-14 to £0.2 bn in 2019-20

### Pensions and benefits trends:

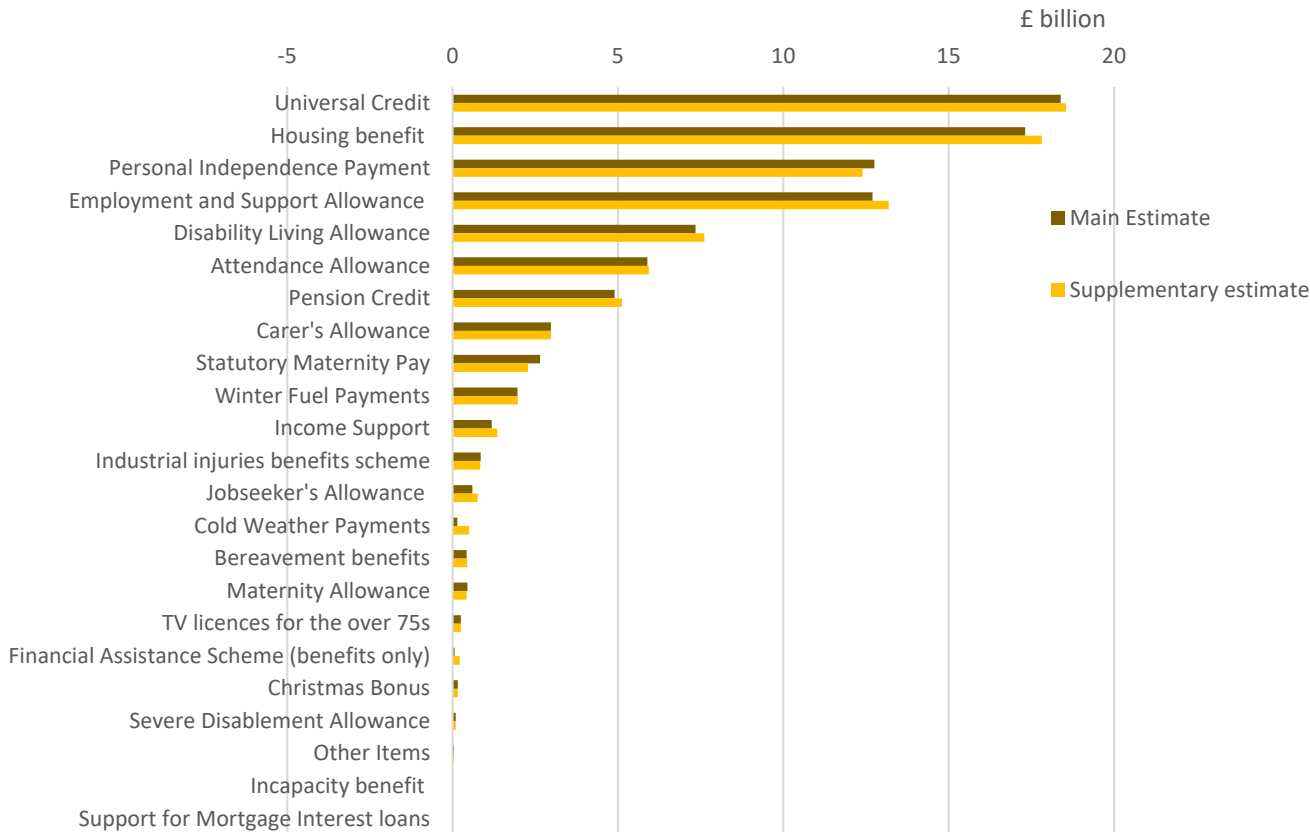
- Spending has risen most rapidly on **state pensions and pensioner benefits**, rising significantly in real terms
- spending on **working age benefits** has fallen in real terms due to the benefits freeze
- Spending on **disability and incapacity** benefits has fluctuated, increasing in cash terms and in some years also in real terms. Disability benefits have not been subject to the freeze.



## Spending on pensions and benefits compared to 2010 (*Resource AME*)

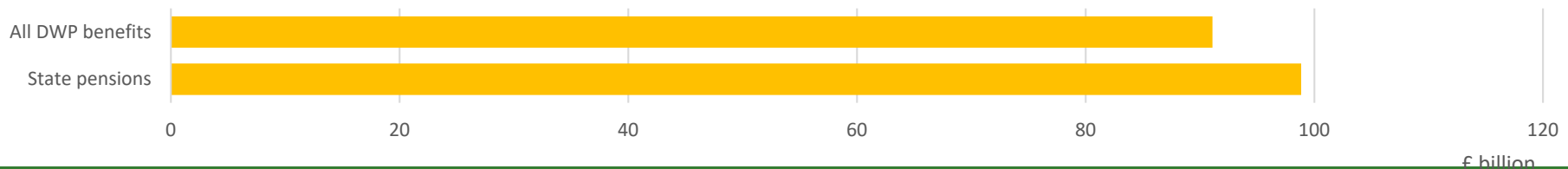


## More is forecast to be spent on Universal Credit than any other DWP benefit this year



- The Supplementary Estimate **adjusts forecasts at the end of the financial year** and also adds a “margin” to allow for forecast errors.
- Both **Housing Benefit and Universal Credit** remain **difficult to forecast accurately**, with HB administered by local authorities and the rate of movement to Universal Credit a further uncertainty.
- **DLA movement to PIPs has also been slower than expected**

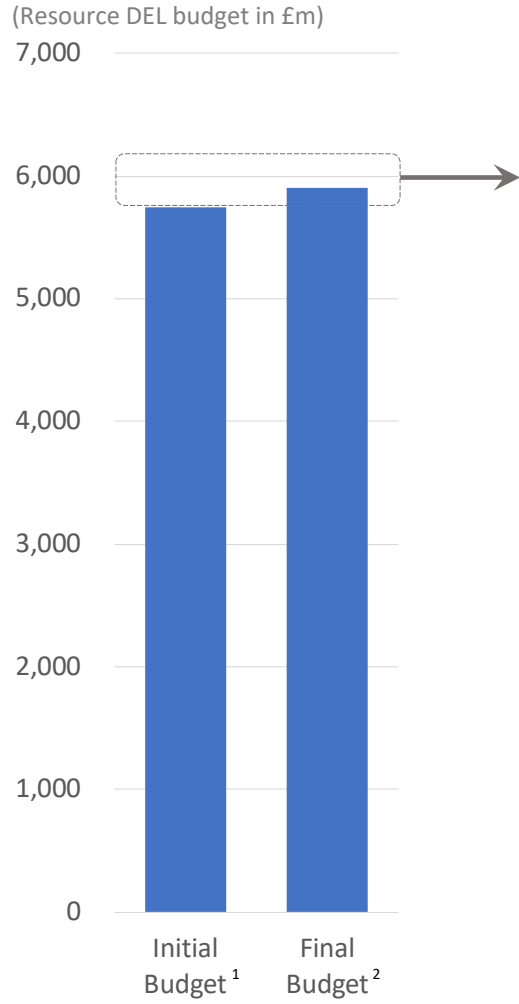
But in 2019-20 state pension will cost more than all these DWP benefits put together



DWP spends 1.6% of Resource DEL for all Departments

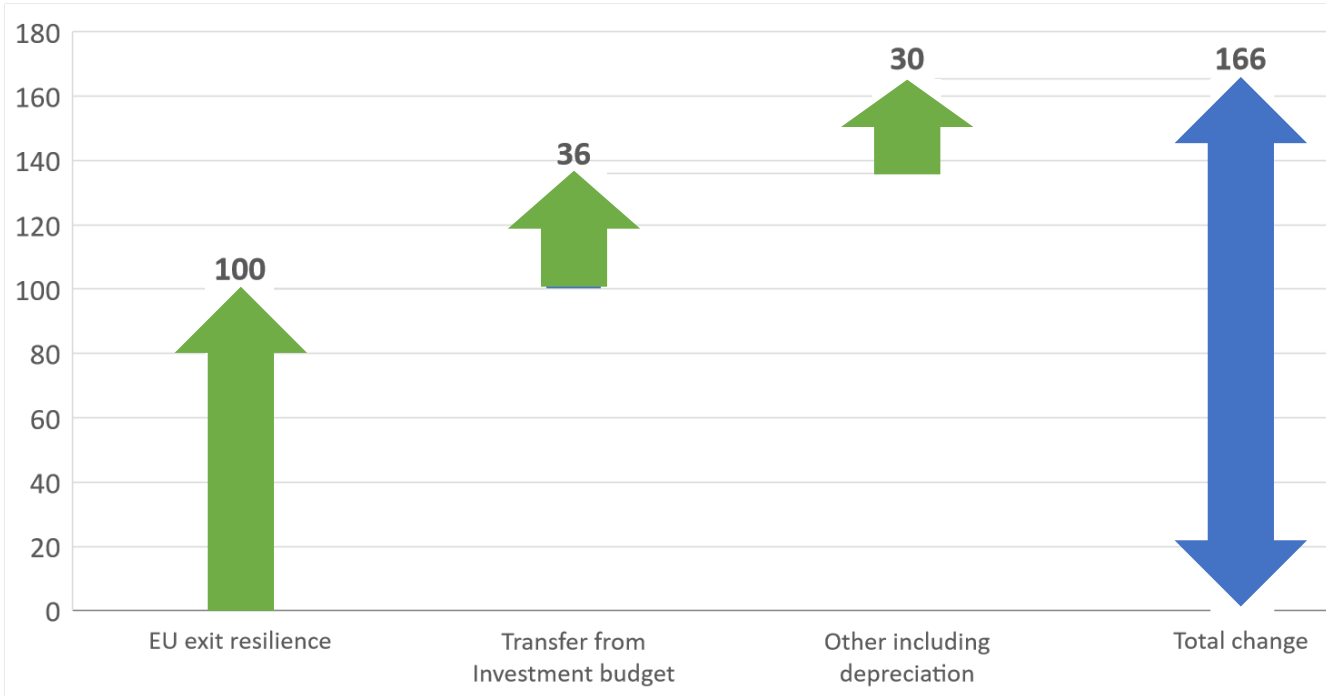
# How is DWP's day-to-day spending (excluding benefits) changing in 2019-20?

DWP admin and employment budget increased by £165m (+2.8%)



## DWP is getting another £100m to deal with EU exit costs

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

- In DWP's Supplementary Estimate the main change is an **additional £100 million for EU exit "resilience"**. Other changes reflect a movement from Investment to Day-to-day budget (sales of surplus internet protocol addresses being used to fund IT and estates work) and additional depreciation funding.
- Within the totals, budgets for operational delivery are increasing while those for departmental operating costs and employment programmes are reduced
- Overall, DWP's Resource Departmental Expenditure Limit **remains lower in cash terms than last year**, even with the small increase.

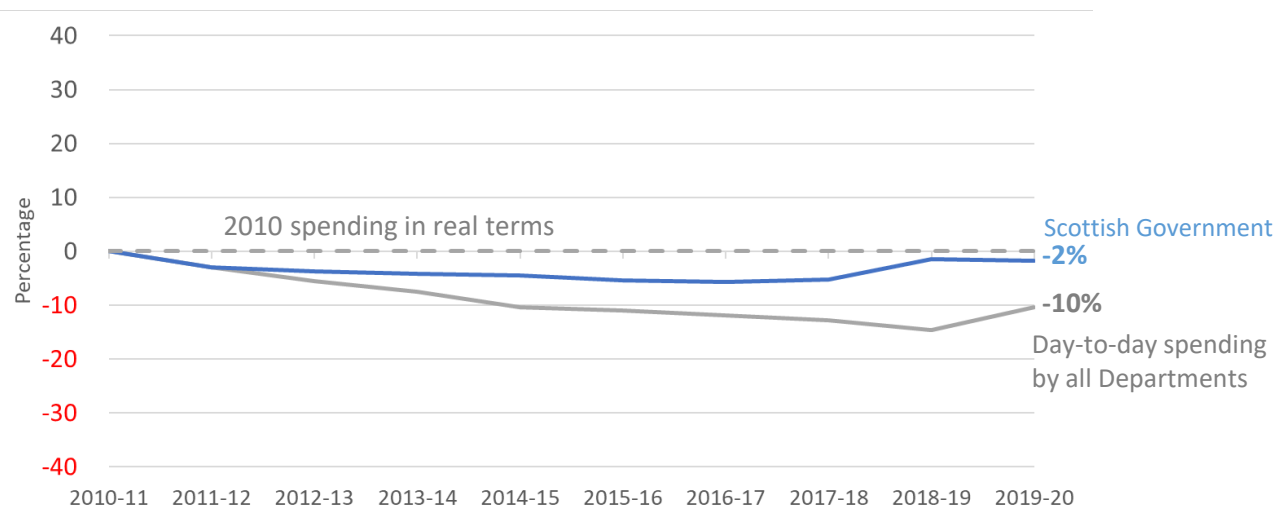
19)  
20)



# Grant to Scottish Government and Scotland Office funding

# Long term trends in Scotland's day to day funding (in real terms)

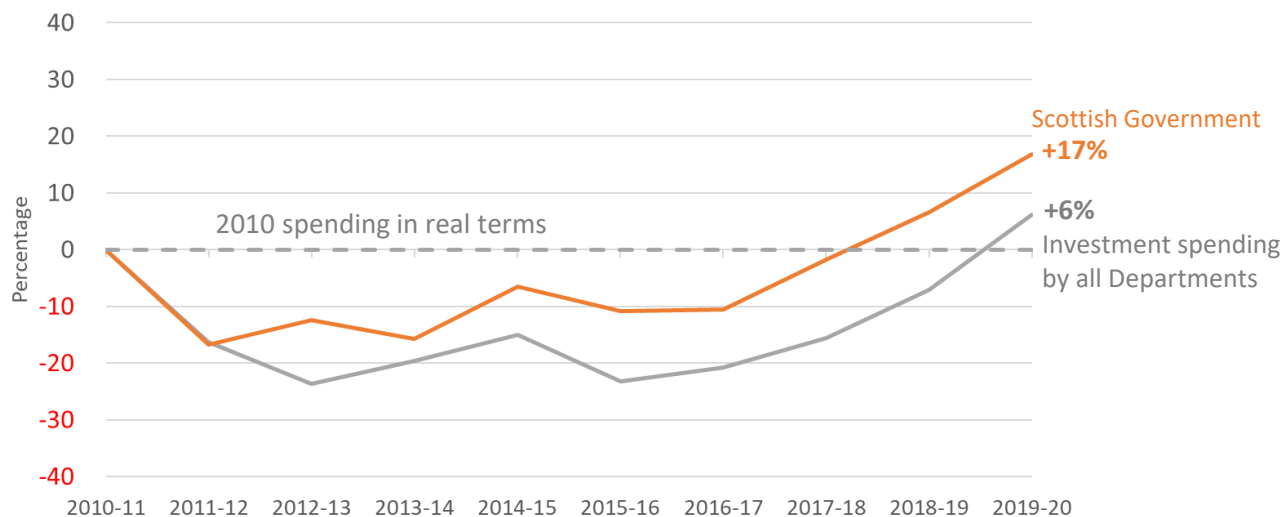
Percentage change in Day-to-day funding compared to 2010 (*Resource DEL*):



## Day-to-day funding trends:

- Funding for day to day spending for Scotland **has fallen less fast than overall UK govt spending in real terms**. Changes, through the Barnett formula, largely reflect where the UK Government has decided to allocate money, and whether it is to functions that are devolved in Scotland. The percentage change also reflects the size of changes in relation to the relative sizes of existing UK and Scottish govt budgets.
- Some additional funding outside of the Barnett arrangements, such as **City Deals** has also been provided, **boosting Scotland's funding above** what it would otherwise have been

Percentage change in Investment funding compared to 2010 (*Capital DEL*):



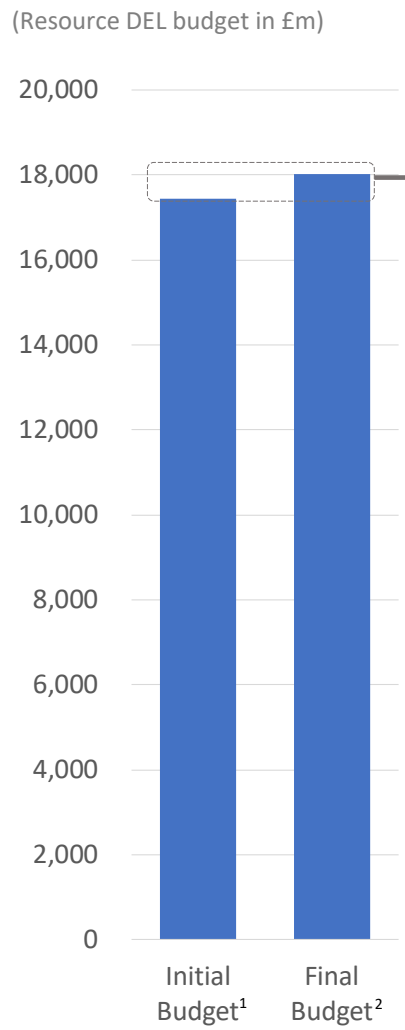
## Investment spending trends:

Funding for investment is similarly **affected by UK spending decisions and whether funding goes to devolved or non-devolved functions**. For instance, more UK investment spending on defence does **not** benefit Scotland budgets as **defence is a non-devolved function**, whereas **more UK funding on health does**.

# How is Scotland's day-to-day spending changing in 2019-20?

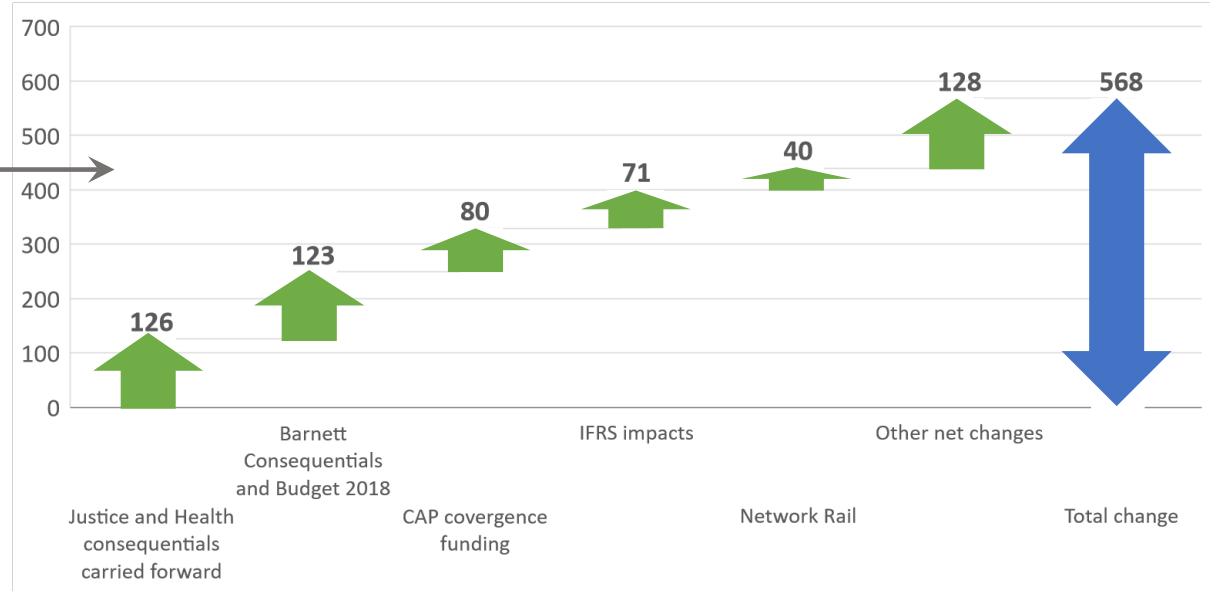
Scotland spends 8% of Resource DEL for all Departments

Scotland day-to-day budget increased by £567.9m (+3.3%)



Scotland's increase is the result of budget adjustments, Barnett Consequentials and some additional funding

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### In-year changes

- The largest changes in the Supplementary Estimates come from carried forward (£126 million) and new (£123 million) **Barnett Consequentials**.
- The Chancellor announced at the 2019 Spending Round that the Scottish Government will receive £160m in recognition of **the perceived injustice felt by Scottish farmers over the intra-UK allocations of Common Agriculture Policy 'convergence' funding in 2013**. The funding will be provided over two years, with £80 million in 2019-20 and £80 million in 2020-21.
- Day-to-day spend appears to have risen by £71 million as a result of "IFRS impacts", however this is a technical budget adjustment caused by **changes in accounting standards**.
- Scotland received £40 million at the Supplementary Estimate for **Network Rail**.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



Scotland spends 6.2% of Capital DEL  
for all Departments

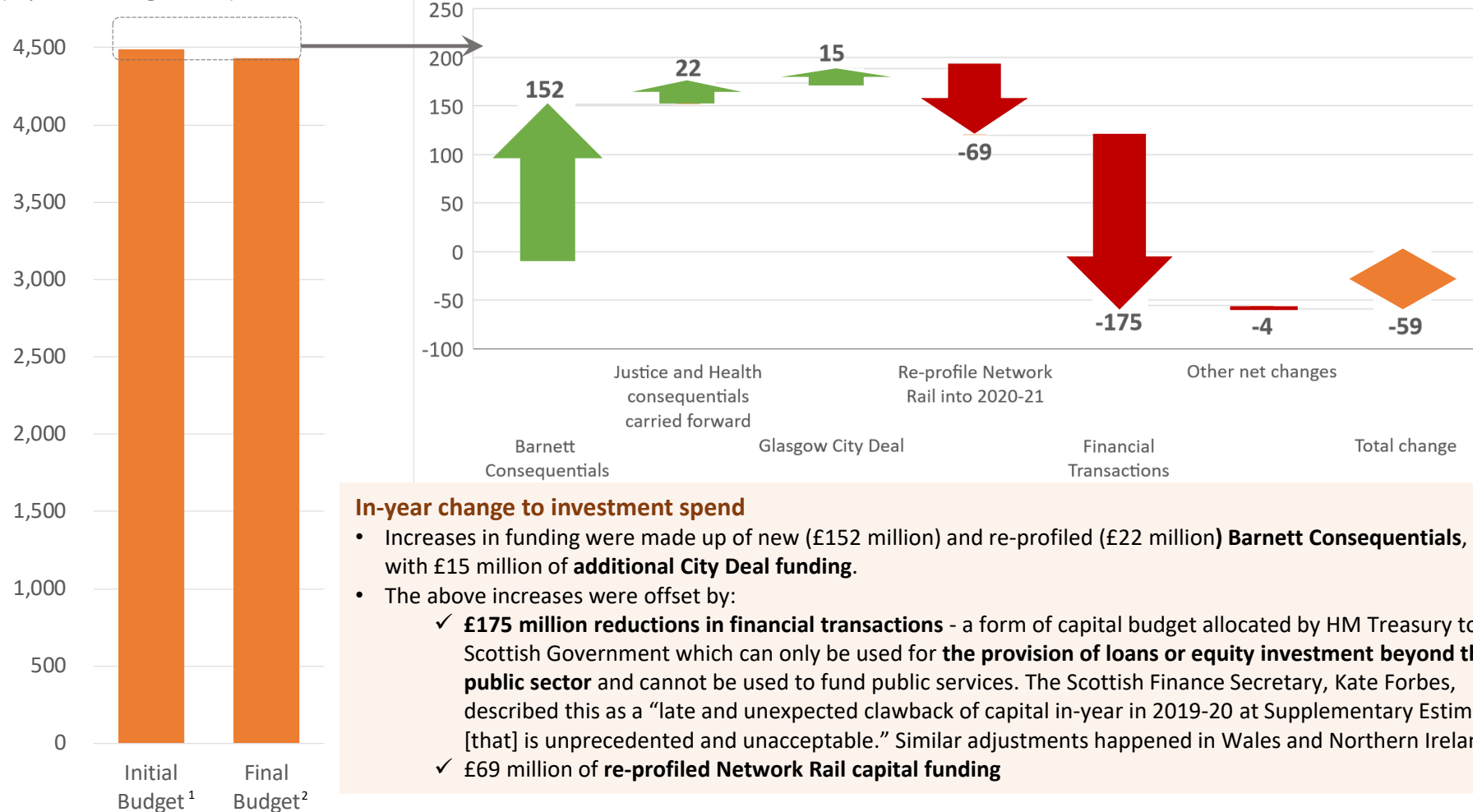
## How is Scotland's investment spending changing in 2019-20?

Scotland investment budget  
decreased by £9.9m (-1.5%)

Although Scotland received substantial Barnett Consequentials, this was completely offset by reduced capital financial transactions

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20

(Capital DEL budget in £m)



### In-year change to investment spend

- Increases in funding were made up of new (£152 million) and re-profiled (£22 million) **Barnett Consequentials**, along with £15 million of **additional City Deal funding**.
- The above increases were offset by:
  - ✓ **£175 million reductions in financial transactions** - a form of capital budget allocated by HM Treasury to the Scottish Government which can only be used for **the provision of loans or equity investment beyond the public sector** and cannot be used to fund public services. The Scottish Finance Secretary, Kate Forbes, described this as a "late and unexpected clawback of capital in-year in 2019-20 at Supplementary Estimates [that] is unprecedented and unacceptable." Similar adjustments happened in Wales and Northern Ireland.
  - ✓ **£69 million of re-profiled Network Rail capital funding**

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)



## What the UK Estimate for Scotland includes:

### To the Scottish Government

*Cash grant to the Scottish Government*

**£19,864.7 million (+£474.7 million compared to Main Estimate)**

This is the sum of

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

### To the Scottish Office

- *Day to day spending (Resource DEL) : £11.9 million (+£1.7 million compared to Main Estimate)*
- *Investment spending (Capital DEL): £0.5 million (+£0.4 million compared to Main Estimate)*

At the Supplementary Estimate 2019-20, this included the following additional funding:

#### **Day-to-day spending:**

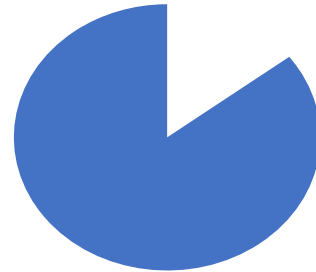
- £1 million to cover Hub costs;
- £0.6 million to cover the additional administration cost of VAT on seconded staff from other government departments;
- £0.2 million to cover increased pay costs.

#### **Investment spending:**

- £0.4 million to cover IT transition costs.

# The Barnett Formula

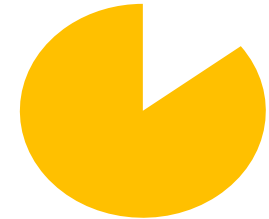
Change (rise or fall) in Resource DEL budget determined by UK government



Share of change related to **DEVOLVED FUNCTIONS** (e.g., health)



Population share (compared to England or England and Wales)



**Extra funding available** to the governments of Scotland, Wales and Northern Ireland (may also be a spending cut)



These funds can be spent on **ANY DEVOLVED FUNCTION**

Share of change related to functions **RESERVED TO UK GOVERNMENT** (e.g., defence)



**NO CHANGE TO THE BLOCK GRANT** provided to Scotland, Wales and Northern Ireland

Scotland's population compared to England's:  
 2010 Spending Review: 10.03%  
 2015 Spending Review: 9.85%  
 This reduction in population share will mean *slightly smaller increases and decreases* in funding for Scotland from the **Barnett Formula** than would have resulted if the share had remained as before.

### Example:

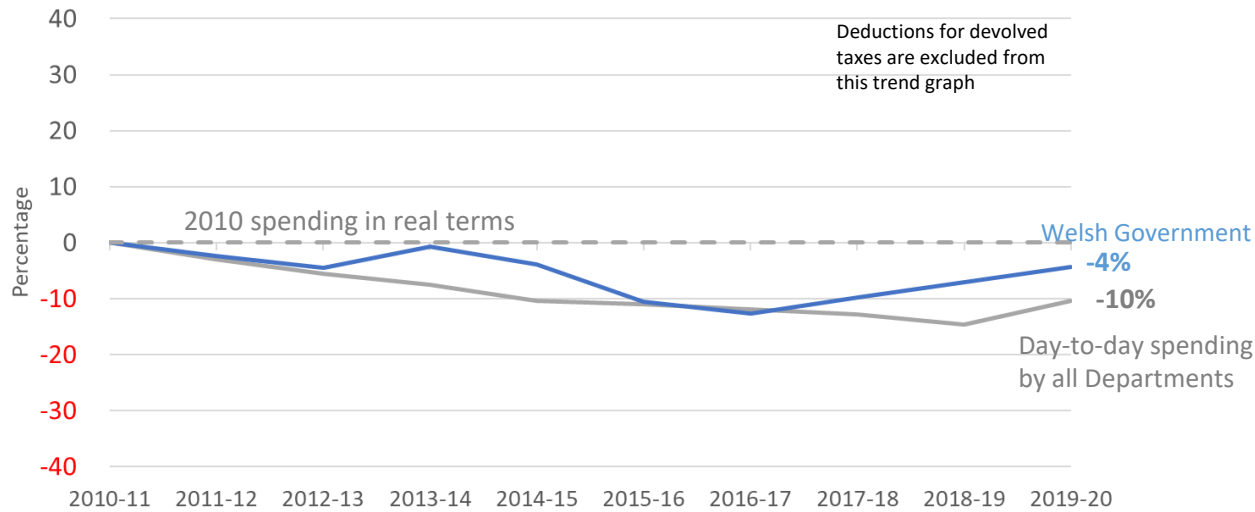
Increase of **£100m** in UK Departments' Resource DEL budget.  $\rightarrow$  **75%** relates to functions which are devolved; **25%** are UK reserved functions.  $\times$  **9.85%** (Scotland's population compared to England)  $=$  **£7.388m** Extra to Scottish government

**Block grant adjustments:** in addition block grant adjustments are made: reductions where taxes are devolved or additions where welfare is devolved.

# Grant to Welsh Government and Wales Office funding

# Long term trends in Welsh government funding (in real terms)

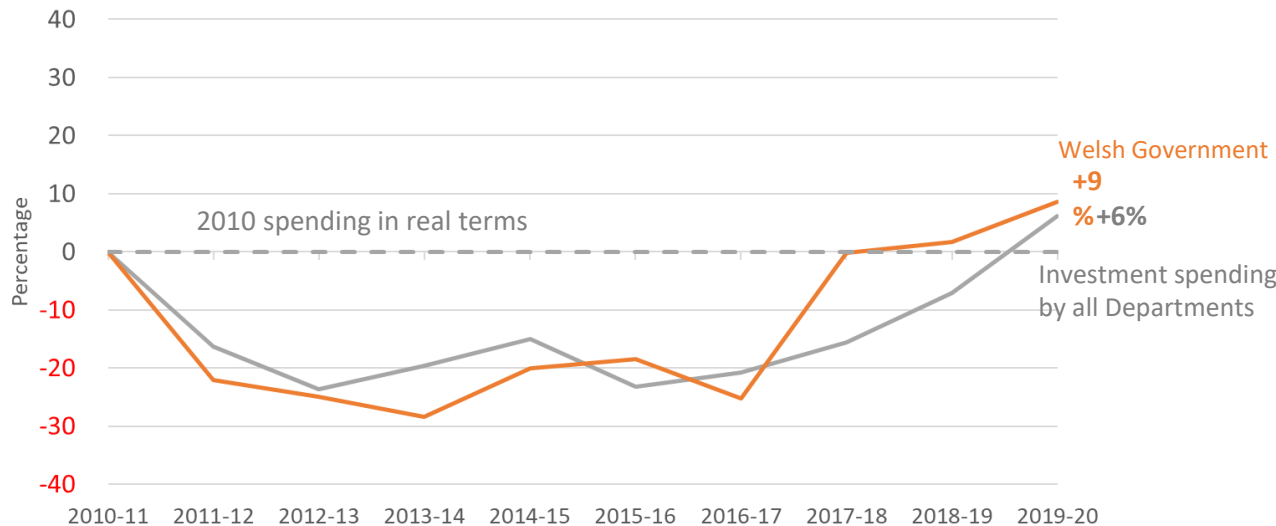
Percentage change in Day-to-day funding compared to 2010 (*Resource DEL*):



## Day-to-day funding trends:

- Funding for day to day spending for Wales has **fallen less fast than overall UK gov't spending in real terms**. Changes, through the Barnett formula, largely reflect **where the UK Government has decided to allocate money**, and whether it is to functions that are **devolved** in Wales. The percentage change also reflects **the size of changes** in relation to the relative sizes of existing UK and Welsh govt budgets.
- Some additional funding outside of the Barnett arrangements, such as **City Deals** has also been provided, **boosting Wales' funding** above what it would otherwise have been

Percentage change in Investment funding compared to 2010 (*Capital DEL*):



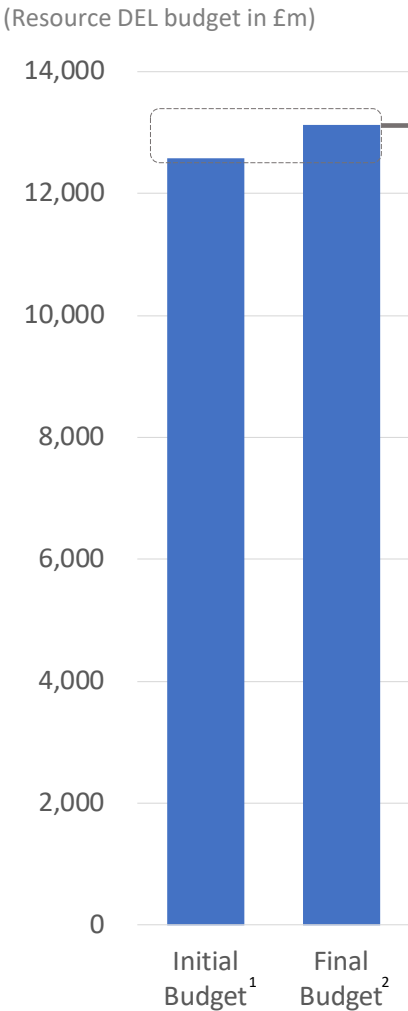
## Investment funding trends:

Funding for investment is **similarly affected by UK spending decisions** and whether funding goes to **devolved or non devolved functions**. For instance, **more UK investment spending on defence does not benefit Welsh budgets as defence is a non devolved function**, whereas **more UK funding on health does**.

# How is Wales's day-to-day spending changing in 2019-20?

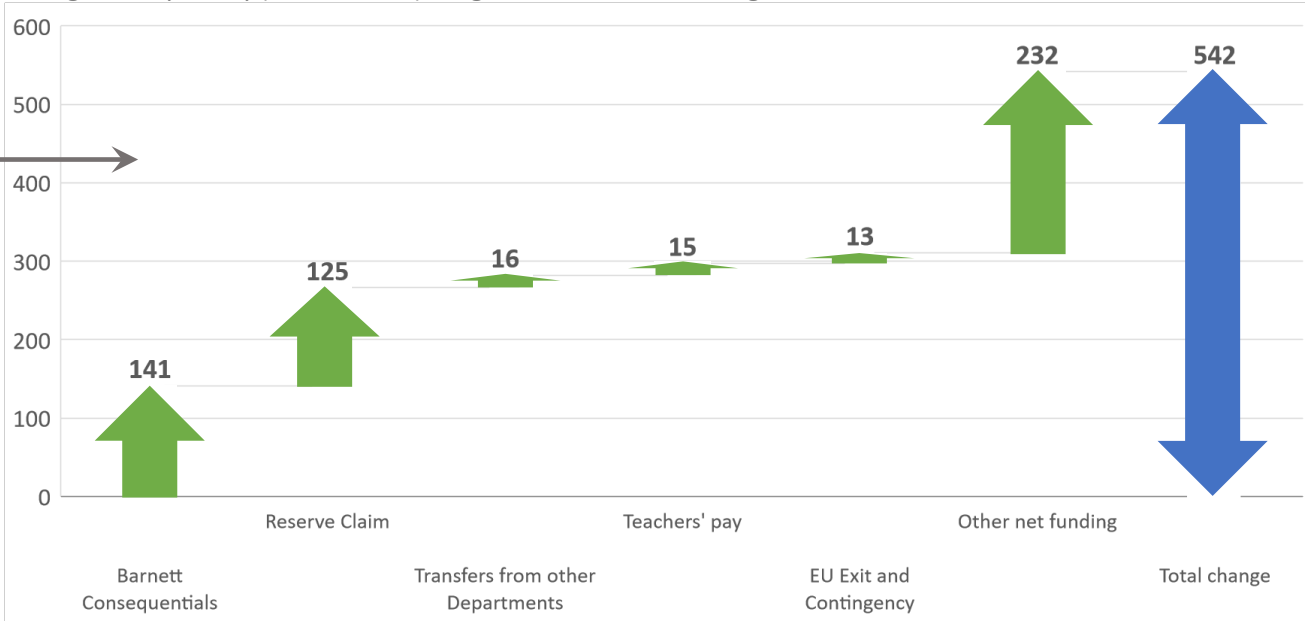
Wales spends 4.1% of Resource DEL for all Departments

Wales day-to-day budget increased by £542.2m (+4.3%)



## Barnett Consequentials make up the single largest increase to Wales' budget

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### In-year changes

The total uplift in the Supplementary Estimate is £542.2 million, of which £141 million is a result of Barnett Consequentials and £125 million drawn down from the Welsh Reserve.

There were net departmental transfers of £16 million to Wales, and £13 million funding for **EU exit contingency**, which is in addition to £27.7 million of EU exit related funding contained in the Barnett Consequentials mentioned above.

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

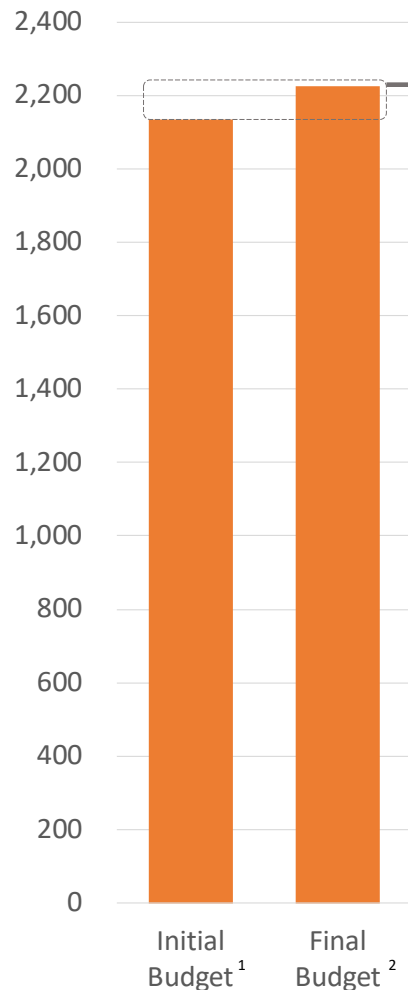
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



# How is Wales's investment spending changing in 2019-20?

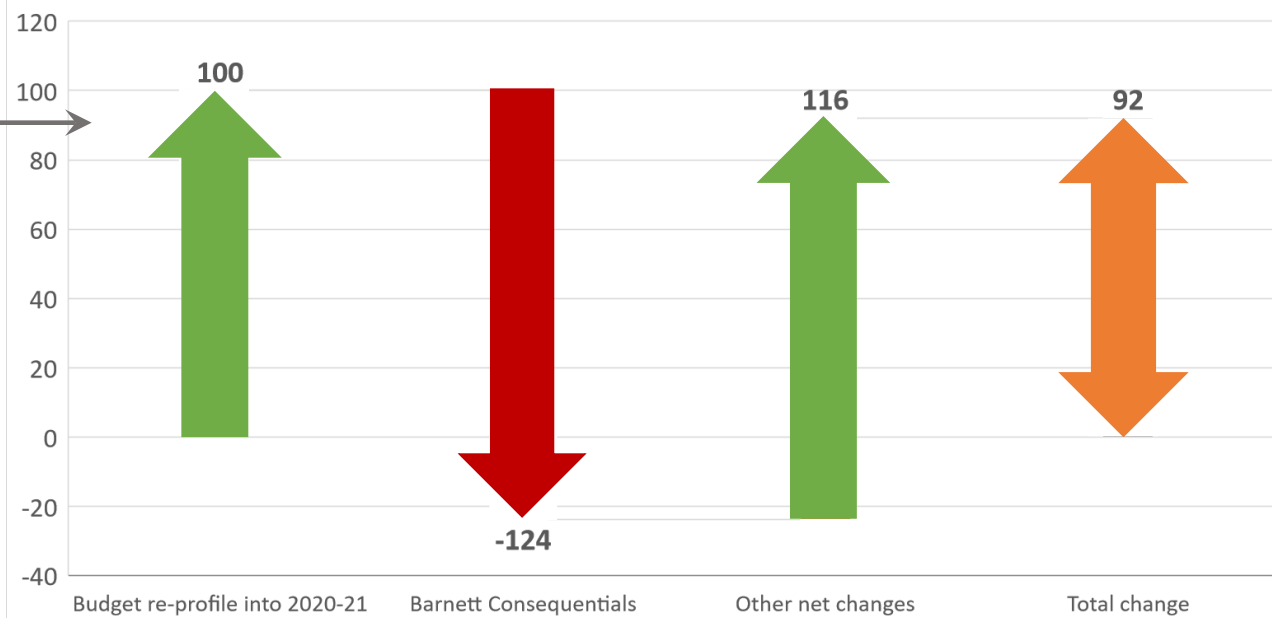
Wales' investment budget  
increased by £92m (+4.3%)

(Capital DEL budget in £m)



Although overall investment spending is expected to increase, Wales received significant negative Barnett Consequentials at the Supplementary Estimate

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



## In-year changes

The most significant changes at the Supplementary Estimate are due to **negative Barnett Consequentials**, driven in particular by a reduction of **£106 million in financial transactions**. Notification of this adjustment is said to have come just a week before publication of the Estimate.

The Welsh Minister for Finance described this reduction as **"a complete surprise"** and has challenged the rationale for this change and criticised the UK Government's **lack of transparency**. Similar reductions took place in Northern Ireland and Scotland. Nonetheless, the Welsh Government has said they will absorb this reduction in 2019-20. This has been offset by a £100 million budget re-profile.

<sup>1</sup> Final 2018-19 budget at Supplementary Estimates (Feb 2019)

<sup>2</sup> Initial 2019-20 budget as at Main Estimates (May 2019)

## What the UK Estimate for Wales includes:

### To the Welsh Government

*Cash grant to the Welsh Government*

**£15,907.6 million (+£405 million compared to Main Estimate)**

This is the sum of

- Funding for day to day spending (Resource DEL)
- Funding for investment spending (Capital DEL)
- 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) : £5.1 million (-£0.02 million compared to Main Estimate)*
- *Investment spending (Capital DEL): £0.5 million (+£0.02 million compared to Main Estimate)*

The above changes are a result of a transfer from Day-to-day and Investment budgets.

- ✓ **2018-19:** a new **needs-based factor** will be included in the Barnett Formula to determine changes to Welsh Government block grant funding.
- ✓ **A transitional factor of 105%** will be set for the moment, increasing to 115% in the future.

## The Barnett Formula

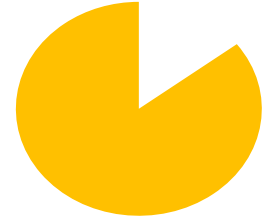
Change (rise or fall) in Resource DEL budget determined by UK government



Share of change related to **DEVOLVED FUNCTIONS** (e.g., health)



Population share (compared to England)



**Extra funding available** to the governments of Scotland, Wales and Northern Ireland **(may also be a spending cut)**

Share of change related to functions **RESERVED TO UK GOVERNMENT** (e.g., defence)



**NO CHANGE TO THE BLOCK GRANT** provided to Scotland, Wales and Northern Ireland

### Wales compared to England:

2010 Spending Review: 5.79%

2015 Spending Review: 5.69%

*This reduction in population share will mean slightly smaller increases and decreases in funding for Wales from the Barnett Formula than would have resulted if the share had remained as before.*



These funds can be spent on **ANY DEVOLVED FUNCTION**

### Example: CHANGE EXAMPLE

Increase of **£100m** in UK Departments' Resource DEL budget.



**75%** relates to functions which are devolved; **25%** are UK reserved functions.



**5.69%**

(Wales's population compared to England)

**= £4.268m**

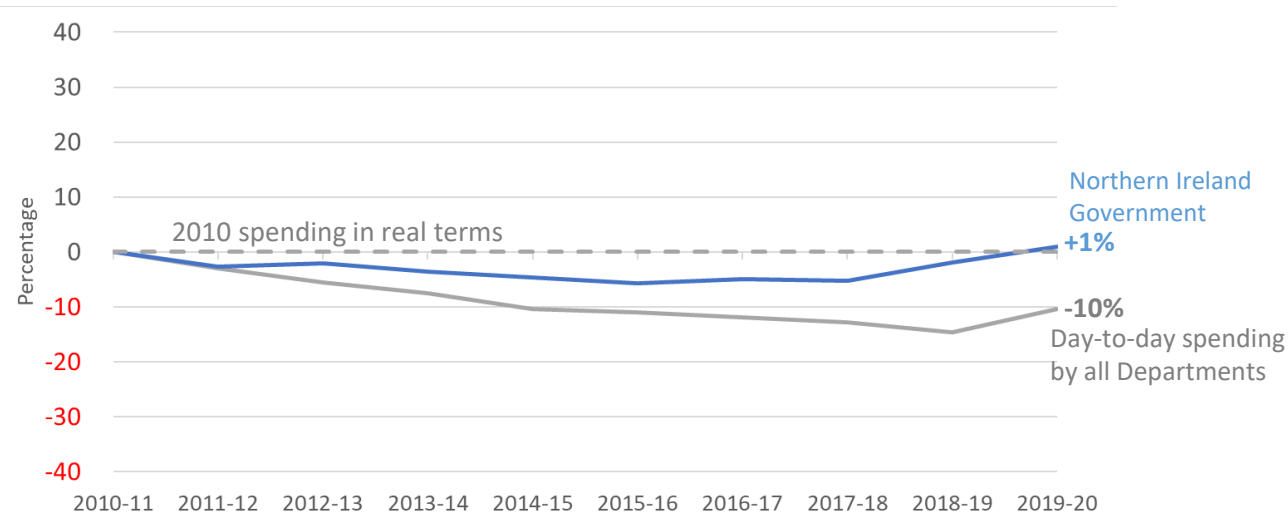
Extra to Welsh government



# Grant to Northern Ireland Government, and Northern Ireland Office funding

# Long term trends in Northern Ireland government funding (in real terms)

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



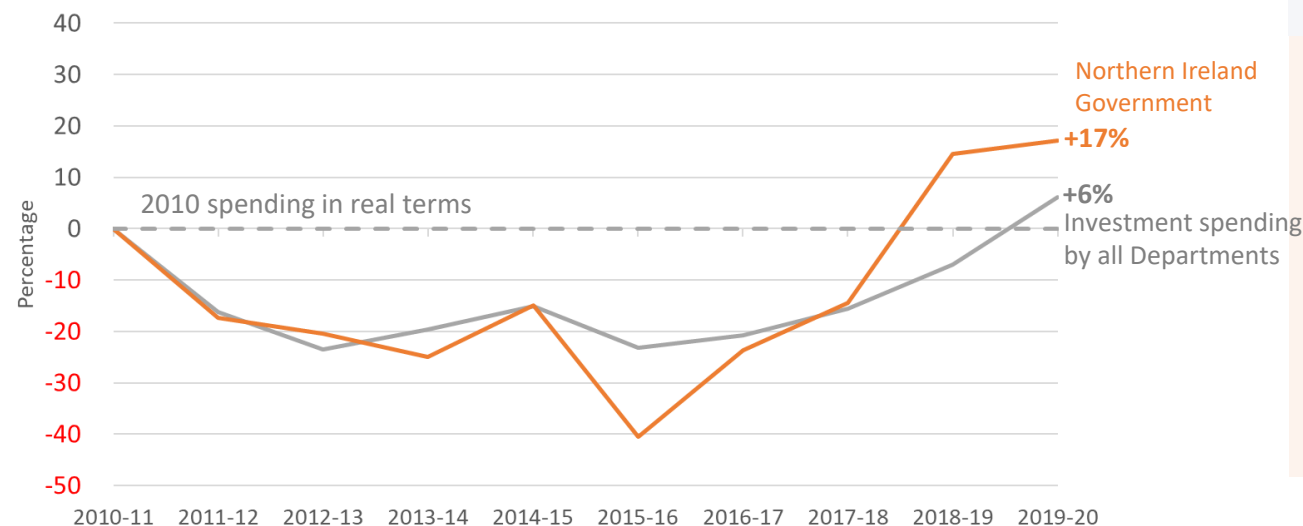
## Day-to-day spending trends:

- Funding for day-to-day spending for NI has fallen slower than overall UK gov't spending in real terms, and as of the 2019-20 has once again reached 2010 levels. Changes, through the Barnett formula, largely reflect where the UK Government has decided to allocate money, and whether it is to functions that are devolved in NI.
- Some additional funding outside of Barnett, such as the extra funding under the Confidence and Supply agreement, City Deals and Fresh start has also been provided, boosting NI's funding above what it would otherwise have been.

## Investment spending trends:

- Funding for investment is similarly affected by UK spending decisions and whether funding goes to devolved or non devolved functions.
- For instance, more UK investment spending on defence does not benefit NI budgets as defence is a non devolved function, whereas more UK funding on health does.

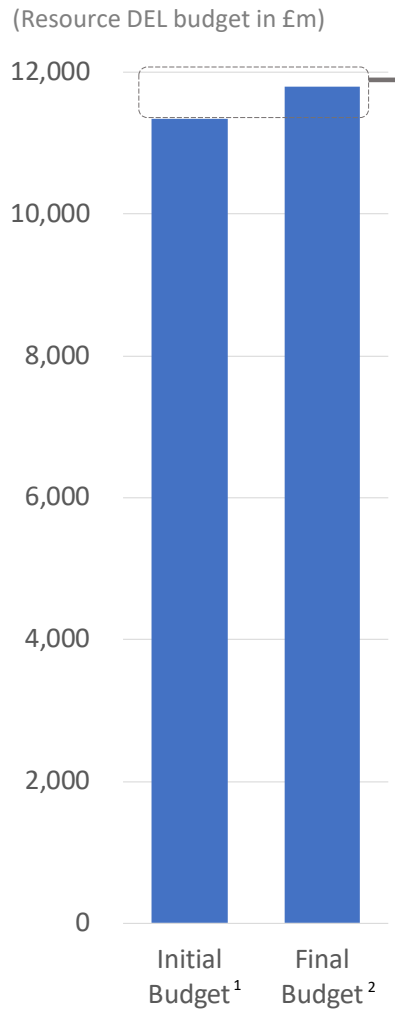
Percentage change in Investment funding compared to 2010 (*Capital DEL*):



# How is Northern Ireland's day-to-day spending changing in 2019-20?

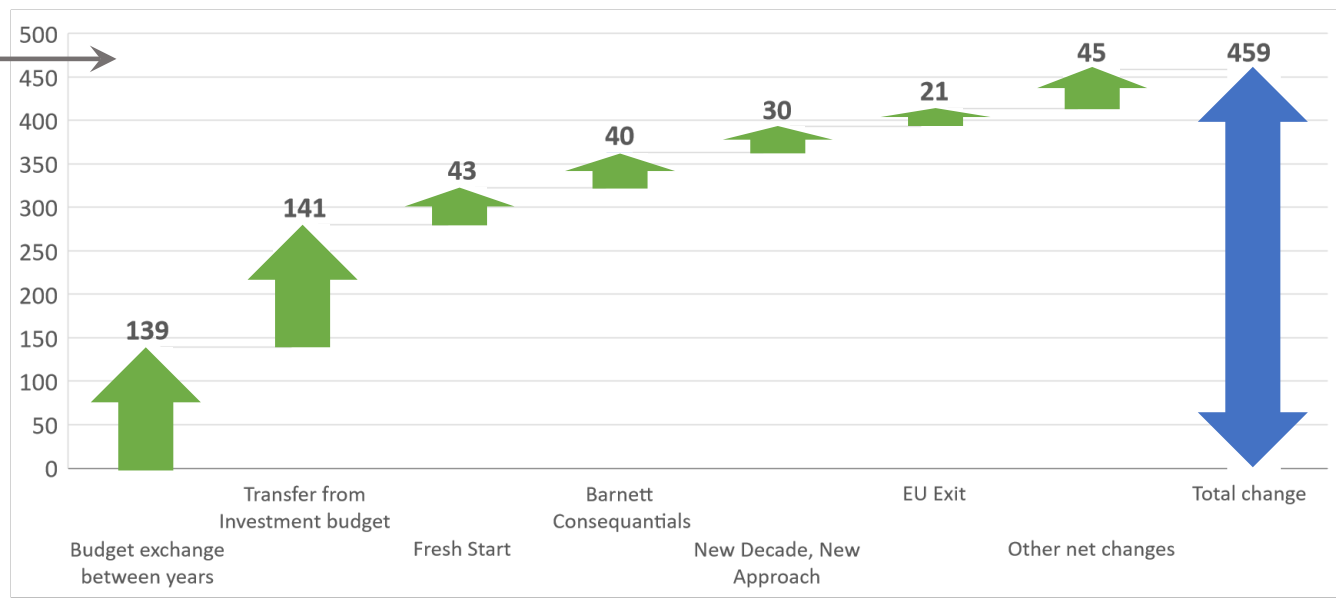
Northern Ireland spends 3.2% of Resource DEL for all Departments

Northern Ireland's day-to-day budget increased by £459m (+4%)



## Budget transfers and exchanges have driven the bulk of the £459 million increase

Changes in Day-to-day (Resource DEL) budget in £m since initial budget for 2019-20



### Changes to in-year budget

- No new functions have been added to the NIO since the Main Estimate.
- The Supplementary Estimate shows a £459 million (4%) uplift. This includes £139 million budget carried forward from past years as part of the "budget exchange" scheme and £141 million transferred from the Investment budget, though **the purpose of this is not clear from the memorandum.**
- There is a £40 million uplift from Barnett Consequentials, a large portion of which (£18.4 million) is due to **additional EU exit funding.** Northern Ireland specifically also received **£21 million** for EU exit and operational contingency.
- A further uplift of £43 million is included under the 'Fresh Start' initiative, including £25 million for **the Social Security Agency to tackle fraud and error. New Decade, New Approach – the initiative to restore the Executive in NI – received £30 million.**

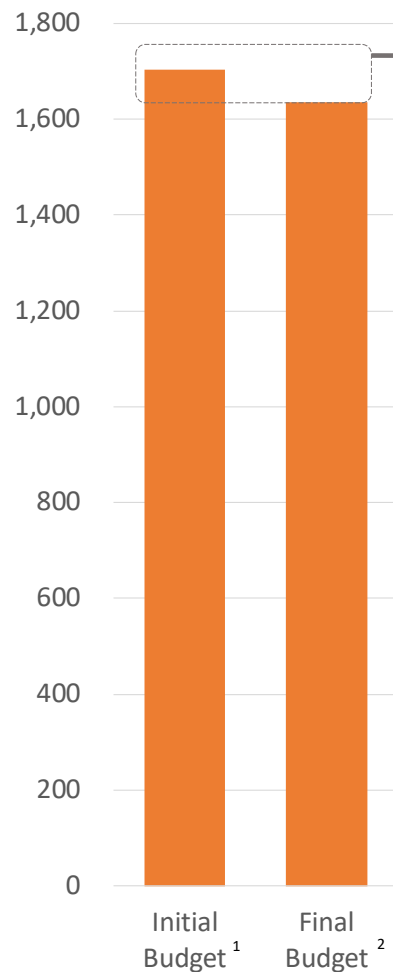
<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)  
<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)



## How is Northern Ireland's investment spending changing in 2019-20?

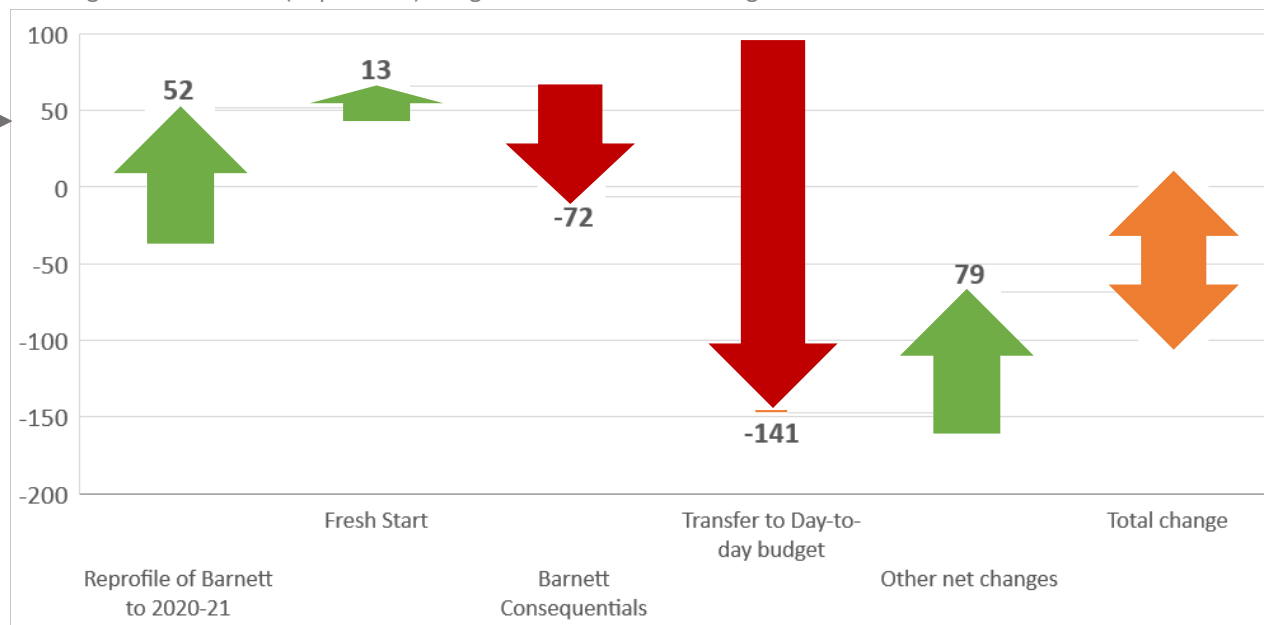
Northern Ireland's investment budget decreased by £68.2m (-4%)

(Capital DEL budget in £m)



Decrease is largely driven by the transfer from Investment to Day-to-day budget

Changes in Investment (Capital DEL) budget in £m since initial budget for 2019-20



### In-year changes

- The Supplementary Estimate saw a £68.2 million decrease in the Investment budget as a result of transferring Investment funding to Day-to-day budget. **The purpose of this capital transfer was not made clear in the supporting memorandum.**
- A £52 million re-profile of Barnett Consequentials is partially offset by a planned net reduction in Barnett Consequentials (-£72 million). This included a **£59 million reduction in Financial Transactions** Capital DEL, and similar adjustments were made to the Scottish and Welsh Estimates.
- The Fresh Start investment is set to receive £13 million of additional funding at the Supplementary Estimate

<sup>1</sup> Initial budget at Main Estimates 2019-20 (April 2019)

<sup>2</sup> Final budget at Supplementary Estimates 2019-20 (Feb 2020)

## What the UK Estimate for Northern Ireland includes:

### To the Northern Ireland Government

Cash grant to the Northern Ireland Government: **£16,888 million (+£890.1 million compared to Main Estimate)**

This is the sum of

- Funding for day to day spending (Resource DEL)
- Funding for investment spending (Capital DEL)
- 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) : **£40.6 million (+£11.9 million compared to Main Estimate)**
- Investment spending (Capital DEL): **£0.83 million (+£0.5 million compared to Main Estimate)**

At the Supplementary Estimate 2019-20, this included the following additional funding:

#### Day-to-day spending:

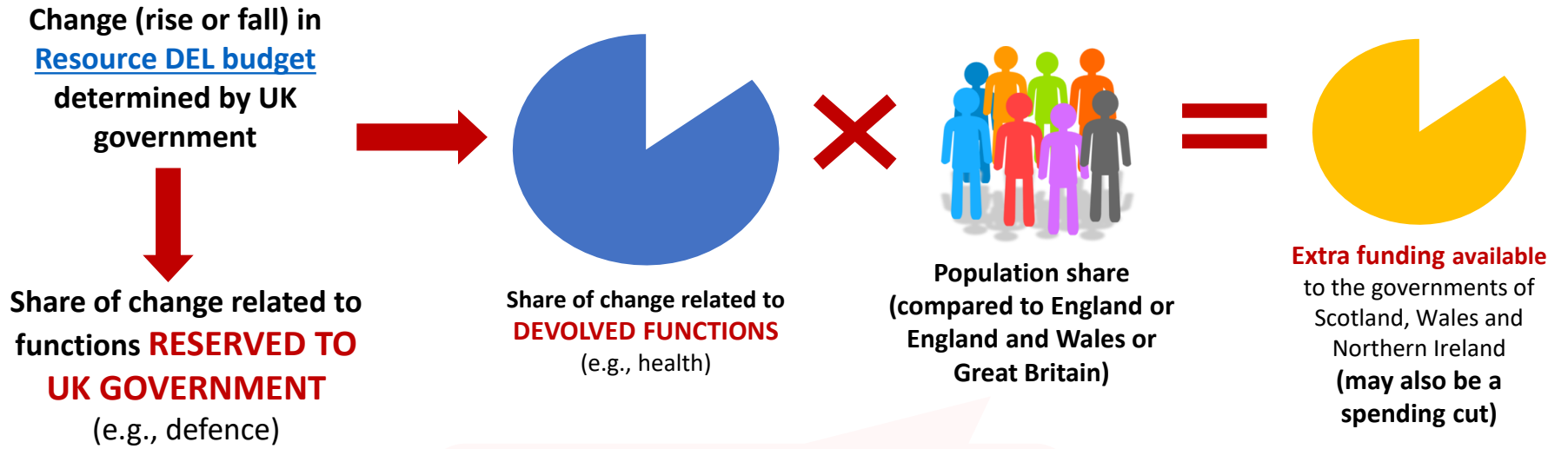
- £4.6 million to cover the cost of delivering the 2019 General Election;
- £3.5 million to reflect the broader and more complex role undertaken since its establishment;
- £1.9 million to cover additional resource pressures due to the absence of a NI Executive;
- £1.8 million to cover EU Exit preparations and operational contingency planning.

#### Investment spending:

- £0.5 million to cover costs such as new premises for the Northern Ireland Human Rights Commission

Historically, because the NI assembly did not meet, the Westminster Parliament had the power to authorise, **through separate legislation**, how the funding provided for the Northern Ireland government was to be spent. As the NI Assembly has now re-formed, this will no longer apply.

## How the Barnett Formula works in Northern Ireland



NO CHANGE TO THE **BLOCK GRANT** provided to Scotland, Wales and Northern Ireland

**Northern Ireland compared to England:**  
 2010 Spending Review: 3.45%  
 2015 Spending Review: 3.39%  
*This reduction in population share will mean **slightly smaller increases and decreases** in funding for Northern Ireland from the **Barnett Formula** than would have resulted if the share had remained as before.*

These funds can be spent on **ANY DEVOLVED FUNCTION**

**Example:**

Increase of **£100m** in UK Departments' Resource DEL budget.

75% relates to functions which are devolved; 25% are UK reserved functions.

× 3.39% (Northern Ireland's population compared to England) =

Extra **£2.543m** to Northern Ireland government

