

Latest government spending plans

Main Estimates 2022-23 and beyond

Impartial briefing from House of Commons specialists



SCRUTINY UNIT

Strengthening scrutiny through specialist support

What can you learn from this document?



Overview:

- ✓ How government sets out its spending plans and Parliament's role in considering those plans
- ✓ The timetable for further updates to spending plans
- ✓ How the government classifies different kinds of spending
- ✓ How government spending plans for 2022-23 differ from last year

For each department:

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

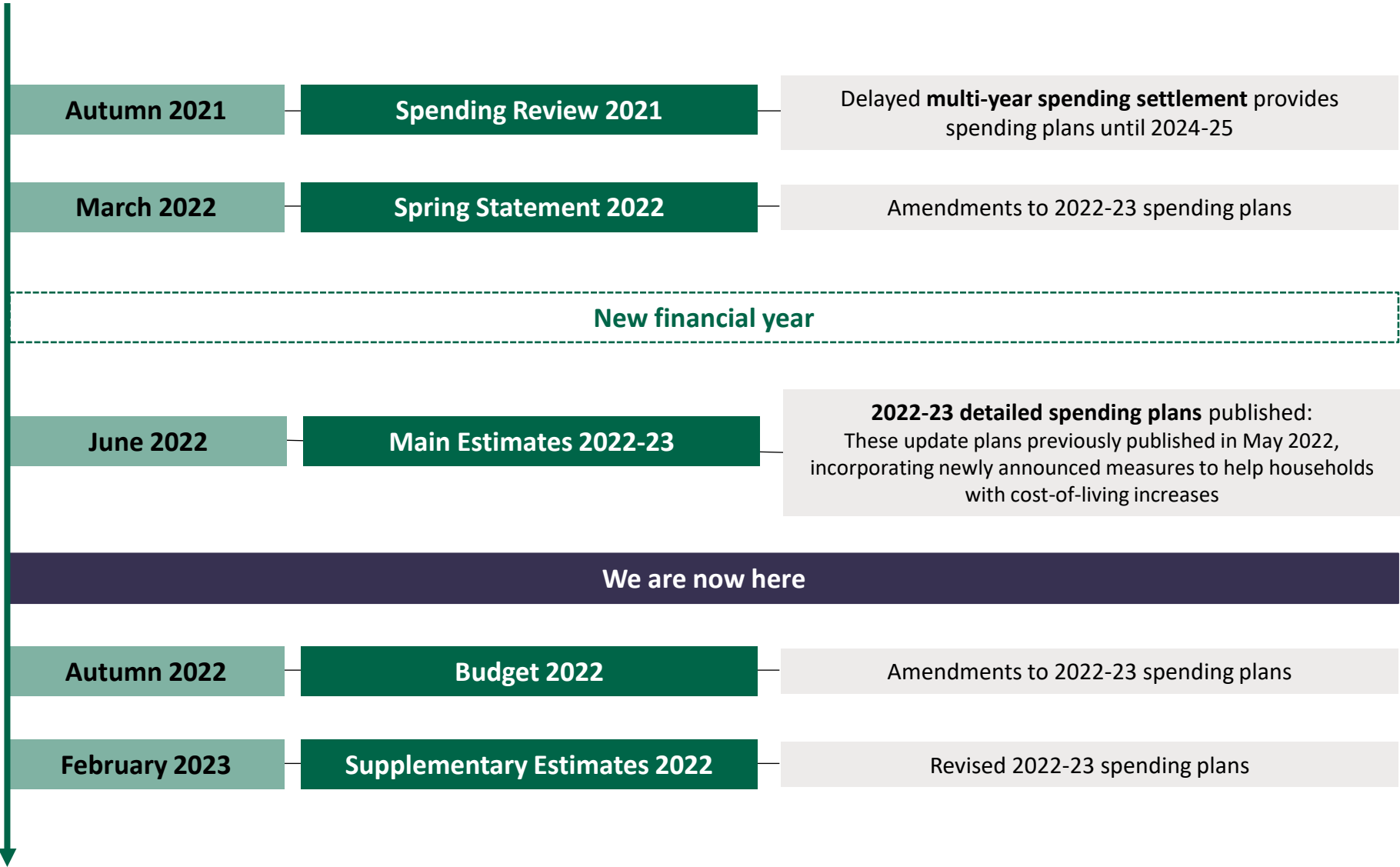
How government seeks funding

- **Main Estimates** (published in May) are the government's initial **spending plans** at the start of the financial year. Each department has a separate Main Estimate.
- The 2021 Spending Review set out government spending plans to 2024-25; these showed 2022-23 as the first year without any ring-fenced Covid-19 spending.
- Following the announcement of measure to help households with cost-of-living increases, the government re-laid the Estimates on 23 June, having originally presented them to the House on 12 May; they now include this additional £15.2 billion in spending.
- Main Estimates do not include all expenditure expected in 2022-23; further changes are expected in the Supplementary Estimates, likely to be published in February 2023.

Parliament's role

- Parliament debates selected Estimates on "**Estimates days**". Members may bid to the Backbench Business committee to **hold a debate** on one of those days
- Parliament must authorise spending plans before they can come into effect
- Urgent spending may be funded by advances (a "Vote on Account", and from the Contingencies Fund)

Budget timeline: spending in 2022-23 and beyond



The different spending limits and what they include

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

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

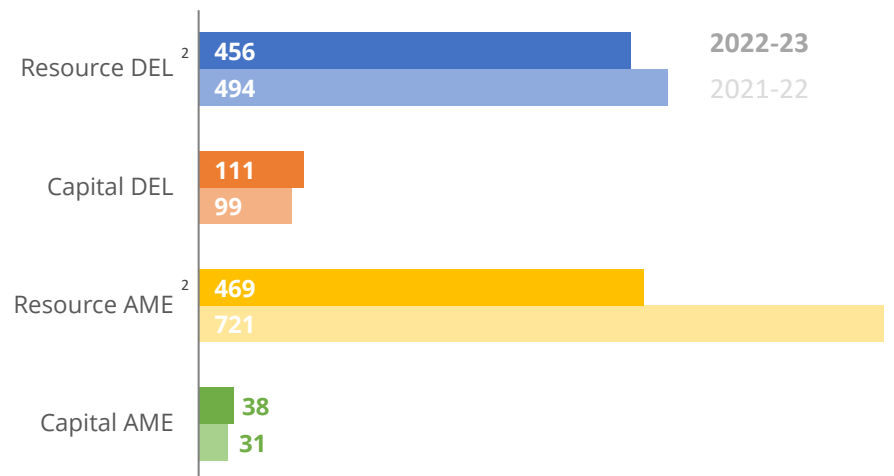
Both types are further subdivided into :

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

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

Departmental Spending included in Main Estimates 2022-23: **£1,073 billion**
 This is a reduction of **£272 billion (-20%)** since last year

Departmental Spending in 2022-23 by category (£ billion) ¹



Spending includes:

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

Coronavirus measures included:

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

Notes:
¹ 2022-23 departmental spending as published in Main Estimate 2022-23 . AME spending supplied by HM Treasury; excludes non-departmental spending such as debt interest and local authority self-financed expenditure.
² Resource spending includes depreciation

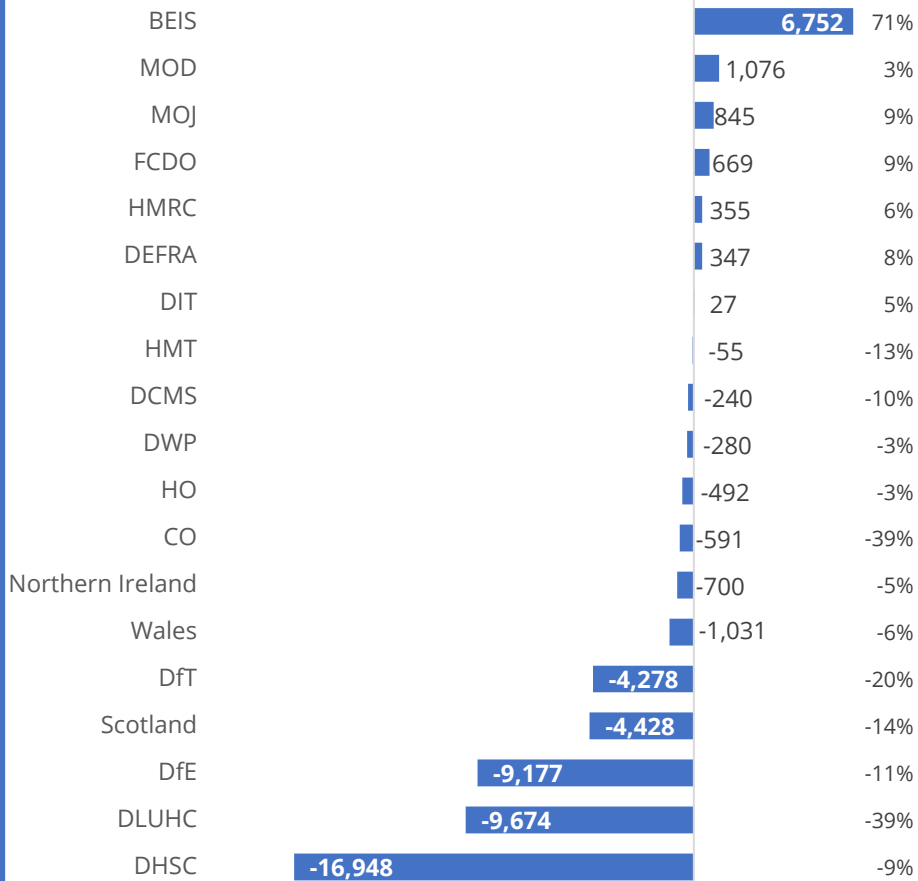
2022-23 total planned spending has fallen overall, although investment is increasing

Reduction is mainly from the reduction in Covid-19 spending compared to last year

Changes in planned Departmental Expenditure Limits (DEL) since Supplementary Estimate 2021-22 (£ millions)

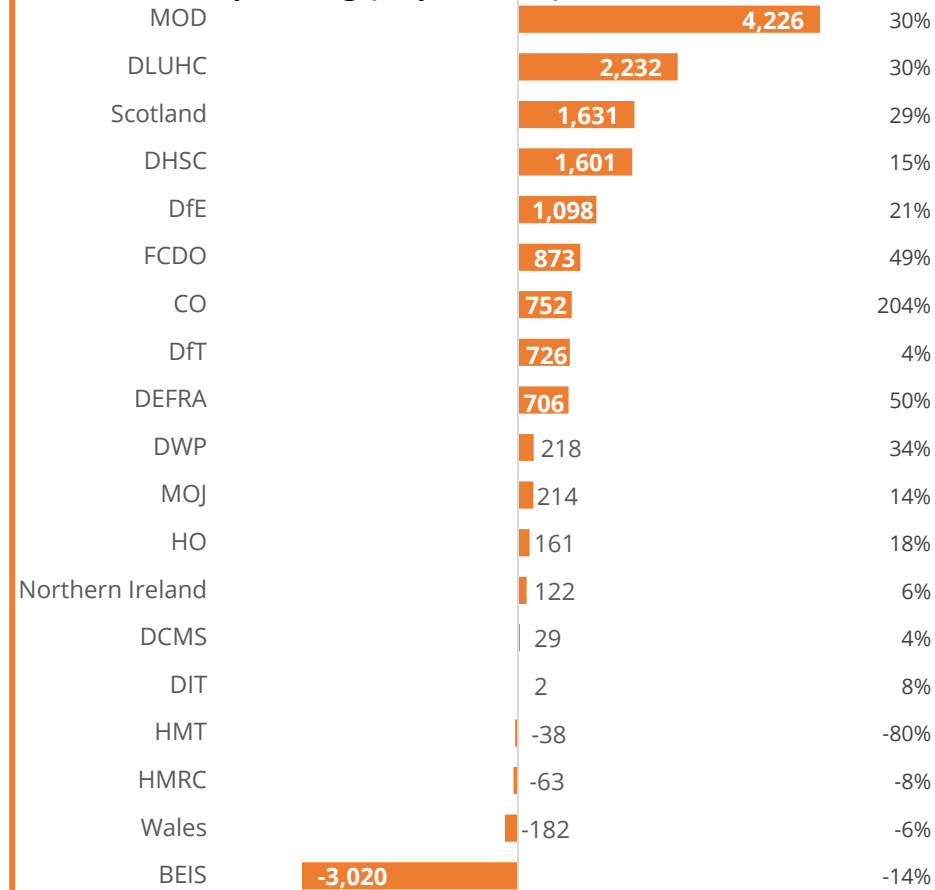
Day-to-day spending (Resource DEL)

% change



Investment spending (Capital DEL)

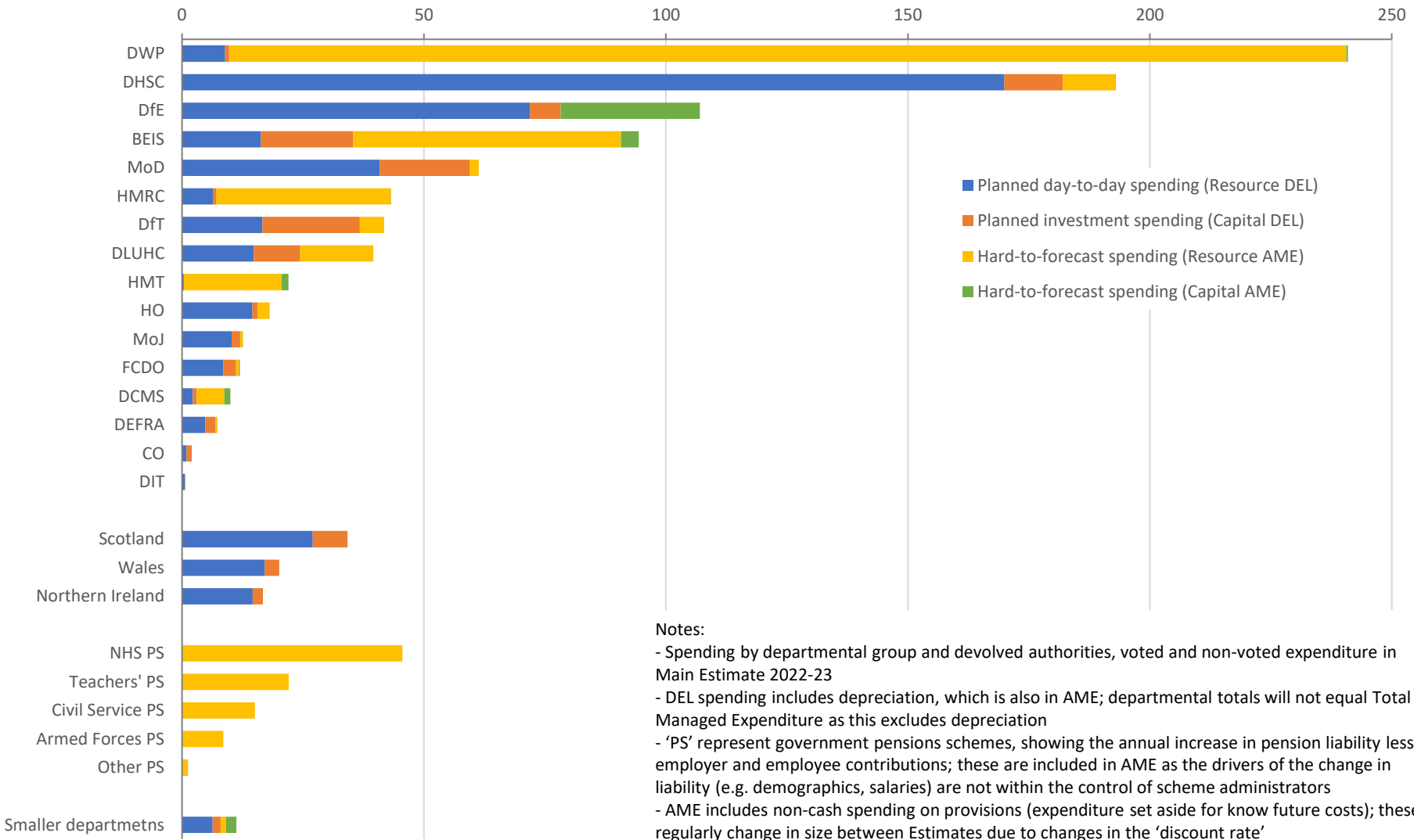
% change



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

Day-to-day spending pensions/benefits and health remain the most substantial items of spend

Total Spending by department in 2022-23 in Main Estimate (£ billions)



Notes:

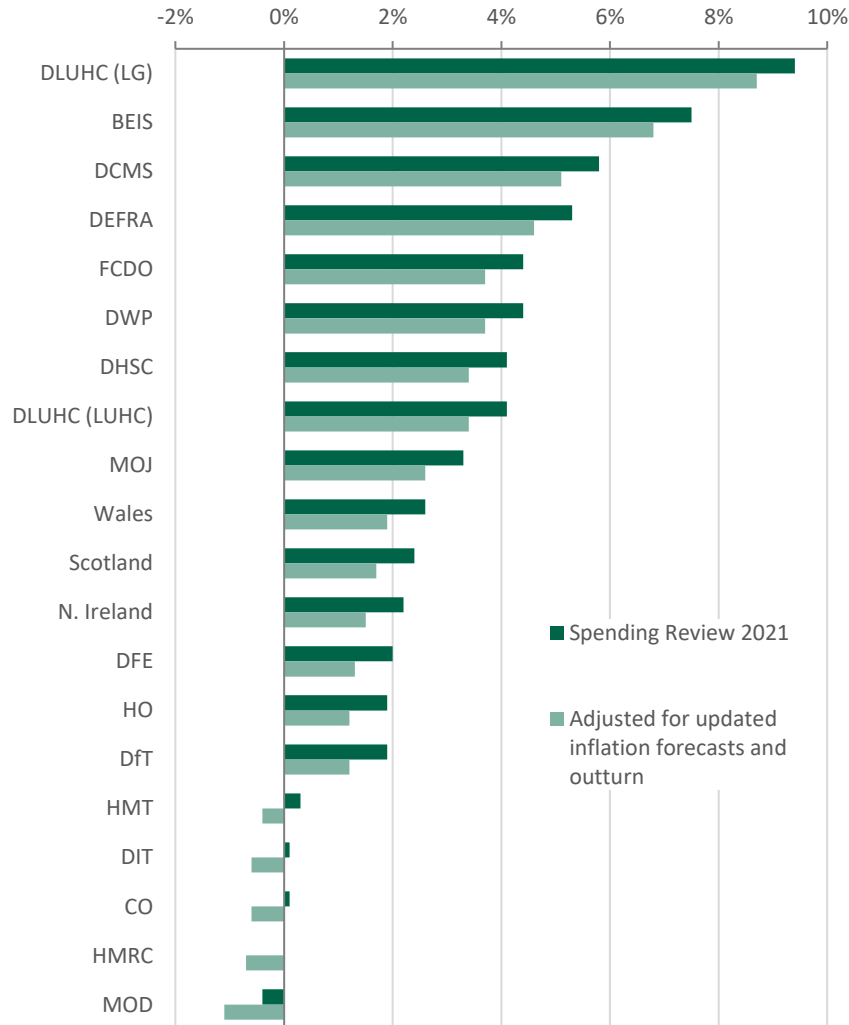
- Spending by departmental group and devolved authorities, voted and non-voted expenditure in Main Estimate 2022-23
- DEL spending includes depreciation, which is also in AME; departmental totals will not equal Total Managed Expenditure as this excludes depreciation
- 'PS' represent government pensions schemes, showing the annual increase in pension liability less employer and employee contributions; these are included in AME as the drivers of the change in liability (e.g. demographics, salaries) are not within the control of scheme administrators
- AME includes non-cash spending on provisions (expenditure set aside for known future costs); these regularly change in size between Estimates due to changes in the 'discount rate'

Inflation and the cost of living

- Spending Review 2021 set out departmental spending totals in cash terms
- With the inflation expectations at the time, all major departments apart from Defence were set to receive real-terms increases.
- Worsening inflation outturn and forecasts means several departments are now likely to face real-terms reductions in spending over this period.
- The usual measure to adjust for inflation in government spending is the GDP deflator - although other measures such as CPI may be even higher.
- In March the IFS estimated that changes to the deflator forecasts meant real-terms spending would be lower by 0.5 percentage points per year; this has now increased to 0.7 percentage points when adjusting for the outturn of recent months
- The next official forecasts for the GDP deflator are due in the autumn, when changes to inflation expectations may further erode spending in real terms

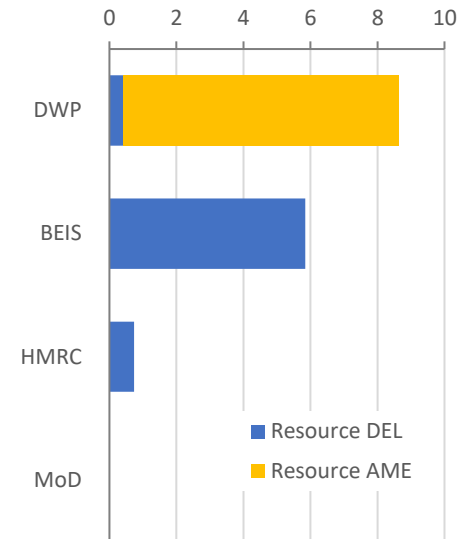
Several departments are expected to face real-terms cuts

Average annual real-terms growth rate in Total DEL from 2021-22 to 2024-25



Government made £15.2 billion support available to households in May

Additional funding (£billion)



Measures include:

- DWP: £650 payments for households receiving means-tested benefits, and additional payments of £350 for pensioners and £150 for those on disability payments
- BEIS: £400 off energy bills for all households (increased from £200)
- HMRC: £650 payments for households receiving tax credits

Departmental spending

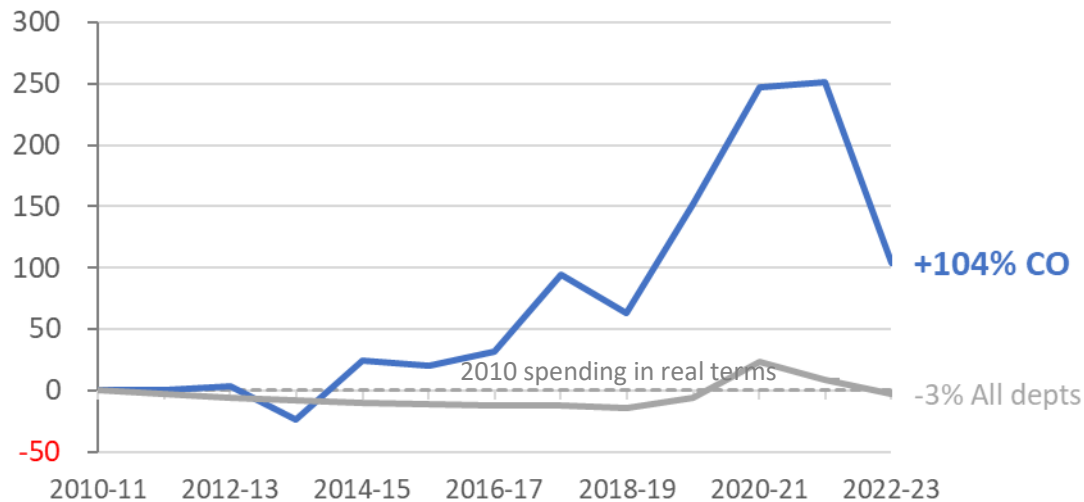
The remainder of this slide pack provides a detailed analysis of the changes contained in the Supplementary Estimate 2020-21, spending trends and future spending plans for the following departments and devolved authorities (follow link):

- [Cabinet Office](#)
- [Department for Business, Energy and Industrial Strategy](#)
- [Department for Digital, Culture, Media and Sport](#)
- [Department for Education](#)
- [Department for Environment, Food and Rural Affairs](#)
- [Department of Health and Social Care](#)
- [Department for International Trade](#)
- [Department for Levelling Up, Housing and Communities](#)
- [Department for Transport](#)
- [Department for Work and Pensions](#)
- [Foreign, Commonwealth and Development Office](#)
- [Home Office](#)
- [HM Revenue and Customs](#)
- [HM Treasury](#)
- [Ministry of Defence](#)
- [Ministry of Justice](#)
- [Northern Ireland](#)
- [Scotland](#)
- [Wales](#)

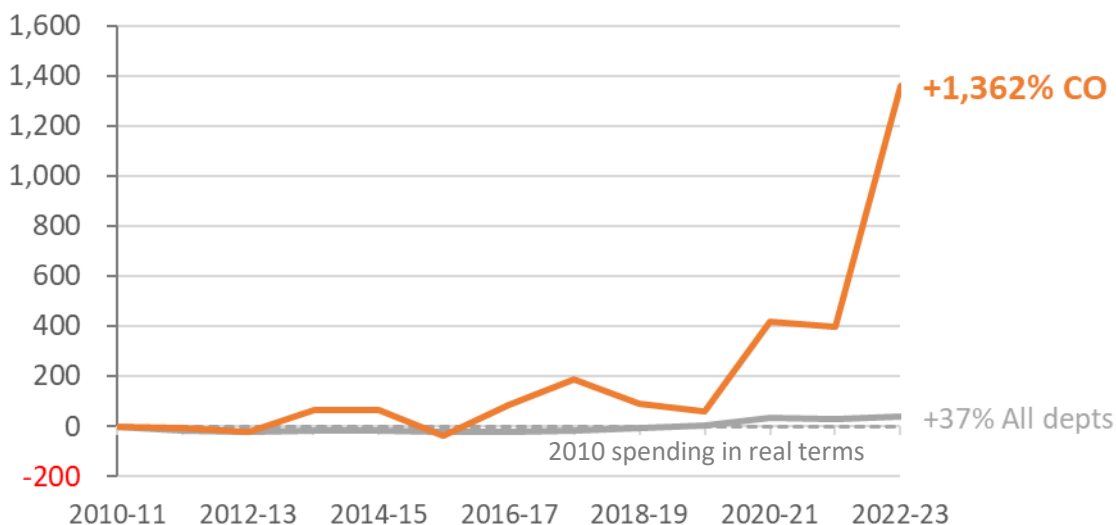
Cabinet Office (CO)

Long-term trends in the Cabinet Office'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

- Total spending is set to be **104% higher** in 2020-21 than in 2010-11, in real terms.
- £298 million was allocated for **Covid-19 costs** in 2021-22, £186 million of which was for the Covid-19 Public Information Campaign. The Cabinet Office has said there is significantly lower funding for Covid-19 measures in 2022-23.
- The lower budget this year is also due to large one-off events held in 2022-23, such as COP26 and the G7 summit, for which there is no equivalent in 2022-23.

Investment spending trends

- Investment spending (Capital DEL) was £368 million in 2021-22, and is set to be £1,120 million in 2022-23.
- Most of the Cabinet Office's investment spending is for HMRC and Valuation Office Agency administration.
- The large increase this year is for a change in accounting standard. There is no cash impact.
- There is no Capital budget for Covid-19 measures.

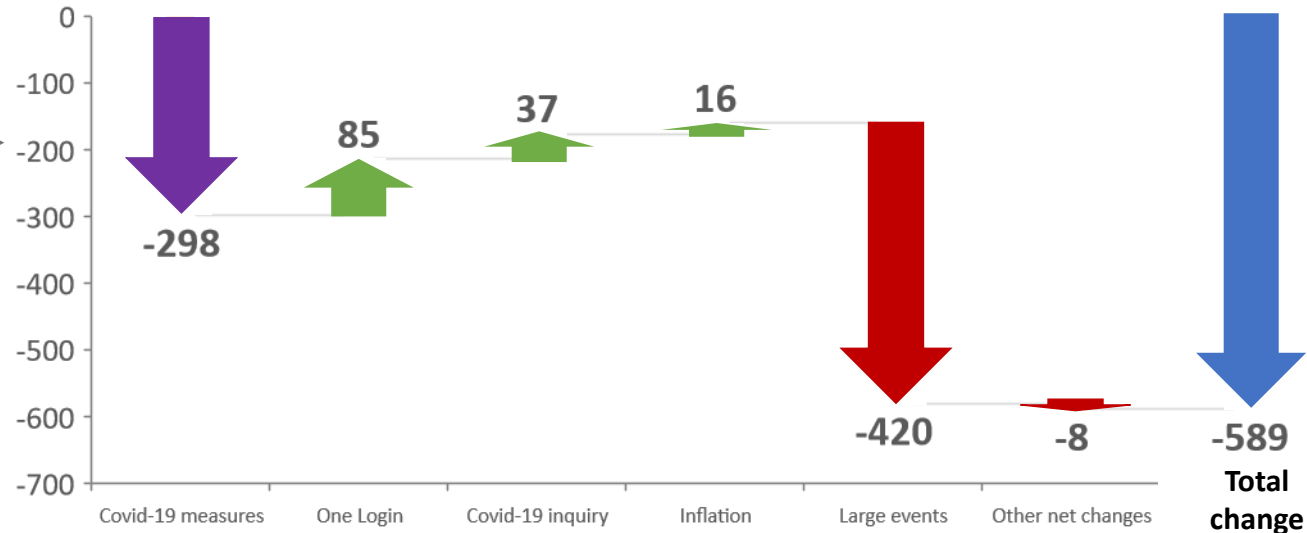
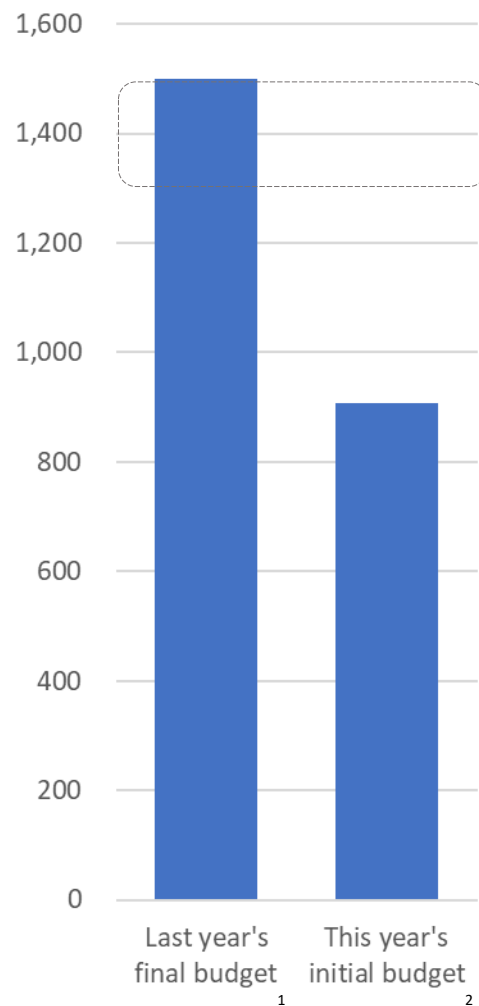
How is the Cabinet Office's day-to-day spending changing in 2022-23?

Cabinet Office's day-to-day budget decreased by £589m (-39.3%)

Budget reductions are mainly due to no further budget for one-off events such as COP26 and the G7 summit which were held in 2021-22

Resource DEL budget in £m

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Covid-19 measures:** £298 million of funding was included for Covid-19 measures in 2021-22, for which there is significantly lower or no equivalent in 2022-23.
- **One Login:** £85 million for the One Login programme, as confirmed in the 2021 Spending Review which provided a total budget of £305 million for the programme over 3 years.
- **Covid-19 inquiry:** £37 million for the expected running costs of the inquiry in 2022-23.
- **Inflation:** £16 million for the effects of inflation. This will cover an expected uplift in pay and increased National Insurance contributions due to the Health and Social Care Levy.
- **Large events:** £420 million reduction compared to last year's budget as COP26 and G7 summit were held in 2021-22.

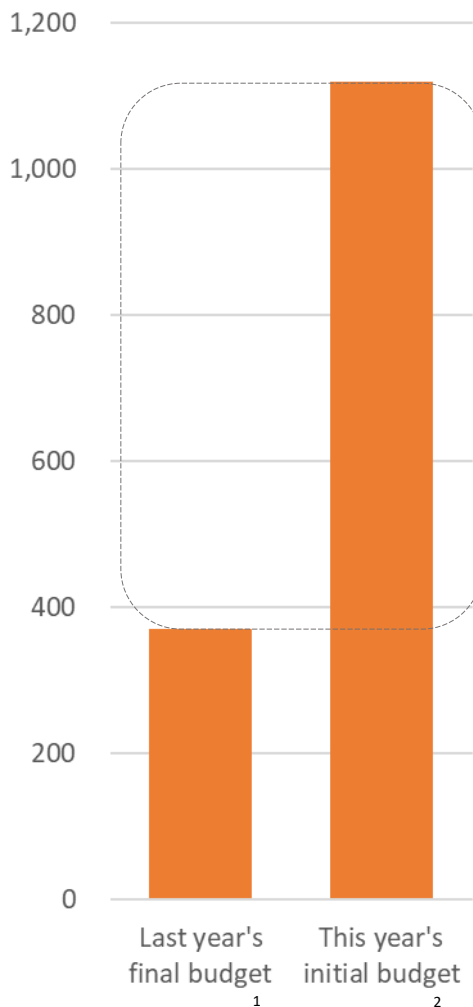
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

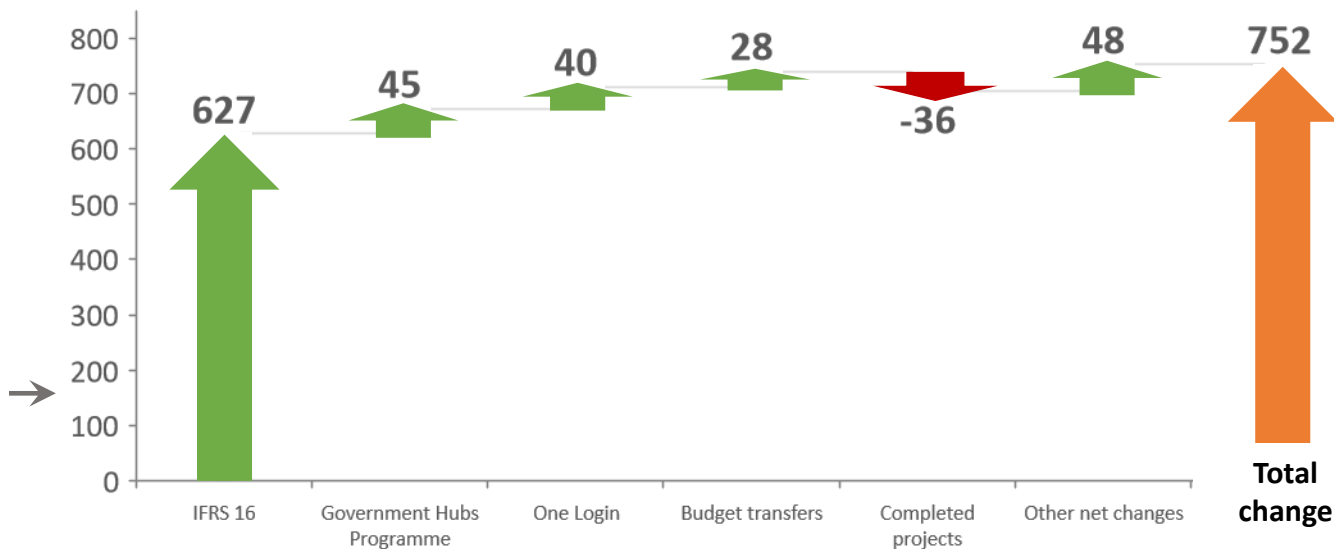
Cabinet Office's investment budget increased by £725m (+204.3%)

Resource DEL budget in £m



Cabinet Office's investment budget increase is mainly due to a technical accounting adjustment

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

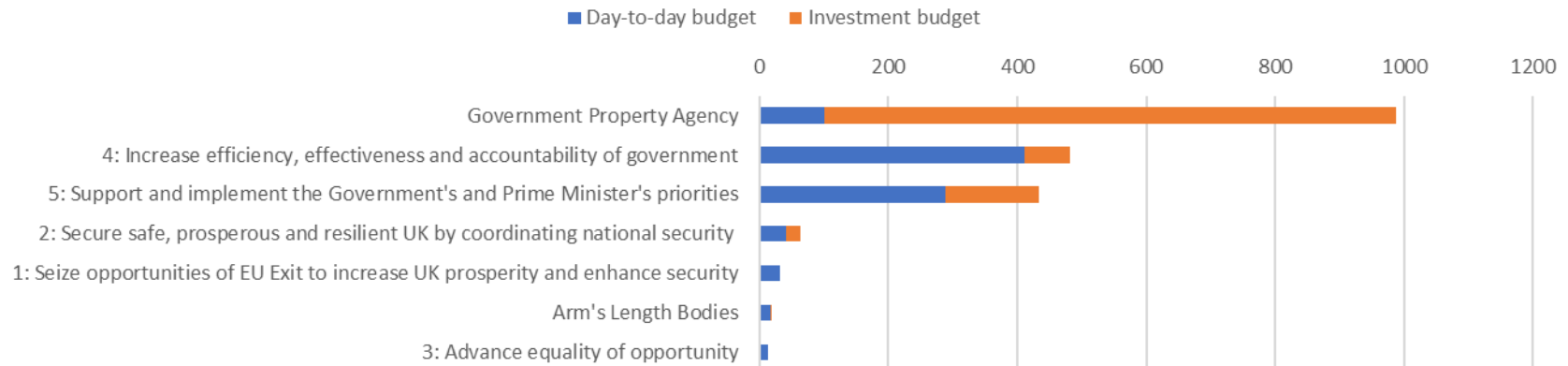
- **IFRS16:** £627 million increase for a change in the accounting treatment of leases. This has no cash impact on the Cabinet Office's spending.
- **Government Hubs Programme:** £45 million increase in this programme, bringing the budget for 2022-23 to £229 million.
- **One Login:** £40 million budget for this programme in 2022-23. Total RDEL and CDEL budget for the programme in 2022-23 is £125 million, out of a total budget of £305 million.
- **Budget transfers:** £28 million increase due to Government Property Agency budget being transferred from 2021-22 to 2022-23 due to project delays.
- **Completed projects:** £36 million decrease due to projects completed in 2021-22, for which there is no budget in 2022-23. These include the ROSA IT platform, COBR and the Situation Centre.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

Most of the Cabinet Office's cash budget is for increasing the efficiency, effectiveness and accountability of government through modernisation and reform

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



Cabinet Office objectives

- The total budget for Cabinet Office in 2022-23 is £2,028 million, comprising £908 million of day-to-day budget (Resource DEL) and £1,120 million of investment budget (Capital DEL).
- The Cabinet Office has 5 objectives, which have been updated since the 3 objectives included in the 2021-22 Supplementary Estimate.
- Objective 4 has the highest budget: £411 million of day-to-day spending (RDEL) and £70 million of investment spending (CDEL). This comprises 49% of Cabinet Office's total budget and includes funding for One Login.
- A further £289 million of RDEL and £144 million of CDEL is allocated objective 5. This includes funding for inquiries (such as Grenfell and Covid-19) and for one-off international events such as COP26 and the G7 conference.
- Objective 2 has a budget of £63 million and included funding for the secure ROSA IT platform.
- Objectives 1 and 3 have budgets of £32 million and £13 million, respectively.

Other spending

- The **Government Property Agency** has a budget of **£987 million** in 2022-23, comprising £102 million in Resource DEL and £885 million in Capital DEL. Most (£627 million) of the Capital DEL allocation is for a non-cash budget increase due to a change in the accounting treatment of leases.
- A further **£18 million** is for the Cabinet Office's **Arm's Length Bodies**, including the Equalities and Human Rights Commission (EHRC).

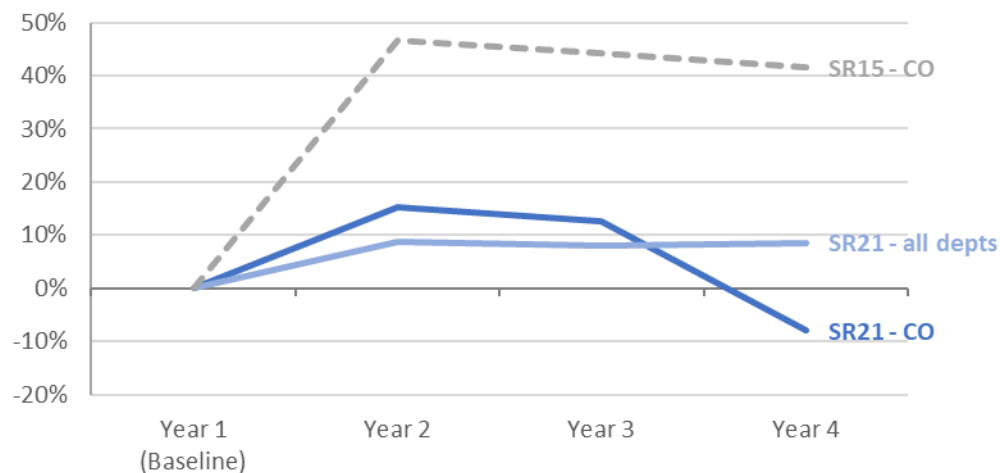
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

Cabinet Office's spending beyond 2022-23

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

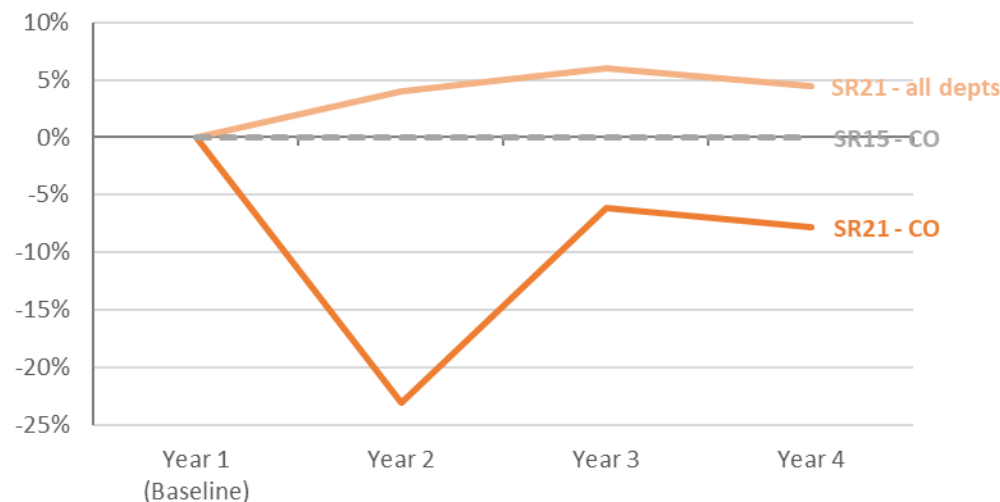
Day-to-day spending in Spending Review 2021

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



Investment spending in Spending Review 2021

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



Trends in day-to-day spending plans

- The Cabinet Office's 2021 day-to-day Spending Review settlement provides average annual real terms growth of 0.7%, compared to 1.4% when the settlement was originally announced in October 2021. This is due to higher inflation eroding the nominal value of the settlement.
- The allocation includes:
 - £60 million in 2024-25 to establish a Single Trade Window to streamline trader interactions with border agencies
 - £15 million over the Spending Review period for an evaluation accelerator fund to fill strategic evidence gaps across government.
 - £5 million in 2022-23 for the Veterans' Health Innovation Fund to allow veterans to access treatment for physical injury and mental health challenges.

Trends in investment spending plans

- The Cabinet Office's investment settlement provides an average annual real terms reduction of 2%, compared to 1.3% when the settlement was announced.
- The investment allocation includes £348 million to build new government offices in regional 'hubs' across the UK, in places such as Darlington, Cardiff and Glasgow.
- The allocation also includes funding of £305 million (this figure includes Resource DEL budget) to develop 'One Login', a new system to allow users to access government services such as paying taxes and registering births.

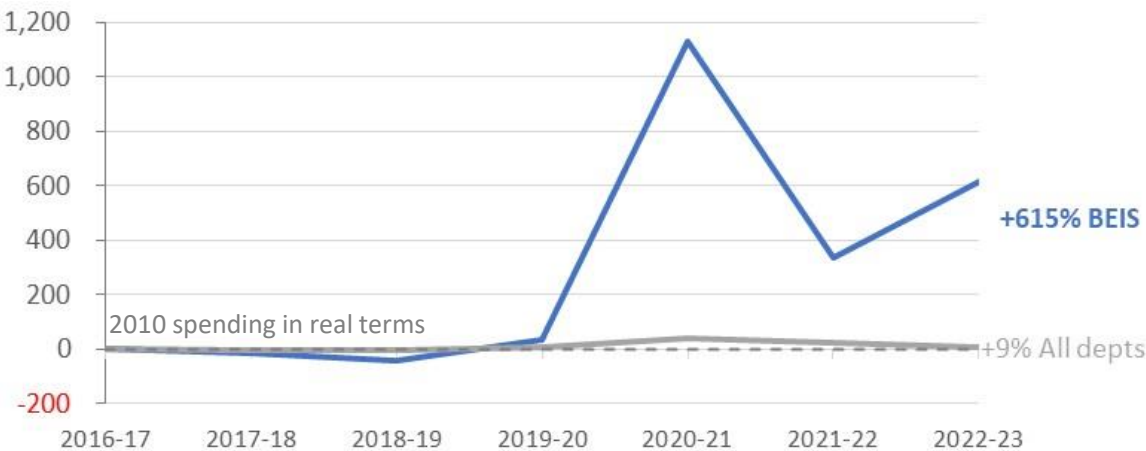
Note: SR15 and SR10 gave five-year Capital DEL settlements

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

Department for Business, Energy and Industrial Strategy (BEIS)

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

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



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



Day-to-day spending trends

- In 2018-19, the BEIS RDEL budget was cut to -39% compared to 2016. The budget then increased dramatically in 2019-20 due to emergency Covid spending.
- BEIS RDEL budget peaked in 2020-21 at 1133% compared to 2016 funding levels, with the bulk of the increase being Covid-19 business support funding.
- The finalised 2022-23 position shows an increase from 2021-22, but remains below the 2020-21 Covid-19 peak.
- The 2022-23 RDEL budget is 615% bigger than the 2016 baseline, compared to only a 9% increase for all government departments.

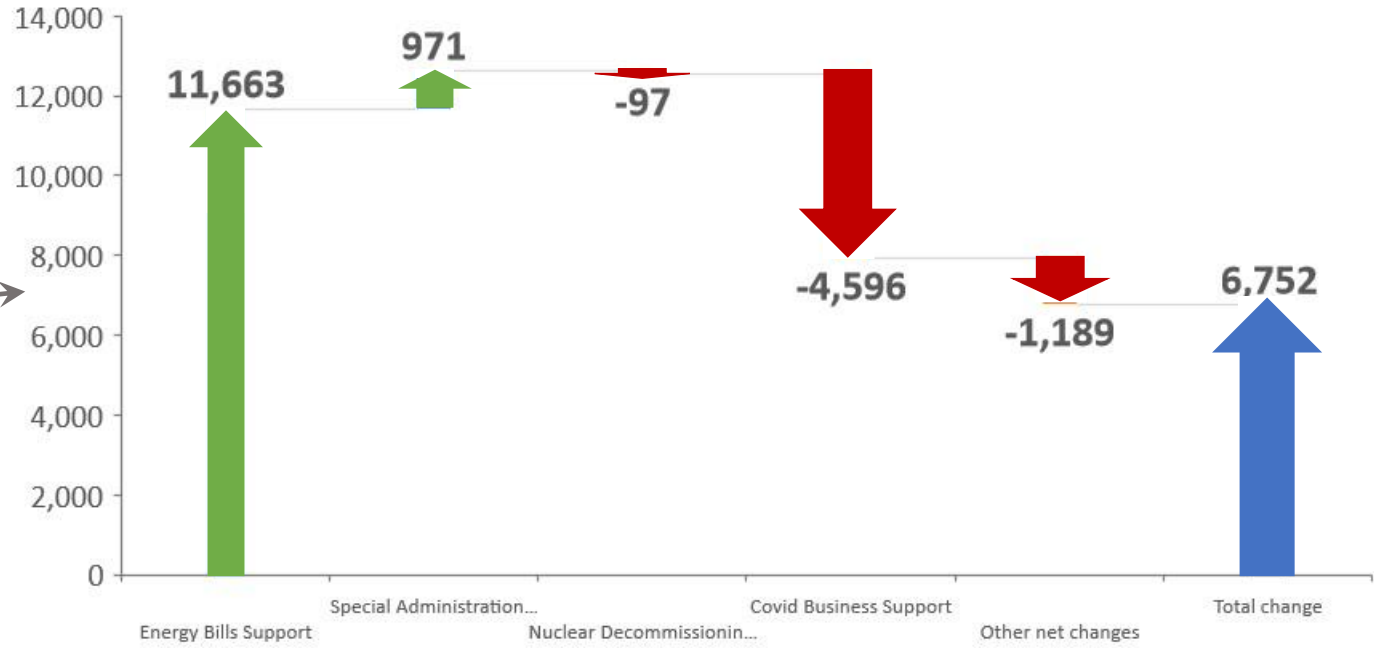
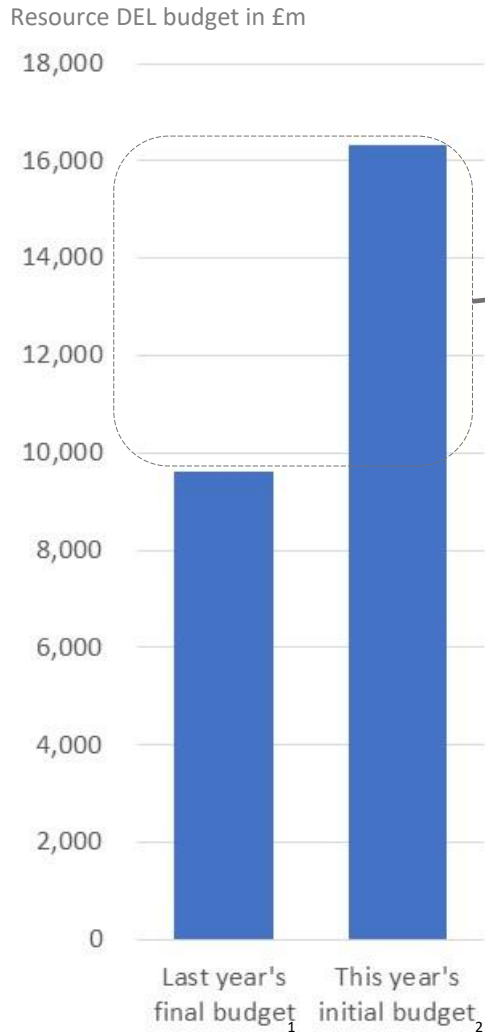
Investment spending trends

- Following severe capital budget cuts over the austerity period, and flat capital budgets from 2016-2019, BEIS received consistent increases in 2019-20 to 2021-22.
- BEIS capital budgets were 52% larger in 2022-23 compared to 2016, however they decreased from the peak in 2021-22.
- BEIS CDEL growth at 52% is below the average across departments compared to 2016 at 72%.

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

BEIS's spending increase is driven by the Energy Bills Support Scheme.
 Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

BEIS's day-to-day budget increased by £6,752m (70.6%)



Changes in 2022-23

- **Energy Bills Support:** BEIS was allocated £11,663.2 million in 2022-23 to fund energy bill discounts of £400 per household.
- **Special Administration Regime:** the taxpayer takeover of Bulb is set to cost a further £971 million in RDEL in 2022-23.
- **Covid Business Support:** The Covid Business Loan scheme has stopped running in 2022-23, and therefore funding of £4,596 million has not been allocated in 2022-23.

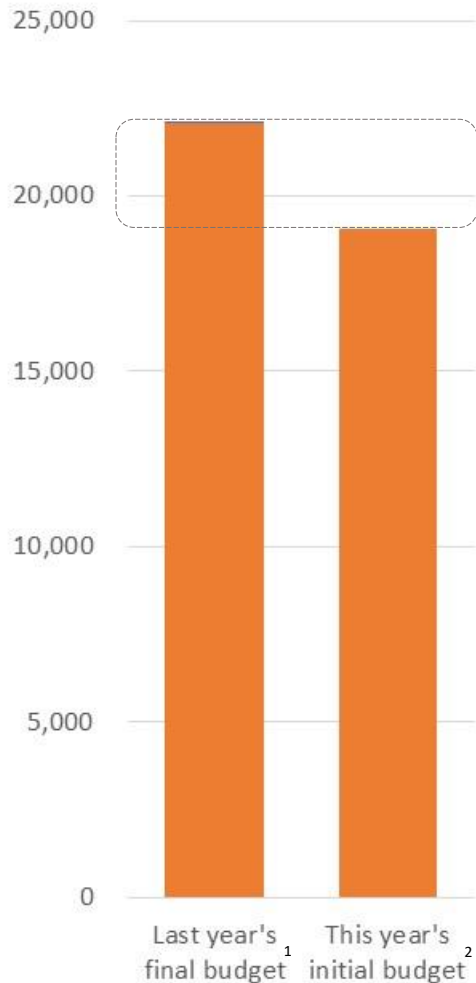
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

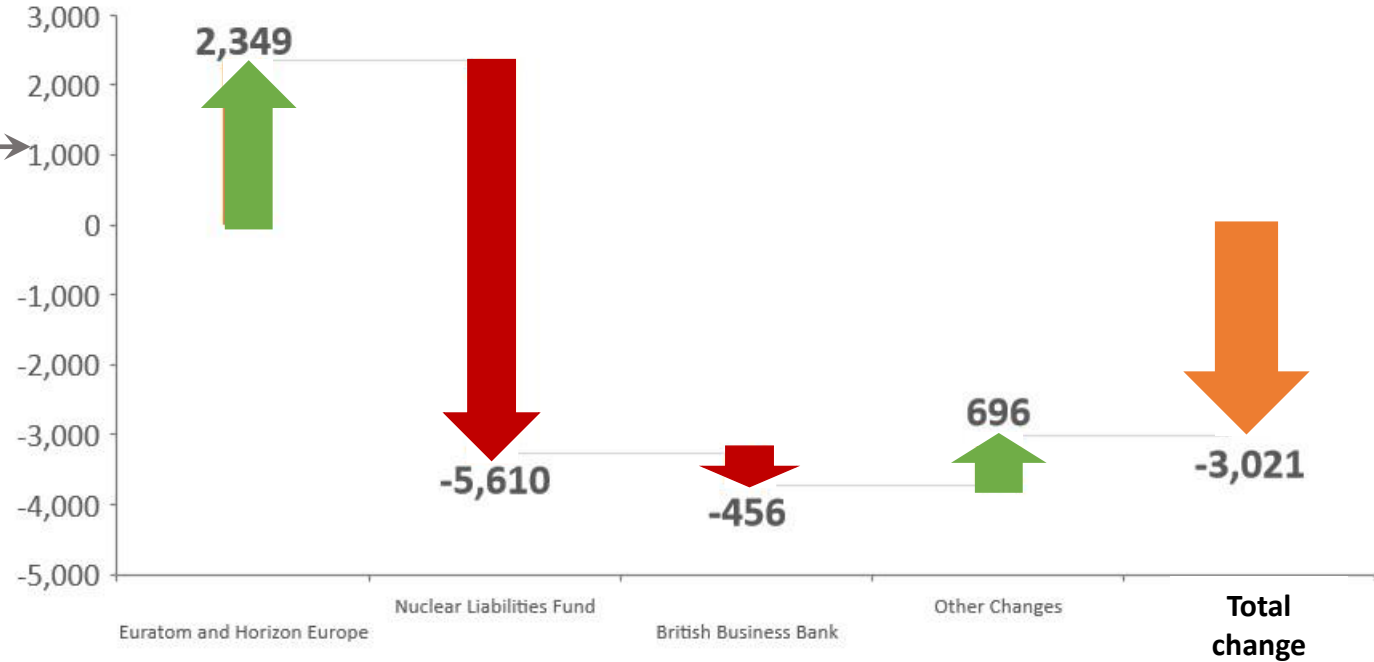
BEIS's investment budget decreased by £3,020.5m (-13.7%)

Resource DEL budget in £m



BEIS's investment spending decreases are driven by the Nuclear Liabilities Fund

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



- Changes in 2022-23**
- **Euratom and Horizon Europe:** £2,349.0m funding in 2022-23 for Horizon Europe and Euratom (of which £1,172.8m carried over from 2021-22 through the Budget Exchange system)
 - **Nuclear Liabilities Fund:** £5,610.0 million decrease in funding in respect of the Nuclear Liabilities Fund, as the interest rate increases to the cost of the fund were only allocated in 2021-22.
 - **British Business Bank:** a reduction of £455.8 million in funding for the British Business Bank (BBB) in line with their business plan.

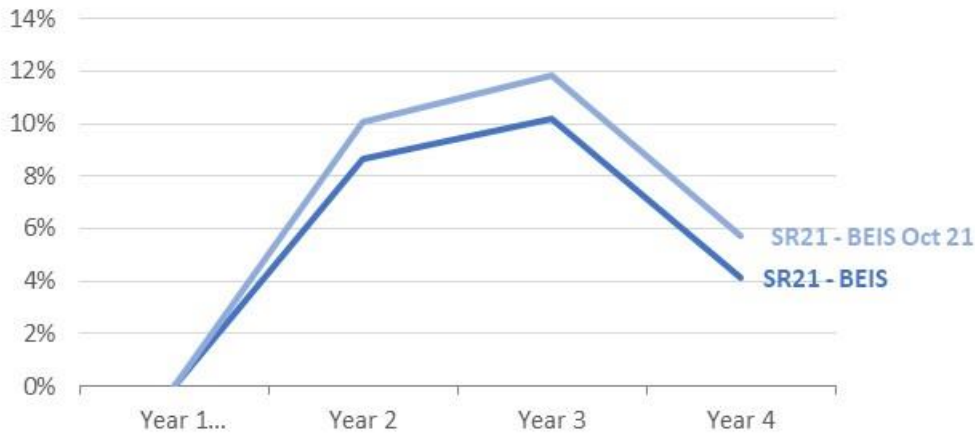
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)
² Initial Budget in Main Estimates 2022-23 (May 2022)

BEIS's spending beyond 2022-23

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

Day-to-day spending in Spending Review 2021

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

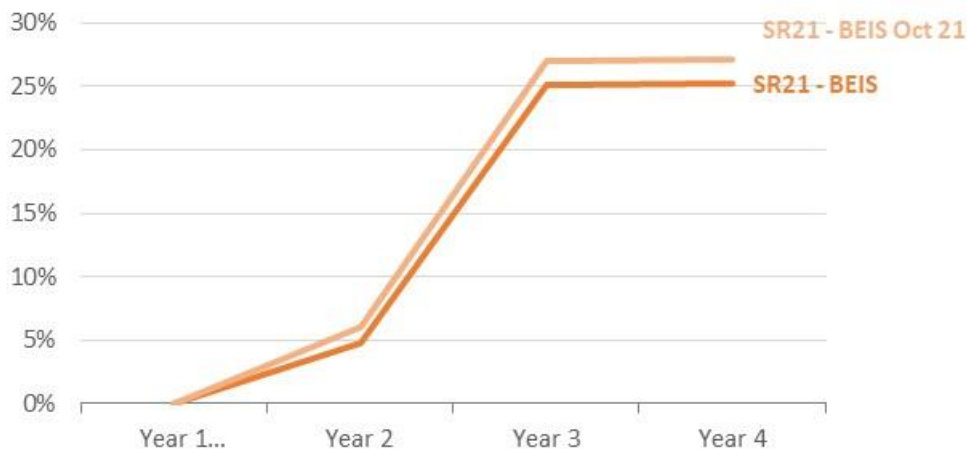


Trends in day-to-day spending plans

- The RDEL settlement provides an 10% increase over the baseline by Year 3 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation.
- RDEL will then reduce to a 4% increase over the baseline by year 4. This is a decrease of 2% from October 2021.
- BEIS have committed to increasing spending on UK universities and research institutions by £1.1 billion per year.
- BEIS have committed to increasing funding for Innovate UK by £1.1 billion per year.

Investment spending in Spending Review 2021

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



Trends in investment spending plans

- The CDEL settlement provides an 25% increase over the baseline by Year 4 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation.
- This includes the £15 billion promised over the period for Net Zero Strategy spending.
- The Capital DEL settlement also includes:
 - £1.7 billion for Sizewell C funding.
 - £3.5 billion for energy efficiency improvements, and clean heat installation.

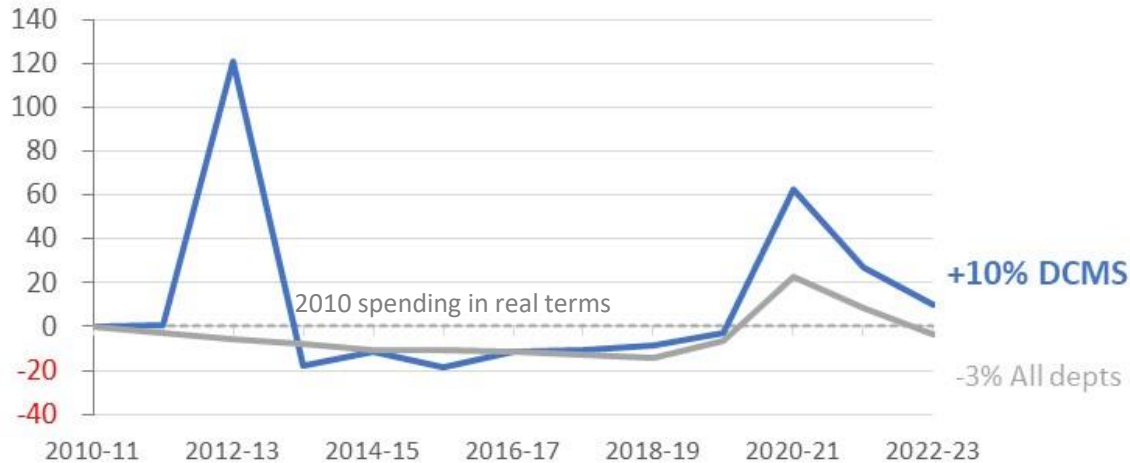
Note: SR15 and SR10 gave five-year Capital DEL settlements

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

Department for Digital, Culture, Media and Sport (DCMS)

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

- DCMS faced long-term budget cuts comparable to the average across government during the austerity period, excluding a significant spike for the 2012 London Olympics.
- The DCMS RDEL budget peaked in 2020-21 at 62.8% higher than 2010 funding levels, with the bulk of the increase being Covid-19 cultural institution support funding.
- The 2022-23 position shows a significant decrease from 2020-21, finishing the year with a budget 10% above the 2010 baseline, reflecting lower Covid-19 support spending compared to 20-21 and 21-22.

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



Investment spending trends

- DCMS suffered more significant budget cuts than the government average over the austerity period, dropping to a low of -95% compared to 2010, in 2013-14.
- Following severe capital budget cuts over the austerity period, DCMS capital budgets increased slowly from 2017, reaching the 2010 baseline only in 2020-21, including significant Covid-19 support.
- Capital budgets were 10% larger in 2021-22 compared to 2010.

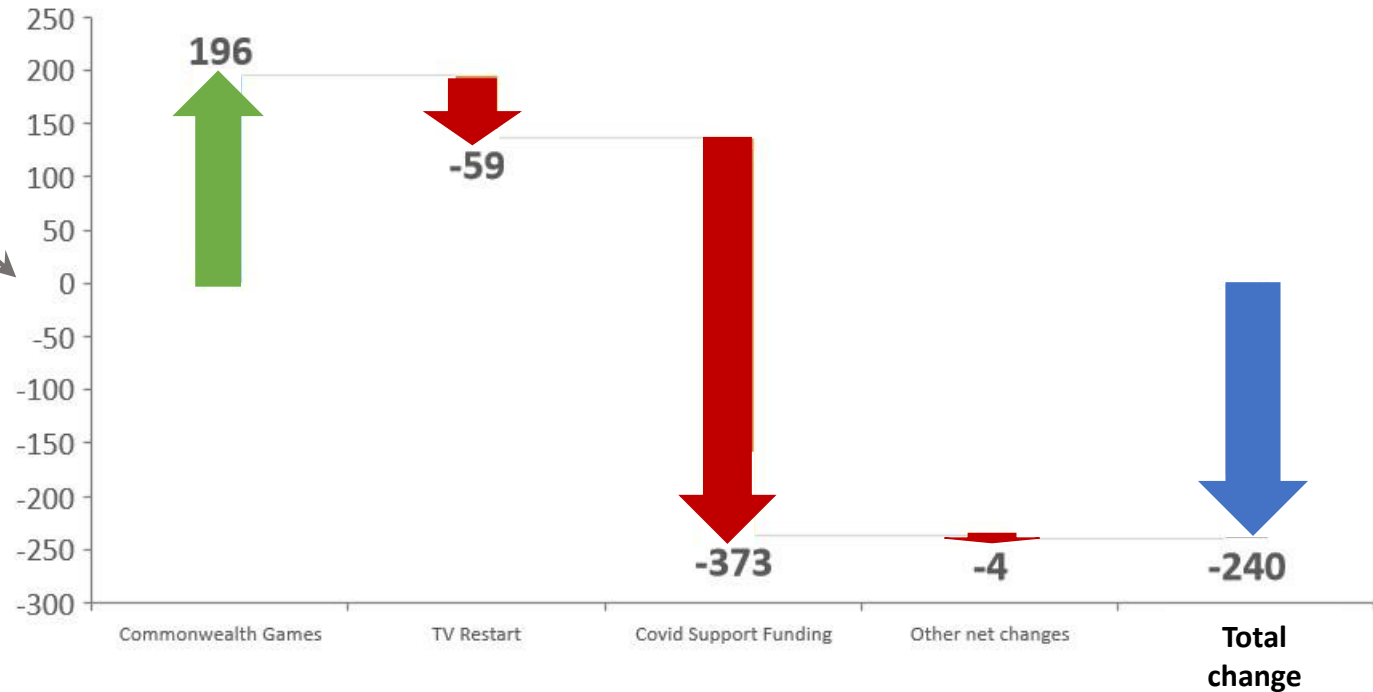
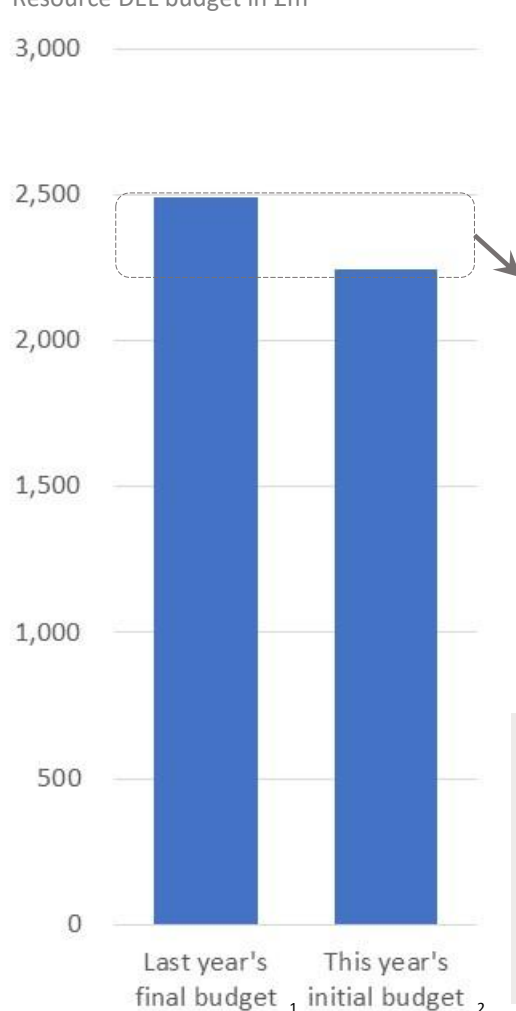
How is DCMS's day-to-day spending changing in 2022-23?

DCMS's spending decrease is driven by the ending of Covid-19 support funds

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

DCMS's day-to-day budget
decreased by £240.1m (-9.7%)

Resource DEL budget in £m



Changes in 2022-23

- **Commonwealth Games:** £195.6 million was allocated in 2022-23 for hosting the Birmingham Commonwealth Games in July - August 2023.
- **TV/Film Production Restart:** Funding for TV/Film production restart was only allocated in 2021-22 in response to Covid-19 lockdowns, meaning no further funding has been allocated in 2022-23.
- **Covid Cultural and Sport support funding:** The Covid recovery funding for cultural and sporting institutions was only allocated in 2021-22 and no further funding has been allocated in 2022-23.

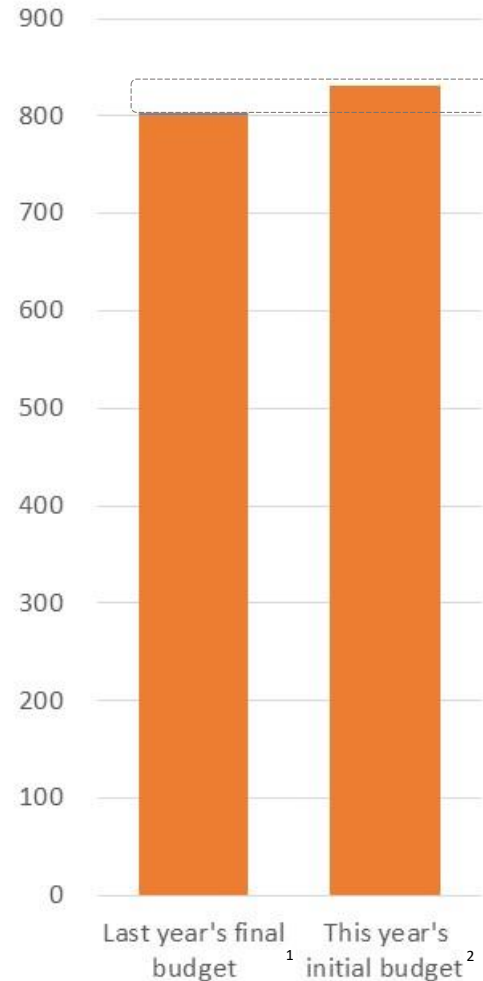
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

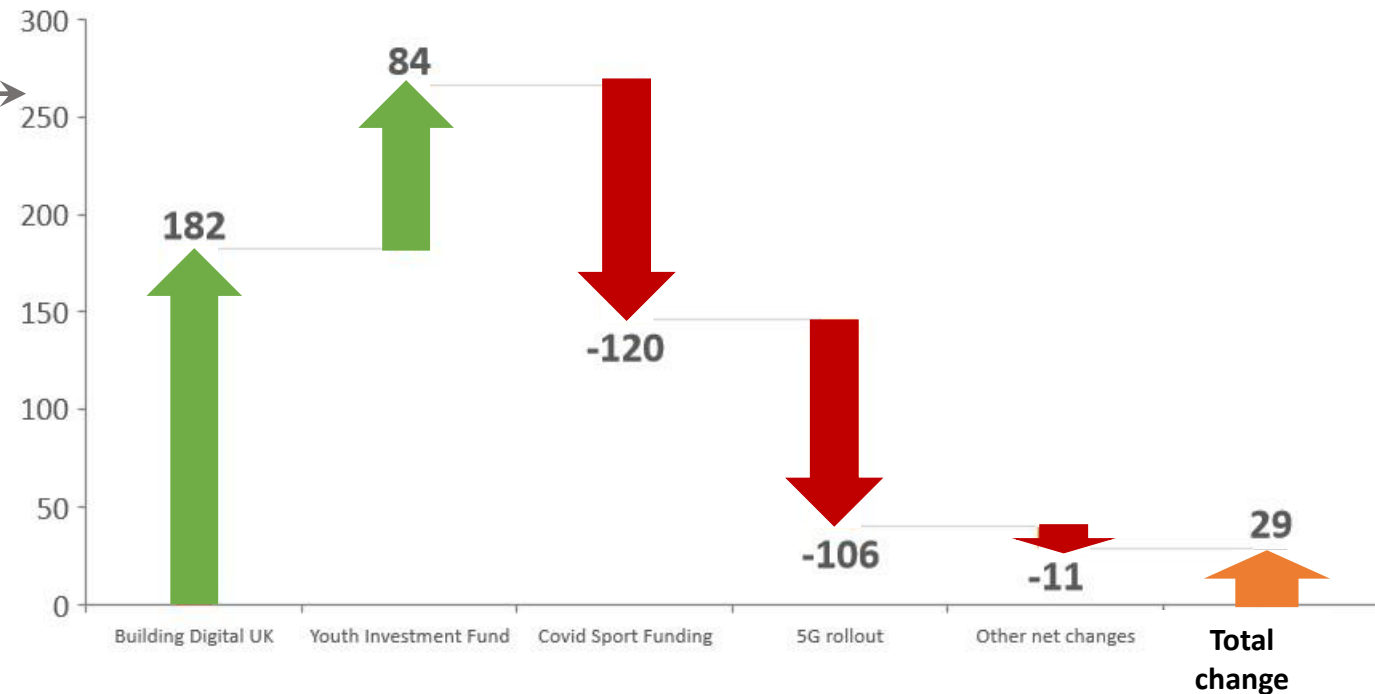
DCMS's investment budget increased by £28.8m (3.6%)

Resource DEL budget in £m



DCMS's investment spending increase was driven by Building Digital UK funding.

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Building Digital UK:** £182 million investment funding allocated for Building Digital UK.
- **Youth Investment Fund:** £84 million has been allocated to set up the new Youth Investment Fund.
- **Covid Sports Funding:** The 2021-22 Supplementary Estimate included £120 million to help sports clubs survive Covid-19. This funding has been withdrawn for 2022-23.
- **5G Rollout:** Funding for the UK 5G rollout has been cut by £106 million for 2022-23.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

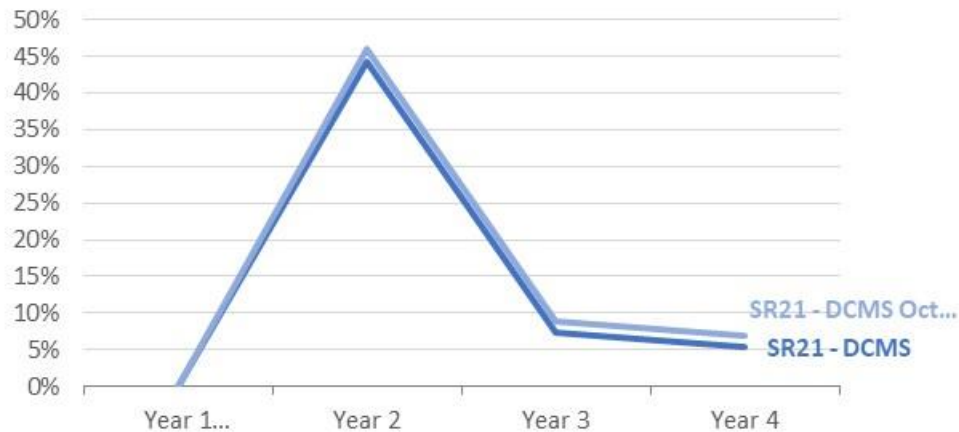
² Initial Budget in Main Estimates 2022-23 (May 2022)

DCMS's spending beyond 2021-22

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

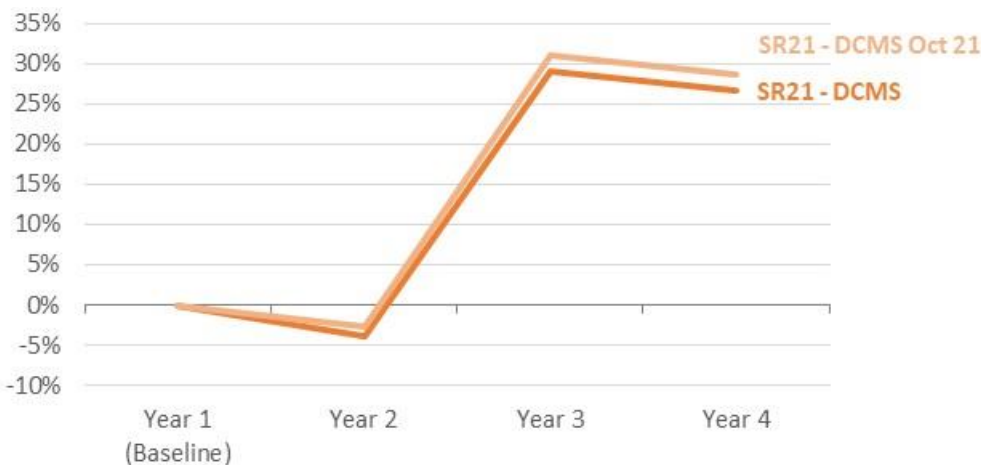
Day-to-day spending in Spending Review 2021

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



Investment spending in Spending Review 2021

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



Trends in day-to-day spending plans

- The RDEL settlement provides a 44% increase over the baseline by Year 2 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation. This significant increase in 2022-23 is to fund significant one off events including the Commonwealth Games and the Jubilee.
- RDEL will then reduce to a 7% increase over the baseline by year 3, and a 5% increase over the baseline by year 4. These are both a decrease of 2% from October 2021.
- The RDEL settlement also includes:
 - £110 million funding for a new online safety regime
 - £50 million for new digital technology education
 - £560 million for youth services in England.

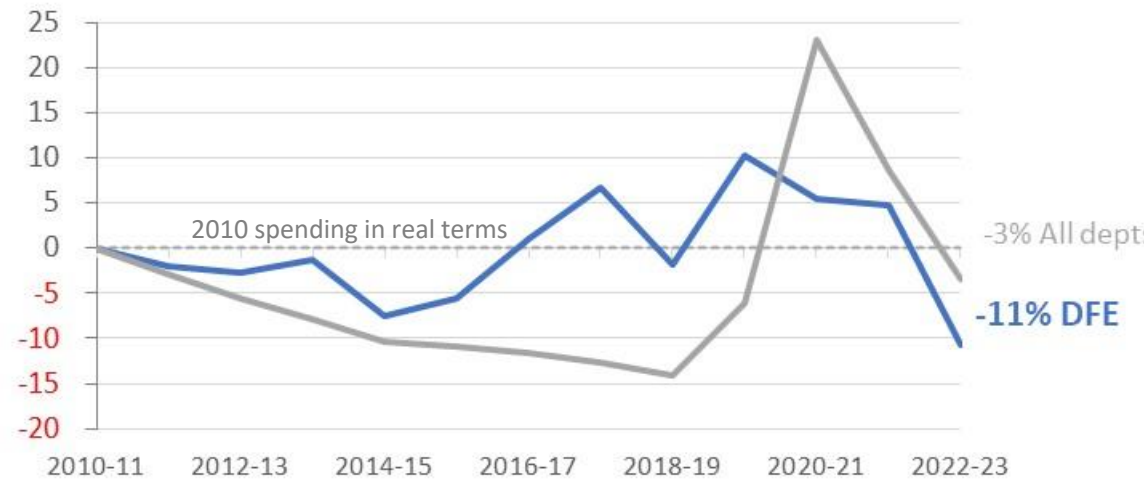
Trends in investment spending plans

- The CDEL settlement provides an 29% increase over the baseline by Year 3 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation.
- By year 4, CDEL will reduce slightly to 27% above the year 1 baseline, also a decrease of 2 percentage points from October 2021.
- The Capital DEL settlement also includes:
 - £1.2 billion for Project Gigabit digital infrastructure improvements.
 - £850 million for cultural and heritage infrastructure, including museum renovations .

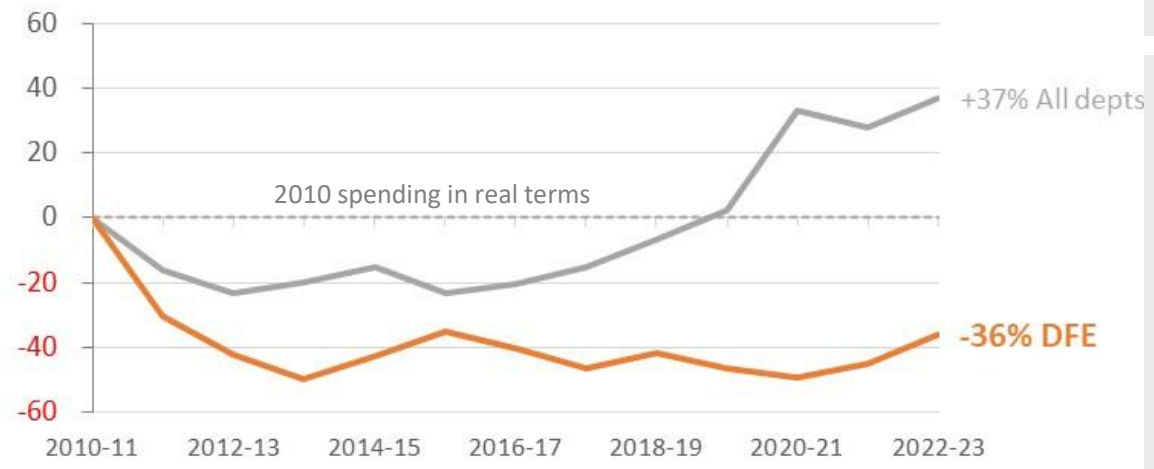
Department for Education (DfE)

Long-term trends in DfE spending (in real terms)

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



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



Day-to-day spending trends

- The DfE RDEL budget dropped to 7.5% below 2010 levels in 2014-15 following austerity cuts.
- The RDEL budget then increased modestly, peaking in 2017-18 at 6.8% above the 2010 baseline.
- Funding decreased again in 2018-19, before increasing due to covid in 2019-20, when it peaked at 10.1% above 2010 levels.
- Covid spending in 2020-21 and 2021-22 kept the budget at over 5% above 2010 levels.
- The allocation for 2022-23 is a significant cut from the prior year, giving DfE a real terms RDEL budget 11% lower than in 2010. However, the driving factor behind the 2022-23 decrease the increased funding in the prior year required for the Student Loan Book, and does not reflect decreased school funding.

Investment spending trends

- Following severe capital budget cuts over the austerity period, DfE received capital budgets consistently lower than the 2010 baseline from 2012-2022.
- DfE's capital budgets were 46% lower in 2022-23 compared to 2010.
- The average across all government departments was 37% growth compared to 2010, meaning DfE has seen severely less capital budget growth since 2010.

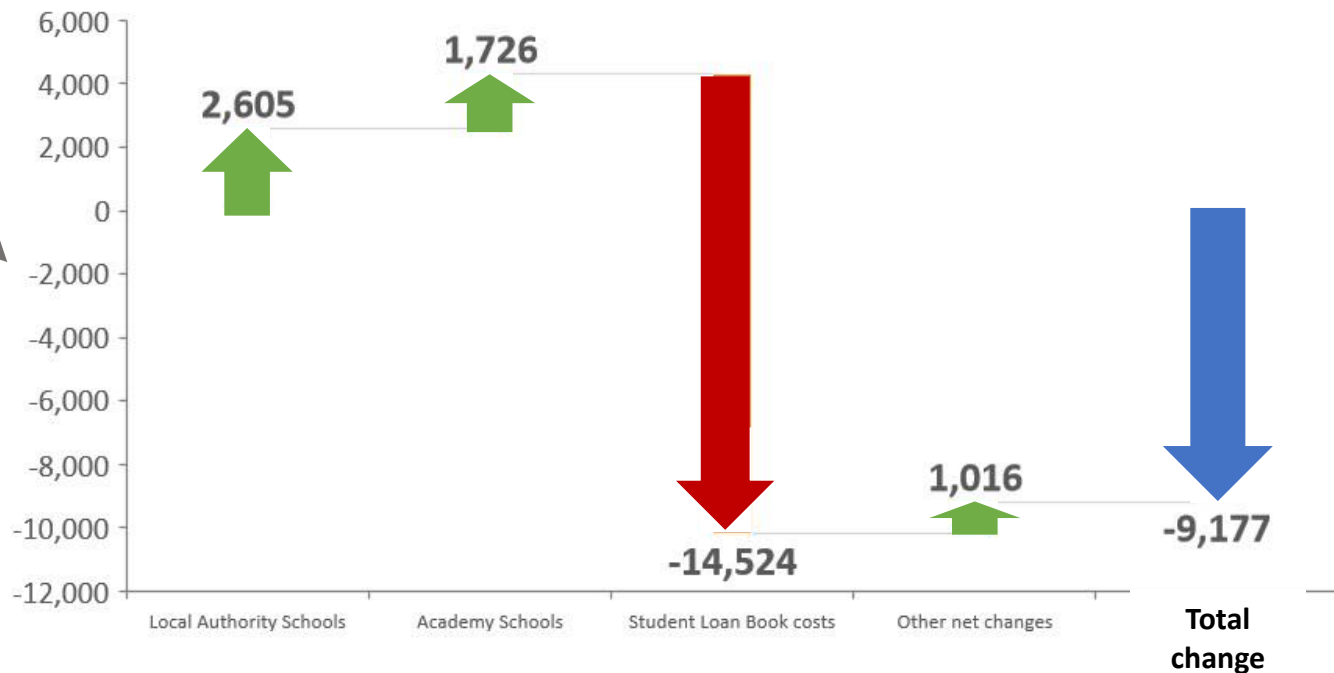
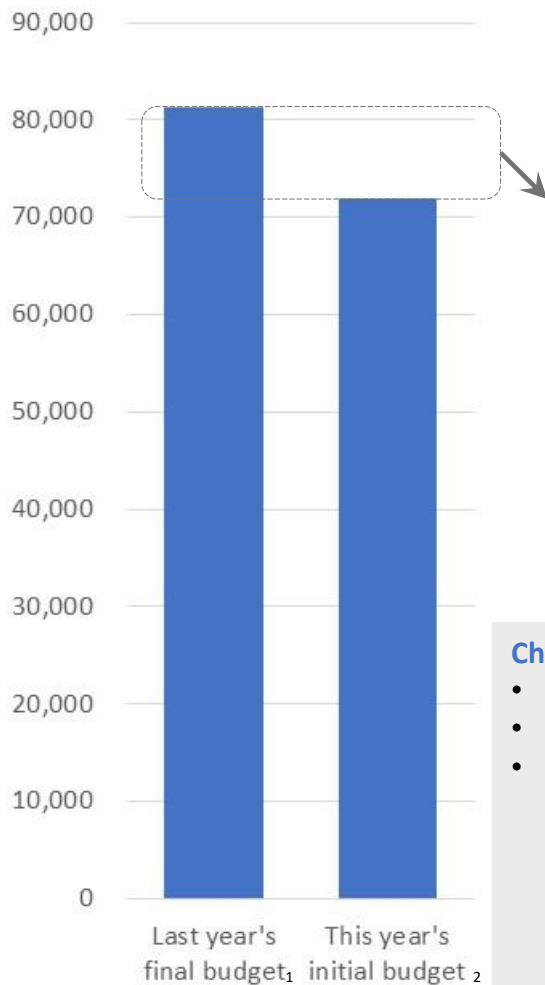
How is DfE's day-to-day spending changing in 2022-23?

DfE's RDEL spending decrease was driven by reduced Student Loan Book costs.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

DfE's day-to-day budget decreased by £9177.1m (-11.3%)

Resource DEL budget in £m



Changes in 2022-23

- **Local Authority Schools:** day-to-day funding was increased by £2,605.4 million.
- **Academy Schools:** day-to-day funding was increased by £1,725.9 million in 2022-23.
- **Student Loan Book costs:** £14,524.4 million lower initial budget for costs associated with the student loan book. This decrease includes the annual revaluation and impairment charge. This is a highly variable area sensitive to wider economic variables, and the budget set at Main Estimate is always reviewed at Supplementary Estimate to ensure appropriate budget cover for the remainder of the year. The cost decrease is due to external economic variables, and the overall budget decrease does not result in lower funding for schools.

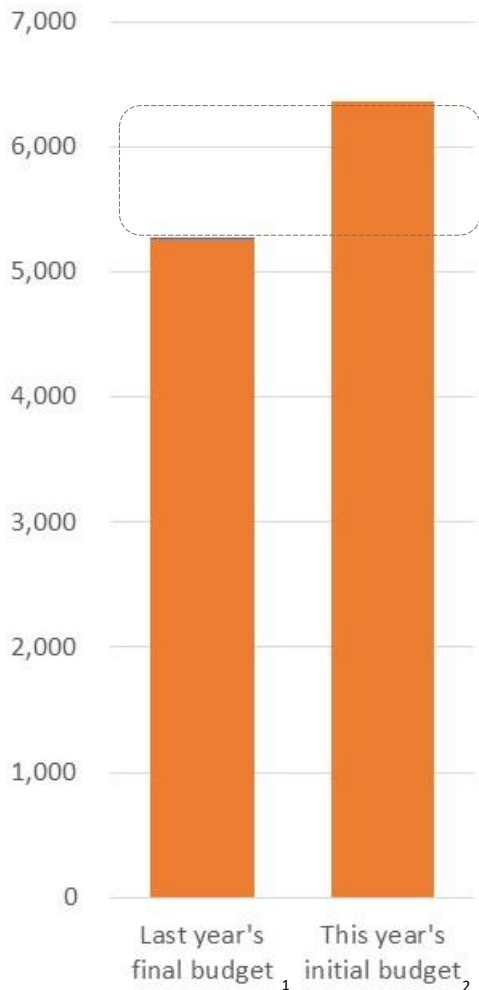
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

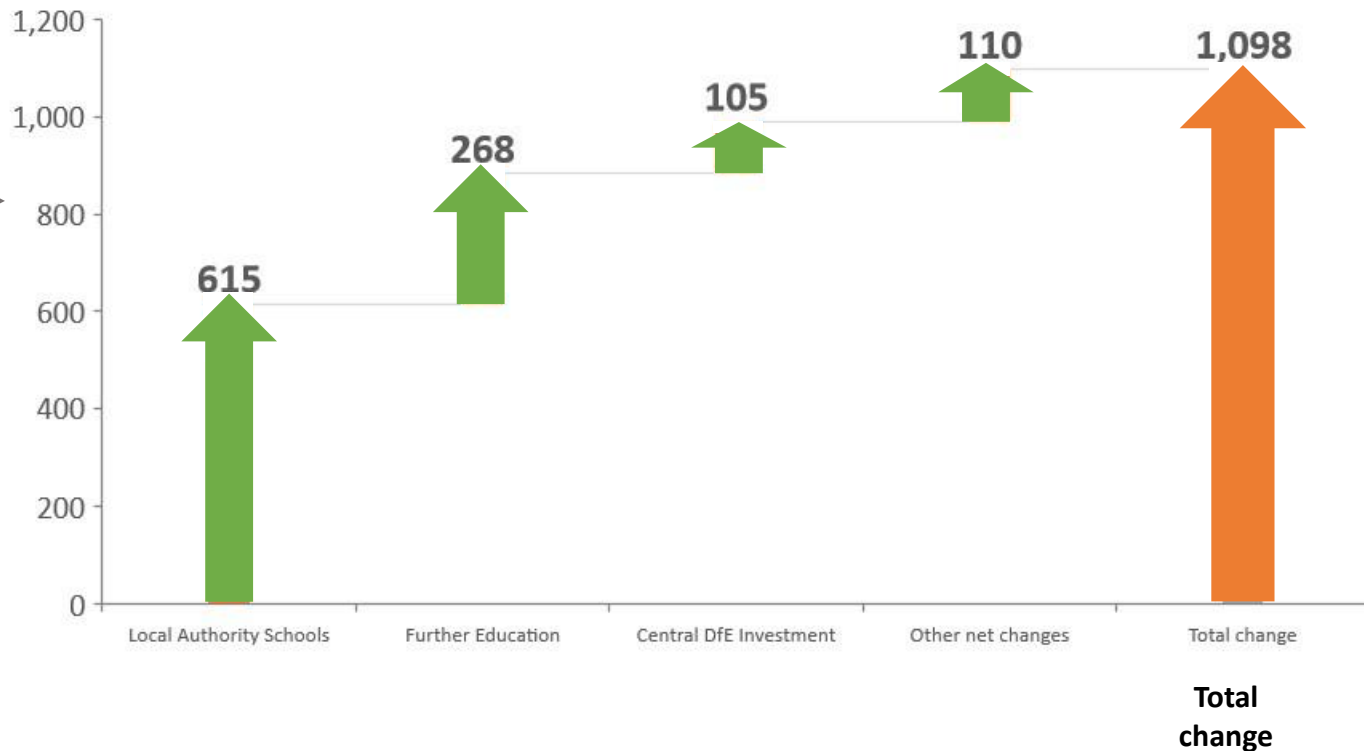
DfE's investment budget increased by £1,097.8m (20.8%)

Resource DEL budget in £m



DfE's investment spending increase was driven by increased funding for Local Authority schools.

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Local Authority Schools:** Capital budgets for LA Schools have increased by £614.7 million in 2022-23.
- **Further Educations:** Capital budgets have increase by £267.8 million for further education.
- **Central DfE:** compared to 2021-22, DfE has been allocated an additional £105.2 for centrally retained investment funds for 2022-23.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

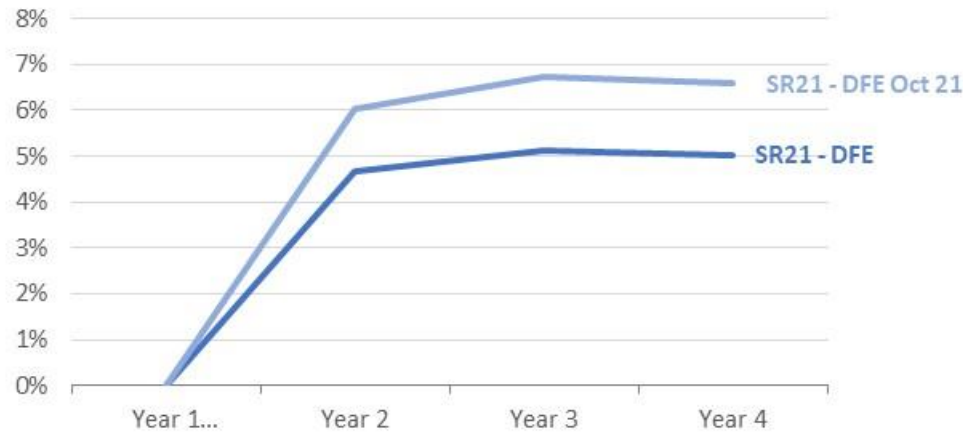
² Initial Budget in Main Estimates 2022-23 (May 2022)

DfE's spending beyond 2021-22

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

Day-to-day spending in Spending Review 2021

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

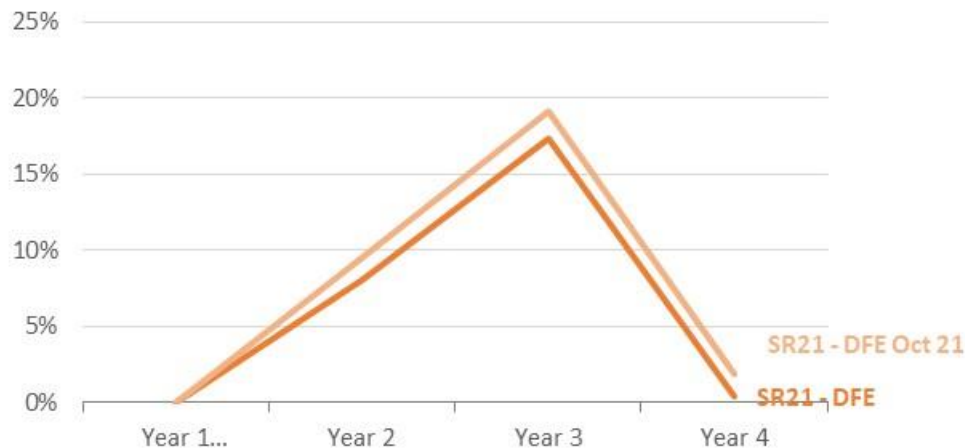


Trends in day-to-day spending plans

- The RDEL settlement provides an 5% increase over the baseline by Year 3 of SR21, a decrease of almost 2 percentage points from October 2021. This is due to higher than forecast inflation.
- RDEL will then plateau at a 5% increase over the baseline by year 4. This is a decrease of almost 2 percentage points from October 2021.
- DfE's per-pupil schools budget has broadly returned to 2010 levels through this SR.
- The budget includes £1.7 billion of Covid-19 catch up funding.

Investment spending in Spending Review 2021

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



Trends in investment spending plans

- The CDEL settlement provides an 17% increase over the baseline by Year 3 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation.
- Capital funding then drops back in line with the year 1 baseline in year 4.
- The Capital DEL settlement includes:
 - £2.6 billion for special educational needs school places.
 - Funding to establish Institutes of Technology across England.

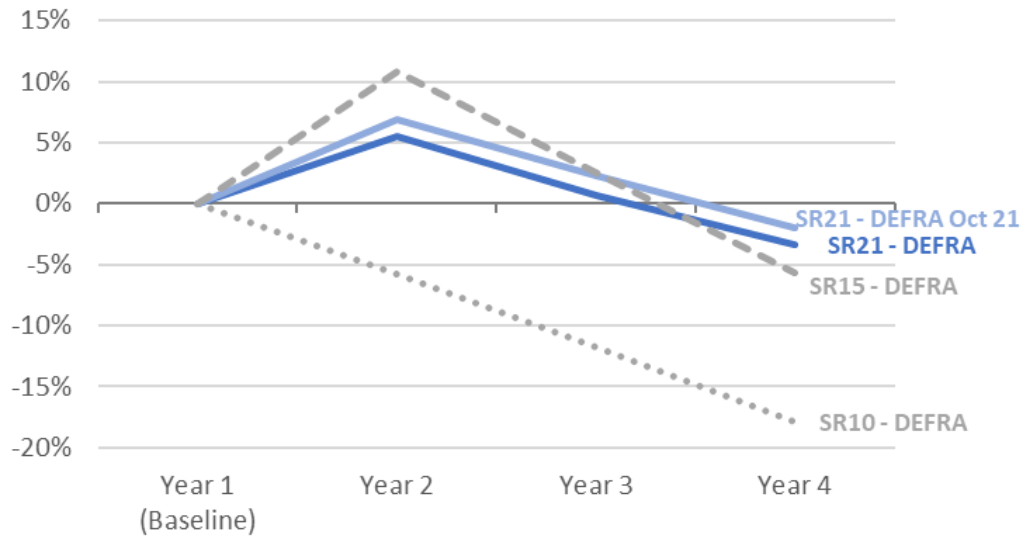
Note: SR15 and SR10 gave five-year Capital DEL settlements

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

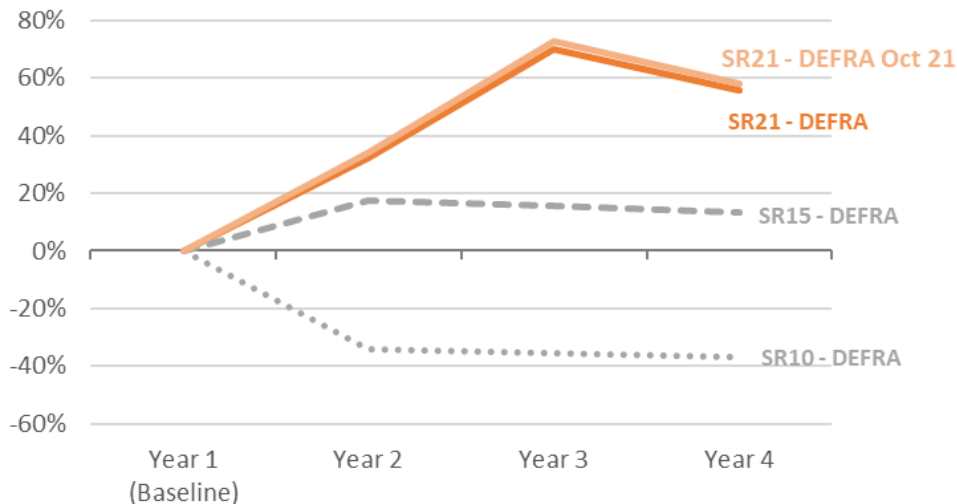
Department for Environment, Food and Rural Affairs (Defra)

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

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



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



These graphs compare the 2010, 2015 and 2021 spending settlements in 'real term percentages'. The 2 lines for the 2021 settlement (SR21) reflect the OBR's October 2021 GDP deflator rate vs current projections. The GDP deflator rates are used to calculate real term movements across all government departments.

Day-to-day spending trends

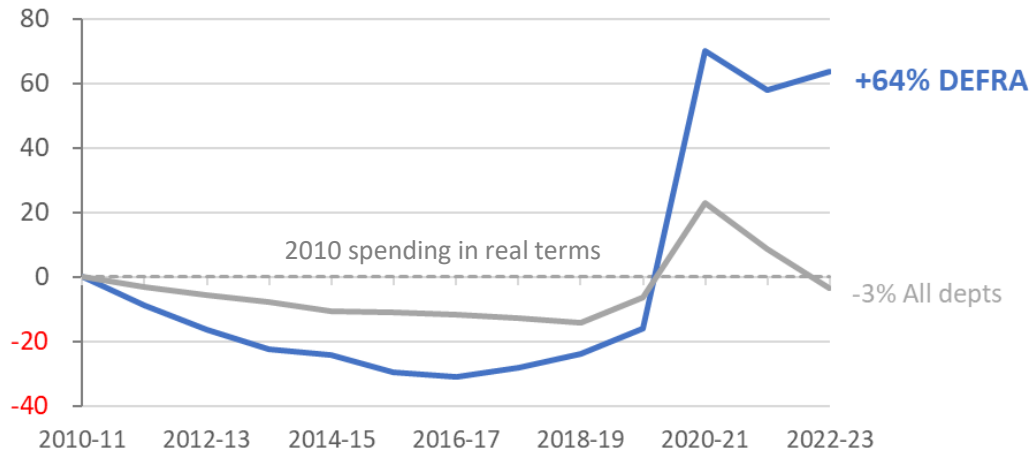
- Rises in inflation have reduced the average annual real term percentage growth of the 2021 Spending Review from **3.1%** in October 2021 to **2.4%** (see slide 8 for more details on this).
- The 2010 Spending Review reduced the budget by 29% in real terms over the three years by reducing the number of armed length bodies from 92 to 39.
- The 2015 Spending review reduced the budget further by 15% in real terms through 'efficiencies within the department and across its network'.

Investment spending trends

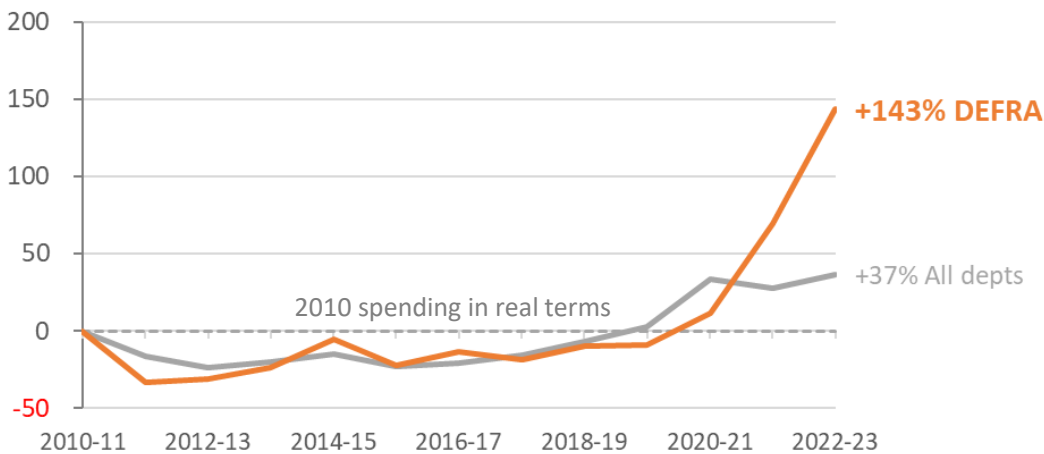
- The 2021 Spending Review settlement increased investment to fund the 25 year environment plan and continued flood programmes.
- The 2010 Spending Review reduced the investment budget, with the expectation of making efficiency savings of 15% on capital investment by 2014-15.
- The 2015 Spending Review increased the investment budget to begin the 6 year capital programme to better protect 300,000 homes from flooding.

Long-term trends in DEFRA'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

- DEFRA's budget **decreased significantly under austerity**, with real terms reductions up until 2016/17.
- The increases from 2017-18 include additional expenditure for EU exit work funded from the Reserve.
- The large increase in 2020-21 reflects the additional budget for direct payments to farmers following the UK's departure from the EU. 2020-21 also included additional budget given to the department for the COVID-19 pandemic.

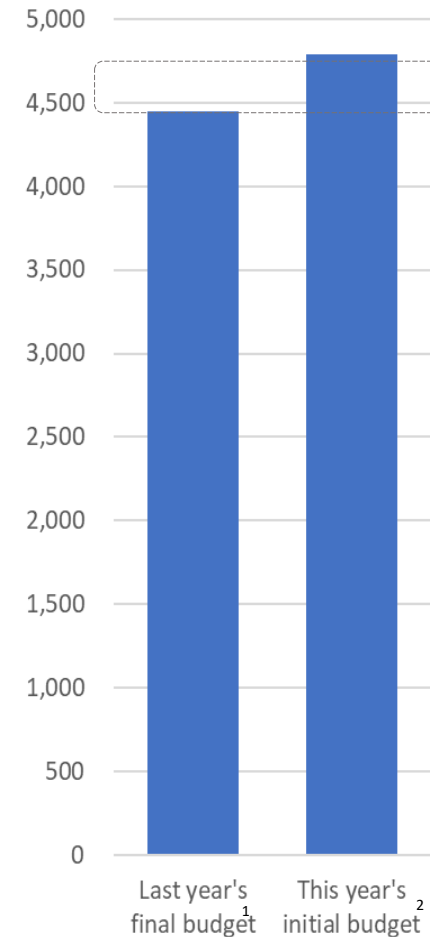
Investment spending trends

- Since 2016/17 there has been an increase in funding for EU exit preparations on infrastructure and systems including IT development to support new border controls as well as additional funding for flood and coastal risk management.
- The large increase in 2021-22 and 2022-23 include additional budget for capital payments to farmers; Science Capability in Animal Health (SCAH) and the Critical Works programme at Weybridge; flood and coastal defence programmes; biodiversity; and Nature for Climate Fund.

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

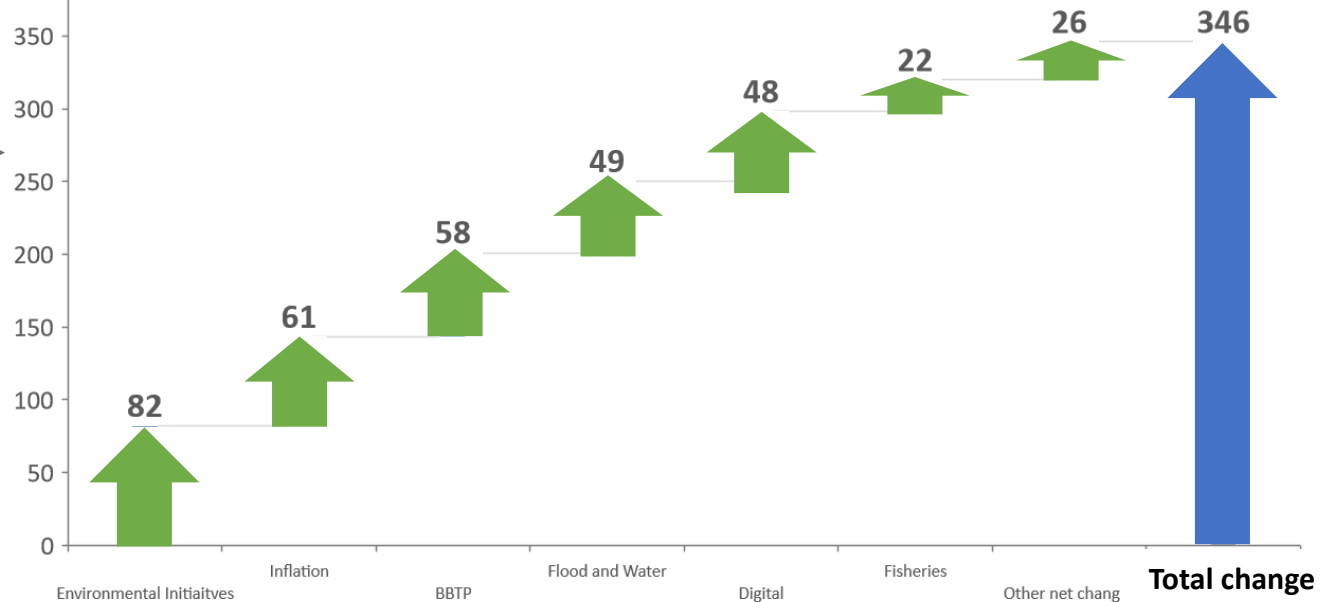
DEFRA's day-to-day budget increased by £346m (8%)

Resource DEL budget in £m



DEFRA's 8% increase driven by Environmental Initiatives.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

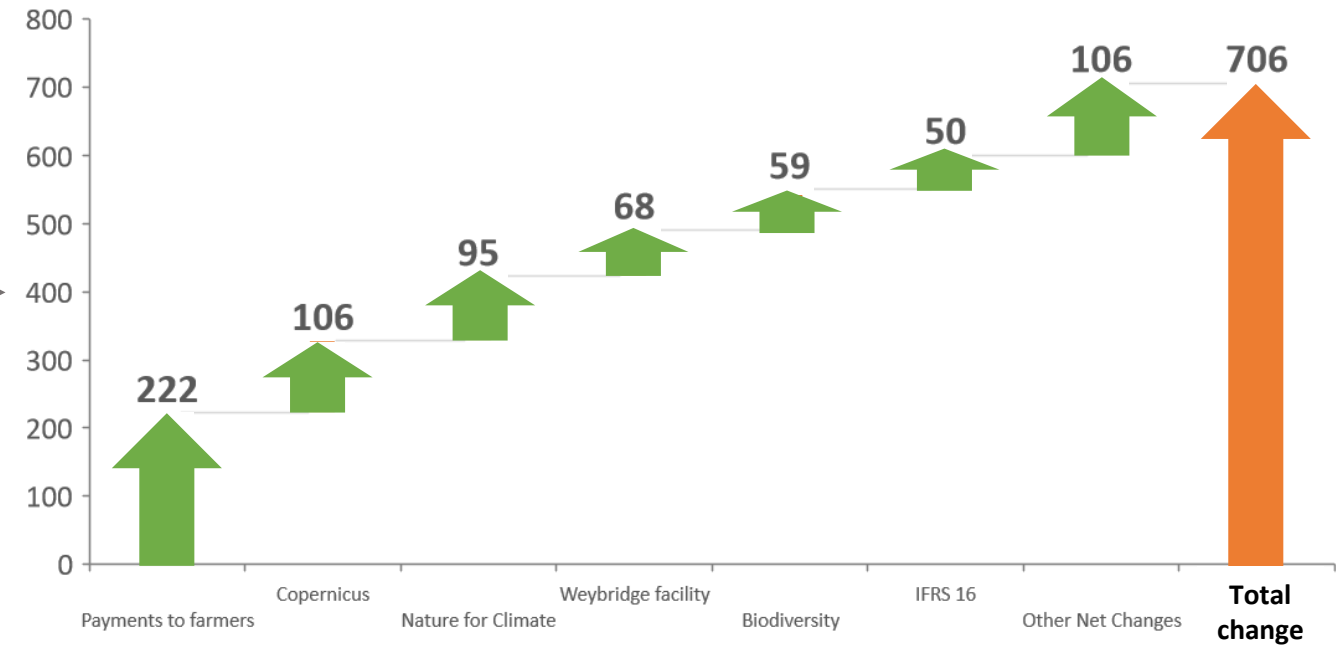
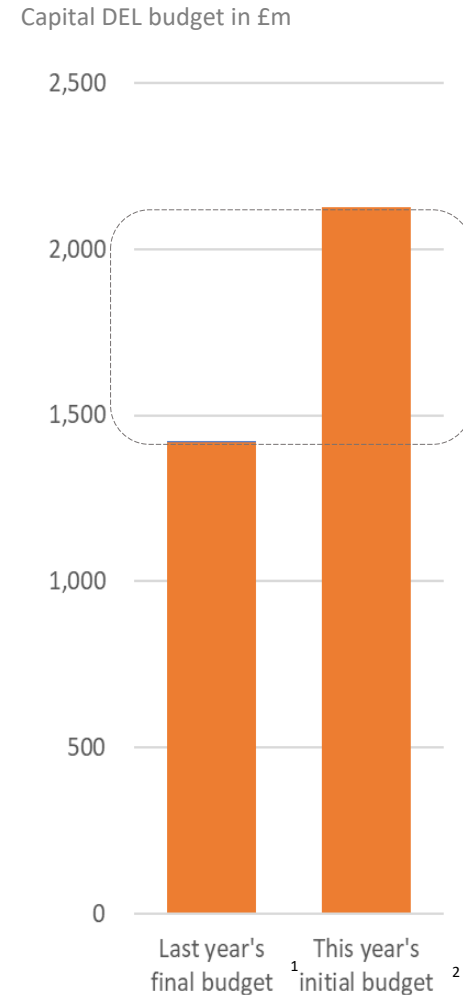
- **£82 million increase of environmental initiatives** include: i) £28 million increase in funding for biodiversity work included in the Environment Bill, ii) £28 million increase on the environmental plan including waste programmes iii) £26 million increase in ODA funding which includes support for Blue Planet, Biodiverse Landscape funds and the Darwin Initiative
- £61 million increase for **inflationary pressures** across the department
- £58 million increase for the **Biosecurity Borders and Trade Programme**
- £49 million increase for **flood management and water programmes**
- £48 million increase for **Digital**, this includes: i) £30m increase to address cyber security risks from the department's legacy system and ii) £18 million for the Digital Assistance Scheme to aid the transfer of good between Northern Ireland and Great Britain.
- £22 million increase for the **UK Seafood fund** to improve sustainability.

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

DEFRA's investment budget increased by £706m (+50%)

9% increase in investment (excluding the impact of changes to accounting standard IFRS16)

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- Payments to farmers increase by £222 million as part of the future farming and countryside schemes following the UK's departure from the EU.
- £106 million potential payment for UK's contribution to the Copernicus Programme.
- £95 million increase for the Nature for Climate Fund which includes tree planting.
- £68 million increase for R&D for Science Capability in Animal Health and for the Weybridge programme
- £59 million increase in capital funding for Biodiversity (part of the Environment Bill)
- £50 million increase is driven by a change to accounting standard IFRS 16 which means leased assets are now included on the balance sheet. This change provides transparency on the full amount the department is liable for in respect of its leases.

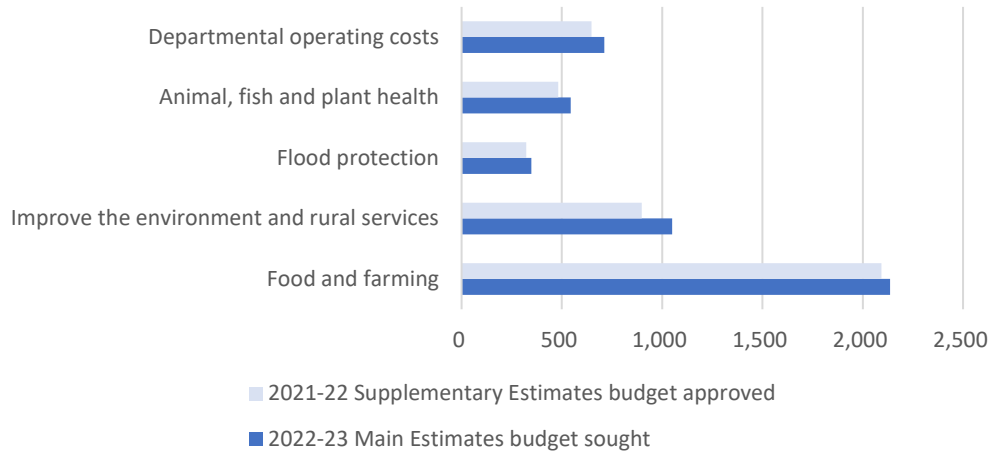
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

How DEFRA spends its day to day expenditure

Breakdown of DEFRA budget 2022-23 (£ million)*

RDEL by Objective



RDEL by Network Body

	RDEL		
	2022-23 Main Estimates budget	% of Total RDEL	% Movement from last year
Animal and Plant Health Agency (APHA)	172	4%	-10%
Centre for Environment, Fisheries and Aquaculture Science	14	0%	-18%
Core Defra	2,237	47%	25%
Environment Agency (EA)	425	9%	5%
Forestry Commission (FC)	36	1%	-21%
Marine Management Organisation (MMO)	26	1%	-12%
Natural England (NE)	88	2%	-29%
Royal Botanic Gardens, Kew (RBG, Kew)	25	1%	0%
Rural Payments Agency (RPA) including UK Coordinating Body	1,732	36%	-2%
Veterinary Medicines Directorate (VMD)	10	0%	-16%
Other Network Bodies (including OEP)	26	1%	-1%
Total	4,791	~	8%

Day-to-day spending (Resource DEL)

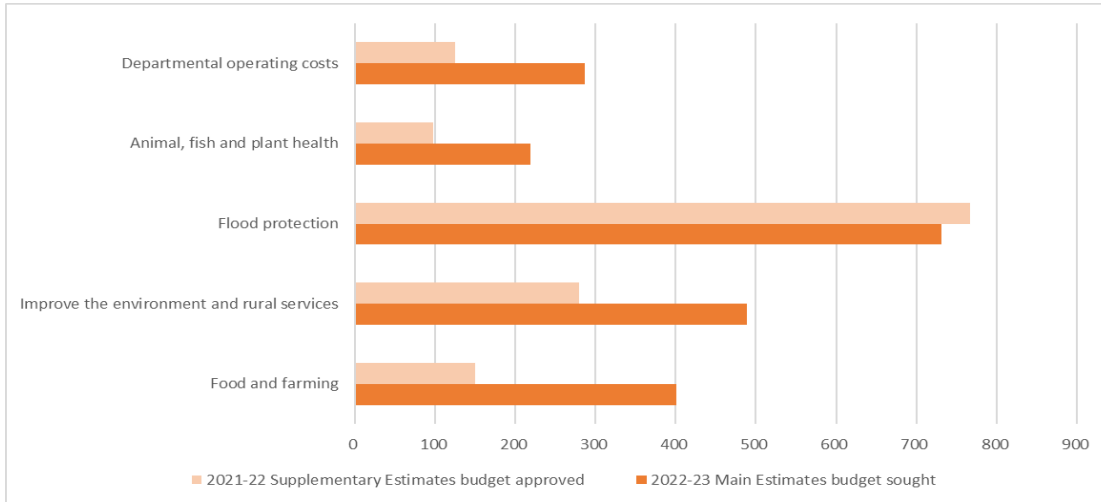
- **Food and farming** is the largest portfolio of spend within DEFRA, of which, £1.7bn is for the Rural Payments Agency (RPA). This makes up 36% of DEFRA's total RDEL budget.
- Last year 60% of DEFRA's RDEL budget was spent through its **network bodies**, this has fallen to 53% for 2022/23. There is scope for this to be changed at the Supplementary Estimates as forecasts for the year improve.
- The **Environment Agency**, DEFRA's largest network body (other than the RPA) received a 5% increase in RDEL.
- **Administration costs** are £1,010 million (21% of total RDEL), they have increased vs last year by 5%
- Within the budgetary totals, some elements are **ring-fenced** which means savings in these budgets may not be used to fund pressures on other budgets. The largest movements from last year in these ring fenced budgets were: i) Official Development Assistance (+£33m 29%), ii) Digital Assistance Scheme (+£18m +241%) and the iii) UK seafood fund (+£22m +929%)
- The ring fenced budget for Farm Support Payments £1.8bn has decreased from last year by 0.6%

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

How DEFRA spends its investment expenditure

Breakdown of DEFRA budget 2022-23 (£ million)*

CDEL by Objective



Major Programmes and Whole life costs and IPA Ranking

	IPA Ranking (2020/21)	Project - Start Date	Project - End Date	TOTAL Baseline Whole Life Costs (£m) (including Non-Government Costs)
Science Capability in Animal Health Programme	Amber / Red	05/02/2018	30/06/2029	£1,509.00
Future Farming and Countryside Programme	Amber	01/05/2017	31/12/2028	£24,629.59
Bridgwater Barrier	Amber / Green	01/03/2014	31/12/2030	£211.08
Leeds Phase 2 Flood Scheme	Amber	01/09/2016	18/10/2024	£146.37
Oxford Flood Alleviation Scheme	Amber	02/04/2014	09/01/2030	£204.83
River Thames Scheme	Amber / Green	12/04/2017	12/04/2029	£308.48
Nature for Climate Fund	Amber / Red	01/04/2020	31/03/2025	£756.36
NO2 Reduction	Not conducted	01/01/2016	31/12/2027	£880.00

Source: 2020/21 IPA report

¹ **IPA Ranking Definition: Amber / Red:** Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible

Investment spend (Capital DEL)

- Investment spend in 2022/23 is dominated by the Environment Agency’s **Flood Defence Programmes**, spending £731 million this year on Flood Defence, 34% of the total CDEL budget. £160 million of the Programme’s spend has been re-profiled into next year.
- The largest Major Programme in terms of ‘whole life costs’ is: **‘Future Farming and Countryside Programme’**, In November 2020, ‘The Path to Sustainable Farming: An Agricultural Transition Plan’, was published, setting out the vision for the future. Since then, the Programme has launched a pilot of the first of three environmental land management schemes, the Sustainable Farming Incentive.

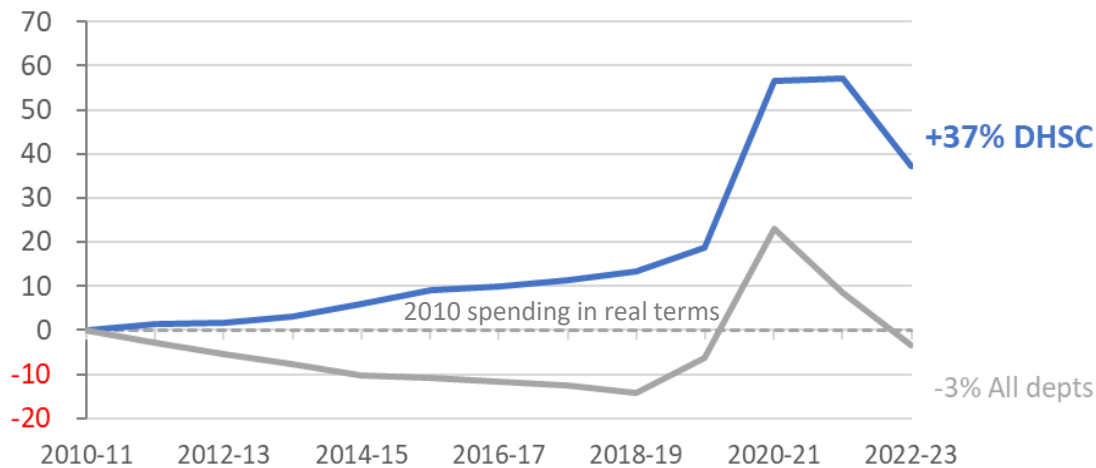
The two programmes ranked ‘Amber/Red’ by the IPA are:

- The **SCAH Programme** is the re-development of the science capability and animal health site. It will secure and safeguard the critical animal health science capability, protecting the nation from the impacts of animal diseases.
- The **Nature for Climate Fund Programme** has been established to significantly increase tree planting, woodland creation and management, and peatland restoration, in England to support the delivery of Net Zero and 25-Year Environment Plan commitments. The programme is also designed to deliver wider social, economic and environmental benefits.

Department for Health and Social Care (DHSC)

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

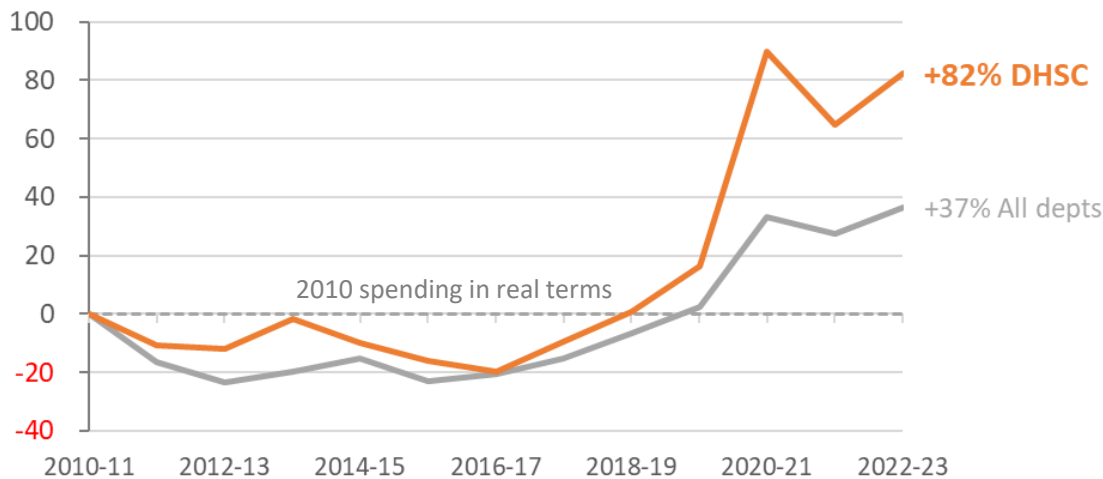
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- In real terms, DHSC's day-to-day budget has increased year-on-year since 2010 and is now set to be 37% higher than in 2010-11.
- Spending increases in recent years have been due to significant spending on Covid-19 measures.
- In 2020-21, DHSC spent £42.6 billion of RDEL budget on Covid-19 measures, against a Covid-19 budget of £59 billion.
- In 2021-22, £39.2 billion was budgeted for Covid-19 measures. The 2021-22 budget also included £1 billion to tackle the NHS backlog caused by the pandemic.

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

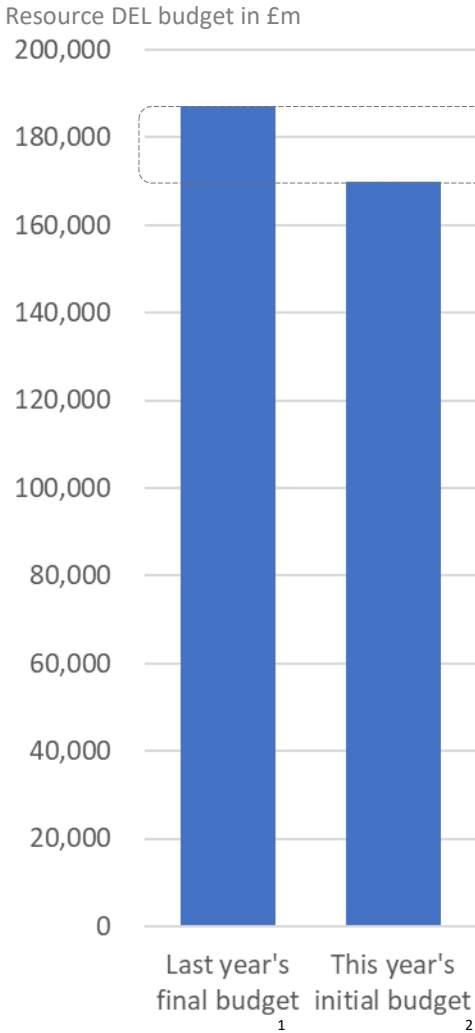


Investment spending trends

- Investment spending in 2022-23 is set to be 82% higher than 2010-11 in real terms. This year's budget includes £1 billion for the measures agreed in the 2021 Spending Review and £1.4 billion in non-cash budget due to a new accounting standard.
- In 2020-21, DHSC spent £3.6 billion on Covid-19 measures, against a Covid-19 budget of £4 billion.
- **In 2021-22, £1.2 billion** was allocated for Covid-19 measures, including £0.6 billion for the NHS response and £0.6 billion for Test and Trace.
- There is no Covid-19 CDEL budget for 2022-23.

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

DHSC's day-to-day budget decreased by £16,947m (-9.1%)



DHSC's spending decrease is mainly due to a reduction in funding for Covid-19 support

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Covid-19 measures:** a £39,200 million reduction in funding for Covid-19 measures. The 2021-22 Estimate included £39,200 million explicitly for Covid-19. The 2021 Spending Review settlement also included funding for Covid-19 measures, including vaccination programmes, over the next 3 years.
- **2021 Spending Review commitments:** the £20,800 budget for Spending Review commitments includes funding for Covid-19 measures such as vaccination programmes and funding to tackle the elective backlog. This increase is supported by revenue raised from the Health and Social Care Levy.
- **Budget transfers:** net incoming budget increase of £516 million due to routine budget transfers.
- **Other net changes:** includes £106 million for counter-terrorism; and £83 million increase in Health Education England's budget.

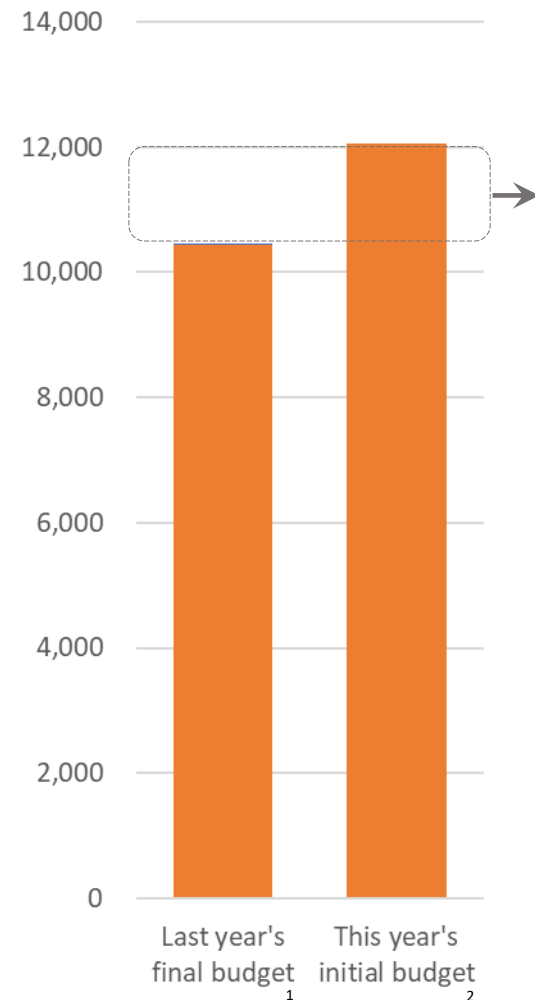
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

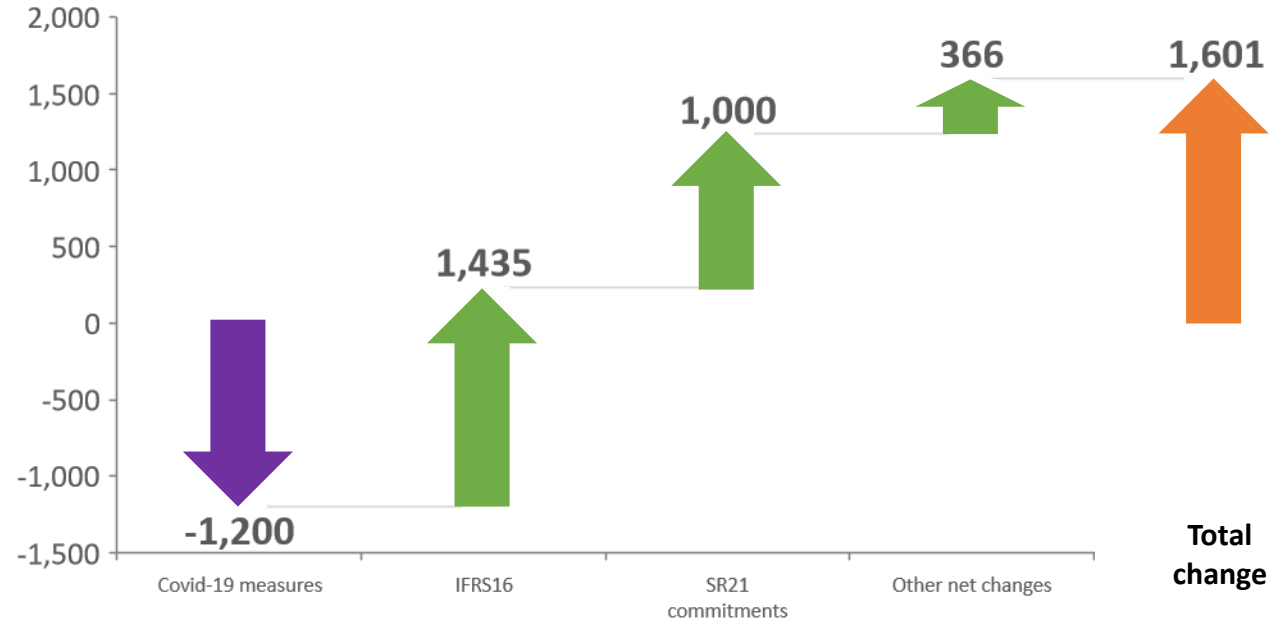
DHSC's investment budget increased by **£1,601 (+15.3%)**

Resource DEL budget in £m



Much of DHSC's investment budget increase is due to a change in the accounting treatment of leases under IFRS16

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

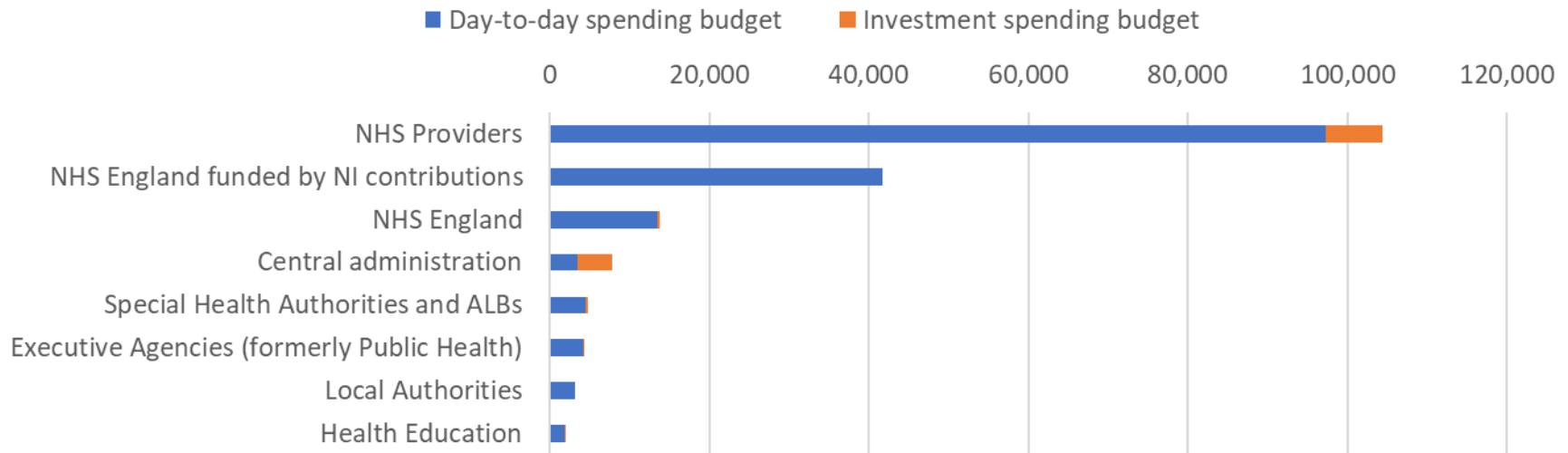
- **Covid-19 measures:** £1,200 million decrease in funding for Covid-19 measures. There is no CDEL budget for Covid-19 in 2022-23.
- **IFRS 16:** £1,435 million increase due to a change in accounting standard which requires departments to include their lease commitments on the balance sheet. This is a non-cash adjustment so won't affect the delivery plans for the department.
- **Spending Review commitments:** £1,000 million for SR21 commitments, which include funding for health-related research and development, diagnostic services and funding for building and improving hospitals.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

Most of DHSC's spending goes straight to the NHS, of which £42 billion is financed by National Insurance contributions

Breakdown of DHSC budget 2022-23 (£ million)*



Day-to-day spending (Resource DEL)

- The **Resource DEL budget** in 2022-23 is **£169,948 million**.
- **The NHS** makes up 90% of the DHSC budget (**£152,591 million**), split between NHS providers at £97,285 million and the NHS Commissioning Board (NHS England) at £55,306 million. This year, the Estimate specifies how much of NHS England funding is raised via National Insurance Contributions (£41,735 million).
- **Central administration** makes up 2% of funding at **£3,555 million**, a 73% decrease from 2021-22. This is mainly due to a reduction in funding for Covid-19 measures.
- The **Public Health** budget also makes up 2% of the total Resource DEL budget at **£3,202 million**, a **17% decrease from 2021-22**. Again, this is due to a reduction in Covid-19 measures.

Investment spending (Capital DEL)

- The **Capital DEL budget** in 2022-23 is **£12,048 million**.
- As with the Resource DEL budget, most of this is spent on the NHS: **£7,077 million** on **NHS providers** and **£219 million** on the **NHS Commissioning Board**, none of which is being financed by National Insurance Contributions.
- 36% of the Capital DEL budget is for **central administration**, at **£4,302 million**, a 48% increase from 2021-22 which is due to £1.4 billion of non-cash budget required for the change in accounting standard.
- The 2022-23 budget includes **£153 million** for DHSC's two executive agencies, the UK Health Security Agency and the Medicines and Healthcare Products Regulatory Agency.

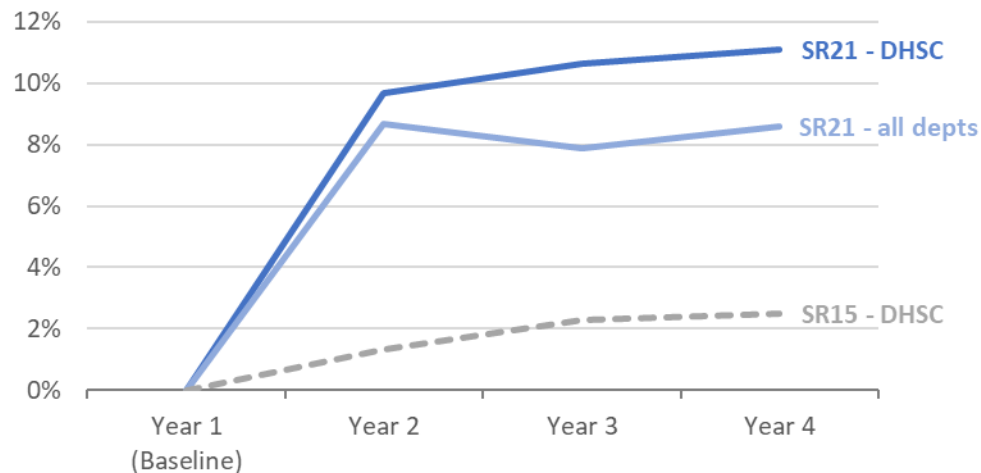
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

DHSC's spending beyond 2022-23

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

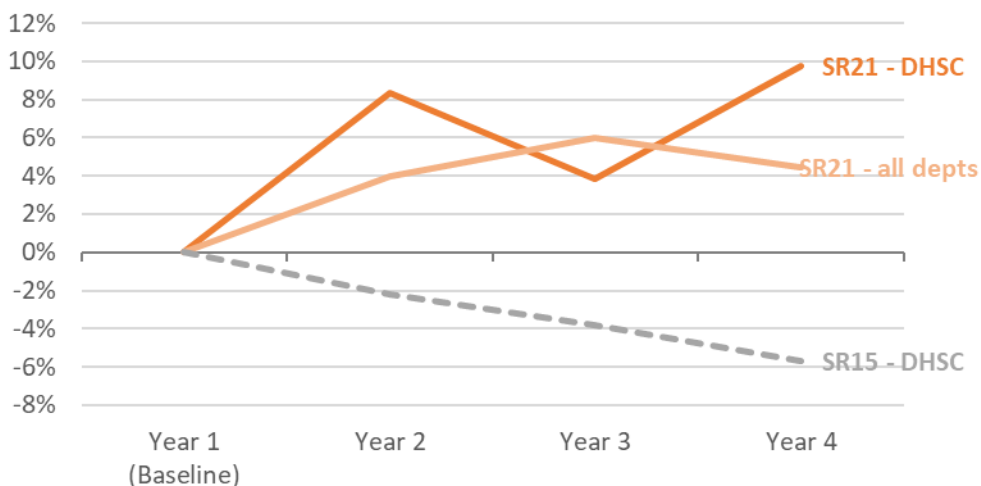
Day-to-day spending in Spending Review 2021

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



Investment spending in Spending Review 2021

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



Trends in day-to-day spending plans

- The RDEL settlement now provides average annual real terms growth of 3.4% between 2021-22 and 2024-25, down from 4.1% when originally announced in October 2021. This is due to rising inflation eroding the nominal value of the settlement.
- The settlement also provides an 11% increase over the baseline by Year 4, compared to 9% across all departments.
- Of the total settlement, 90% will be allocated to NHS England and Improvement in 2022-23 (£151.8 billion), rising to 91% in 2023-24 (£157.4 billion) and 92% in 2024-25 (£162.6 billion).
- The Health and Social Care Levy is set to raise £37.5 billion. £26.4 billion is allocated to the NHS and £5.4 billion to adult social care (£3.6 billion will go through local government).

Trends in investment spending plans

- The CDEL settlement now provides annual average real terms growth of 3.1% over the Spending Review period, compared to 3.8% when originally announced in October 2021.
- The settlement provides an 10% increase over the baseline by Year 4, compared to 4% across all departments.
- This includes the £4.2 billion announced in 2020 for building 48 hospitals and improving a further 70.
- The Capital DEL settlement also includes:
 - £5 billion for health-related research and development
 - £2.3 billion for diagnostic services
 - £2.1 billion for digital technology to drive innovation

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

Department for International Trade (DIT)

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

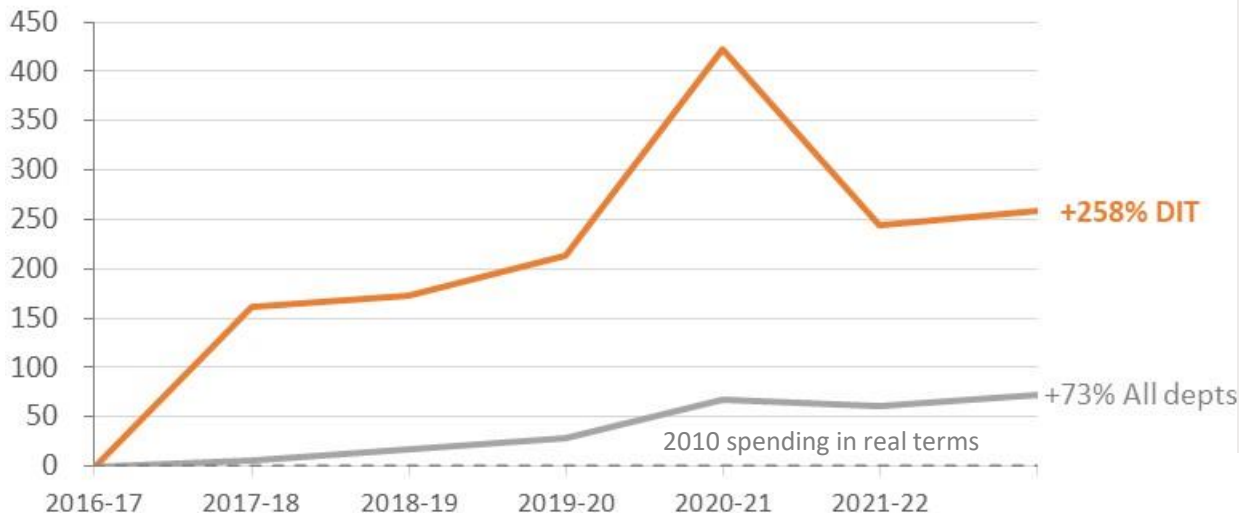
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

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

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



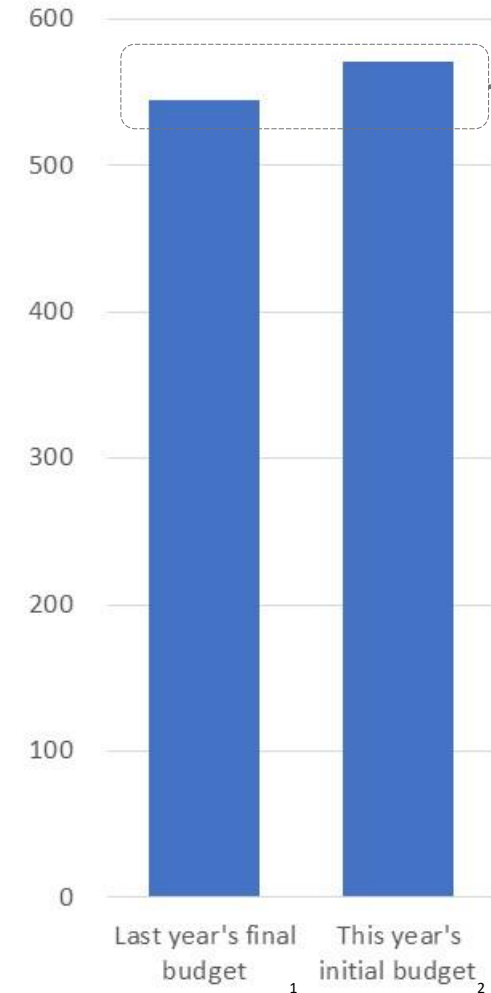
Investment spending trends

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

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

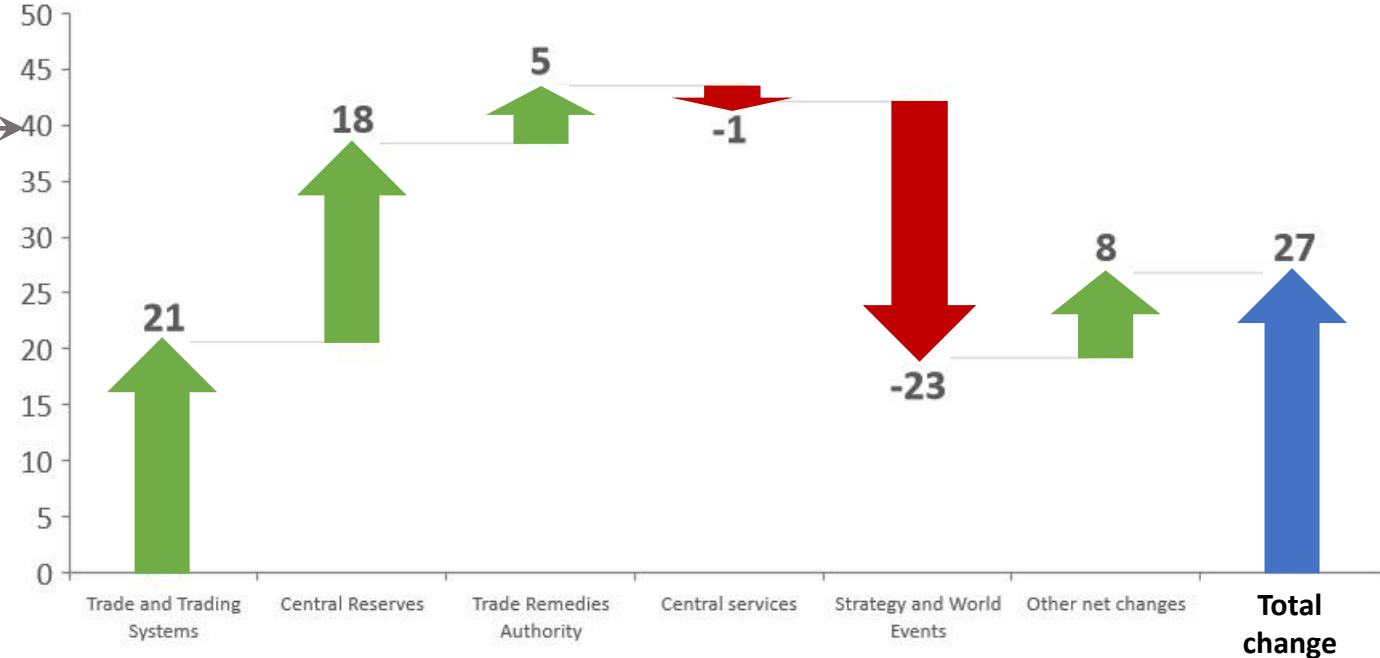
DIT's day-to-day budget increased by **£26.8m (+4.9%)**

Resource DEL budget in £m



DIT's spending increase is driven by increase staff resource to manage the implementation of FTAs

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Trade and Trading Systems** expenditure relating the activities and systems to negotiate, implement and enforce FTAs has increased by £21 million compared with the prior year. This is partially driven by increased staff resource.
- **Central Reserves** is £17.7 million higher than the final budget last year, and relates to funds held for the apprenticeship levy and contingency in line with HM Treasury's Consolidated Budgeting Guidance.
- **The Strategy and World Events** budget has decreased by £22.9million. This is predominantly due to one-off non-cash funding being provided last year for the depreciation charge for the Dubai World Expo Pavilion.

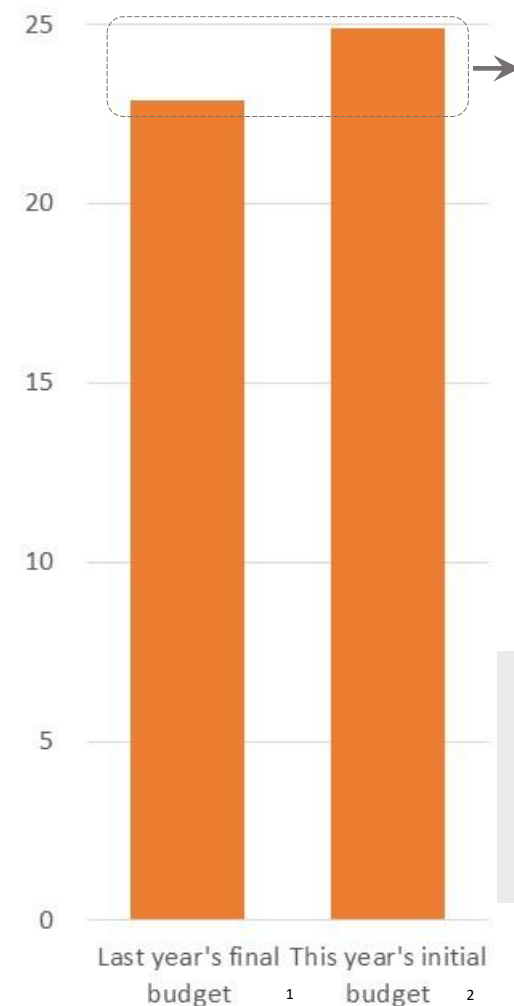
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

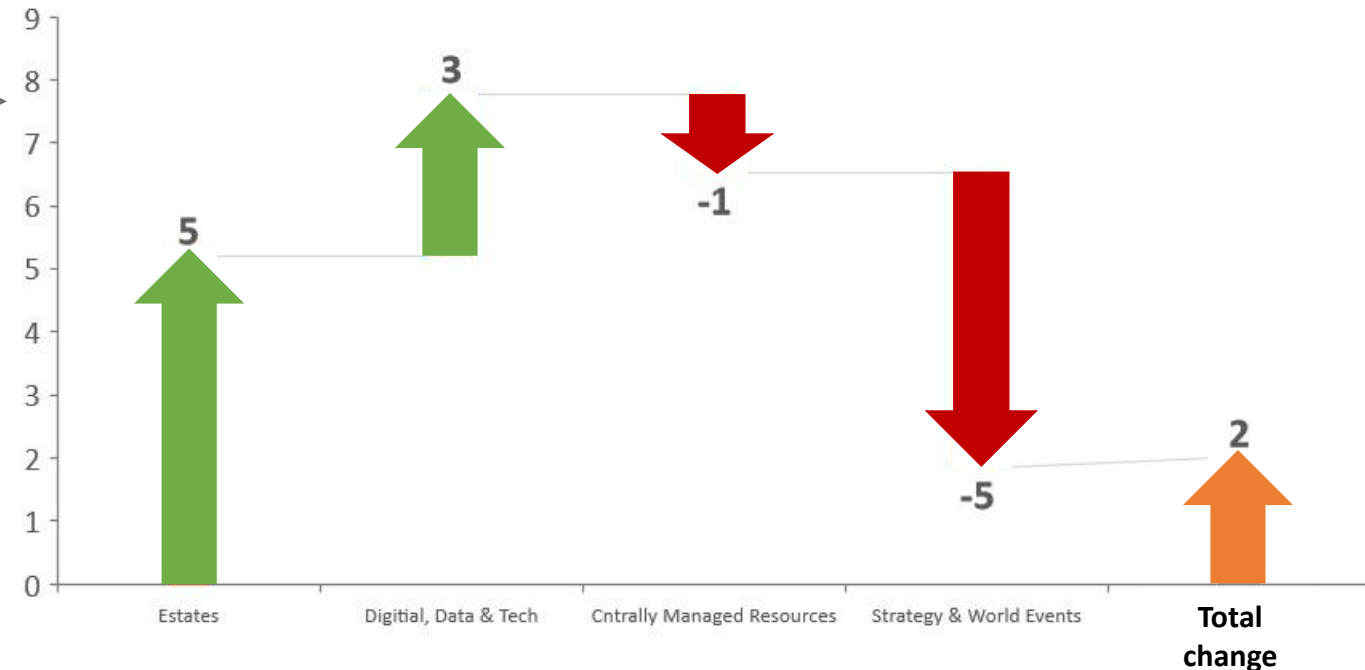
DIT's investment budget increased by £2m (+8.7%)

Resource DEL budget in £m



DIT's investment spending increases are driven by increased expenditure on the DIT estate

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

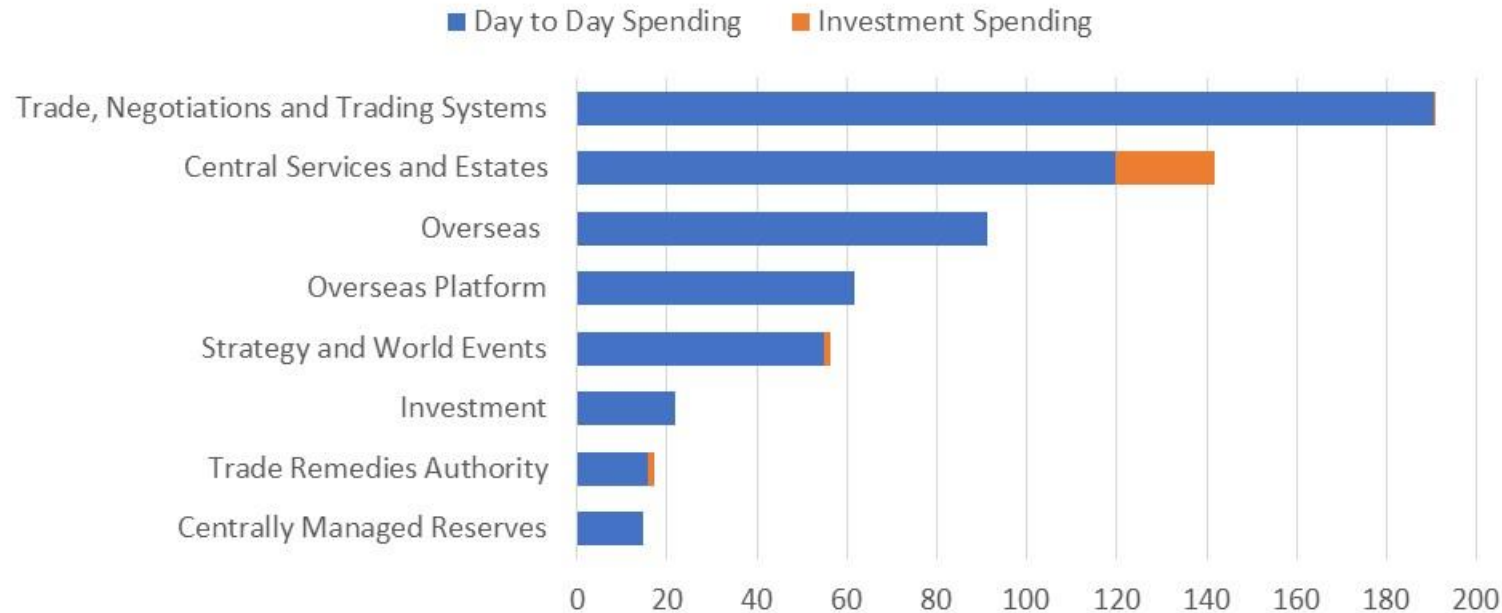
- **Estates** expenditure, relating to the buildings and facilities management in the UK for the DIT workforce is set to increase by £5.2 million.
- **Digital, data and technology expenditure** is due to increase by £2.6 million
- **Strategy and World Events** is decreasing by £4.7 million this year, owing to less investment expenditure on world events.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

Most of the DIT budget is used to support the negotiation, implementation and monitoring of FTAs

Breakdown of DIT budget 2022-23 (£ million)*



Day-to-day spending (Resource DEL)

- **Trade, Negotiations and Trading Systems** makes up almost exactly one third of the day-to-day spending budget at £190.5 million. This relates to the negotiation, implementation, monitoring and enforcement of FTAs.
- **Central Services and estates** covers functions including corporate services, marketing and IT. This accounts for 21% of the day-to-day budget, at £119.9 million.
- **Overseas** makes up 16% of the day-to-day budget at £153.1 million. This relates to the work of the regional HM Trade Commissioners.

Investment spending (Capital DEL)

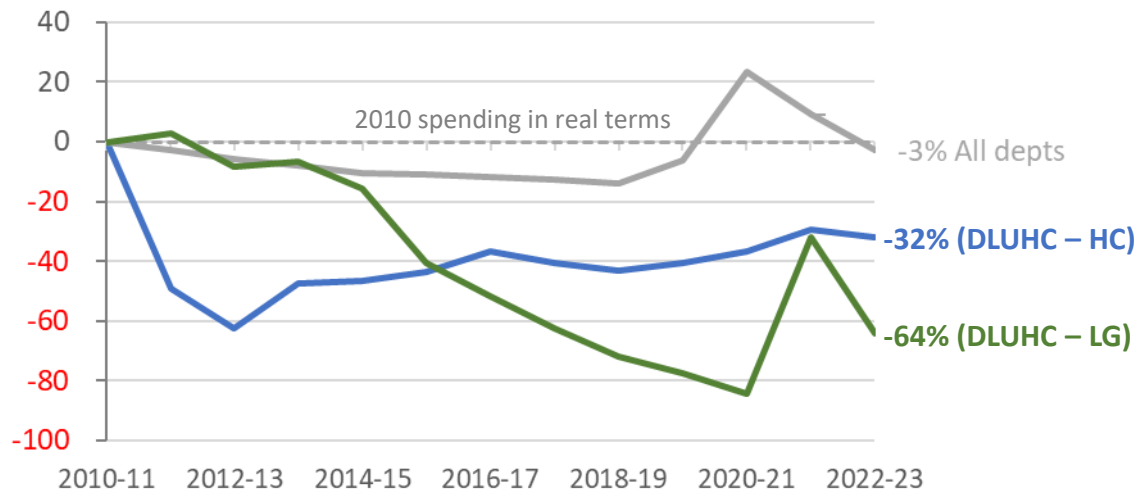
- **Central Services and estates** expenditure of £21.9 million covers functions including corporate services, marketing and IT. This makes up the vast majority (87.2%) of investment spending. Within this, the highest spending areas are Digital, Data & Technology (£15.7 million) and Estates (£5.7 million).
- **Strategy and World Events** has a small capital budget of £1.6 million, used to support DIT's work on national security and events such as the Osaka World Expo.

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

Department for Levelling Up, Housing and Communities (DLUHC)

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

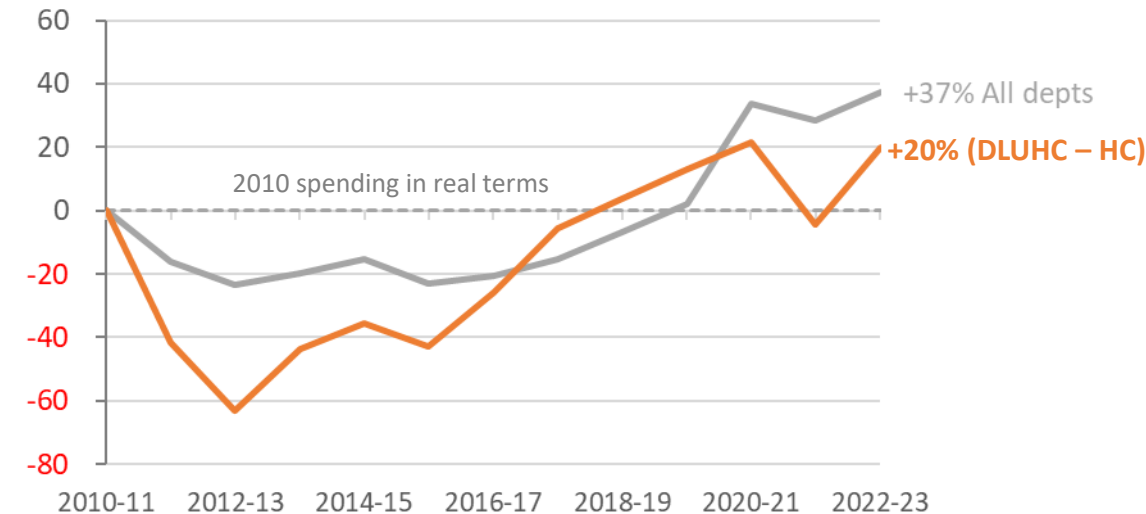
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- Housing and Communities spending was reduced significantly after 2010, but it has recovered slightly and is now forecast to be **32% lower** than in 2010, in real terms.
- Spending on local government was reduced gradually from 2010, reaching its lowest in 2018-19. Spending is now forecast to be **64% lower** than in 2010, in real terms.
- Recent spending increases are due to Covid-19 measures. In 2021-22, **£10.9 billion** was allocated for Covid-19 support, mostly for Local Government.

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



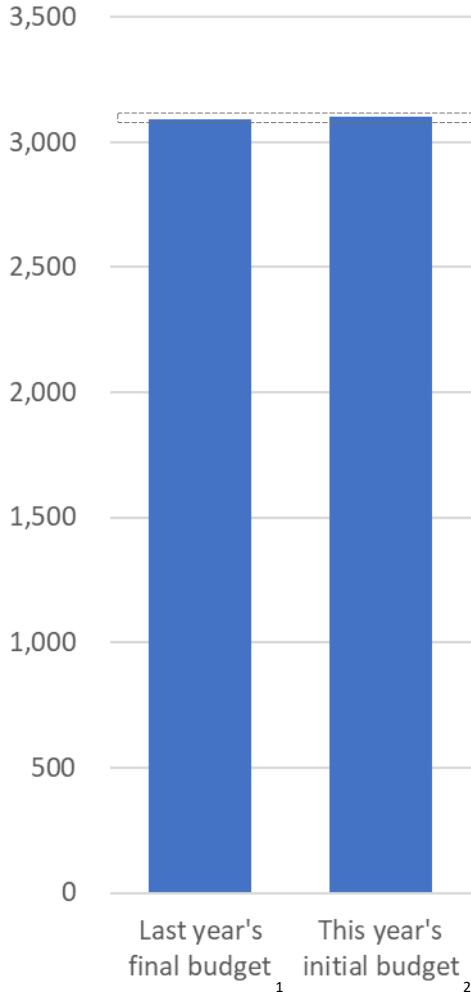
Investment spending trends

- All investment spending is under the Housing and Communities budget, which has recovered from significant reductions after 2010. It is now forecast to be **20% higher** in real terms than 2010-11.
- The lower budget in 2021-22 was due £211 million of the building safety budget being transferred into 2022-23's budget due to slow pace of works.
- Other increases in recent years are mainly due to **Help to Buy loans**.

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

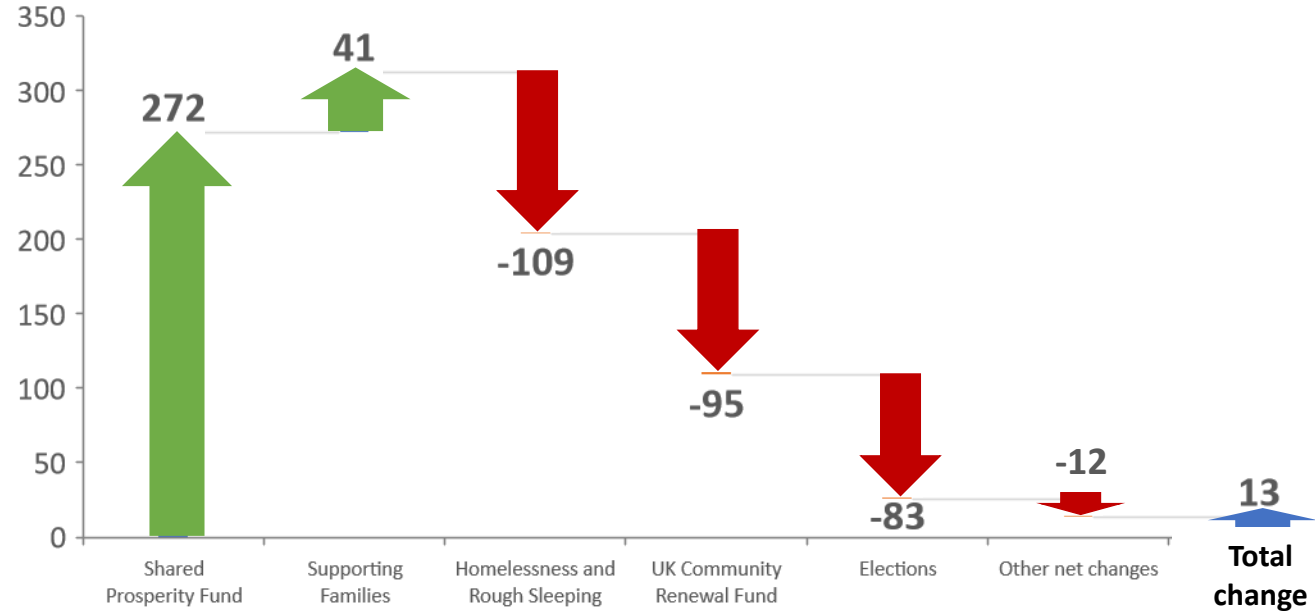
DLUHC's Housing and Communities day-to-day budget increased by £13.4m (+0.4%)

Resource DEL budget in £m



Reductions in funding for Covid-19 schemes and elections are offset by increased spending on the UK Shared Prosperity Fund

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Shared Prosperity Fund:** £272 million increase for the UK Shared Prosperity Fund (UKSPF), which will scale up to match funding received from the EU by 2024-25.
- **Supporting Families:** £40.6 million increase for the Supporting Families programme.
- **Homelessness and Rough Sleeping:** £109 million decrease in funding as Covid-19 schemes come to an end.
- **UK Community Renewal Fund:** £95 million reduction as this fund winds down and UKSPF scales up.
- **Elections:** £83 million decrease as the prior year budget included funding for the PCC elections.
- **Other net changes:** includes a £30 million increase for the Elections, Union and Constitution functions transferred from Cabinet Office, offset by a £66 million reduction for the New Homes Bonus.

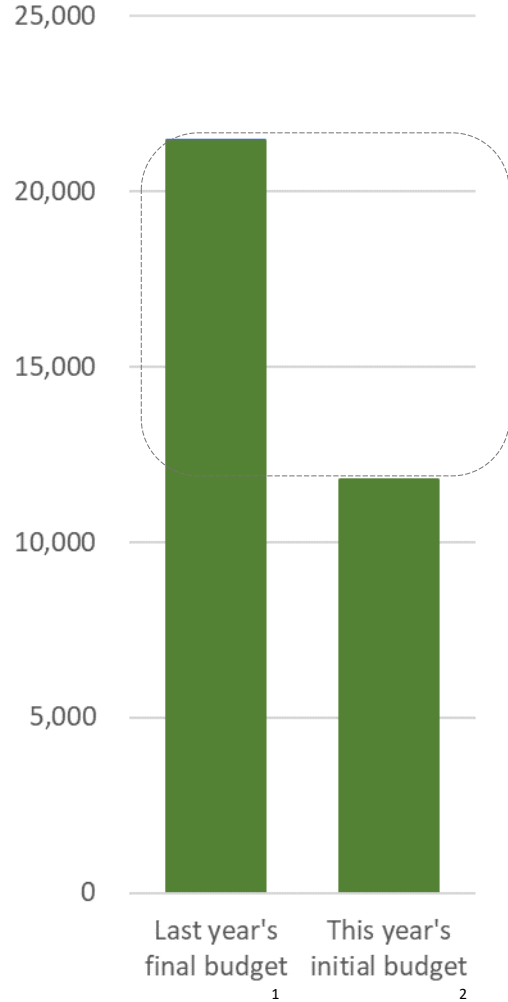
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

DLUHC's Local Government day-to-day budget decreased by **£9,688m (-45.2%)**

Resource DEL budget in £m



DLUHC's Local Government spending decrease is mainly due to a reduction in funding for Covid-19 support

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

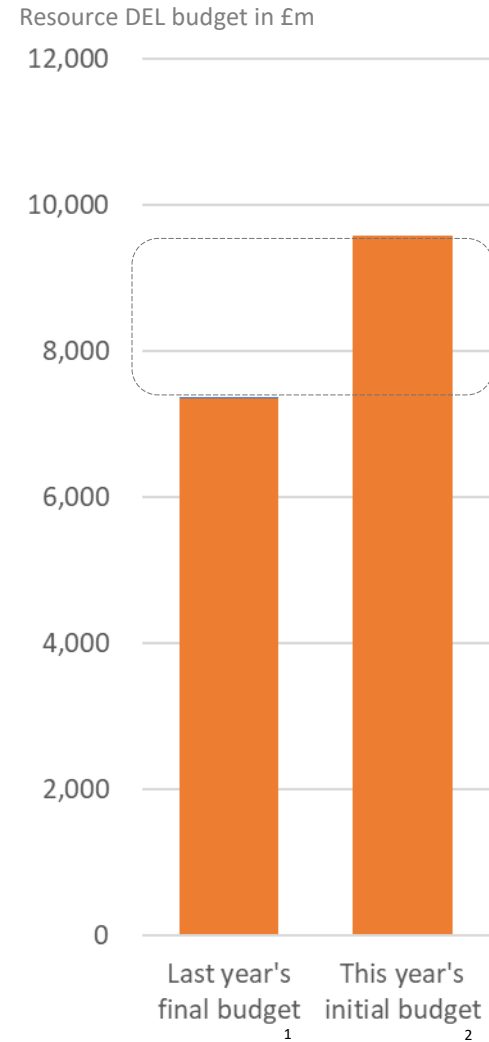
- **Covid-19 measures:** an £8,900 million reduction in funding to support local government through the Covid-19 pandemic
- **Adult Social Care grants:** £900 million increase in Adult Social Care grants
- **New Services Grant:** £800 million increase due to a one-off New Services Grant
- **Business Rates Relief:** £600 million increase in Business Rates Relief
- **Council Tax Rebate:** £3,100 million decrease compared to prior year budget in which the £150 Council Tax Rebate was budgeted.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

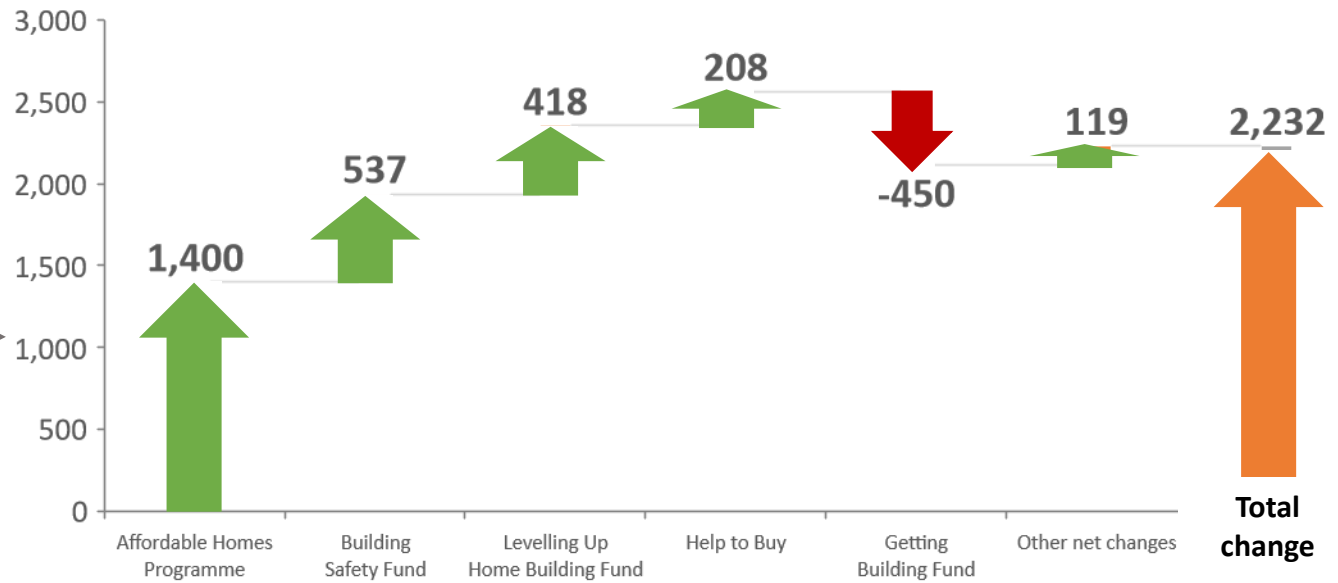
² Initial Budget in Main Estimates 2022-23 (May 2022)

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

DLUHC's investment budget increased by £2,232 (+30.4%)



Much of DLUHC's investment budget increase is for the Affordable Homes Programme 2021-2026
Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

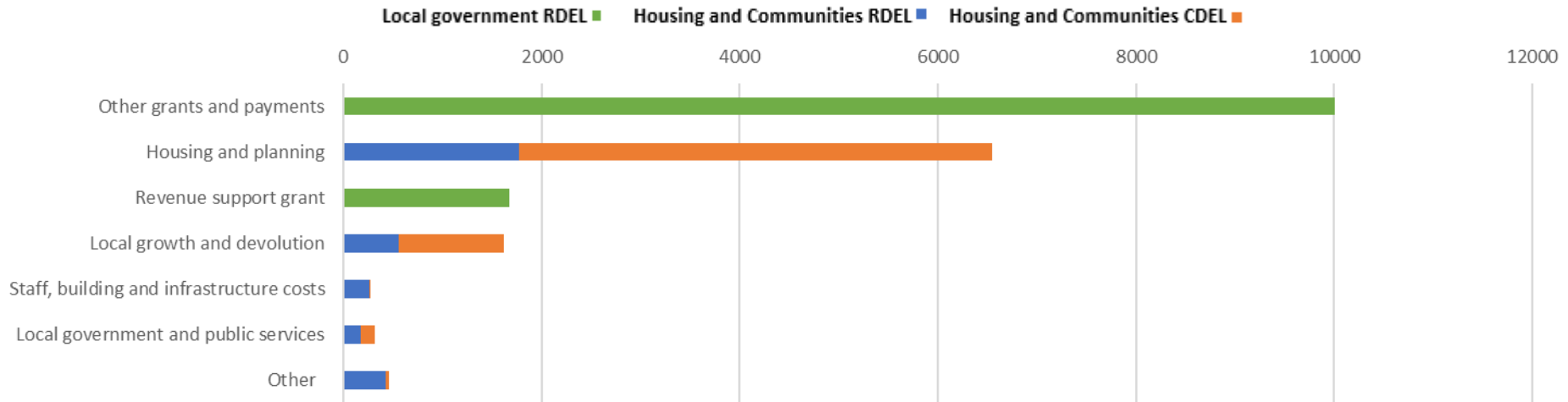
- **Affordable Homes Programme:** £1,400 million increase for the Affordable Homes Programme 2021-2026, due to an expected increase of 5,000 completions and 21,000 site starts compared to 2021-22.
- **Building Safety Fund:** £537 million increase due to an expected increase in the pace of remediation work in 2022-23. £211 million of 2021-22's budget for building safety was moved into 2022-23.
- **Levelling Up Home Building Fund:** £418 million budget for the new Levelling Up Home Building Fund.
- **Help to Buy:** £208 million increase due to anticipated increase in demand in the housing market.
- **Getting Building Fund:** £450 million decrease as this programme ended in 2021-22.
- **Other net changes:** include a £410 million increase for the Housing Infrastructure Fund; £20 million for the construction of the Holocaust Memorial and learning centre; offset by a £172 million decrease for the Home Building Fund due to reduced income from loan repayments.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

Most of DLUHC's budget is for grants and payments to Local Government

Breakdown of DLUHC budget 2022-23 (£ million)*



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

- The total Resource DEL budget for **Local Government** is **£11,766 million**, of which **85%** (£10,006 million) is for **Other Grants and Payments**, which includes Adult Social Care grants, New Services grants and Business Rate Relief.
- The **Revenue Support Grant** has a total budget of **£1,672 million**.

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

- Resource DEL budget for **Housing and Communities** is **£3,100 million**, of which **57%** (£1,768 million) is for **Housing and Planning**.
- **£560 million** is allocated for **Decentralisation and Local Growth**, including the Towns Fund and the UK Community Renewal Fund.
- Other funding includes **£260 million** for staff, building and infrastructure costs; **£171 million** for local government and public services; and **£209 million** for the Supporting Families programme.

Investment spending (Capital DEL)

- Total Capital DEL budget is **£6,007 million**, **80%** of which is for **Housing and Planning**. Of this, **54%** (**£3,256 million**) is for **Help to Buy**.
- The Housing and Planning budget also includes £930 million for the **Building Safety Fund** and £418 million for the **Levelling Up Home Building Fund**.
- **£1,059 million** is allocated for **Local Growth and Devolution (Levelling Up)**.

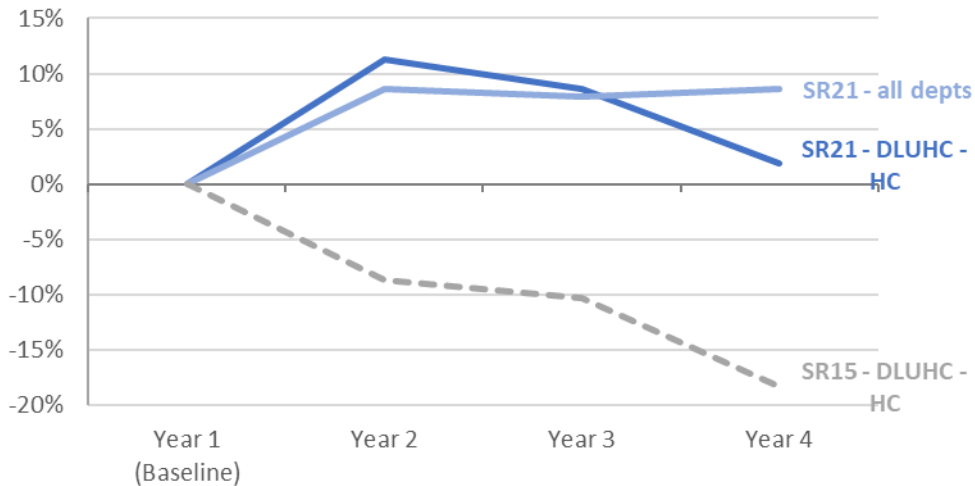
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

DLUHC's Housing and Communities spending beyond 2021-22

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

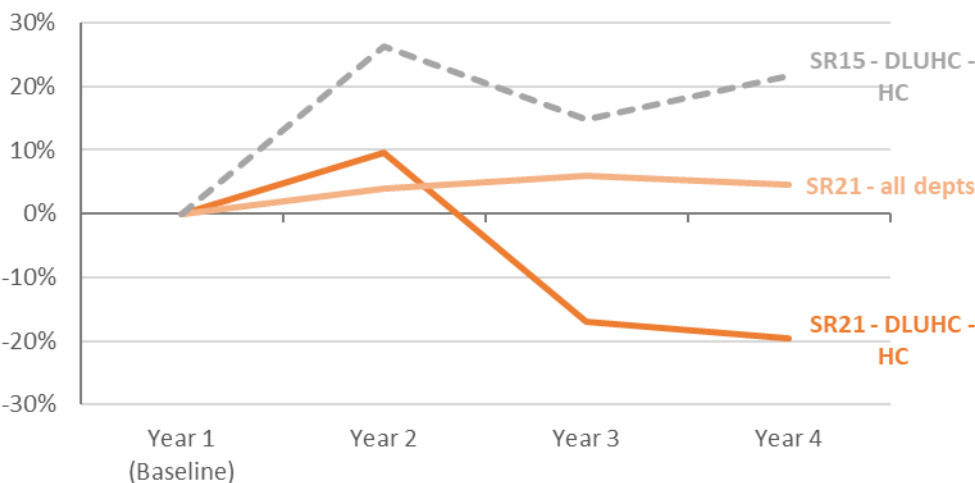
Day-to-day spending in Spending Review 2021

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



Investment spending in Spending Review 2021

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



Trends in day-to-day spending plans

- The RDEL settlement now provides average annual real terms growth of 0.4% between 2021-22 and 2024-25, down from 4.1% when originally announced in October 2021. This is due to rising inflation eroding the nominal value of the settlement. This is less than the total real terms growth over all departments of 2.6%.
- Of the total settlement, **£2.3 billion is allocated for the UK Shared Prosperity fund** over the 3-year settlement period. This replaces funding from the European Structural and Investment Funds (ESIF).
- The RDEL settlement also includes **£1.9 billion to alleviate homelessness** and rough sleeping.

Trends in investment spending plans

- The CDEL settlement now provides annual average real terms growth of 4.4% over the Spending Review period, compared to 5.1% when originally announced in October 2021.
- The settlement initially provides a provides an 10% increase over the baseline in Year 2, but this falls to a 17% reduction in Year 3 and a 20% reduction in Year 4.
- The Capital DEL settlement includes:
 - £7.5 billion for the **Affordable Homes Programme**
 - £3.7 billion for the **Levelling Up fund**
 - £3 billion to **remove unsafe cladding** from buildings above 18 metres.

Note: SR15 and SR10 gave five-year Capital DEL settlements

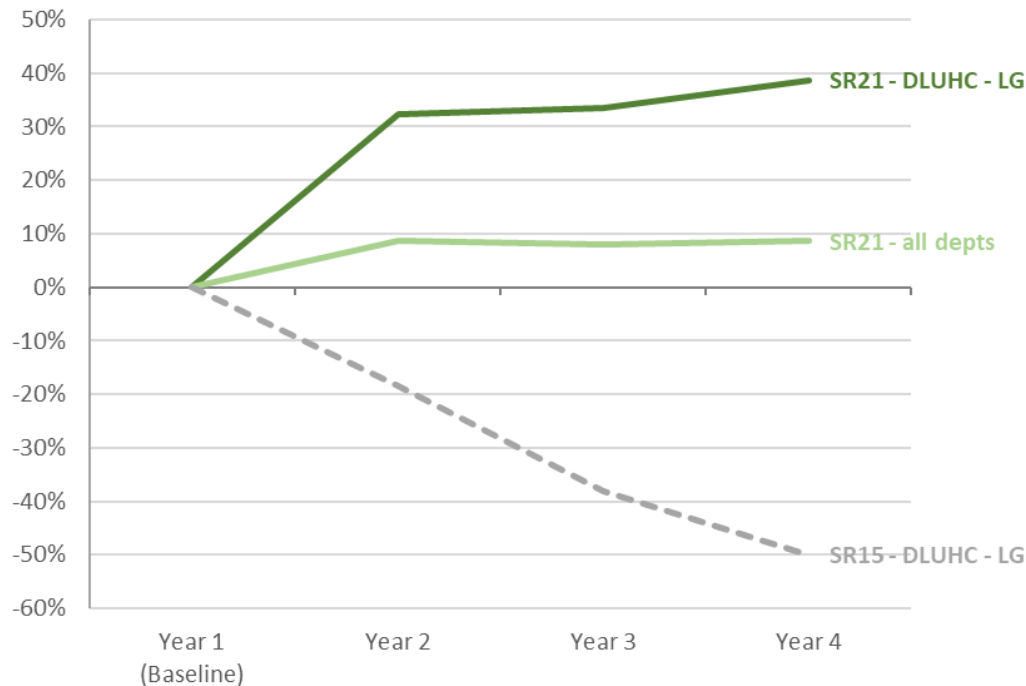
Note: baseline year for Spending Review 2021 is 2021-22

DLUHC's Local Government spending beyond 2022-23

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

Day-to-day spending in Spending Review 2021

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



Trends in day-to-day spending plans

- The Spending Review settlement for Local Government provides average annual real terms growth of 8.7%, compared to 2.6% across all departments. This is a 0.7 percentage-point reduction from October 2021 due to revised inflation forecasts.
- The settlement also provides a **39% increase over the baseline** by Year 4 of the Spending Review period, compared to a 9% increase across government.
- The settlement includes:
 - **£4.8 billion in new grant funding** for local authorities, a substantial part of which is likely to be used to meet the costs of adult social care.
 - **£3.6 billion of ring-fenced funding** explicitly for adult social care, funded by the Health and Social Care Levy and increase to dividend rates
 - **£500 million** for the Household Support Fund in 2022-23, as announced in the Spring Statement.
- The Chancellor also announced the following tax relief for businesses, for which local authorities will be fully compensated in their budget allocation:
 - The business rates multiplier will be frozen in 2022-23, a tax relief of £4.6 billion.
 - A one-year Retail, Hospitality and Leisure relief which provides a 50% discount on Business Rates.

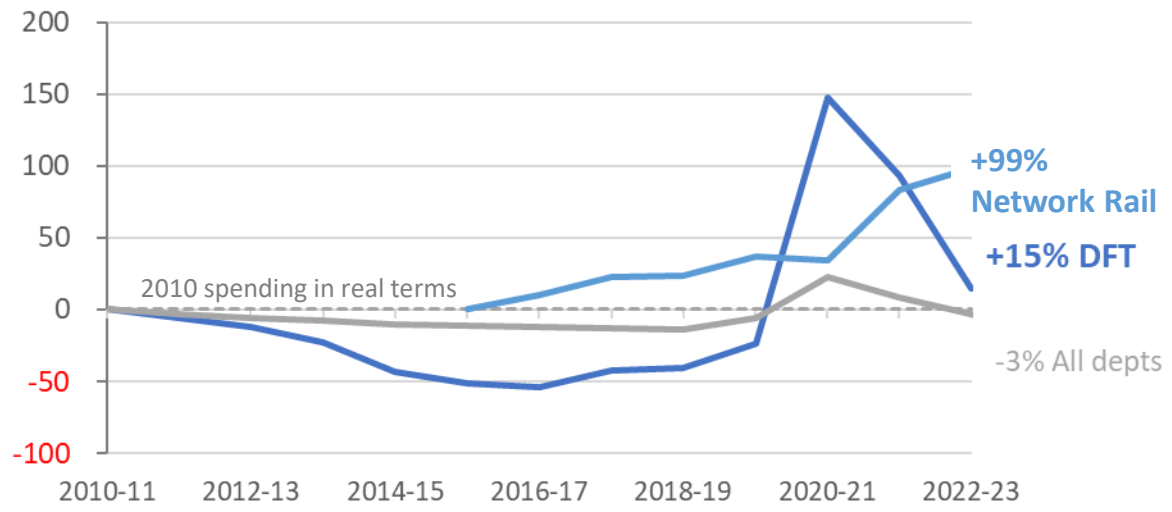
Note: SR15 and SR10 gave five-year Capital DEL settlements

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

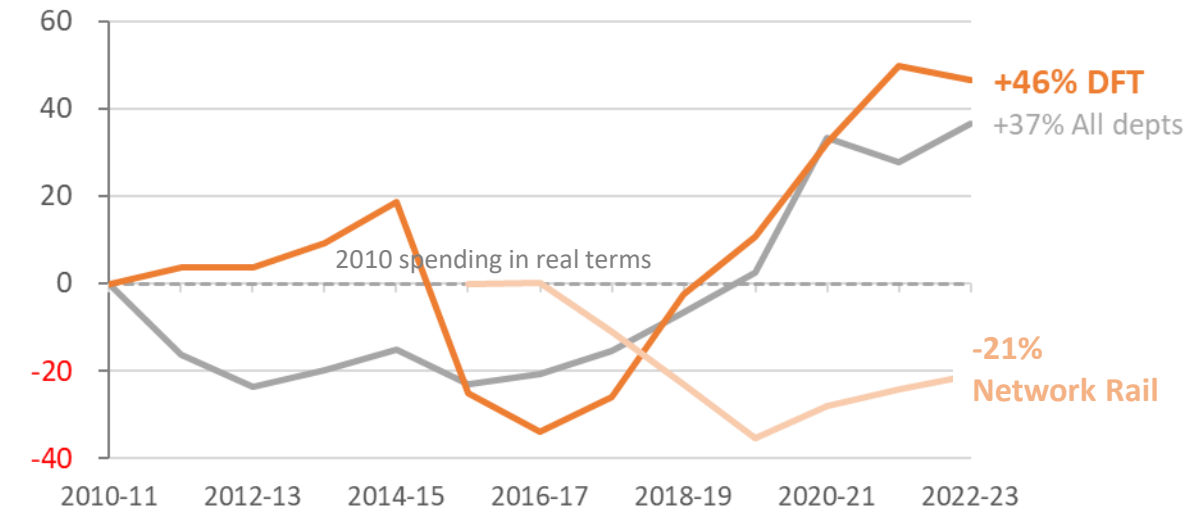
Department for Transport (DfT)

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

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



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



Day-to-day spending trends

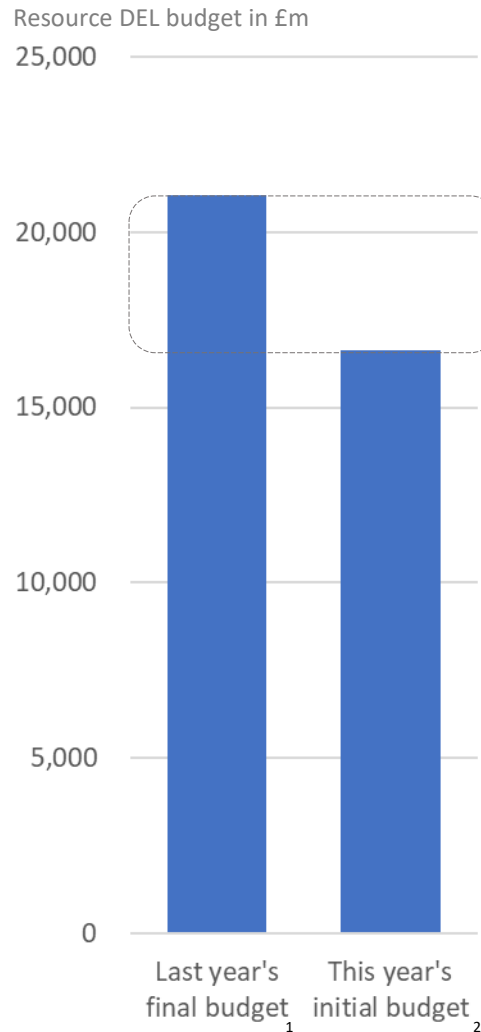
- In 2021-22, DfT's RDEL budget (excluding Network Rail) was 93% higher than in 2010-11. It received £8.3 billion to fund **Covid-19 support measures**, compared to £12.8 billion in 2020-21. This has reduced to **around £3 billion** in the 2022-23 budget.
- DfT's day-to-day budget for 2022-23 is set to be **15% higher than in 2010-11**, in real terms, although this doesn't include the full year settlement for TfL which was £2.1 billion in 2021-22.
- Network Rail was reclassified from the private to the public sector in 2014. The graph combines RDEL and RAME funding as it has moved between the two budgets.

Investment spending trends

- The investment budget has been volatile since 2010-11 but **construction activity on High Speed Two and EU exit costs** have driven spending increases in recent years. Spending is now set to be **46% higher than in 2010-11**, in real terms and excluding Network Rail.
- DfT has spent relatively little on capital **Covid-19** costs: £645 million was provided in 2021-22. It appears that there is no CDEL budget for Covid-19 in the 2022-23 Main Estimate.

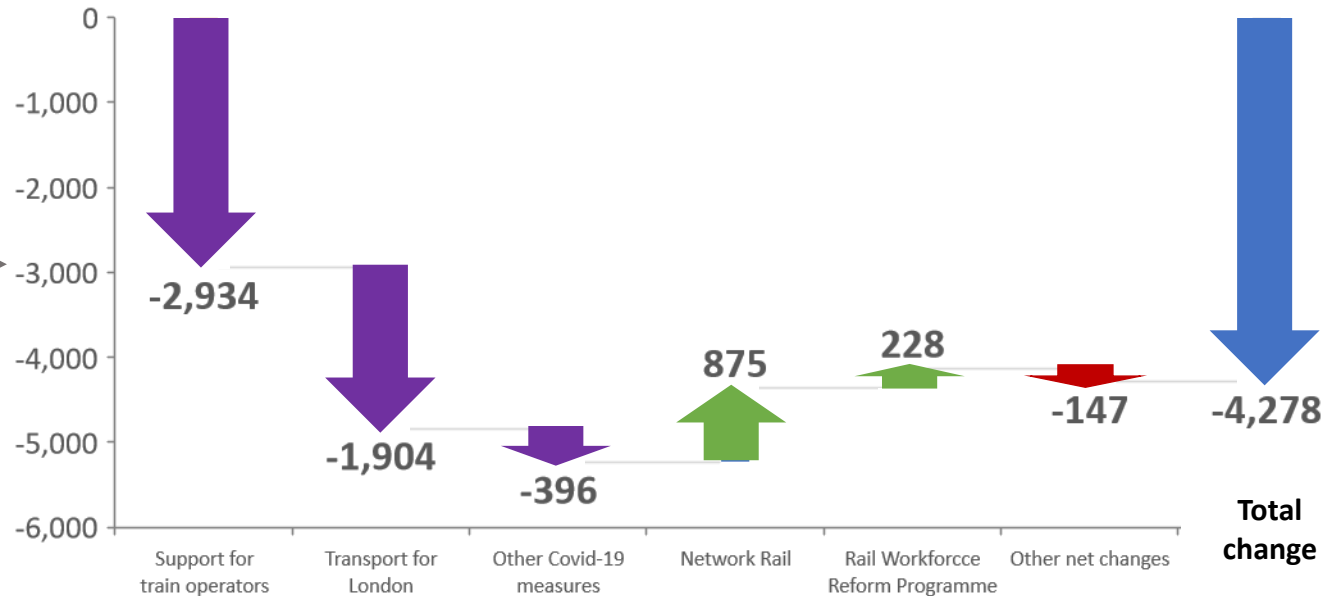
How is DfT's day-to-day spending changing in 2022-23?

DfT's day-to-day budget decreased by £4,278m (-20.5%)



DfT's spending decrease is mainly due to a reduction in Covid-19 support

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

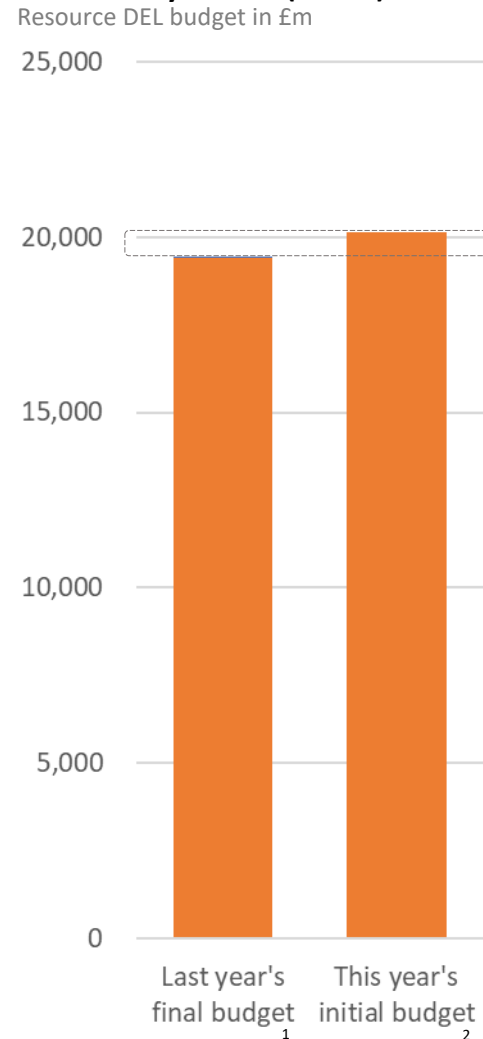
- **Covid-19 measures:** includes £2,934 million decrease in support for train operators; £1,904 million decrease in TfL grant as the 2022-23 Main Estimate only includes TfL funding up to June 2022; an estimated £396 million reduction in other Covid-19 budgets, mainly due to reduced requirement for the Covid-19 Bus Service Support Grant and reduced support for light rail.
- **Network Rail:** £875 million increase in line with funding agreed in 2021 Spending Review relating to increased delivery and depreciation costs.
- **Rail Workforce Reform Programme:** £228 million budget agreed at the 2021 Spending Review
- **Other net changes:** this mainly comprises a £179 million decrease in the HS2 budget as most new spending will now be classified as investment (CDEL).

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

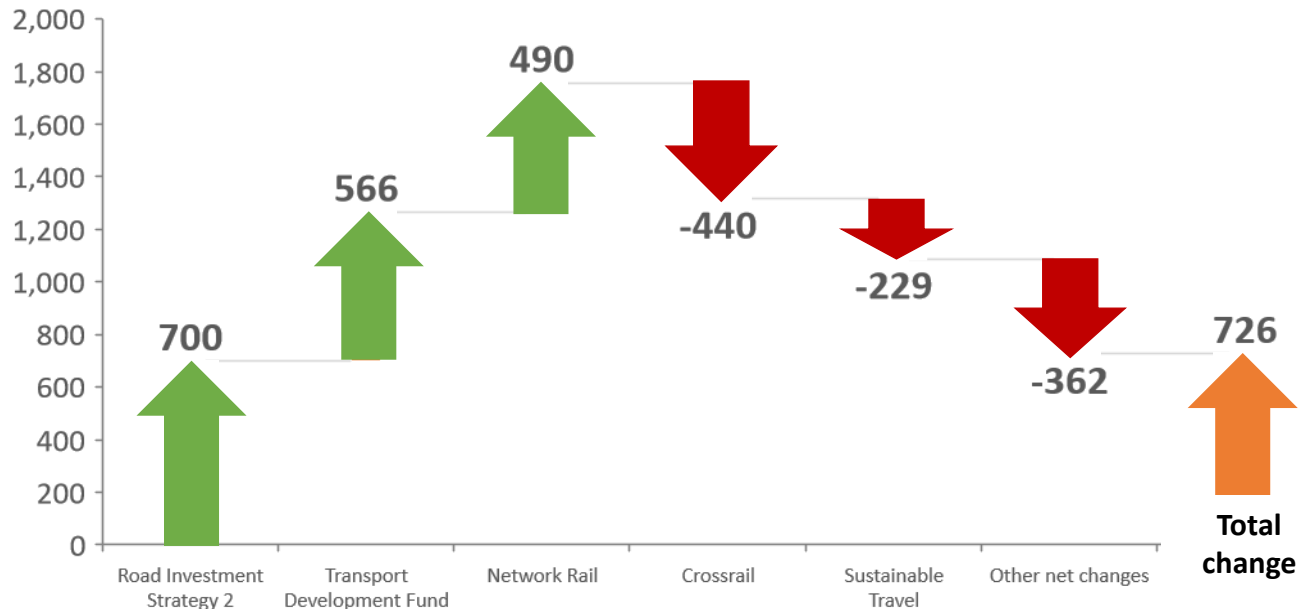
How is DfT's investment spending changing in 2022-23?

DfT's investment budget increased by £725.9 (+3.7%)



DfT's investment spending increase is mainly for the implementation of the Road Investment Strategy

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

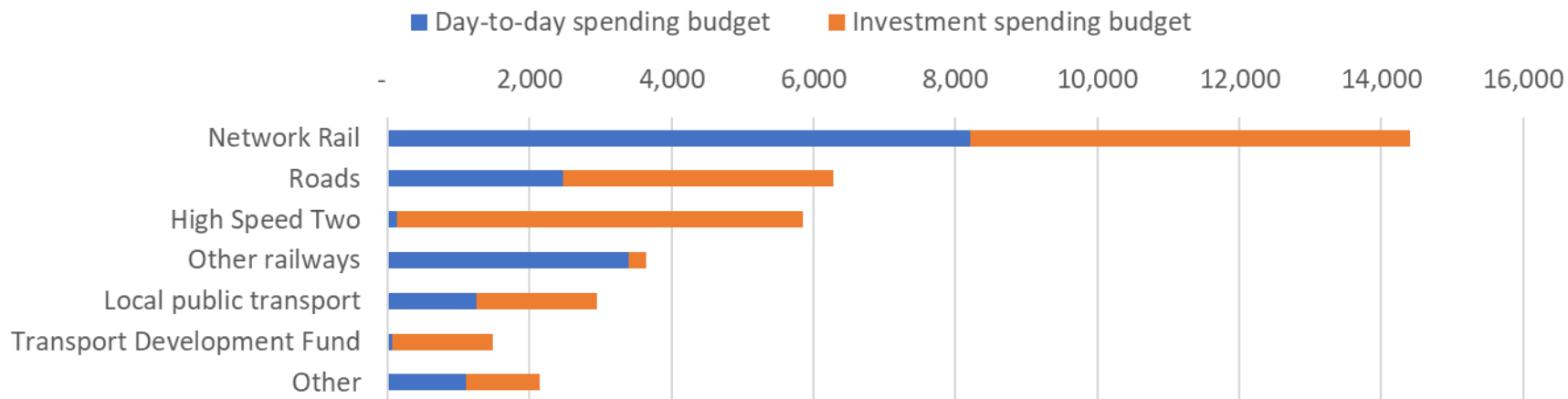
- **Road Investment Strategy 2:** £700 million increase for implementation of RIS2
- **Transport Development Fund:** £566 million increase in Transport Development Fund due to new funding for City Regional Sustainable Transport Settlements.
- **Network Rail:** £490 million increase as agreed in 2021 Spending Review due to increased delivery.
- **Crossrail:** £440 million decrease in Crossrail as most of the loan funding has now been drawn down.
- **Sustainable travel:** £229 million decrease for Sustainable Travel budget.
- **Other net changes:** This mainly comprises a £181 million decrease due to reprofiling of road investment from 2022-23 into 2021-22 and; £142 million decrease in Ports Infrastructure Fund budget as this was a one-off budget in 2021-22.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

Breakdown of DfT budget 2022-23 (£ million)*



Day-to-day spending (Resource DEL)

- **Railways (including Network Rail and High Speed 2)** continues to be the largest element of the day-to-day budget at 71% (£11,728 million), over two-thirds of which relates to Network Rail.
- **Roads** comprise 15% (£2,466 million), £700 million of which is for the Road Investment Strategy 2 (RIS2).
- Local Public Transport includes the **Greater London Authority grant** which is £202 million but this only covers the period from April – June 2022.
- **Other funding** mainly comprises £549 million for aviation, maritime and security costs, as well as £374 million for administration costs and arms-length-bodies, and £155 million for sustainable travel.

Investment spending (Capital DEL)

- Investment spending is just over £3.5 billion higher in total than the day-to-day spending, and mainly comprises several construction-intensive projects such as High Speed Two and RIS2.
- **Other funding** includes £1,482 million for the Transport Development Fund, £759 million for Sustainable Travel and £134 million for aviation, maritime and security costs.

Groupings

- **Other railways:** Other Railways; East West Rail Company Limited; and Support for Passenger Rail Services.
- **High Speed Two:** High Speed Rail; and High Speed Two Limited.
- **Roads:** Highways England; Motoring Agencies; and Tolloed Crossings.
- **Other local public transport:** Greater London Authority grant; Local Authority Transport; and Bus Subsidies and Concessionary Fares

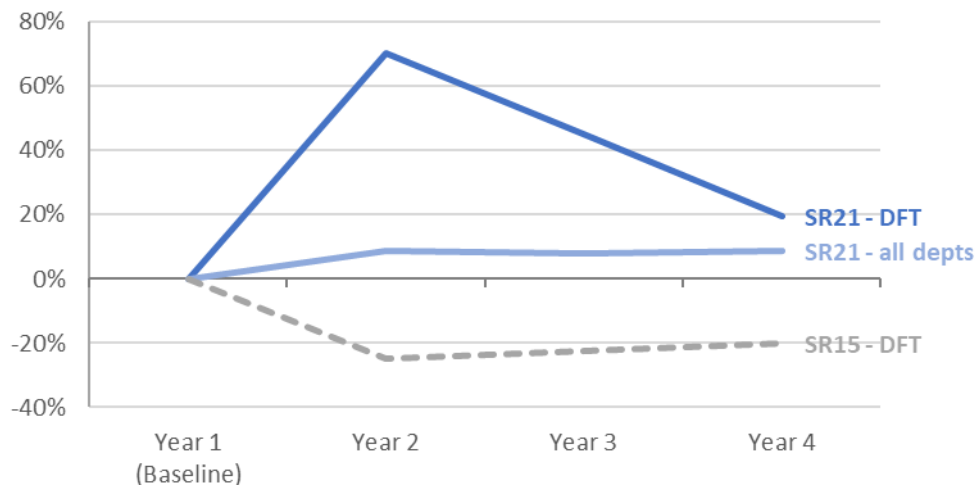
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

DfT's spending beyond 2022-23

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

Day-to-day spending in Spending Review 2021

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

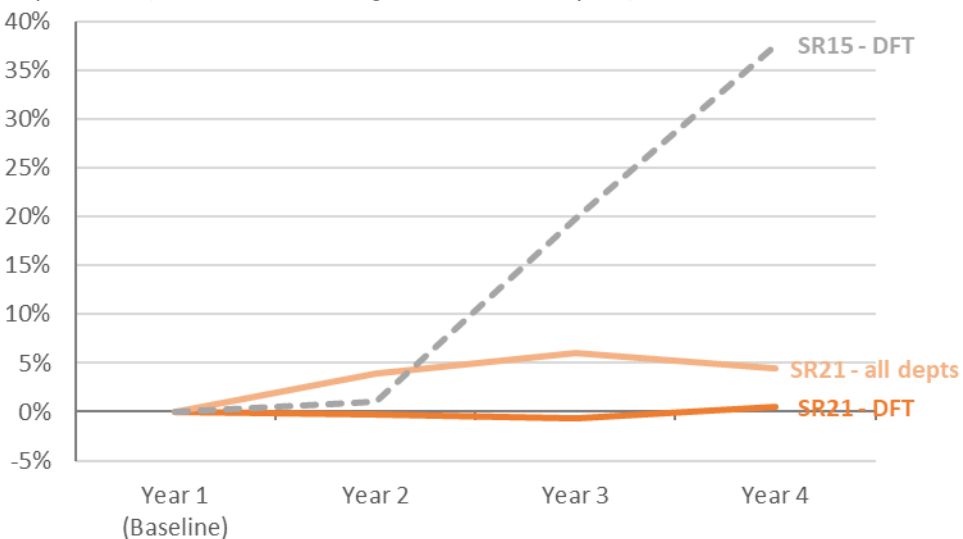


Trends in day-to-day spending plans

- The RDEL settlement for DfT now provides average annual real terms growth of 6.1% between 2021-22 and 2024-25, down from 6.8% when it was originally announced in October 2021. This is due to rising inflation eroding the nominal value of the settlement.
- The settlement also provides a 19% increase over the baseline by Year 4 of the Spending Review period, compared to 9% across all departments.
- The settlement is front-loaded, with a 70% increase over the baseline in Year 2 and 45% in Year 3.
- Most of the DfT's day-to-day spending is for running the railway system and maintaining the roads.

Investment spending in Spending Review 2021

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



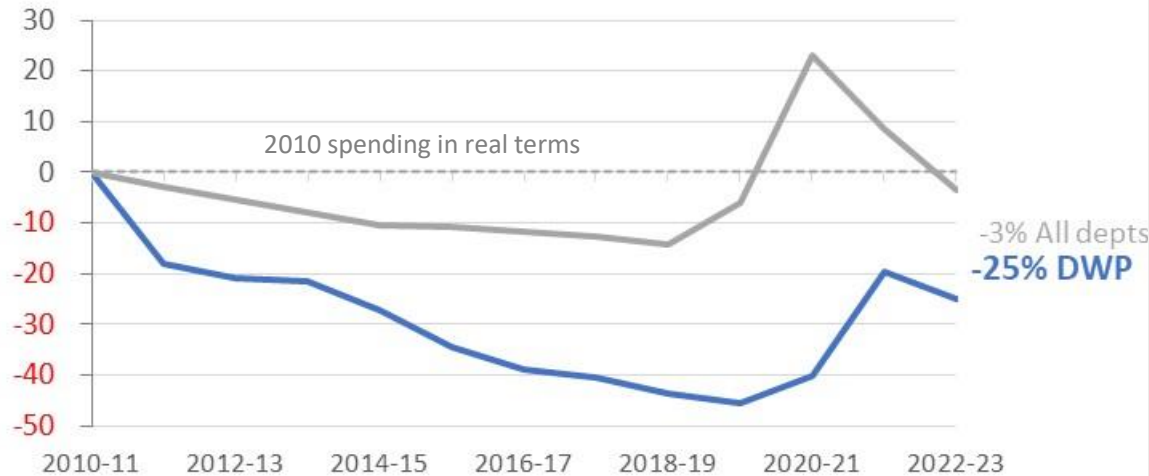
Trends in investment spending plans

- DfT's investment spending settlement provides an average annual real terms reduction of -0.1% over the Spending Review period, down from an 0.6% increase when it was announced in October 2021.
- For rail investment, the government has provided £35 billion (including **£17.4 billion for High Speed Two** as announced at SR20) over the 3-year settlement period.
- **For road investment, £24 billion** has been allocated between 2020 and 2025. The Chancellor also **announced £5.7 billion over 5 years for TfL-style City Region Sustainable Transport Settlements**.

Department for Work and Pensions (DWP)

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

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



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



Day-to-day spending trends

- The DWP RDEL budget was cut significantly throughout the austerity period, and has not recovered to 2010 levels by the planned spend for 2022-23.
- At the lowest in 2019-20, the RDEL budget was cut by -45.6% compared to 2010. The budget then increased slightly in 2020-21 and 2021-22 due to emergency Covid spending.
- The 2022-23 position shows a slight decrease from 2021-22, allocating a budget 25% smaller than the 2010 baseline in real terms.
- This compares to an average decrease across government of 3%.
- AME budgets (pensions and benefits) make up the bulk of DWP expenditure, and are excluded, as they are driven by external forecasts and simply respond to demand.

Investment spending trends

- Following severe capital budget cuts over the austerity period, and fluctuating capital budgets from 2016-2019, DWP received consistent increases from 2019-20 to 2022-23.
- DWP capital budgets were 36% larger in 2021-22 compared to 2010.
- The DWP capital budget is small relative to its AME budgets (benefit and pension payments) and its RDEL budgets (administration and running costs).

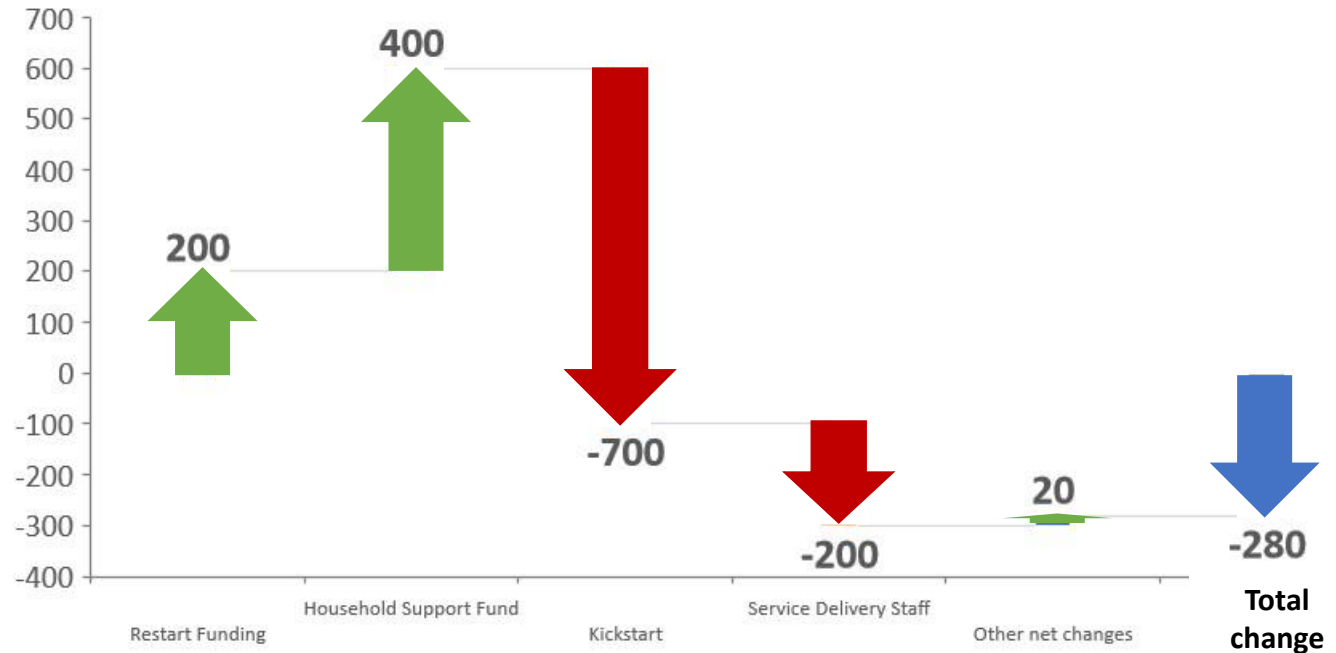
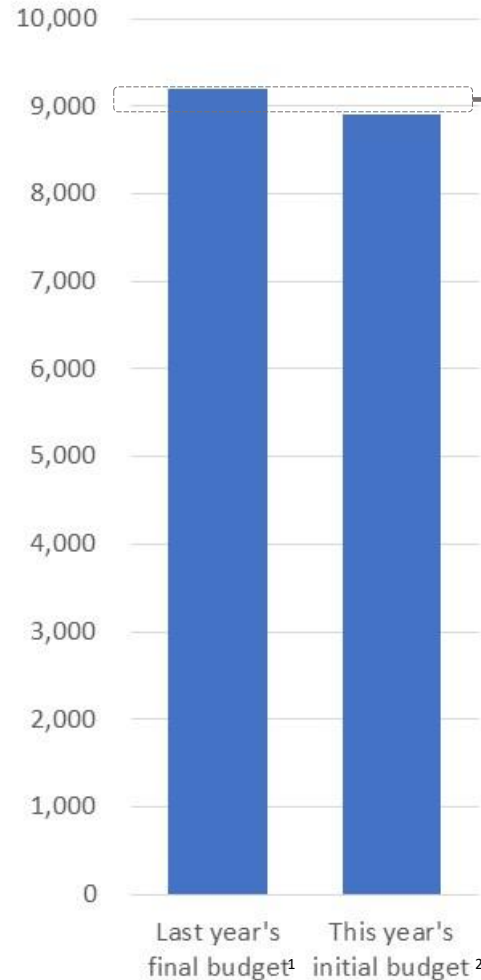
How is DWP's day-to-day spending changing in 2022-23?

DWP's spending decrease is driven by the ending of the Kickstart Scheme.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

DWP's day-to-day budget decreased by £280m (-3%)

Resource DEL budget in £m



Changes in 2022-23

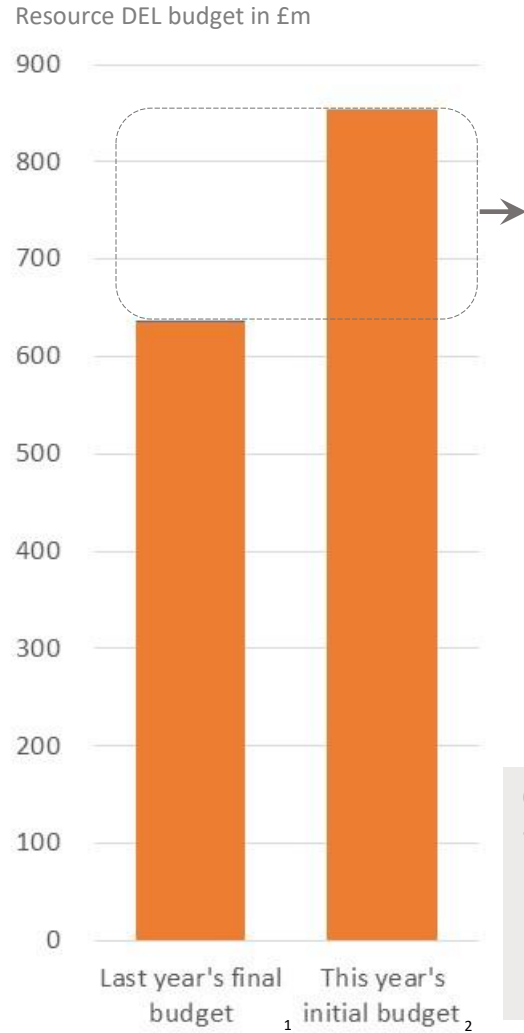
- **Restart Funding:** Funding for the scheme increased by £0.2 billion.
- **Household Support Fund:** £0.4bn increase in funding provided to Local Authorities via the Household Support Fund. This programme is extended to March 2023 to support households with the increased costs of living.
- **Kickstart Scheme:** Kickstart funding reduced from prior year Supplementary Estimate by £0.7bn to £0.3bn. This project was initiated to deliver grant programme to encourage employers to employ 16-24 year olds at risk of long term unemployment. This project is now closed to new applicants and is in the process of closing.
- **Service Delivery Staff:** £0.2bn Service Delivery staffing reduction mainly in Work and Health Services.

¹ Final budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

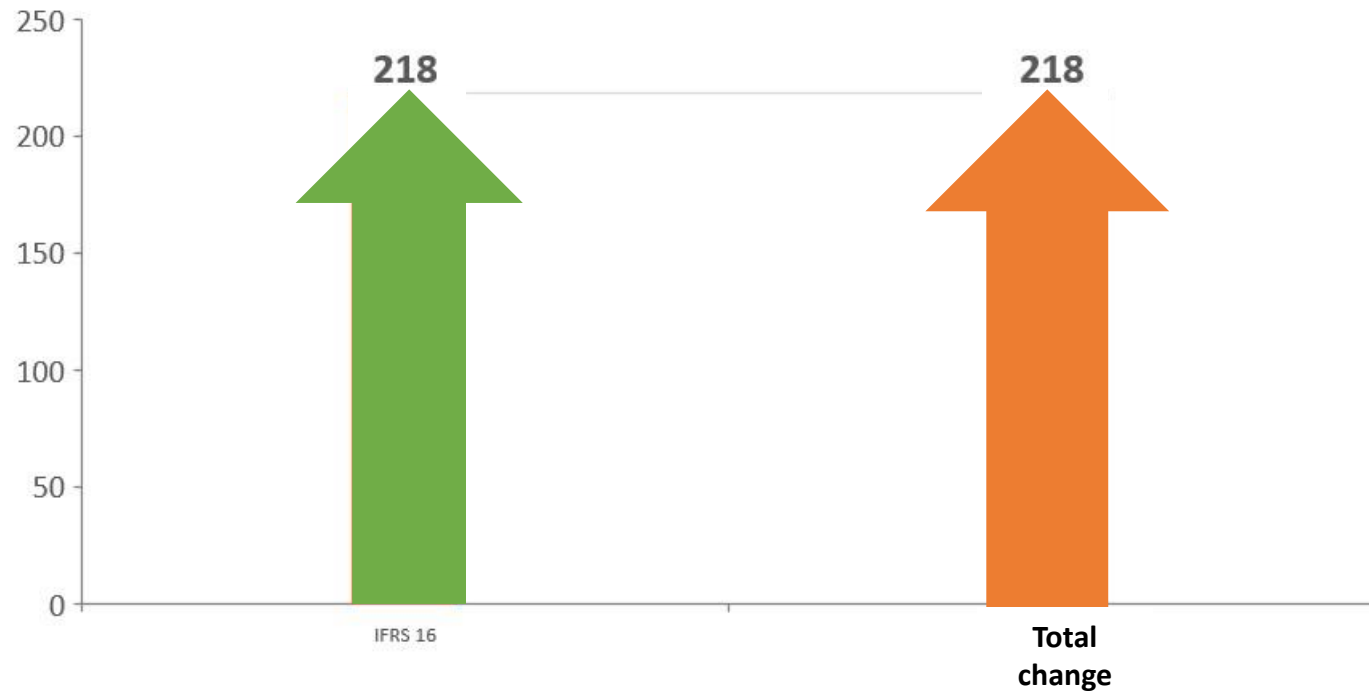
How is DWP's investment spending changing in 2022-23?

DWP's investment budget increased by £218.4m (+34%)
Resource DEL budget in £m



DWP's investment spending increases due to IFRS16.

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **IFRS 16 Changes:** Capital DEL funding has increased from Supplementary Estimate by £0.2bn to £0.8bn. This increase is due to a change of accounting policy following the implementation of accounting standard IFRS 16 which reclassified revenue spent on leased items creating “right of use” capital Assets. The wider capital programme funding for 2022-23 remained consistent with 2021-22 levels.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

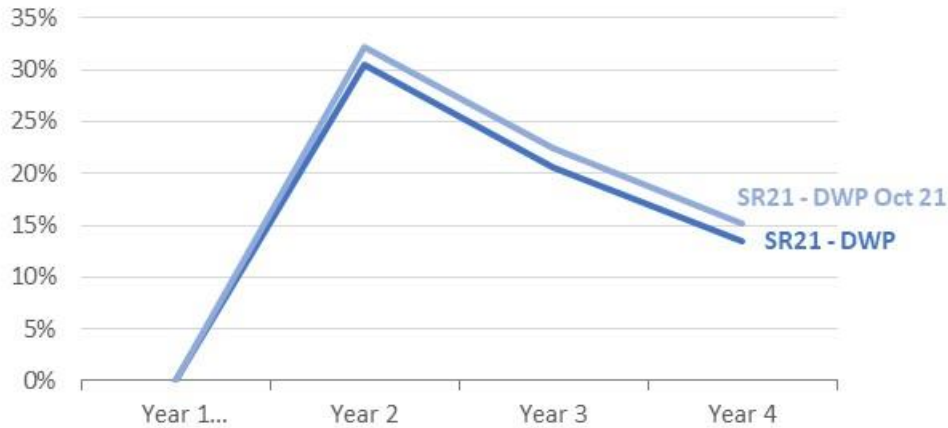
² Initial Budget in Main Estimates 2022-23 (May 2022)

DWP's spending beyond 2021-22

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

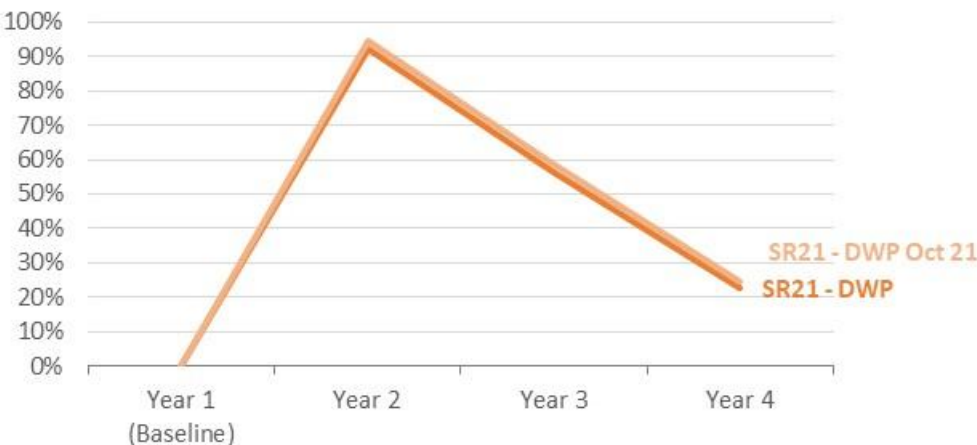
Day-to-day spending in Spending Review 2021

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



Investment spending in Spending Review 2021

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



Trends in day-to-day spending plans

- The RDEL settlement provides an 30% increase over the baseline by Year 2 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation.
- RDEL will then reduce to a 21% increase over the baseline by year 3, and 14% by year 4. Both are decreases of 2% points from October 2021.
- The RDEL settlement includes:
 - £504 million to complete the rollout of Universal Credit over the next three years;
 - £2.6 billion for digital activity to support the delivery of benefits and transform how customers interact with the welfare system.
 - £421m for the Household Support Fund which provides Local Authorities in England with additional support for vulnerable households to cover the cost of essentials such as food and energy bills this winter.

Trends in investment spending plans

- The CDEL settlement provides an 95% increase over the baseline by Year 2 of SR21, a decrease of 2 percentage points from October 2021. This is due to higher than forecast inflation.
- CDEL then decreases annually, ending at a 25% increase on the baseline by Year 4.
- The Capital DEL settlement includes:
 - £54 million capital funding to complete UC rollout.

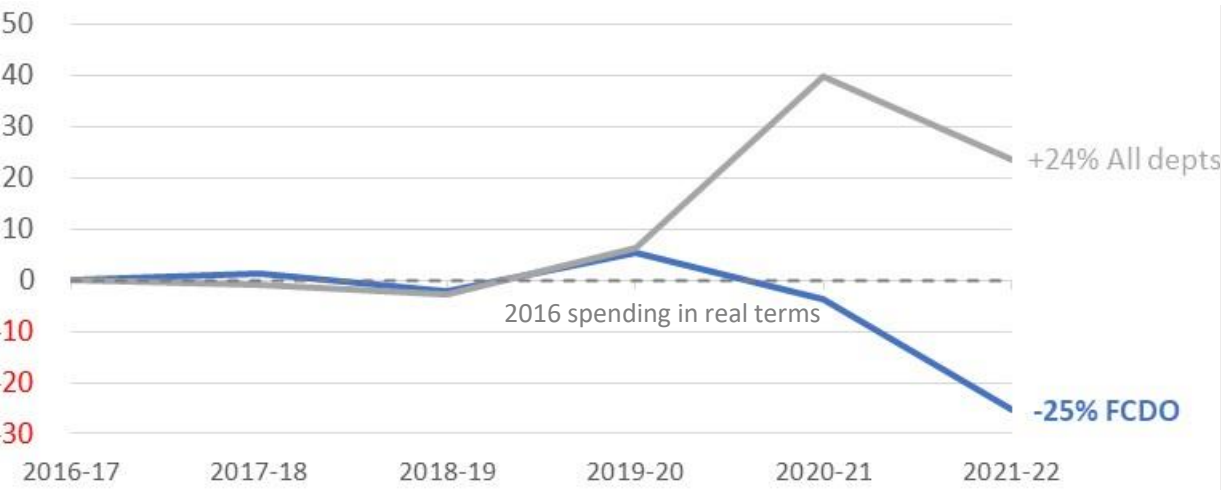
Note: SR15 and SR10 gave five-year Capital DEL settlements

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

Foreign, Commonwealth and Development Office (FCDO)

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

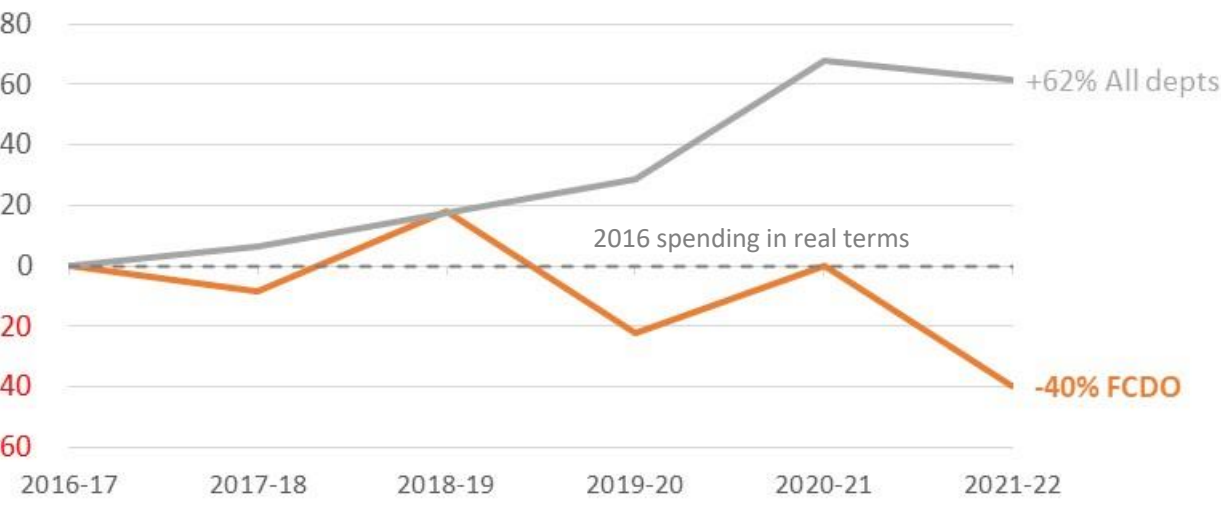
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- The combined budgets of the former DFID and FCO broadly tracked general departmental spending trends until 2019-20.
- In June 2020 the Prime Minister announced that FCDO and DFID would be merged.
- In November 2020 the Chancellor of the Exchequer announced that the UK would no longer meet its commitment to spending 0.7% of GNI on Overseas Development Assistance, leading to rapid and large cuts to the FCDO's budget.

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



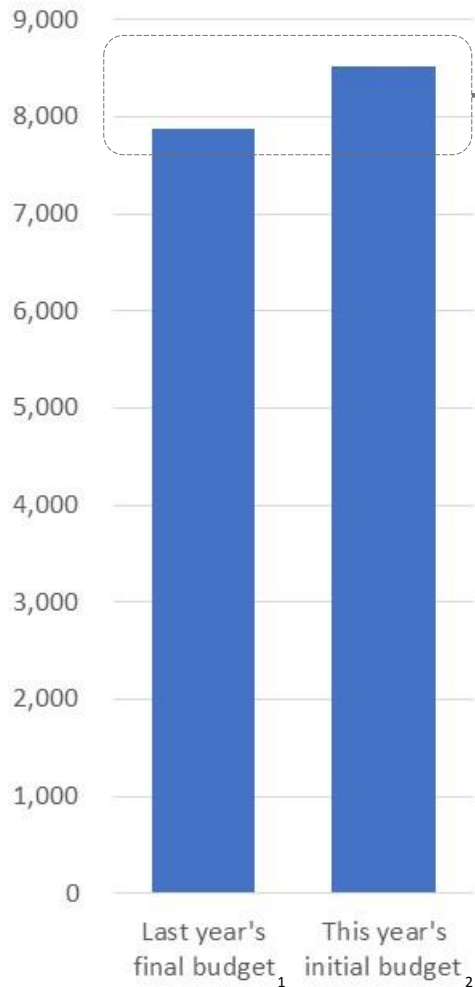
Investment spending trends

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

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

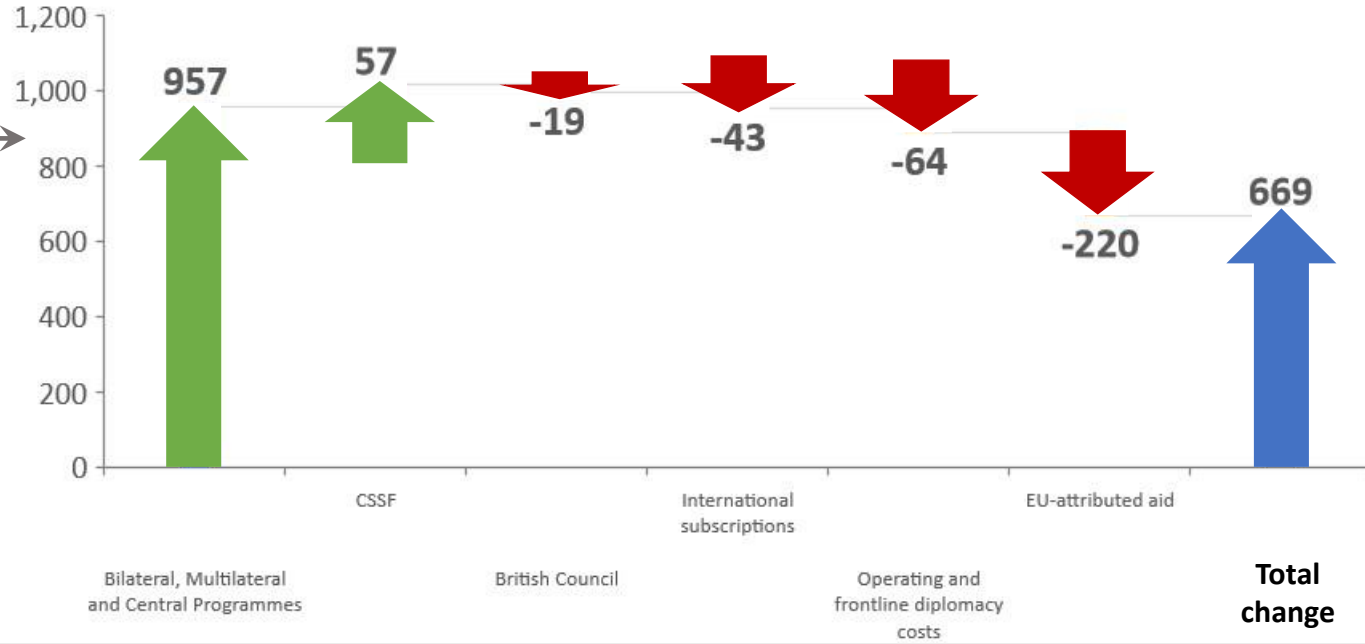
FCDO's day-to-day budget increased by £668.6m (+8.5%)

Resource DEL budget in £m



FCDO's spending increase is driven by increased ODA expenditure due to improved economic growth

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

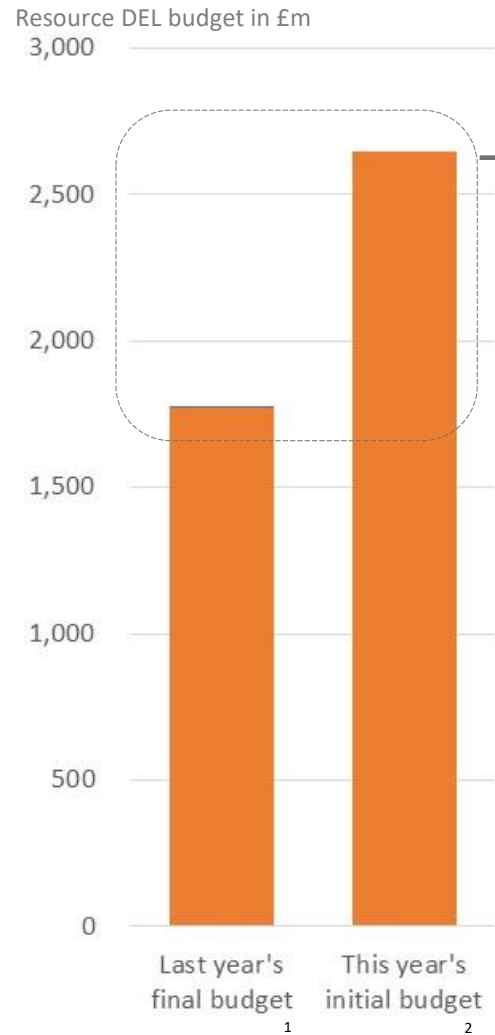
- **Bilateral, Multilateral and Central Programmes:** These lines makes up the majority of the FCDO's overseas aid expenditure (ODA). ODA expenditure has increased as a result of an improved economic outlook compared with last year.
- **CSSF:** The cross-government Conflict, Stability and Security Fund accounts for £57 million of the increase. It is expected that this will reduce at the Supplementary Estimate as the funding is distributed amongst other departments.
- **Operating and front-line diplomacy costs** have reduced by £64 million this year, possibly as part of the FCDO's efficiency plans.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

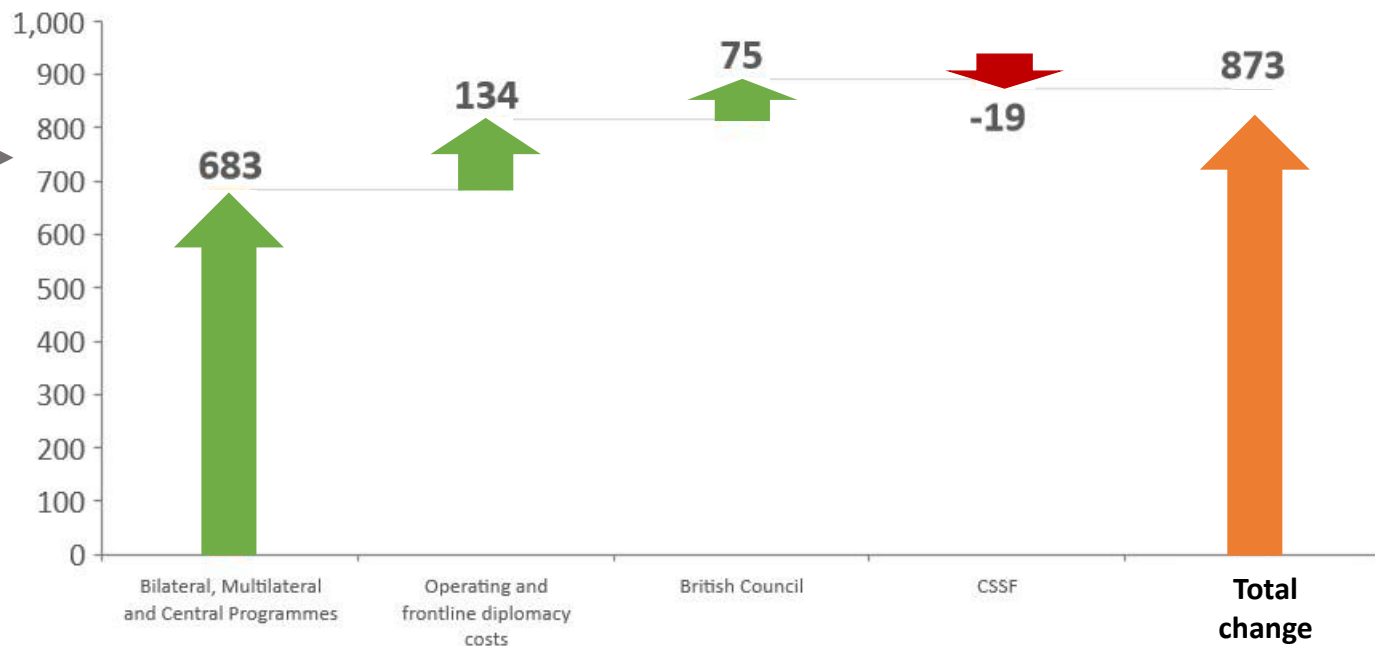
² Initial Budget in Main Estimates 2022-23 (May 2022)

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

FCDO's investment budget increased by £872.7m (+49.3%)



FCDO's investment spending increases reflects a relative rebalancing towards investment spend in ODA
 Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

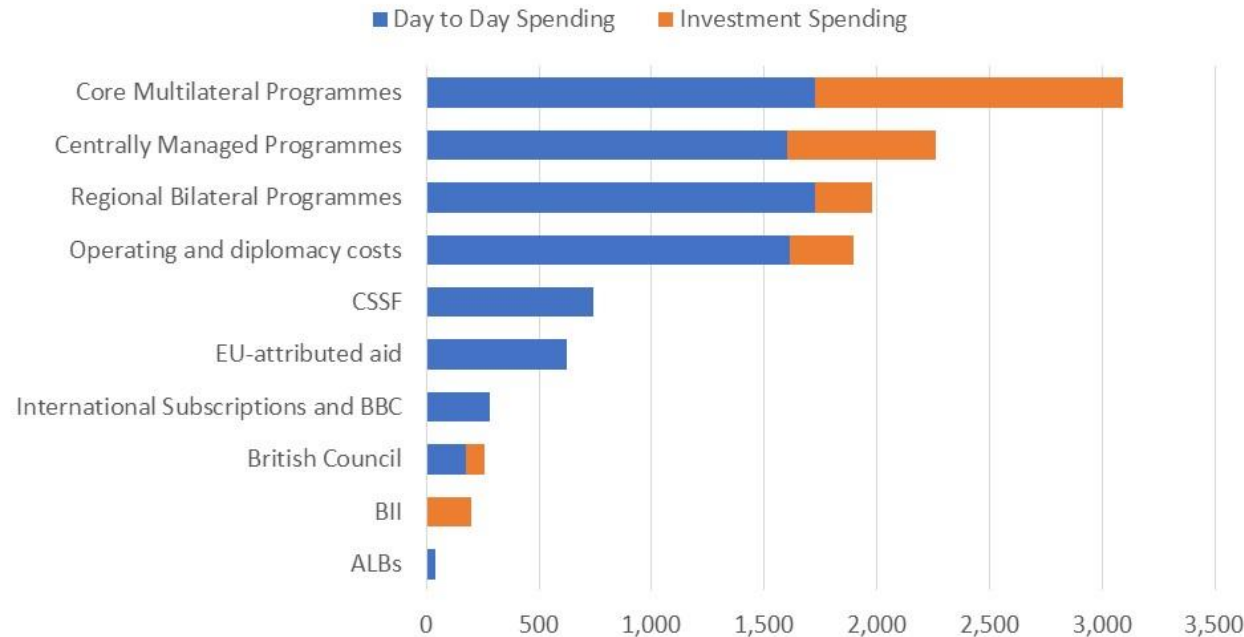
- Bilateral, Multilateral and Central Programmes:** This budget line makes up the majority of the FCDO's overseas aid investment expenditure (ODA). Part of the reason for the increase this year is the strategic rebalancing of expenditure towards investment spending.
- Operating costs:** includes a Reserve claim of £68m from the Bangkok sale proceeds for contractually committed projects that are part of the estates programme of global new builds and refurbishments
- British Council:** during the pandemic the FCDO provided loan funding to the British Council to ensure its financial viability. Last year the British Council drew down £11 million of this loan, whereas this year they intend to draw down £86 million, resulting in a net increase of £75 million.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

Most of the FCDO budget is ODA split between multilateral, bilateral and central programmes

Breakdown of FCDO budget 2022-23 (£ million)*



Investment spending (Capital DEL/AME)

- Most of the FCDO's investment expenditure relates to investments in **multi-lateral institutions** (£1,368 million).
- The FCDO also has a relatively small capital budget for **operating costs** (£279.7 million), relating to investments in the FCDO's overseas estate.
- The FCDO invested £200 million in 2022-23 in **British International Investment (BII)**, the UK government's wholly owned development finance institution.
- £85 million in loan funding to the **British Council** has been provided for in 2022-23.

Day-to-day spending (Resource DEL)

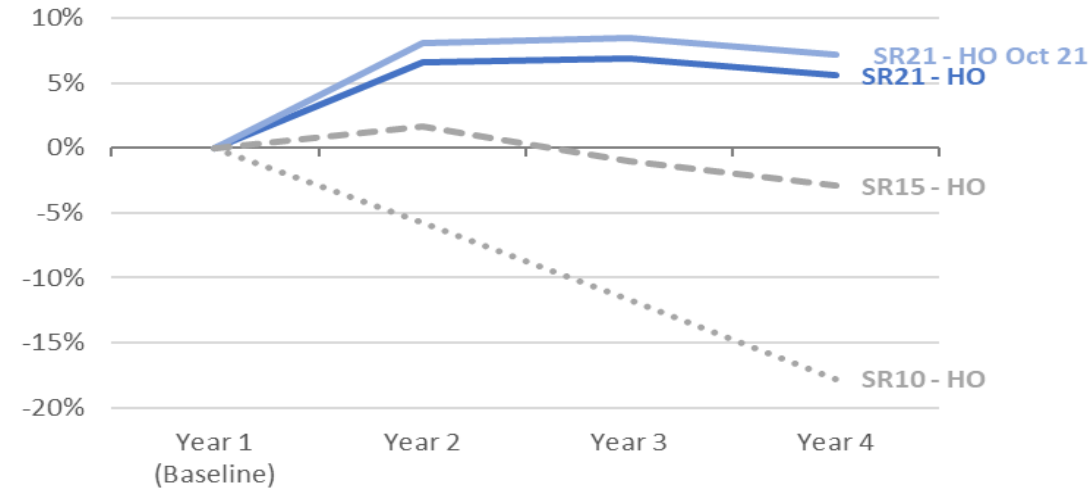
- **Bilateral expenditure** (i.e aid funding provided directly to recipients) makes up the largest spending area, containing the majority of the department ODA expenditure (£1,726.6 million). **Multilateral expenditure**, consisting of the UK's contributions to multilateral institutions such as the World Bank, amounts to £1,724 million in 2022-23. **Centrally Managed Programmes** amounts to £1,604.2 million. Taken together these budget lines make up the majority of the UK's ODA spending.
- **Operating costs and frontline diplomacy** accounts for £1,616.2 of FCDO's day-to-day budget, and includes funding for the FCDO overseas estate.
- **EU attributed aid** covers the UK's outstanding commitments under the EU-UK Withdrawal Agreement to EU development programmes, the EU budget and the European Development Fund. This amounts to £621 million in 2022-23.

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

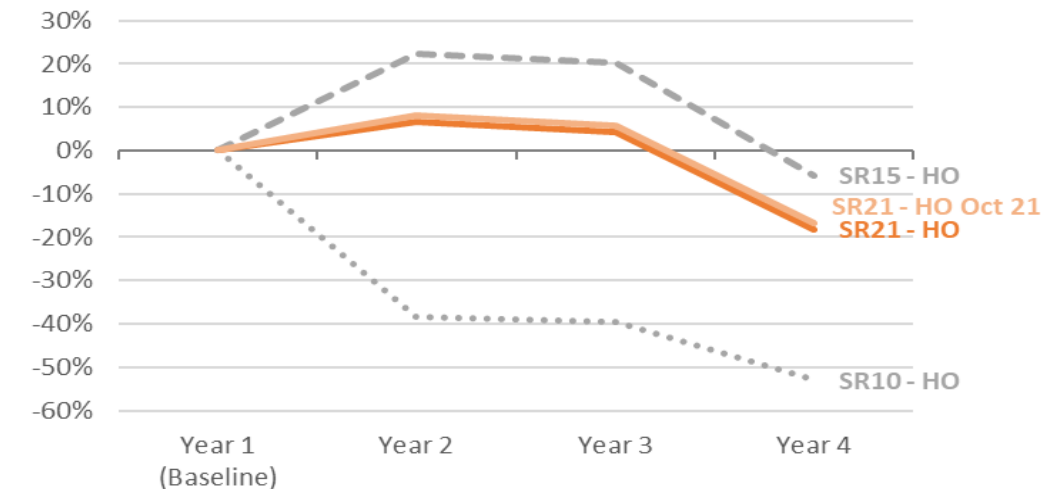
Home Office (HO)

Long-term trends in HO'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):



These graphs compare the 2010, 2015 and 2021 spending settlements in 'real term percentages'. The 2 lines for the 2021 settlement (SR21) reflect the OBR's October 2021 GDP deflator rate vs current projections. The GDP deflator rates are used to calculate real term movements across all government departments.

Day-to-day spending trends

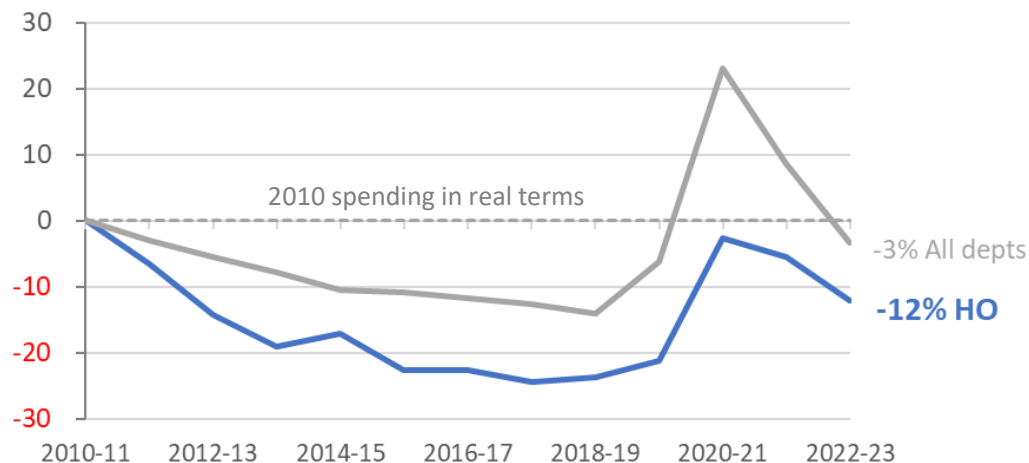
- Rises in inflation have reduced the RDEL average annual real term growth percentage of the 2021 Spending Review from **2.5%** (as reported in October 2021) to **1.8%** based on current projections (see slide 8 for further details on this movement).
- The 2021 settlement followed real rate reductions in the 2010 and 2015 settlements.

Investment spending trends

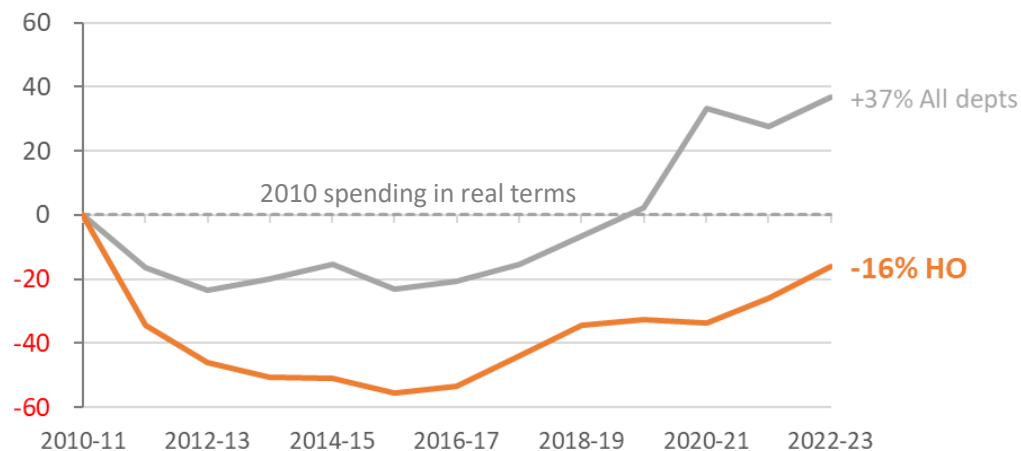
- The 2010 spending review saw real cuts to the investment budget during austerity. This was reversed during the 2015 spending review as investment spend increased in real terms for the first 2 years driven by £1bn for the Emergency Services Mobile Communications Programme.
- The 2021 Investment settlement is weighted in the first 2 years; this profiling could change through the budget exchange mechanism.

Long-term trends in HO'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

- In 2010, the Home Office budget was reduced by 23% in real terms by 2014/15.
- The 2015 Spending review continued to reduce the budget with a further 5% real term reductions by 2019/20.
- In 2020-21 HO received additional funding for Covid support, EU exit preparations and for new police officers, this drove spending back towards 2010 levels.
- The 2021 Spending Review settlement increased the RDEL budget by 2.5% from 2021/22 (excluding the ring fenced covid support from the baseline year) in real terms to 2024/25 however, higher inflation has now reduced this to c.1.8%.
- Expenditure today is 12% below that of 2010 levels in real terms..
- **NB: the Main Estimate for 2022/23 does not include all the Asylum expenditure, it will be requested at the Supplementary Estimate.**

Investment spending trends

- As with day-to-day spending, the investment budget was reduced under austerity.
- The 2015 Spending review included additional investment funding for further security infrastructure at the borders as well as an additional £1bn for the Emergency Services Network overhaul.
- Recent increases are driven by border controls such as the Future Border and Immigration System Programme.
- Overall investment remains below 2010 (pre austerity) levels.

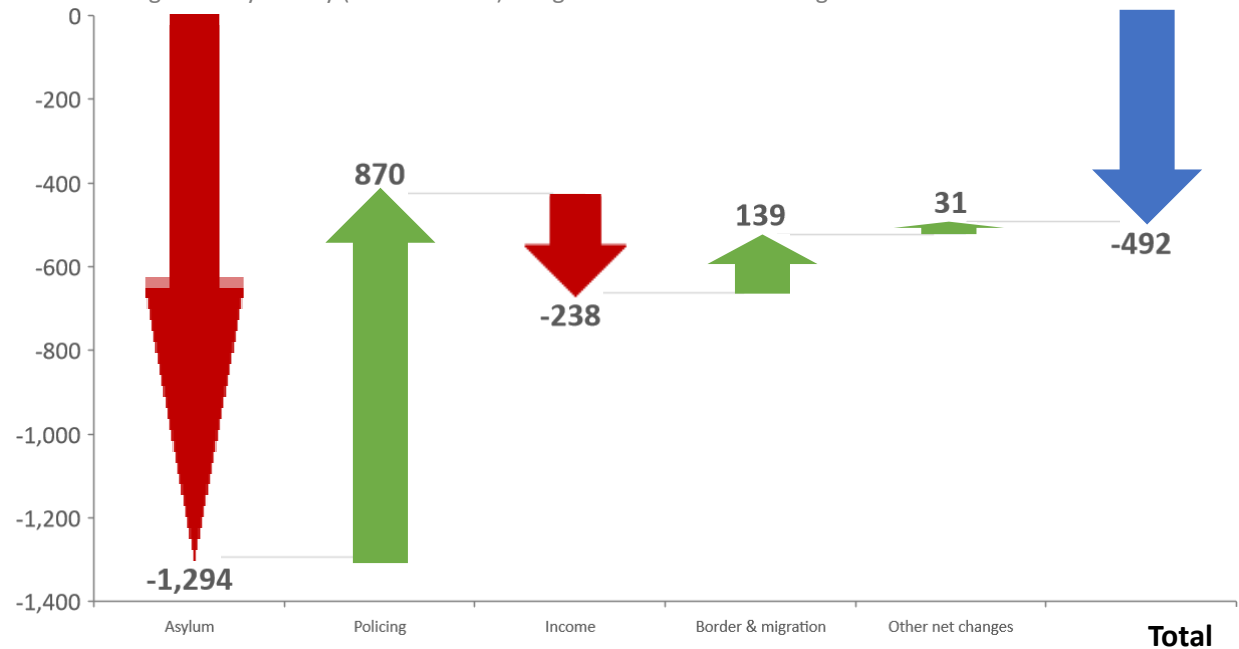
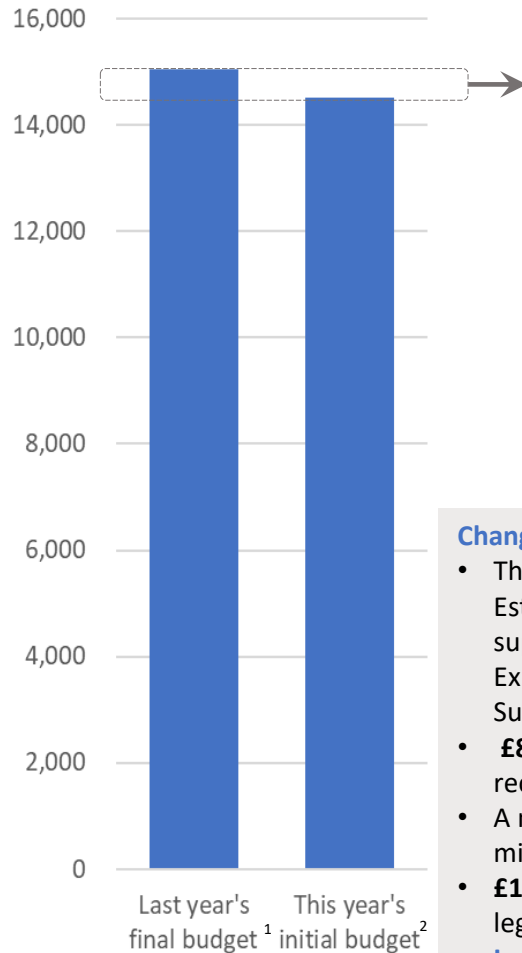
How is the HO's day-to-day spending changing in 2022-23?

HO's 3% cash decrease in RDEL is driven by Asylum

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

HO's day-to-day budget decreased
by **£492m (-3.3%)**

Resource DEL budget in £m



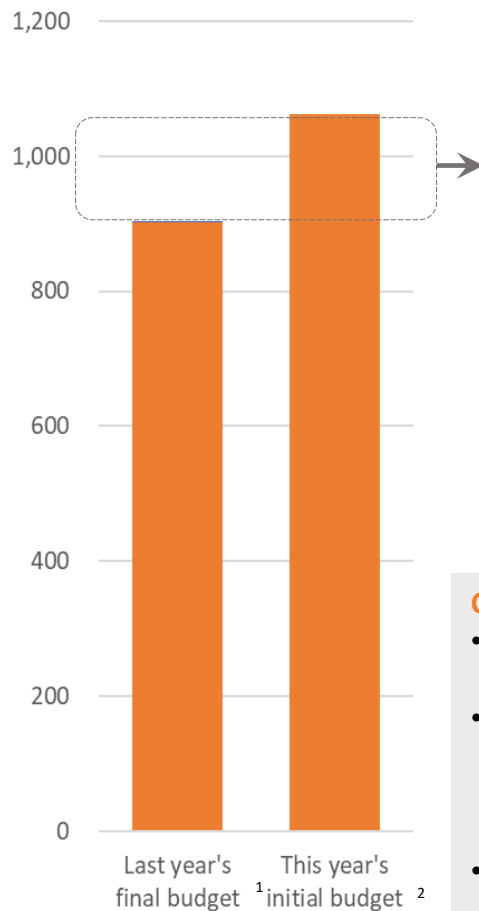
Changes in 2022-23

- The **£1.3bn reduction in Asylum costs** is driven by 2021/22 additional funding that is not included in the Main Estimate for 2022/23. This funding relates to: i) £657 million Afghanistan resettlement, ii) £404 million asylum support, iii) covid support £415 million, this is offset by an additional £176 million ODA funding in 2022/23. Expenditure for the 'Rwanda' strategy is excluded from the Main Estimate and will be included in the Supplementary Estimate.
- **£870 million increase** in the ring-fenced policing budget (+8.7% vs last year), of which £570 million is for the recruitment of 8,000 officers to reach the commitment of 20,000 additional police officers by the end of 2022/23.
- A net **increase of £238 million in income** from passport and visa registrations. Last year the HO received £597.4 million additional funding due to covid.
- **£139 million increase for border, migration and citizenship strategy costs**, including: setting the policy and legislative framework with end-to-end design and functional
- **In total the Home Office received £1.2bn in ring fenced covid support that has not been provided this year.**

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

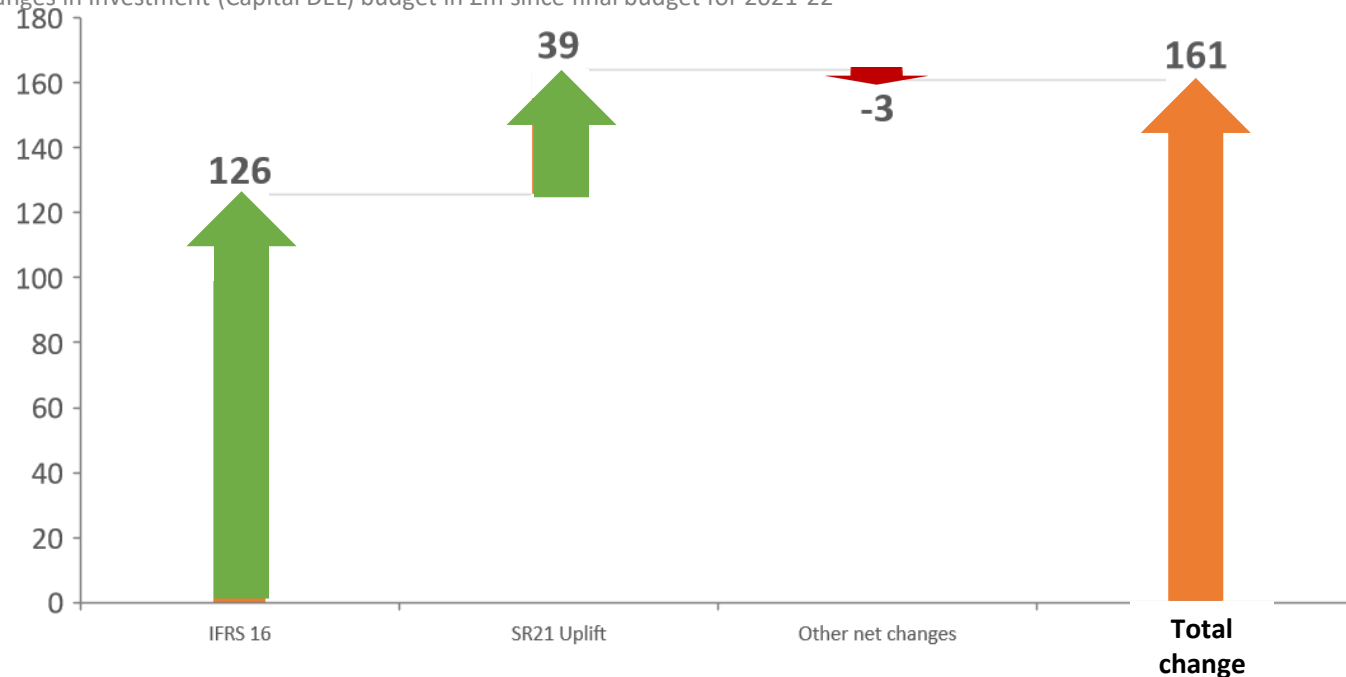
HO's investment budget increased by £161m (+18%)

Capital DEL budget in £m



18% increase driven by an accounting standard change

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

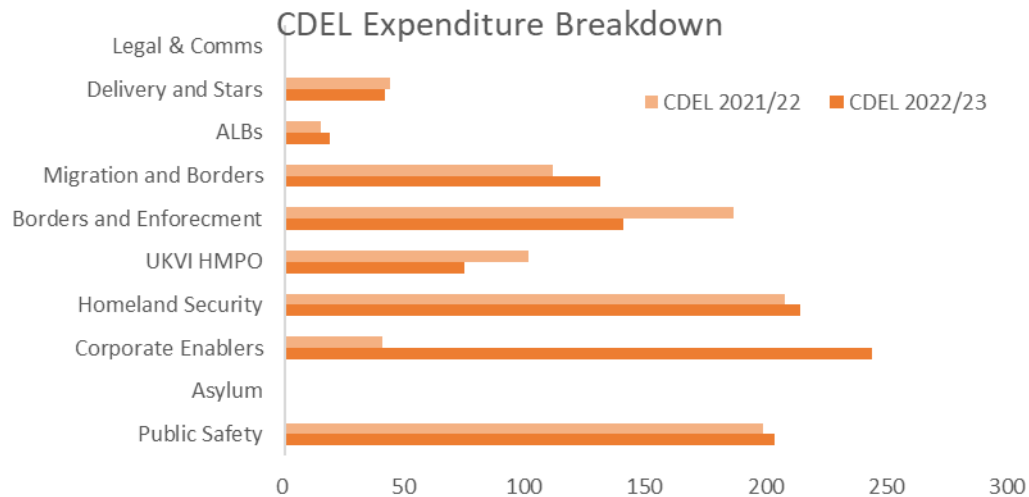
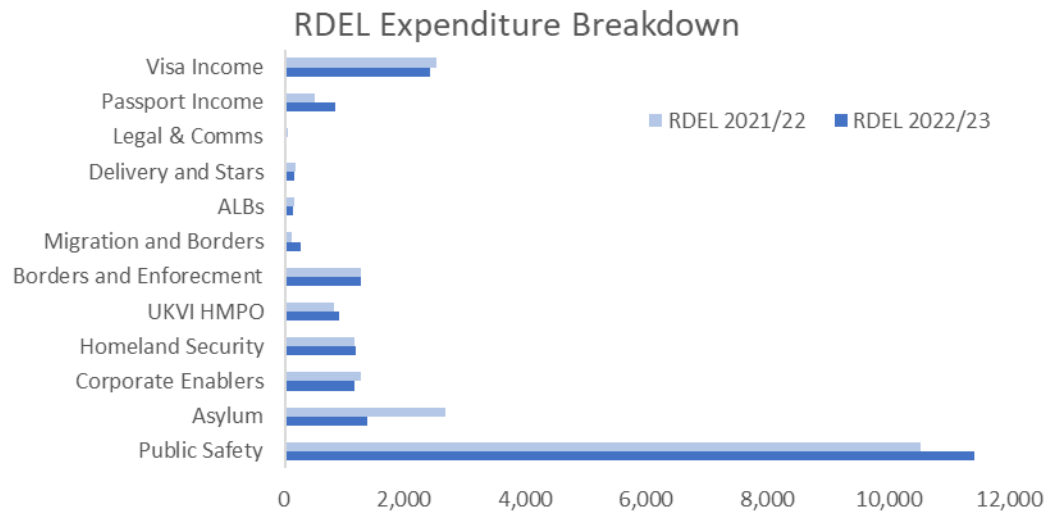
- The HO proposes a Capital DEL budget of £1,063 million. This is an increase of £161 million (+18%) compared to the final budget last year of £902 million.
- The proposed CDEL budget is 13% above the 2021 Spending Review Settlement, this is driven by a change to accounting standard IFRS 16 whereby leased assets are now included on the balance sheet, this change provides transparency on the full amount the department is liable for in respect of its leases.
- The SR21 uplift is to continue to fund the department's major programmes. See slide 15 for a breakdown of these.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

How the HO spends its day to day expenditure

Breakdown of HO budget 2022-23 (£ million)*



Day-to-day spending (Resource DEL)

- **Public Safety** costs make up 64% of the department's gross resource budget, it includes the police ring fenced budget of £10.8bn which has seen an 8.7% rise since last year.
- Last year **Asylum** costs made up 15% of the departments gross resource budget compared with 8% this year, details of this movement are in slide 12. Further Asylum costs are expected at the Supplementary Estimate.
- Overall there is an increase in **Visa and Passport revenue** which is used to offset the departments costs. Last year the department received additional covid support for lost revenue which is not expected this year.
- There are increases in expenditure in migration and borders which is driven by the '**New Plans for immigration**'.

Investment spending (Capital DEL)

- An additional £125 million for **IFRS 16** accounting standard changes (as mentioned in the previous slide) as been provided by the treasury; this is driving the large annual movement in 'Corporate Enablers'.
- Excluding this, the largest investment spend is in **Homeland Security**, this is driven by Major Programmes: NLEDP, ESMCO, FBIS. A breakdown of all the Major Programmes are included on the next slide.

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

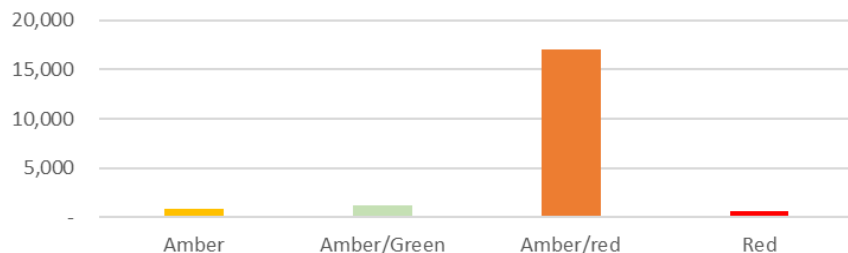
Home Office Major Programmes

Emergency Services Mobile Communications Programme (ESMCP), whole life costs went up 18% from 2019/20 to 2020/21 following a programme re-plan. The total expected costs for this programme are 30% higher than all the other programmes put together. [2020/21 IPA report](#)

	IPA Ranking	Project - Start Date	Project - End Date	TOTAL Baseline Whole Life Costs (£m) (including Non-Government Costs)
Emergency Services Mobile Communications Programme (ESMCP)	Amber/red	01/06/2011	19/11/2024	11,198.84
Immigration Platform Technologies (IPT)	Amber/red	01/04/2013	29/10/2021	337.25
Digital Services at the Border (DSAB)	Amber	12/02/2014	31/03/2022	596.00
Home Office Biometrics (HOB) Programme	Amber/red	01/04/2014	31/03/2022	1,006.27
National Law Enforcement Data Programme (NLEDP)	Red	01/04/2014	31/03/2023	631.09
Future Border and Immigration System Programme	Amber/red	01/04/2018	31/03/2025	3,344.55
Suspicious Activity Reports (SARS) Reform	Amber	17/12/2018	02/04/2024	120.42
Police Uplift Programme	Amber/Green	29/07/2019	31/03/2024	1,259.50
Cerberus	Amber	01/10/2019	01/04/2024	172.10
Future Suppliers Services	Amber/red	12/12/2019	01/05/2024	927.50
HMPO Transformation	Amber/red	01/04/2016	31/03/2022	230.77

Sum of TOTAL Baseline Whole Life Costs (£m) (including Non-Government Costs)

Sum of TOTAL Baseline Whole Life Costs (£m) (including Non-Government Costs) by IPA Ranking



IPA Ranking ▾

IPA Ranking Definitions

Green: Successful delivery of the project on time, budget and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.

Amber Green: Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.

Amber: Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.

Amber / Red: Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible

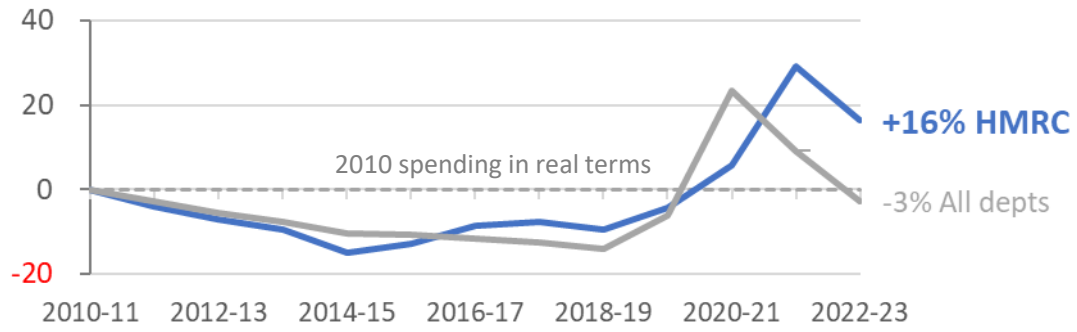
Red: Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

Exempt: Data can be exempt from publication under exceptional circumstances and in accordance with Freedom of Information requirements, i.e national security.

HM Revenue and Customs (HMRC)

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

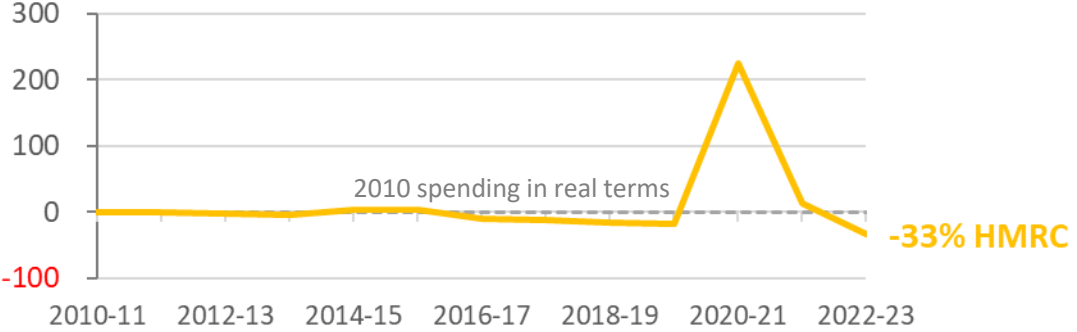
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- HMRC Resource DEL spending has recovered from the reductions after 2010-11, largely due to increased spending during the pandemic, and is now set to be **16% higher** in 2022-23 than in 2010-11, in real terms.
- For 2022-23, no Resource DEL budget has been allocated for **Covid-19**. In 2022-23, £771 million of Resource DEL was allocated for a one-off grant payment for households who receive tax credits.

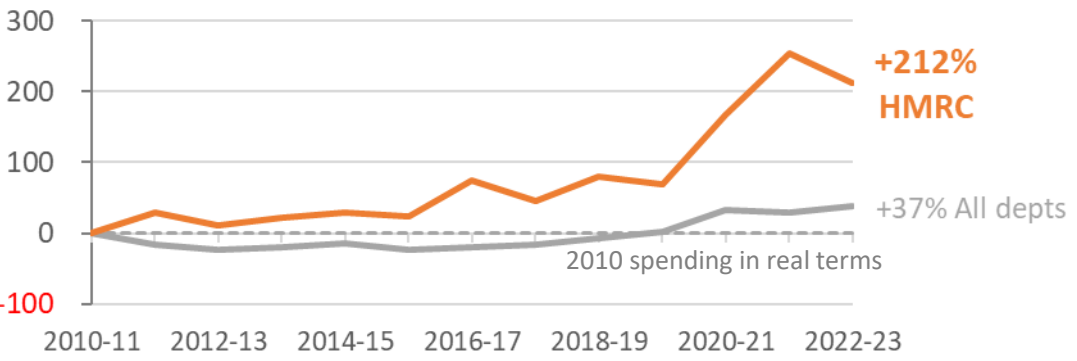
Percentage change in **day-to-day demand-led spending** compared to 2010 (Resource AME):



Day-to-day demand-led spending trends

- The spike in spending in 2020-21 was due to the **£121.8 billion** allocated for Covid-19 furlough and income support schemes in 2020-21. This compares to **£19 billion** in 2021-22, and only **£18.7 million** in 2022-23.
- The 2022-23 budget is set to be 33% lower than in 2010-11, in real terms, due to the reduction in funding for Covid-19 measures and due to the winding down of Personal Tax Credits which are being replaced by Universal Credit run by DWP.

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

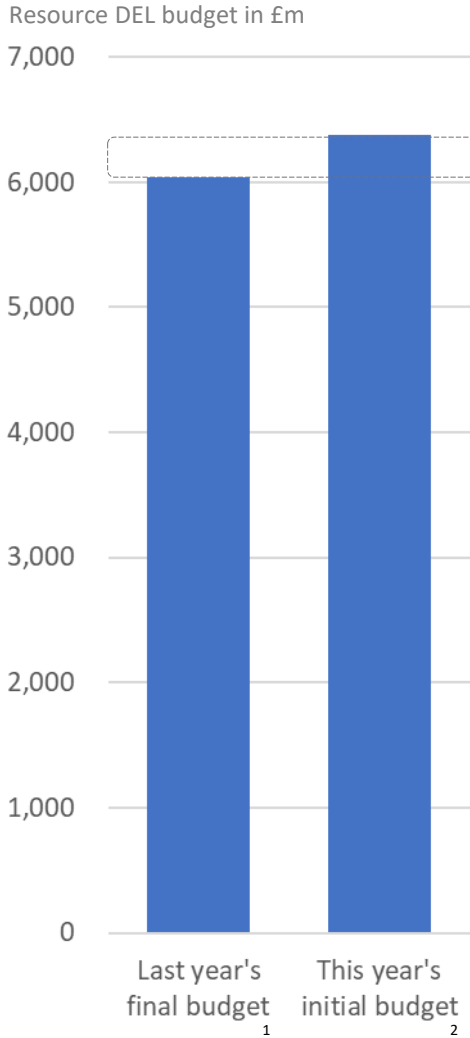


Investment spending trends

- The Investment spending (Capital DEL) budget is relatively low at £738 million in 2021-22 and is set to be £676 million in 2022-23.
- Increases in recent years are mainly due to investment in HMRC's IT systems on EU exit.
- There is no Capital budget for Covid-19 measures.

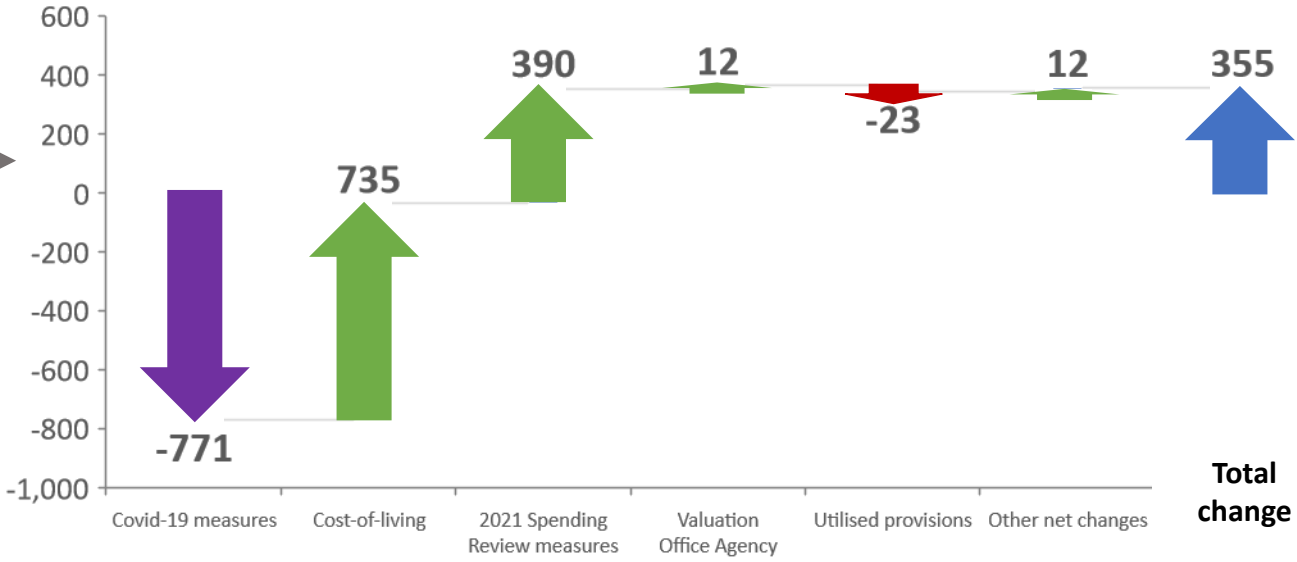
How is HMRC's day-to-day spending changing in 2022-23?

HMRC's day-to-day budget increased by £355m (+5.9%)



HMRC's reduced RDEL spending on Covid-19 measures is more than offset by cost-of-living measures and Spending Review commitments.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

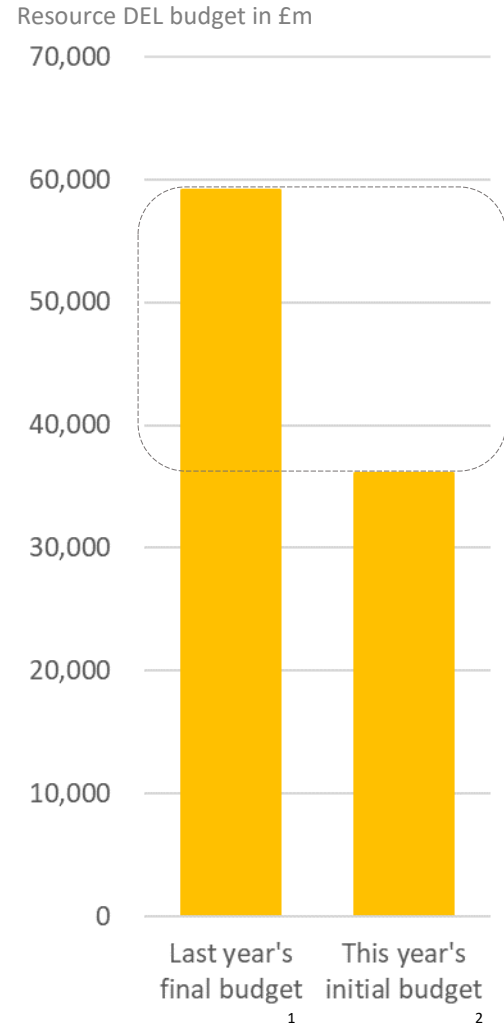
- **Covid-19 measures:** £711 million decrease in funding Covid-19 measures. The 2021-22 budget included £771 million for a £500 one-off payment for households receiving tax credit.
- **Cost-of-living measures:** the 2022-23 budget includes £735 million for a £650 one-off payment for households receiving tax credits to be paid in two instalments: one in Autumn and one in Winter.
- **2021 Spending Review measures:** £390 million to reduce the tax gap, update and secure the legacy IT infrastructure and funding for other measures announced in the 2021 Spending Review.
- **Valuation Office Agency:** £390 million increase to reduce the tax gap, update and secure the legacy IT infrastructure and funding for other measures announced in the 2021 Spending Review.
- **Utilised provisions:** £23 million decrease in the Utilised Provisions budget. Provisions are inherently unpredictable in terms of the timing and value of settlements.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

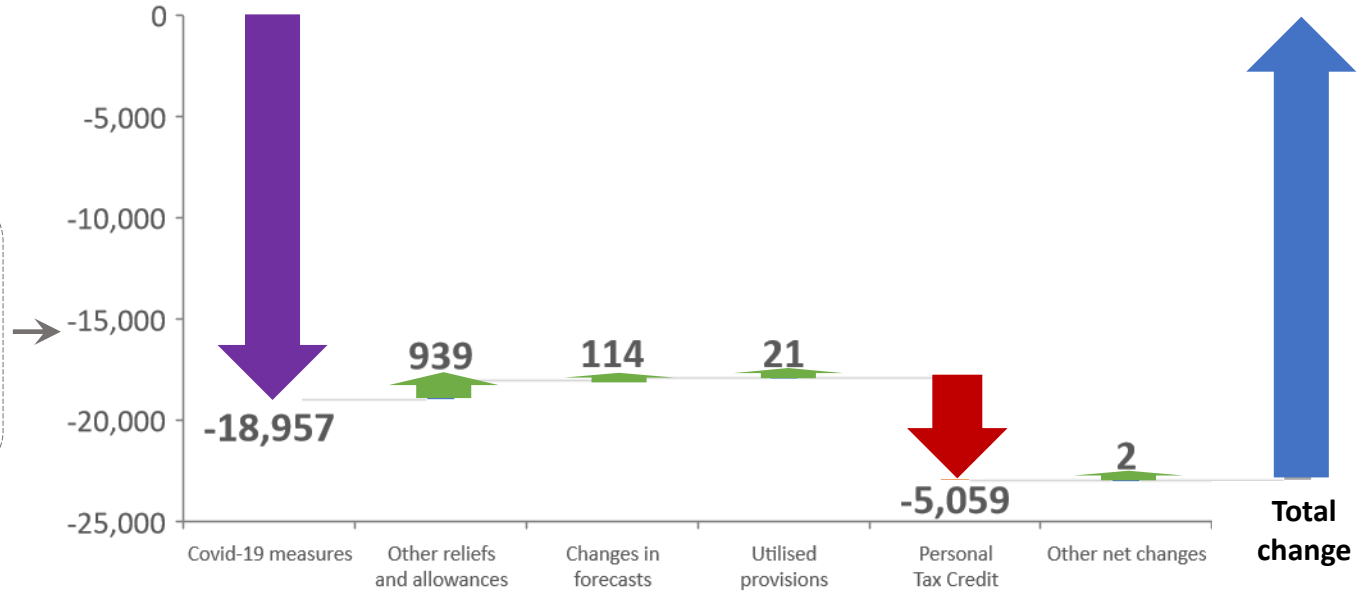
How is HMRC's demand-led spending changing in 2022-23?

HMRC's demand-led budget decreased by £22,941m (-38.8%)



HMRC's spending decrease is mainly due to reduced funding for Covid-19 income support schemes

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

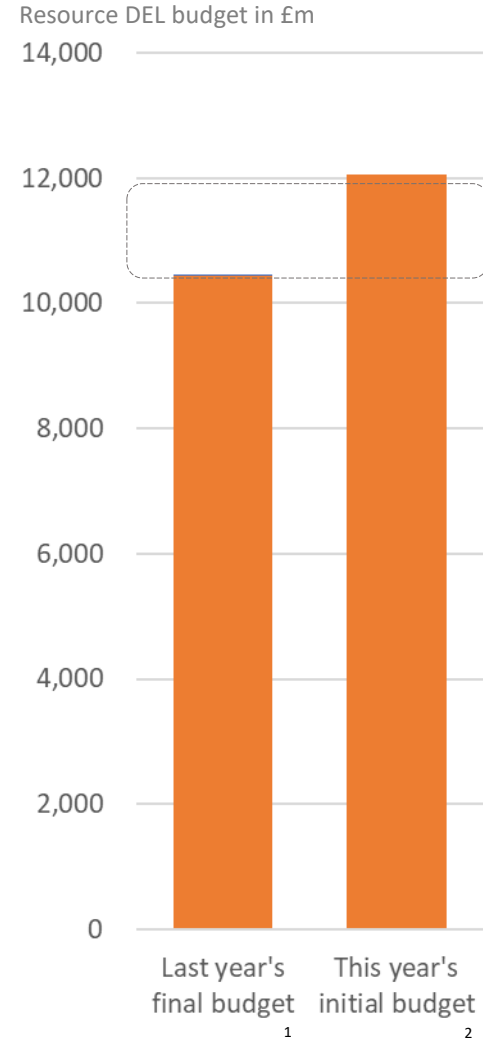
- **Covid-19 measures:** £18,957 million reduction in funding for Covid-19 income support schemes. The budget for this in 2022-23 is £18.7 million as there are some outstanding payments to be made.
- **Other reliefs and allowances:** £939 million increase to adjust for the latest forecasts on reliefs and allowances including Research and Development relief, Film Tax relief and the Guardians Allowance.
- **Changes in forecasts:** a net £114 million increase to adjust for the latest forecasts, mainly in Child Benefit, Tax Free Childcare, Lifetime ISA and Help to Save.
- **Utilised provisions:** a £21 million increase corresponding with the decrease in Resource DEL.
- **Personal Tax Credit:** £5,059 million decrease in Personal Tax Credit forecast due to movement of claimants from Tax Credits to Universal Credit, which is administered by DWP.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

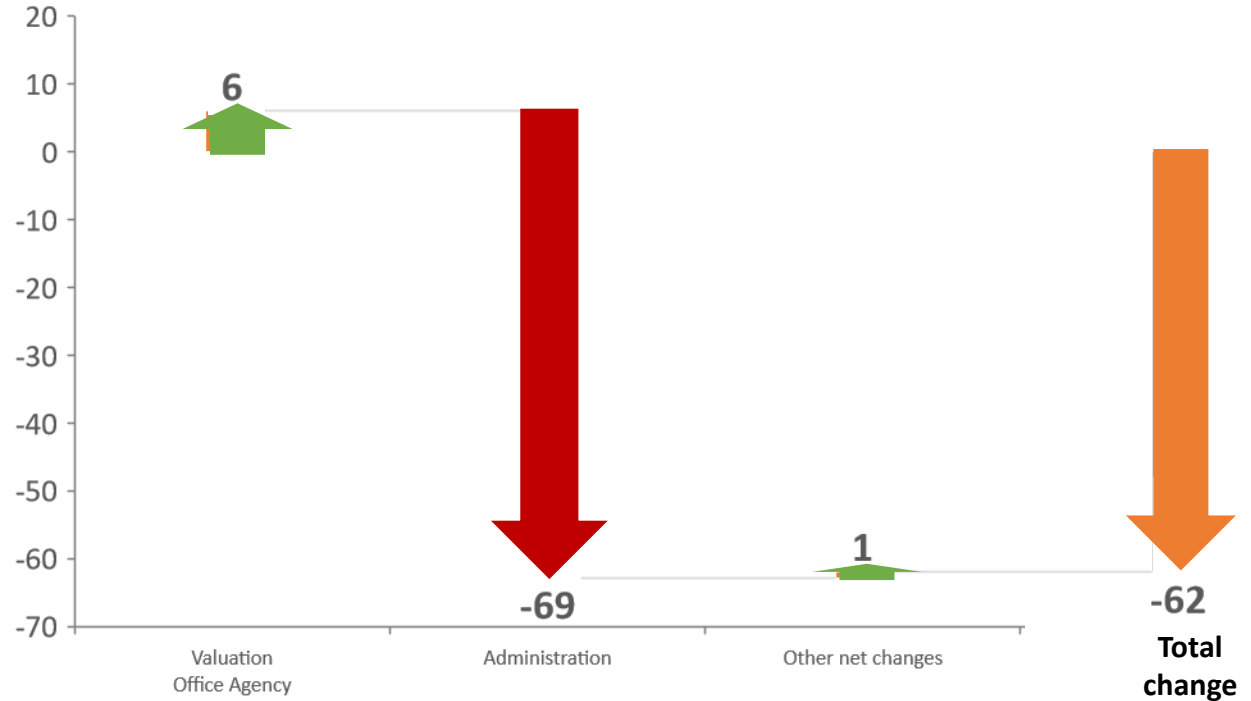
How is HMRC's investment spending changing in 2022-23?

HMRC's investment budget decreased by £62m (-8.4%)



HMRC's investment budget is decreasing due to lower Estates costs and a revised costing approach

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Valuation Office Agency:** £6 million in the VOA's budget due to a change in the accounting treatment of leases under IFRS16. There is no cash impact of this adjustment.
- **Administration:** £69 million decrease in HMRC administration costs due to lower Estates costs and a revised approach to calculating the estimated cost of policy measures.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

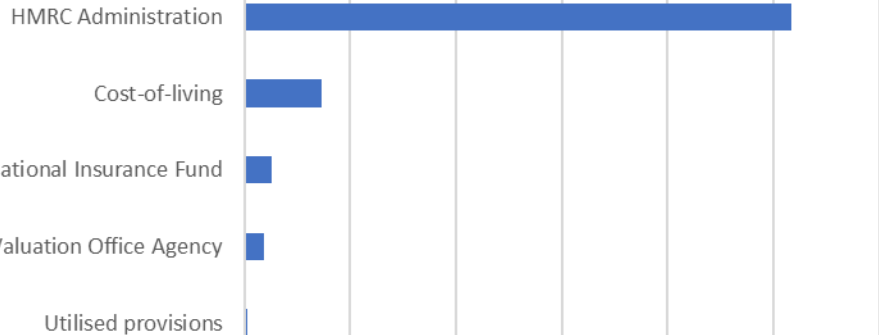
² Initial Budget in Main Estimates 2022-23 (May 2022)

Now that the Covid-19 income support schemes have ended, most of HMRC's spending in 2022-23 is on tax reliefs, Child Benefit and Personal Tax Credit.

Breakdown of HMRC budget for 2022-23 (£ million)*

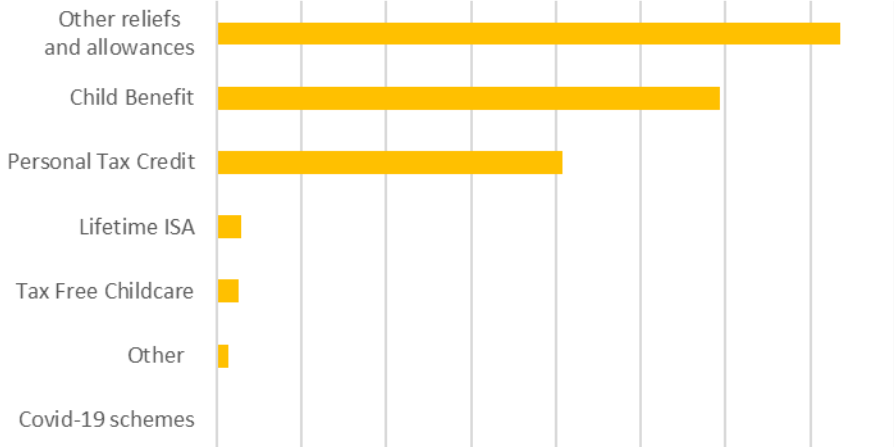
Day-to-day spending budget

0 1,000 2,000 3,000 4,000 5,000 6,000



Demand-led spending budget

0 2,000 4,000 6,000 8,000 10,000 12,000 14,000 16,000



Day-to-day spending (Resource DEL)

- The total Resource DEL budget for HMRC is **£6,379 million**.
- 81% of this is for **HMRC administration (£5,172 million)**
- **£735 million** (13%) is for the £650 payment for households who receive working tax credit to alleviate the cost of living.
- **£257 million** is for the **National Insurance Fund** and **£186 million** is for running the **Valuation Office Agency**.

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

- Total Resource AME budget is **£36,128 million**.
- In 2021-22, **Covid-19 support schemes** made up the largest element at £18,976 million, however this has reduced down to **£18.7 million** in 2022-23 as the support schemes ended on 30 September 2021. The remaining budget is for payments still due.
- **Personal tax credit** payments account for 23% of the total budget at **£8,155 million**. This figure is reducing year-on-year as applicants are closed to new claimants. All current claimants are gradually being moved onto Universal Credit which is administered by DWP.
- **Child Benefit (£11,881 million)** and **Tax Free Childcare (£525 million)** make up 34% of the budget this year.
- **Other reliefs and allowances** comprise **£14,695 million** of the budget for 2022-23 which includes Research and Development Relief for large and small companies and Film Tax Relief.
- Other Resource AME costs include: **£568 million** on **Lifetime ISAs**; **£88 million** on the **Valuation Office Agency** and; **£30 million** on **HMRC administration**.

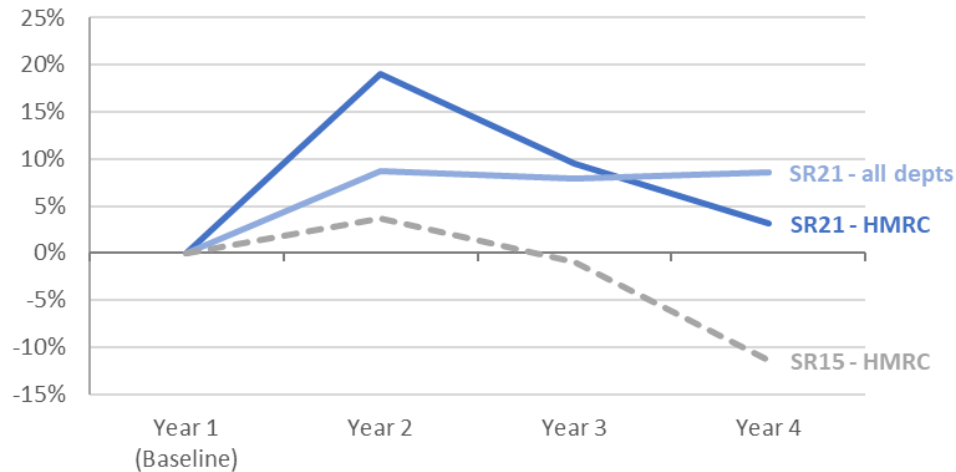
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

HMRC's spending beyond 2022-23

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

Day-to-day spending in Spending Review 2021

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

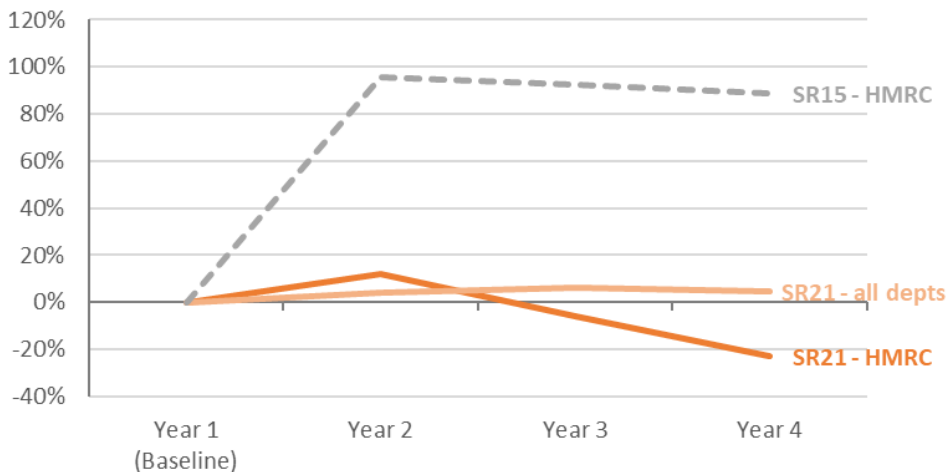


Trends in day-to-day spending plans

- The RDEL settlement now provides average annual real terms growth of 0.5% between 2021-22 and 2024-25, down from 1.2% when originally announced in October 2021. This is due to rising inflation eroding the nominal value of the settlement. The 2021 Spending Review settlement included funding of:
 - £292 million to tackle non-compliance and the tax gap
 - £55 million in 2022-23 for the Taxpayer Protection Taskforce
- The Spring Statement 2022 included a projected increase in tax intake due to the investment in tackling non-compliance of £455 million in 2022-23, rising to £855 million in 2023-24.

Investment spending in Spending Review 2021

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



Trends in investment spending plans

- The CDEL settlement now provides an annual average real terms reduction of -9.8% over the Spending Review period, compared to -9.1% when originally announced in October 2021.
- HMRC's investment settlement provides growth of 12% over the baseline in Year 1, but there is a decrease following this reaching -23% by Year 4.
- The settlement includes funding of:
 - £838 million to complete the delivery of critical customs IT, including the new Customs Declaration Service
 - £468 million to improve the resilience of the IT system to system failures and cyberattacks.
 - £277 million to transform HMRC's procurement system

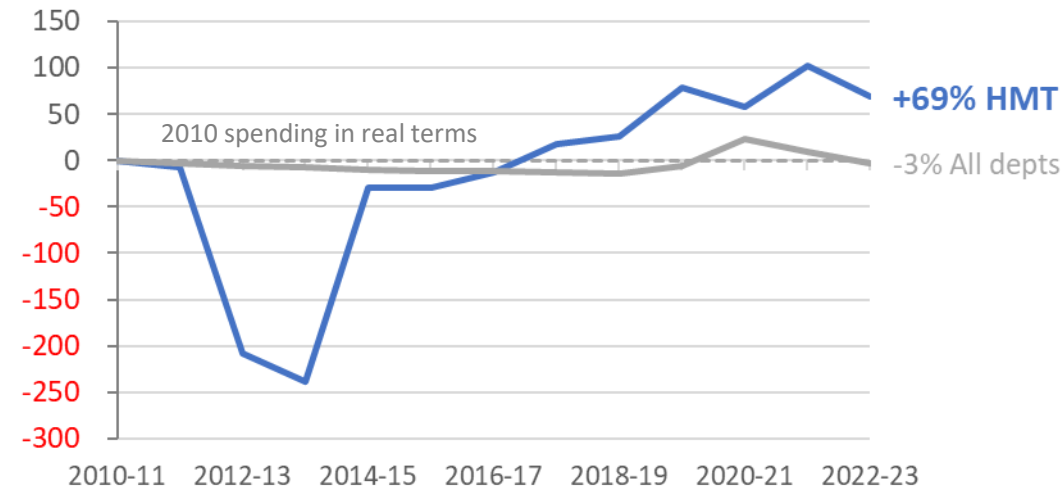
Note: SR15 and SR10 gave five-year Capital DEL settlements

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

HM Treasury (HMT)

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

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



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



Day-to-day spending trends

- Day-to-day spending was reduced significantly after 2010-11 reaching its lowest level in 2013-14, but has since recovered.
- Day-to-day spending is set to be **69% higher** in 2022-23 than in 2010-11, in real terms.
- This year's budget includes £71 million for the UK Infrastructure Bank.
- £65 million was allocated for **Covid-19** costs in 2021-22 – it's unclear how much has been allocated for 2022-23.

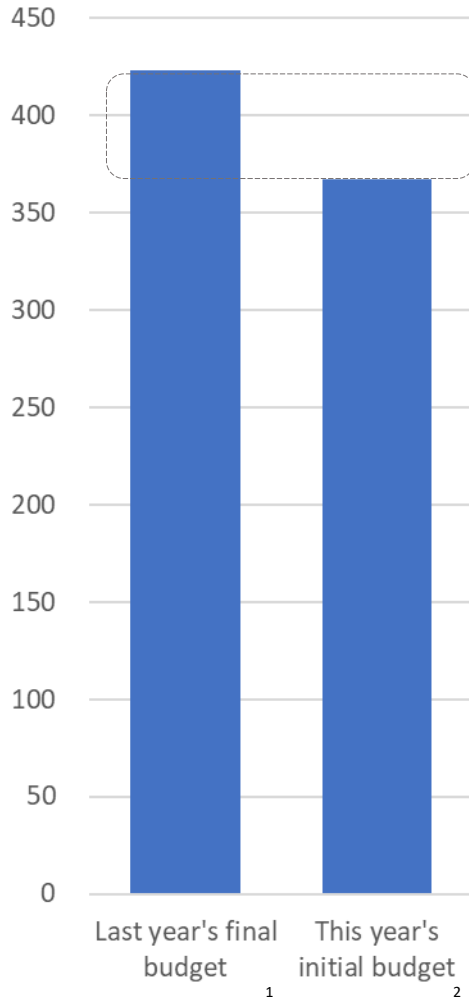
Investment spending trends

- Investment spending has fluctuated significantly because, in some years, there was net income rather than net expenditure. For example, in 2015-16 net Capital DEL income was £660 million due to the gain on the sale of the government's stake in Eurostar.
- In 2021-22, investment spending is set to be **£9.7 million, 82% lower** than in 2010-11 in real terms.
- There is no budget allocated for Covid-19 costs in 2022-23.

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

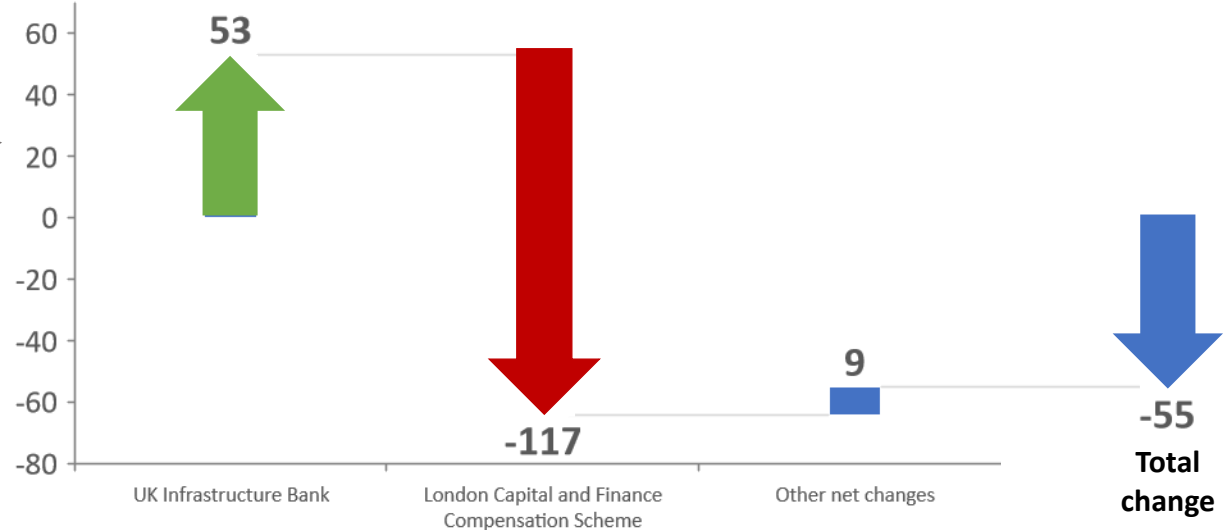
HMT's day-to-day budget decreased by £55m (-13%)

Resource DEL budget in £m



The reduction HMT's day-to-day budget is partly due to reserve claims not yet included in this year's budget

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **UK Infrastructure Bank:** a £53 million increase, bringing this year's budget to 71.1 million. This is for the operational costs of the UK Infrastructure Bank. The initial capitalisation of the bank is £12 billion and it has the authority to issue up to £10 billion of guarantees.
- **London Capital and Finance Compensation Scheme:** the 2021-22 Supplementary Estimate included a reserve claim of £117 million for payments made under this scheme. There may be future reserve claims in the 2022-23 Supplementary Estimate in February 2023.
- **Other net changes:** includes a £4 million increase for the Government Internal Audit Agency, a budget increase of 146%; a £5.4 million increase in the budget for UK Asset Resolution Limited; an unallocated budget of £2.5 million; offset by a £6 million decrease in the budget for UK Government Investments Limited.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

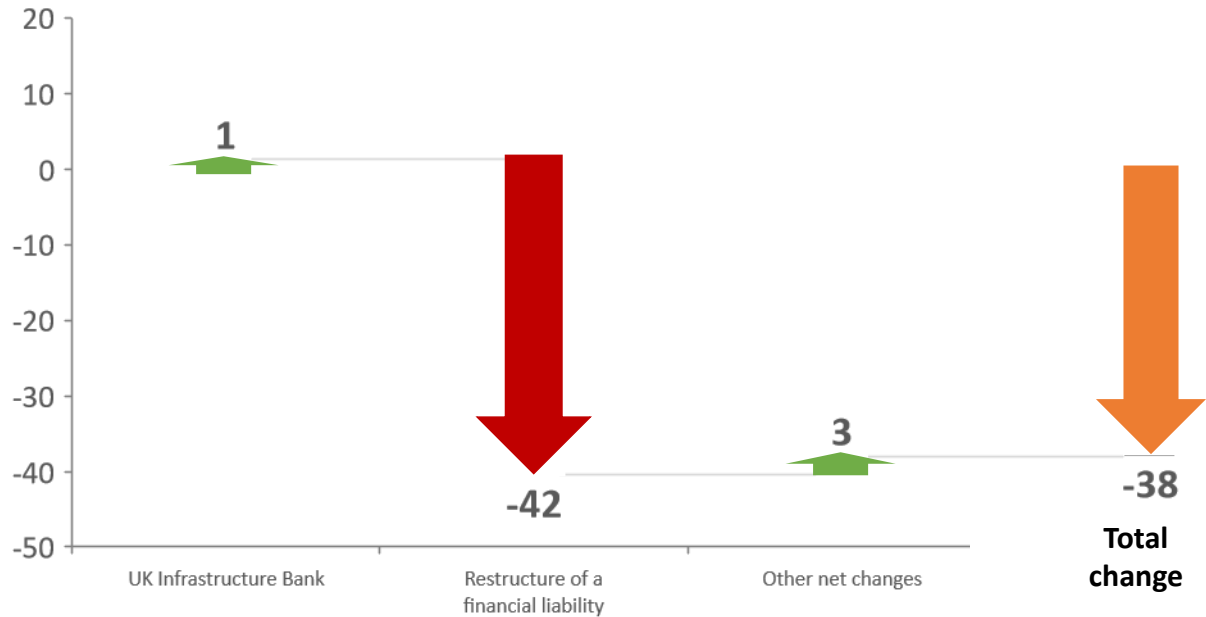
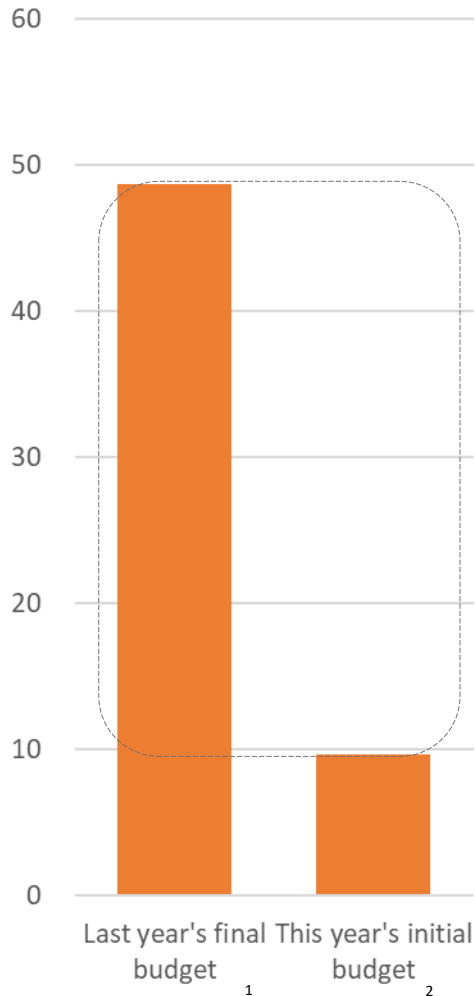
How is HMT's investment spending changing in 2022-23?

HMT's investment budget decreased by £38m (-79.7%)

HMT's investment budget decrease is due to a prior year budget for restructuring which is not recurrent

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22

Resource DEL budget in £m



Changes in 2022-23

- **UK Infrastructure Bank:** £1.3 million increase for the UK Infrastructure Bank
- **Restructure of a finance liability:** the 2021-22 Supplementary Estimate included £41.8 million for a potential intervention to restructure a financial liability held by HM Treasury, in order to preserve the value for the Exchequer. This was not used and was not included in this year's budget.
- **Other net changes:** includes an increase of £2.7 million in Core Treasury costs and a £0.1 million increase to the Government Internal Audit Agency's budget.

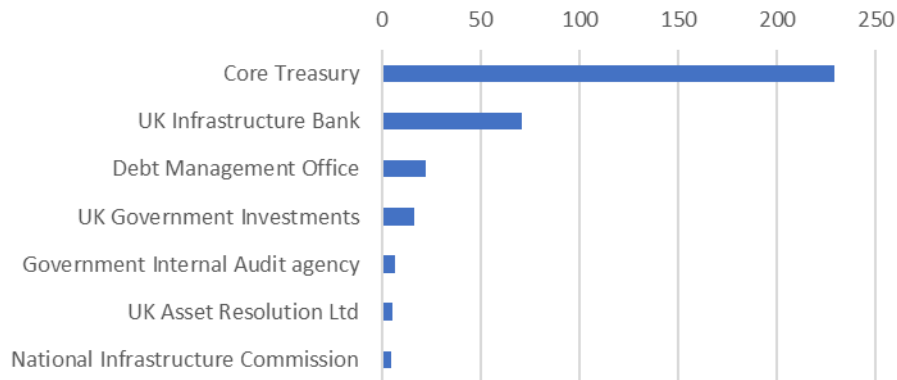
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

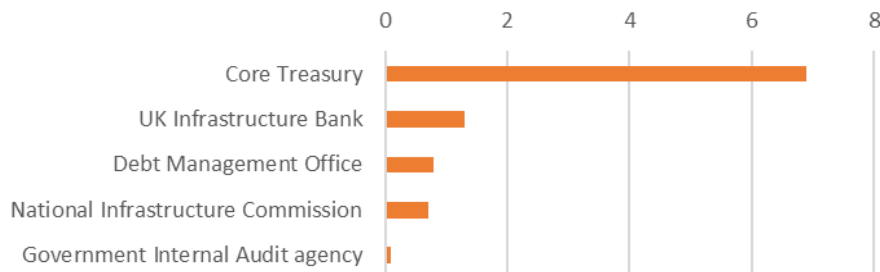
Most of HMT's budget in 2022-23 is for potential movements in financial assets

Breakdown of HMT budget for 2022-23 (£ million)*

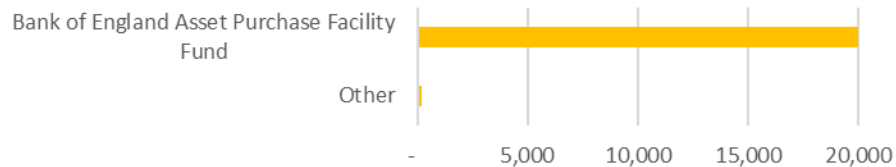
Day-to-day spending budget



Investment spending budget



Demand-led day-to-day budget



Day-to-day spending (Resource DEL)

- The total Resource DEL budget for HMT is **£367 million**.
- **Core Treasury** makes up the largest element in the day-to-day budget at **£229.2 million** (63%).
- The UK Infrastructure Bank's budget makes up a further 19% at **£71 million**.
- Of the other bodies which sit within HMT, the Debt Management Office makes up 6% (**£23 million**), UK Government Investments 4% (**£16 million**) and the other bodies combined also 7% (**£25 million**). There was £3.5 million of unallocated budget at the Main Estimate which has since been allocated.

Investment spending (Capital DEL)

- Total Capital DEL budget is **£9.8 million**, **£6.9 million** of which is for Core Treasury functions.
- **£1.3 million** is for the UK Infrastructure Bank, **£0.8 million** is for the Debt Management Office, **£0.7 million** for the National Infrastructure Commission and **£0.1 million** for the Government Internal Audit Agency.

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

- Total Resource AME budget is **£20,210 million**, **99%** of which is budget cover for possible movements in the value of the **BEAPFF**.
- **In 2021-22, £5,585 million was included** for payment of the EU Withdrawal Agreement Financial Settlement. This year's value will be included in the Supplementary Estimate in February 2023.
- Other funding mainly comprises **£110 million** for the Sovereign Grant to the Royal Household.

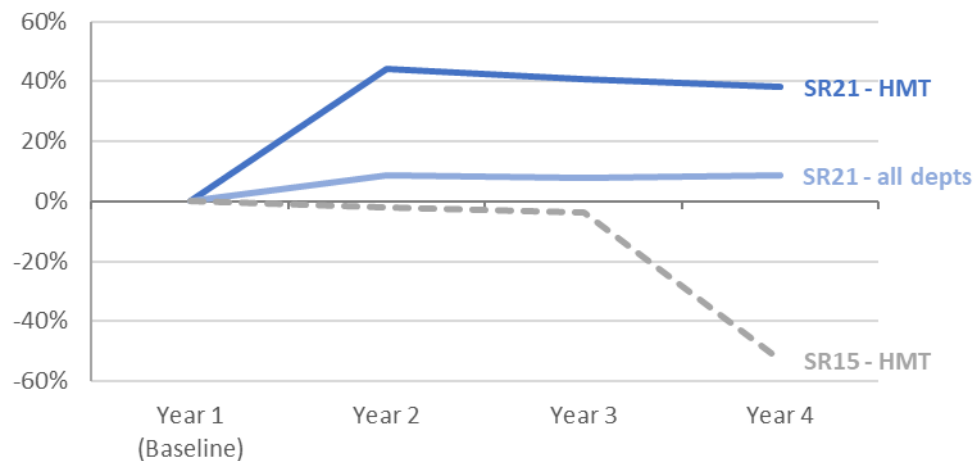
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

HMT's spending beyond 2022-23

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

Day-to-day spending in Spending Review 2021

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

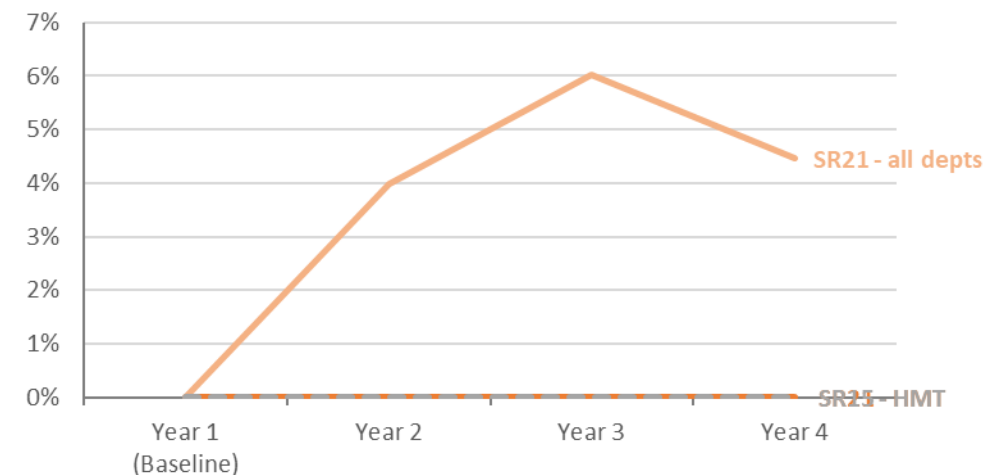


Trends in day-to-day spending plans

- The HMT settlement provides average annual real terms growth of 0.2% over the 2021 Spending Review period, compared to 0.9% when the settlement was announced in October 2021. This is due to higher inflation eroding the nominal value of the settlement.
- The settlement also provides real terms growth of 38% over by the baseline by Year 4, compared to 9% across all departments.
- There are no major spending commitments within this.

Investment spending in Spending Review 2021

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



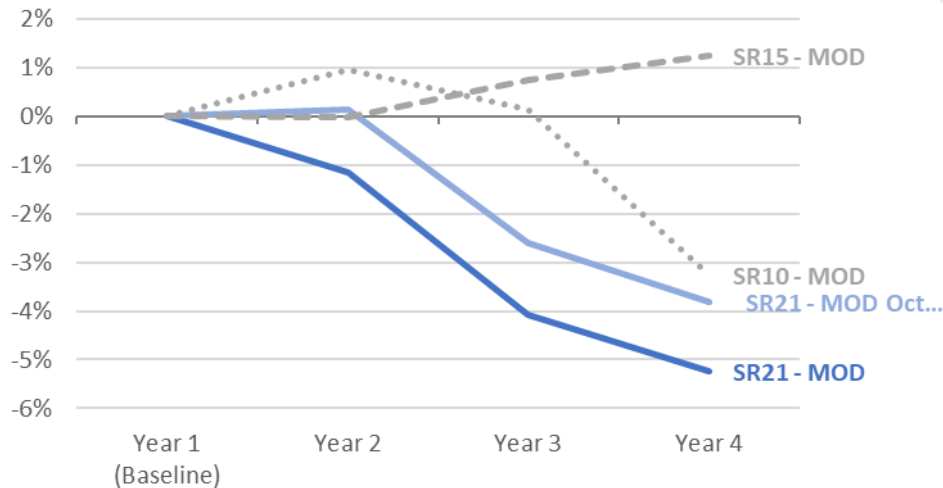
Trends in investment spending plans

- The nominal investment budget figures have been rounded down to nil in the SR21 documents. HMT's investment spending is usually relatively low.
- The capital budget will include funding for the Darlington economic campus. In 2021-22, £6 million was allocated for this project and an unspecified amount was included in the 2022-23 budget. It's unclear how much will be allocated in future years.

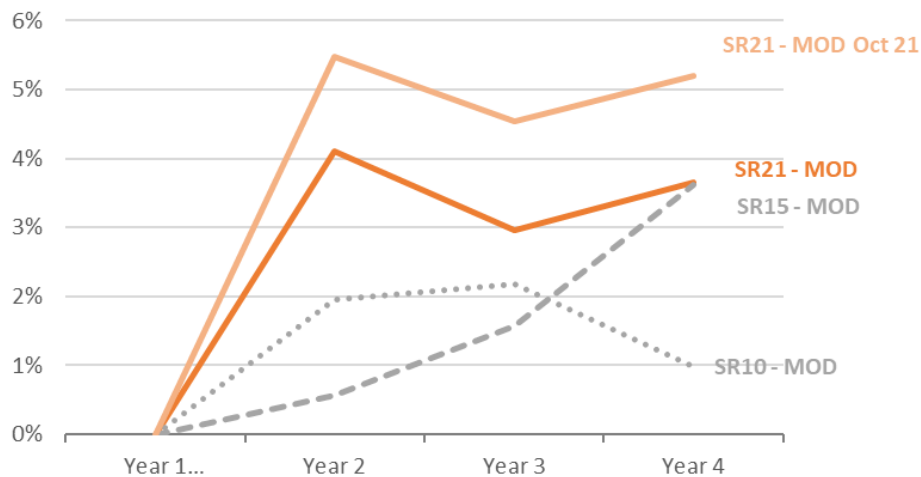
Ministry of Defence (MOD)

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

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



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



These graphs compare the 2010, 2015 and 2021 spending settlements in 'real term percentages'. The 2 lines for the 2021 settlement (SR21) reflect the OBR's October 2021 GDP deflator rate vs current projections. The GDP deflator rates are used to calculate real term movements across all government departments. However, because a higher portion of the MOD's spend goes on fuel costs it is more sensitive to CPI than other government departments. Because of this, the OBR predict **"cost pressures of between £0.6 billion and £2.1 billion on the MoD's budget for 2022-23"**.

Day-to-day spending trends

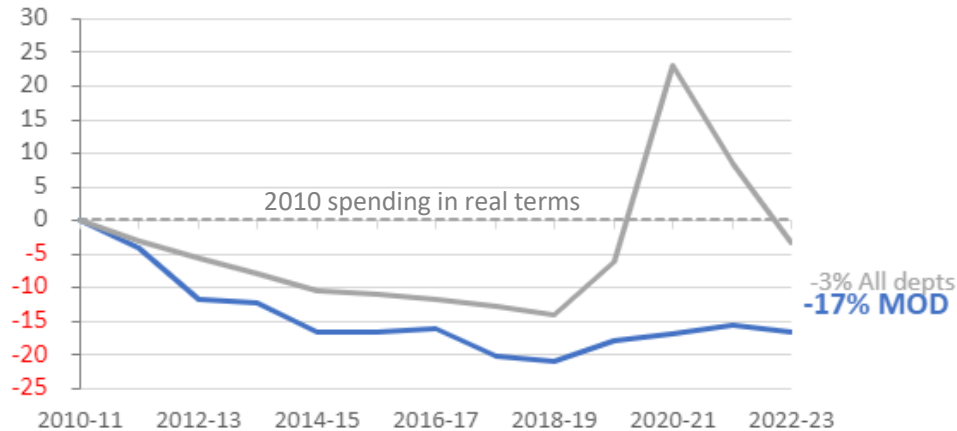
- Rises in inflation have reduced the RDEL average annual real term percentage growth of the 2021 Spending Review from **-1.4%** in October 2021 to **-2.1%** based on current projections (see slide 8 for further details). **Because of higher fuel costs in the MOD, financial pressures could be worse than this – see note above from the OBR.**
- The 2021 settlement followed steep reductions in the 2010 settlement and marginal increases in the 2015 settlement.
- The recent announcement by the government to increase Defence expenditure to 2.5% of GDP by the end of the decade has not been included in this Main Estimate submission or is reflected in the SR21 settlement.**

Investment spending trends

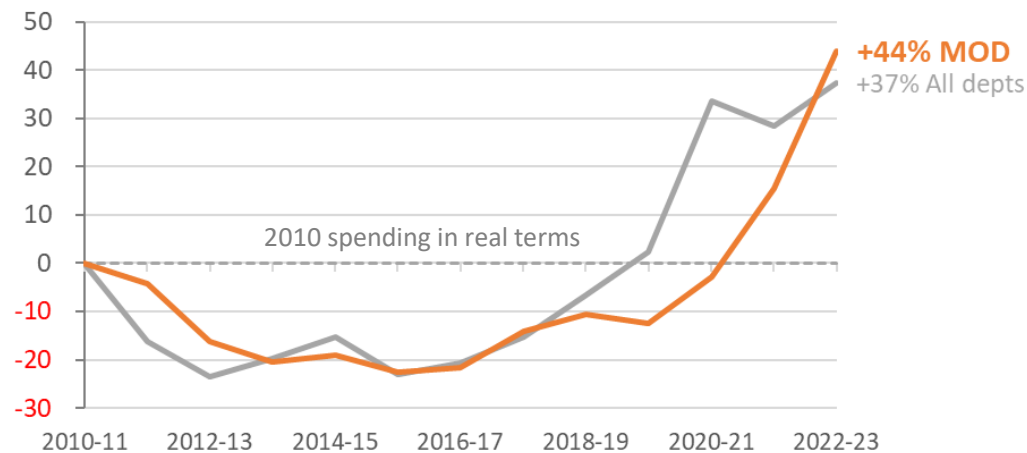
- In October 2021 the CDEL average annual real terms growth rate for investment spend was **1.8%**. Based on the latest GDP deflator forecast from the OBR, this is now **1.1%**.
- Prior multi year spending review settlements also delivered positive real term growth in investment.

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

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



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



Day-to-day spending trends

- There were significant reductions to the MOD's day to day expenditure following the 2010 Spending Review, in which it detailed non frontline savings of at least £4.3 billion across the Spending Review period and overall savings in resource spending of 8% in real terms by 2014-15.
- Spending stabilised after the 2015 Spending Review following the governments commitment to spend 2% of GDP on defence.
- Despite recent nominal increases, today's expenditure is exposed to higher inflation and remains 17% less than 2010 in real terms.

Investment spending trends

Following the Integrated Review, the 2020 Spending Settlement provided *an increase in defence spending of over £24 billion in cash terms over the next four years against the 2020-21 budget*". The main investments included:

- Enhancing space capabilities,
- Renewal of the UK's nuclear deterrent,
- Naval vessels, including Type 32 frigates, Fleet Solid Support ships, 8 Type 26 and 5 Type 31 frigates,
- Carrier strike capabilities, including 48 F-35s by 2025,
- Combat Air system for the RAF, including upgraded Typhoon radars, and
- Cyber power.

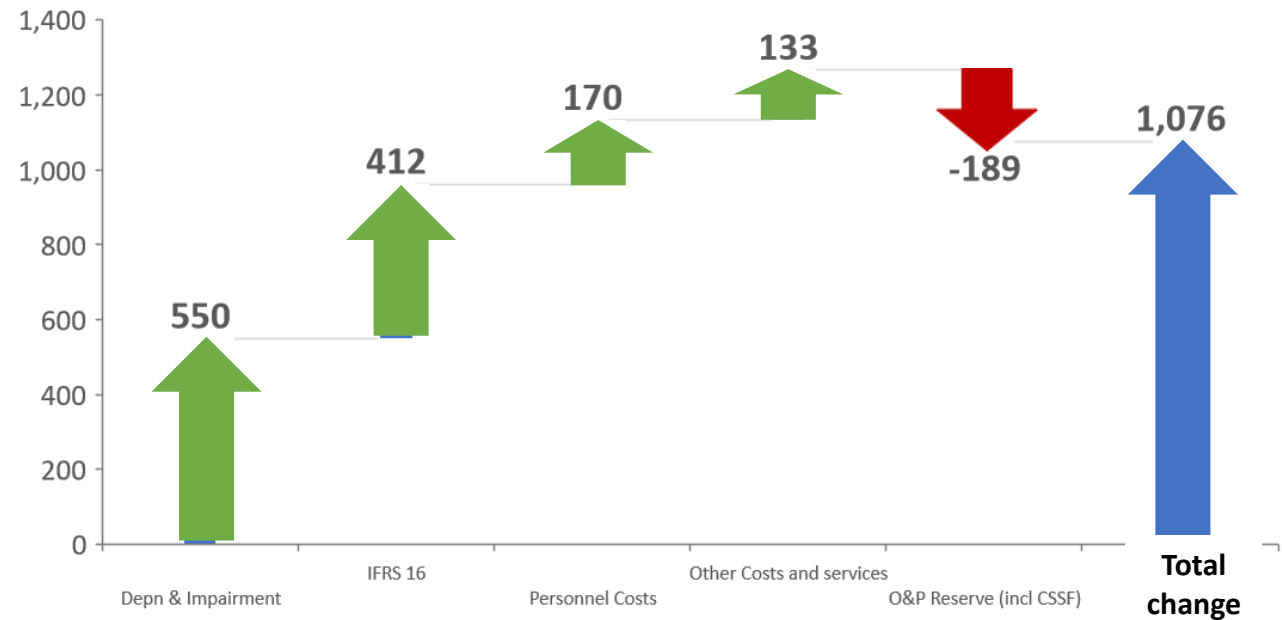
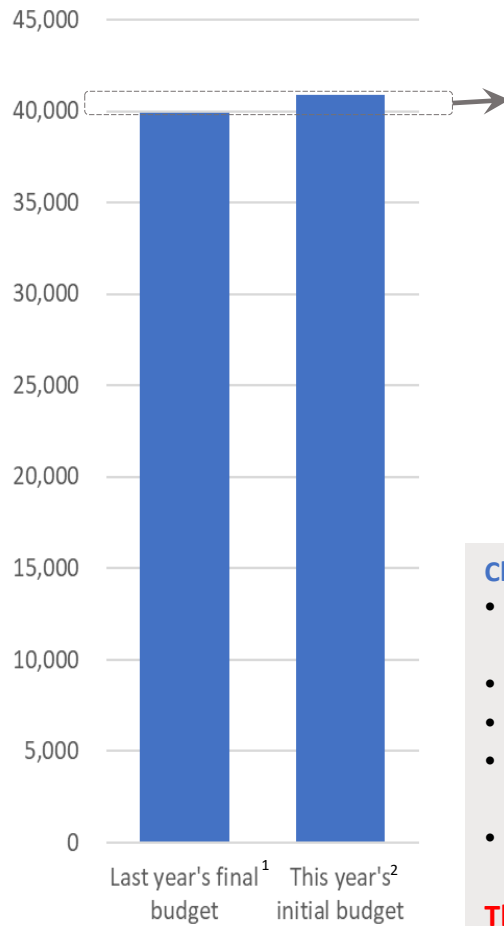
How is the MOD's day-to-day spending changing in 2022-23?

MOD's 3% cash increase in RDEL is driven by the SR20 spending review settlement.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

MOD's day-to-day budget increased by £1,076m (+3%)

Resource DEL budget in £m



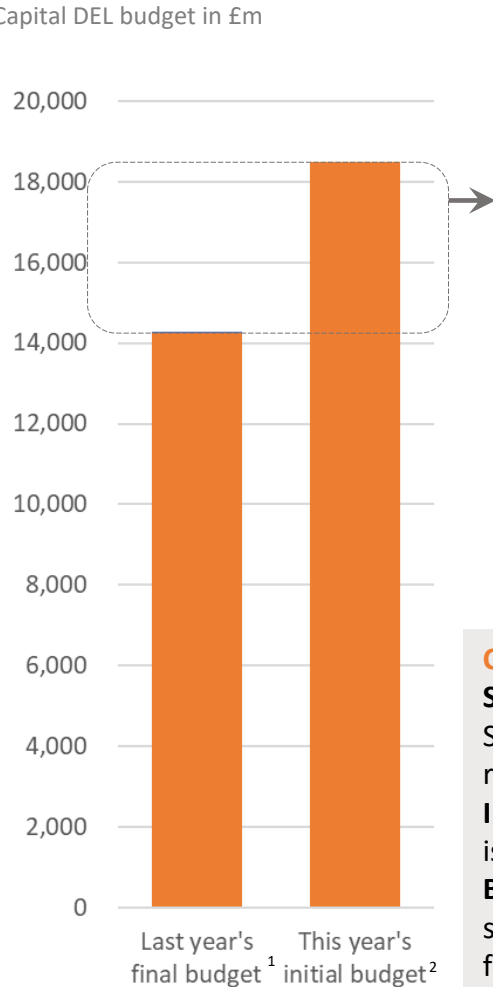
Changes in 2022-23

- **Depreciation and Impairment costs** are increasing by £550 million from last year. This includes write offs.
- **IFRS 16**, £412m increase in expenditure due to an accounting standard change. This is a non-cash item.
- **Personnel costs** are increasing by £170 million or 1.4%.
- **Other costs** of £133 million are the net movements of numerous line items; the overall increase is within the Spending Review settlement. See slide 14 for a breakdown of specific areas in RDEL.
- **Operations and Peacekeeping**, £300 million reserve claim has been made to cover additional costs of operations; this is £178 million less than last year but more is expected later in the year.

The MOD RDEL Main Estimate was 1% below the SR21 settlement; further drawdowns are expected at the Supplementary Estimate for Dreadnought and Peacekeeping requirements.

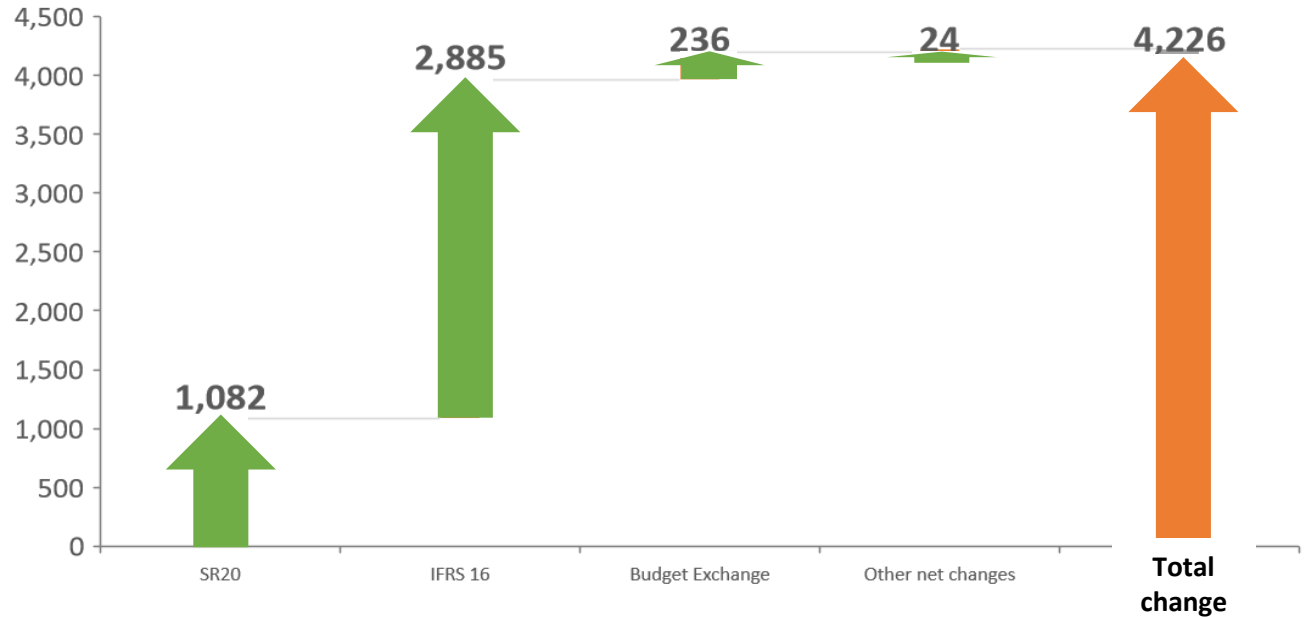
How is the MOD's investment spending changing in 2022-23?

MOD's investment budget increased by £4,226m (+30%)
Capital DEL budget in £m



9% increase in investment (excluding the impact of changes to accounting standard IFRS16)

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

SR20: The MOD was one of the only departments to receive a multi year spending settlement in the 2020 Spending Review following the Integrated Review. This drives a £1,082m increase in RDEL; this was then reaffirmed during the SR21.

IFRS 16: £2,885m increase in expenditure due to an accounting standard change in relation to leases. This is a non-cash item.

Budget Exchange: At the 2021/22 Supplementary Estimate the MOD handed back £488m investment spend as part of the budget exchange mechanism whereby programme expenditure can be carried forward into future years. £236m of the £488m has been transferred to 2022/23.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

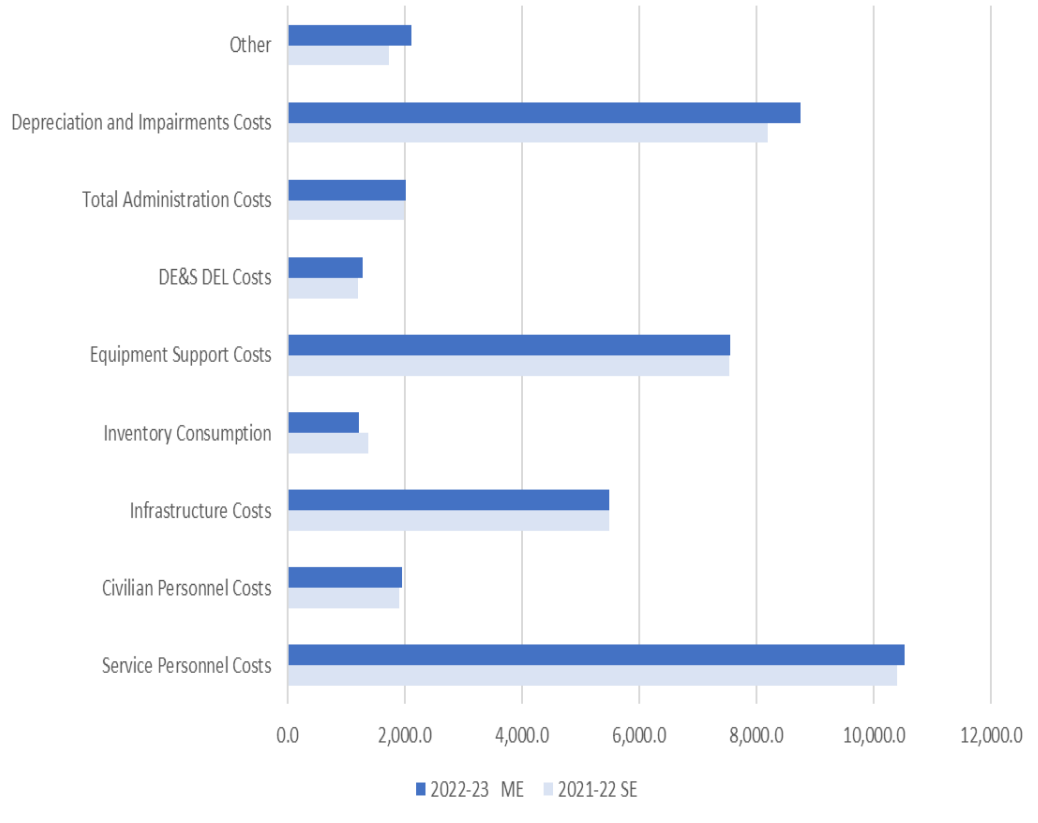
² Initial Budget in Main Estimates 2022-23 (May 2022)

How the MOD spends its day to day expenditure

Breakdown of MOD budget 2022-23 (£ million)*

On 30th June 2022, Boris Johnson PM, announced that Defence spending would increase to 2.5% of GDP by the end of the decade. It is unclear when this additional funding will begin. It is not included in the Main Estimate for 2022/23

RDEL 22/23 Main Estimate vs 21/22 Supplementary Estimate



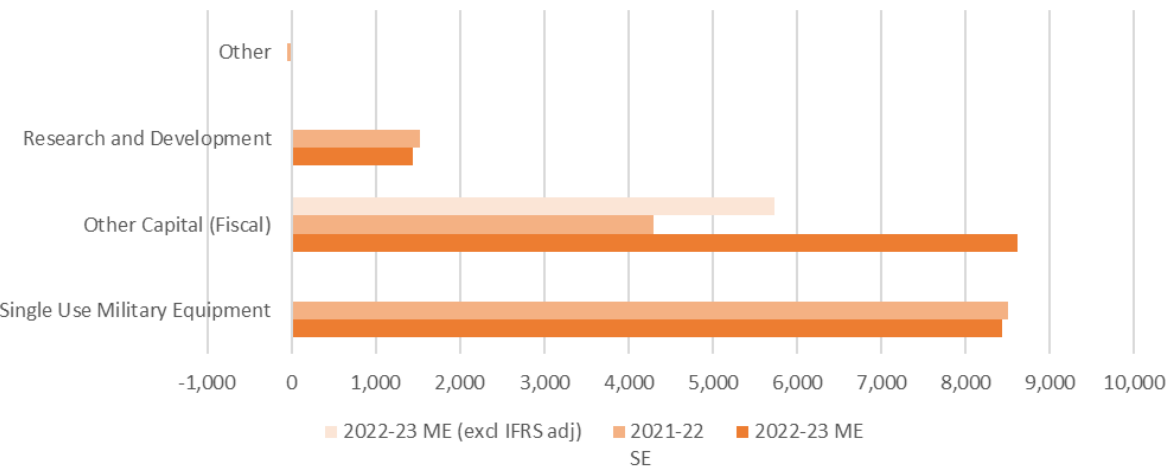
Day-to-day spending (Resource DEL)

- **Personnel Costs** make up 30% of the departments day to day expenditure. Service Personnel expenditure is forecast to increase by 1.2% and Civilian Personnel costs are forecast to increase by 2.4%
- **Depreciation and Impairment costs** are accounting adjustments that reflect either assets being written off or their value being depreciated. This is forecast to increase from £8.2bn in 2021/22 to £8.7bn in 2022/23. In 2020/21 as a consequence of the integrated review, the Department made £1.4 billion impairments to non-current assets because of earlier retirement of platforms and £0.5 billion write-offs to assets under construction because of cancellation or curtailment of equipment procurement programmes. Further consequences of the integrated review will be in future years accounts.
- **Equipment Support costs** (including leases and hire charges for plant, machinery and transport) are forecast to grow 0.2% from last year.
- **Infrastructure costs** are to remain unchanged from last year. The Department has a target to reduce its estate by 30% by 2040/41. Since 2015 it has reduced it by 2%.
- **Administration costs** make up 5% of the department's day to day costs – this remains unchanged from last year.
- **Inventory Consumption** is forecast to reduce by £150m or 11% from last year.

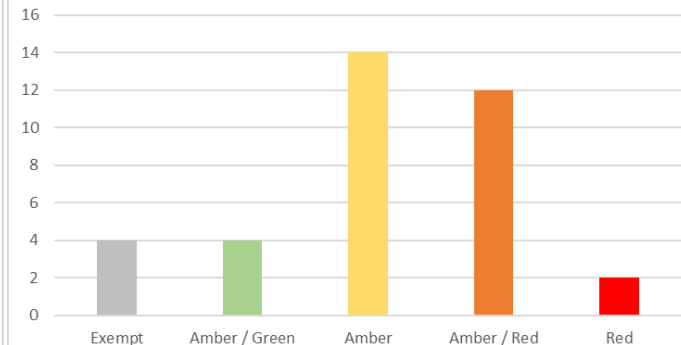
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

14 of the 36 Major Programmes are ranked ‘Amber / Red’ or ‘Red’

Capital DEL: 22/23 Main Estimate vs 21/22 Supplementary Estimate



Number of Programmes by IPA Ranking



IPA Ranking Definitions

- Green:** Successful delivery of the project on time, budget and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
- Amber Green:** Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
- Amber:** Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
- Amber / Red:** Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible
- Red:** Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.
- Exempt:** Data can be exempt from publication under exceptional circumstances and in accordance with Freedom of Information requirements, i.e national security.

Investment spending (Capital DEL)

The MOD has 36 projects in the Government Major Projects Portfolio (GMPP), 14 of which are ranked either ‘Amber/Red’ or ‘Red’. The 2 ‘red’ ranked programmes are: “Armoured Cavalry 2025” and “Crowsnest Programme”.

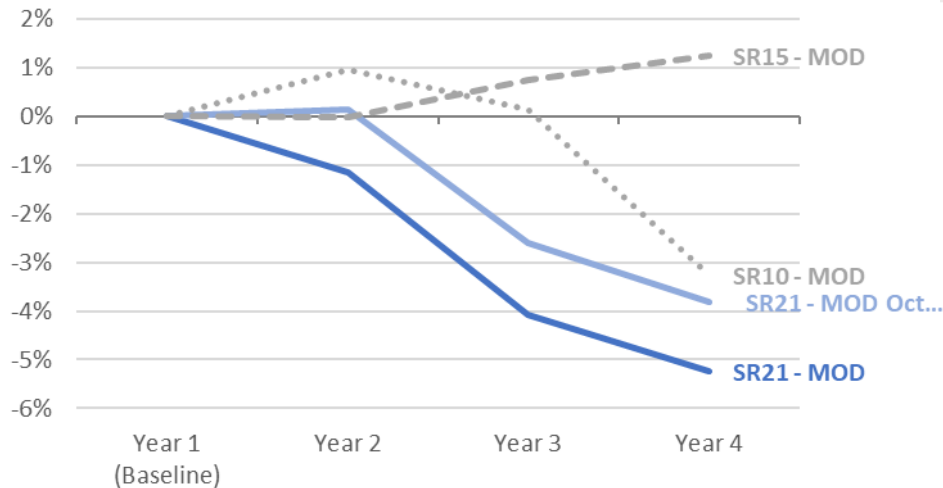
The Main Estimate does not break down capital spend by programme. High level movements in capital spend are as follows:

- **Single use military equipment costs** are forecast to **reduce by £78m or -0.9%** vs last year.
- **Research and Development costs** are primarily incurred on the development of new single use military equipment (SUME) and on the improvement of the effectiveness and capability of existing single use military equipment. These costs are also expected to **reduce by £82m or -5.4% vs last year.**
- **Other Capital / Fiscal costs** are expected to **increase by 34% (excluding the IFRS adjustment)** from last year. These costs include capital additions and disposals as well as repayment of capital loans.

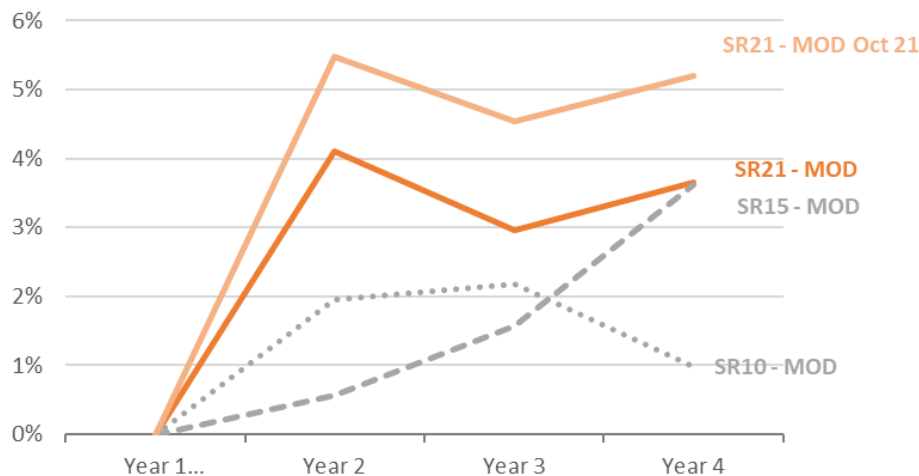
Ministry of Justice (MOJ)

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

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



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



These graphs compare the 2010, 2015 and 2021 spending settlements in 'real term percentages'. The 2 lines for the 2021 settlement (SR21) reflect the OBR's October 2021 GDP deflator rate vs current projections. The GDP deflator rates are used to calculate real term movements across all government departments. However, because a higher portion of the MOD's spend goes on fuel costs it is more sensitive to CPI than other government departments. Because of this, the OBR predict **"cost pressures of between £0.6 billion and £2.1 billion on the MoD's budget for 2022-23"**.

Day-to-day spending trends

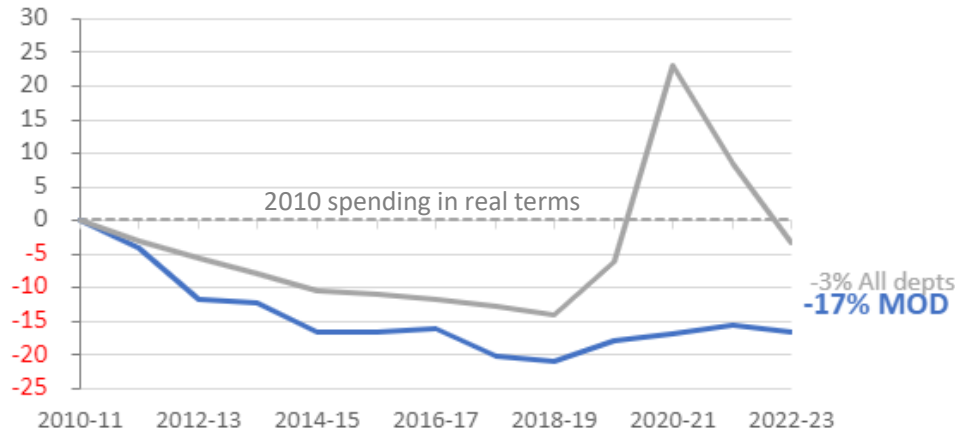
- Rises in inflation have reduced the RDEL average annual real term percentage growth of the 2021 Spending Review from **-1.4%** in October 2021 to **-2.1%** based on current projections (see slide 8 for further details). **Because of higher fuel costs in the MOD, financial pressures could be worse than this – see note above from the OBR.**
- The 2021 settlement followed steep reductions in the 2010 settlement and marginal increases in the 2015 settlement.
- The recent announcement by the government to increase Defence expenditure to 2.5% of GDP by the end of the decade has not been included in this Main Estimate submission or is reflected in the SR21 settlement.**

Investment spending trends

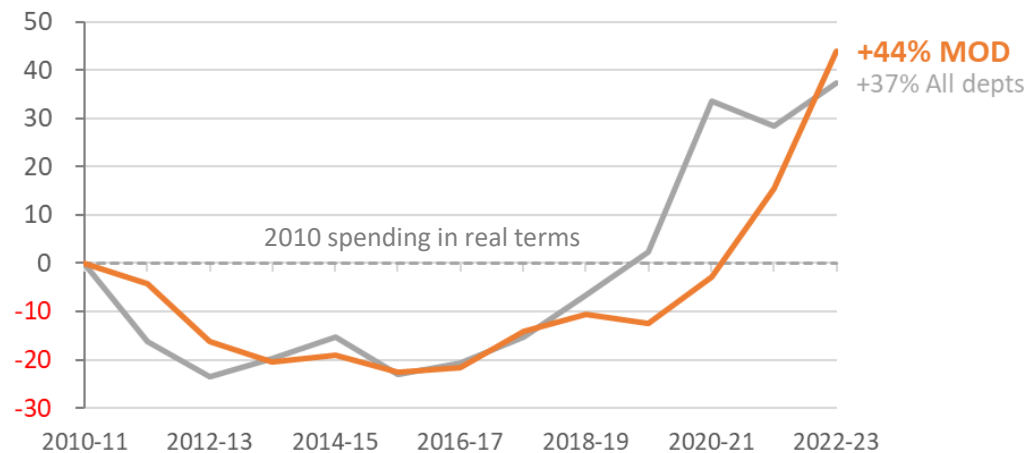
- In October 2021 the CDEL average annual real terms growth rate for investment spend was **1.8%**. Based on the latest GDP deflator forecast from the OBR, this is now **1.1%**.
- Prior multi year spending review settlements also delivered positive real term growth in investment.

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

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



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



Day-to-day spending trends

- There were significant reductions to the MOD's day to day expenditure following the 2010 Spending Review, in which it detailed non frontline savings of at least £4.3 billion across the Spending Review period and overall savings in resource spending of 8% in real terms by 2014-15.
- Spending stabilised after the 2015 Spending Review following the governments commitment to spend 2% of GDP on defence.
- Despite recent nominal increases, today's expenditure is exposed to higher inflation and remains 17% less than 2010 in real terms.

Investment spending trends

Following the Integrated Review, the 2020 Spending Settlement provided *an increase in defence spending of over £24 billion in cash terms over the next four years against the 2020-21 budget*". The main investments included:

- Enhancing space capabilities,
- Renewal of the UK's nuclear deterrent,
- Naval vessels, including Type 32 frigates, Fleet Solid Support ships, 8 Type 26 and 5 Type 31 frigates,
- Carrier strike capabilities, including 48 F-35s by 2025,
- Combat Air system for the RAF, including upgraded Typhoon radars, and
- Cyber power.

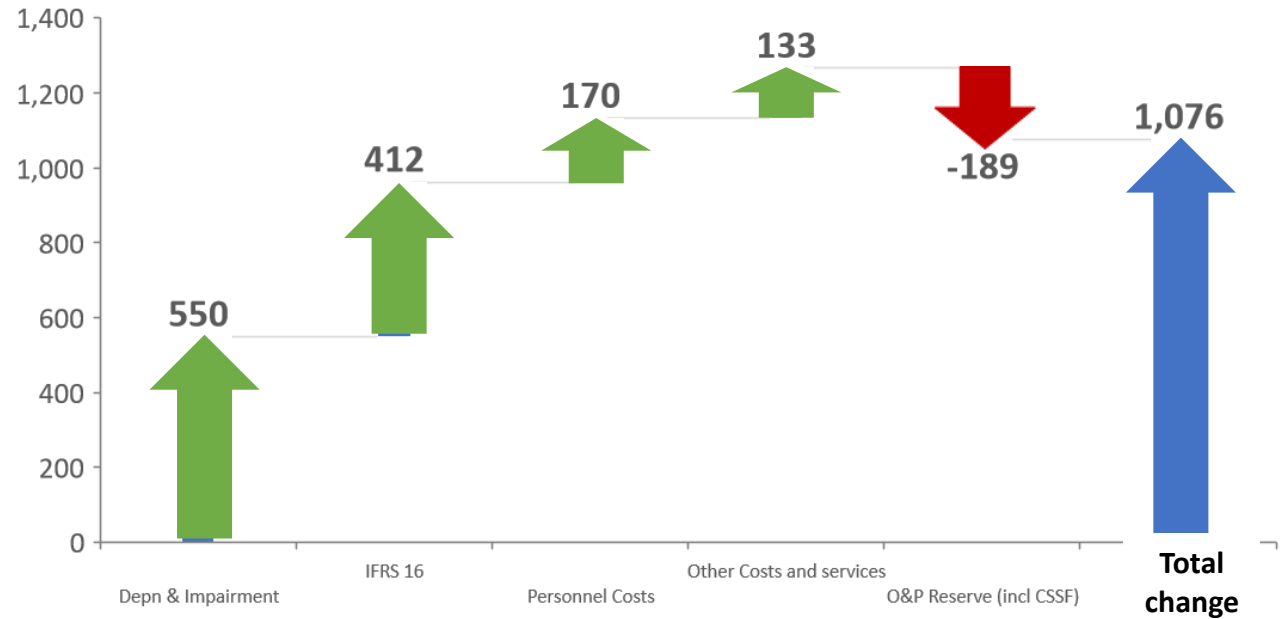
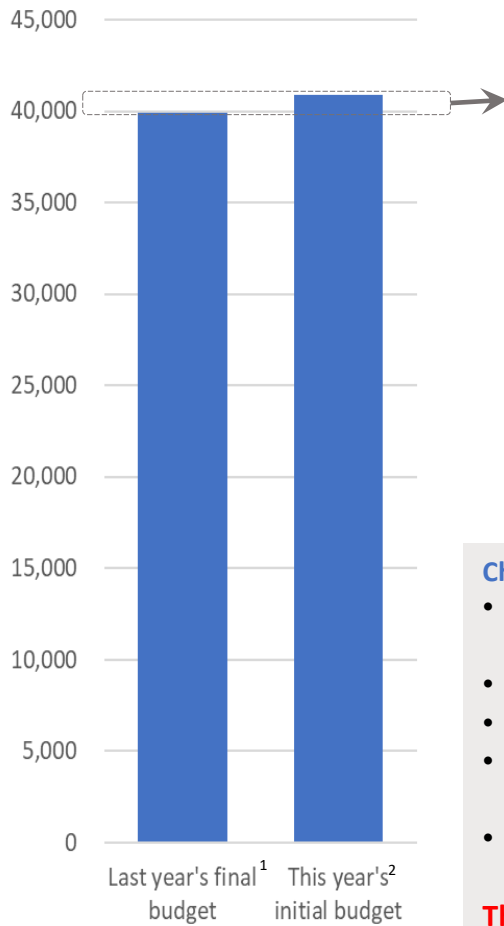
How is the MOD's day-to-day spending changing in 2022-23?

MOD's 3% cash increase in RDEL is driven by the SR20 spending review settlement.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

MOD's day-to-day budget increased by £1,076m (+3%)

Resource DEL budget in £m



Changes in 2022-23

- **Depreciation and Impairment costs** are increasing by £550 million from last year. This includes write offs.
- **IFRS 16**, £412m increase in expenditure due to an accounting standard change. This is a non-cash item.
- **Personnel costs** are increasing by £170 million or 1.4%.
- **Other costs** of £133 million are the net movements of numerous line items; the overall increase is within the Spending Review settlement. See slide 14 for a breakdown of specific areas in RDEL.
- **Operations and Peacekeeping**, £300 million reserve claim has been made to cover additional costs of operations; this is £178 million less than last year but more is expected later in the year.

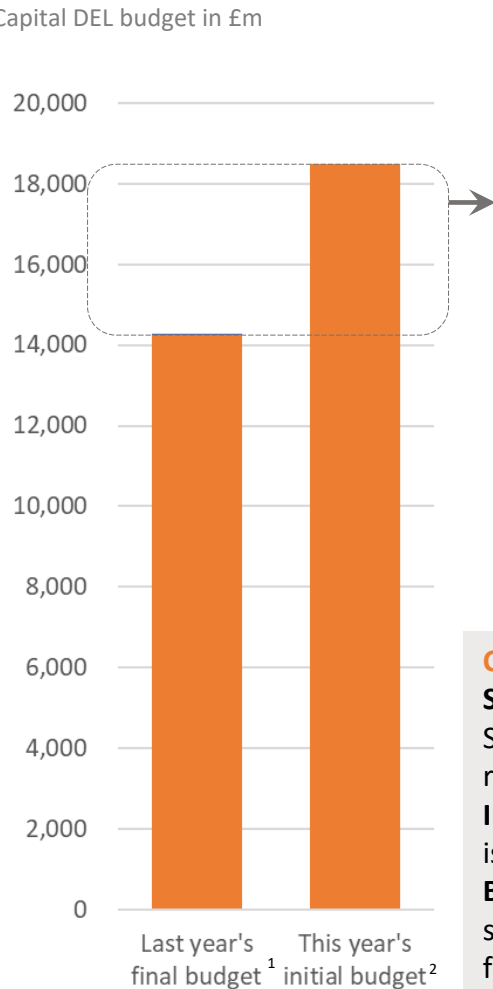
The MOD RDEL Main Estimate was 1% below the SR21 settlement; further drawdowns are expected at the Supplementary Estimate for Dreadnought and Peacekeeping requirements.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

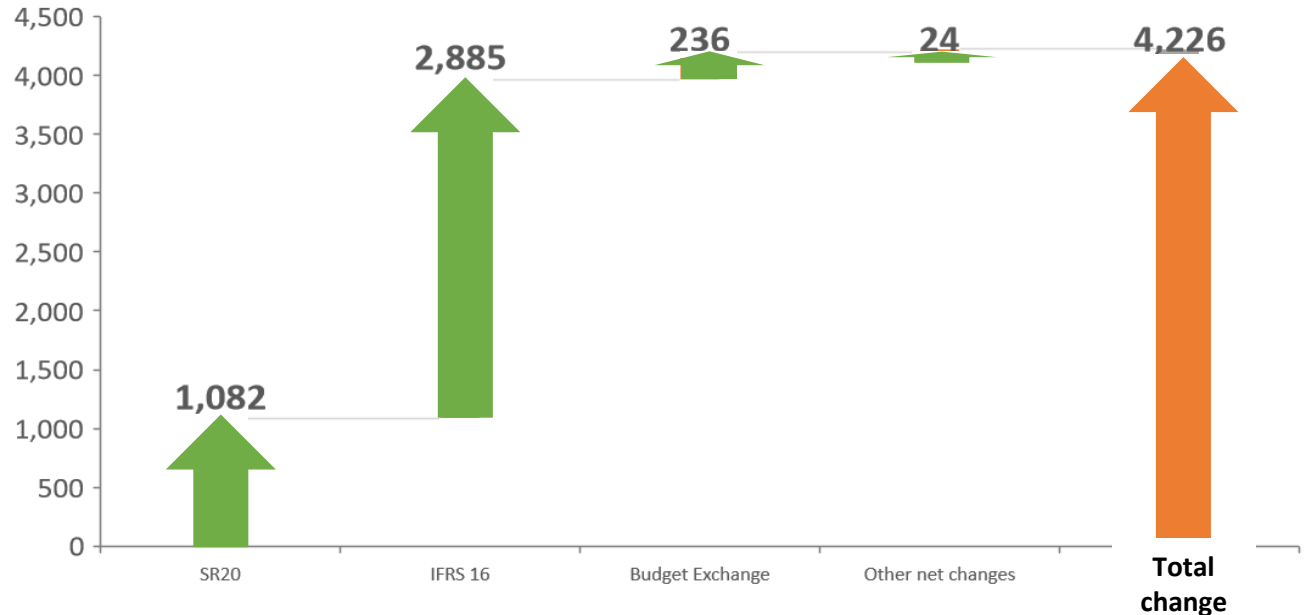
How is the MOD's investment spending changing in 2022-23?

MOD's investment budget increased by £4,226m (+30%)
Capital DEL budget in £m



9% increase in investment (excluding the impact of changes to accounting standard IFRS16)

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

SR20: The MOD was one of the only departments to receive a multi year spending settlement in the 2020 Spending Review following the Integrated Review. This drives a £1,082m increase in RDEL; this was then reaffirmed during the SR21.

IFRS 16: £2,885m increase in expenditure due to an accounting standard change in relation to leases. This is a non-cash item.

Budget Exchange: At the 2021/22 Supplementary Estimate the MOD handed back £488m investment spend as part of the budget exchange mechanism whereby programme expenditure can be carried forward into future years. £236m of the £488m has been transferred to 2022/23.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

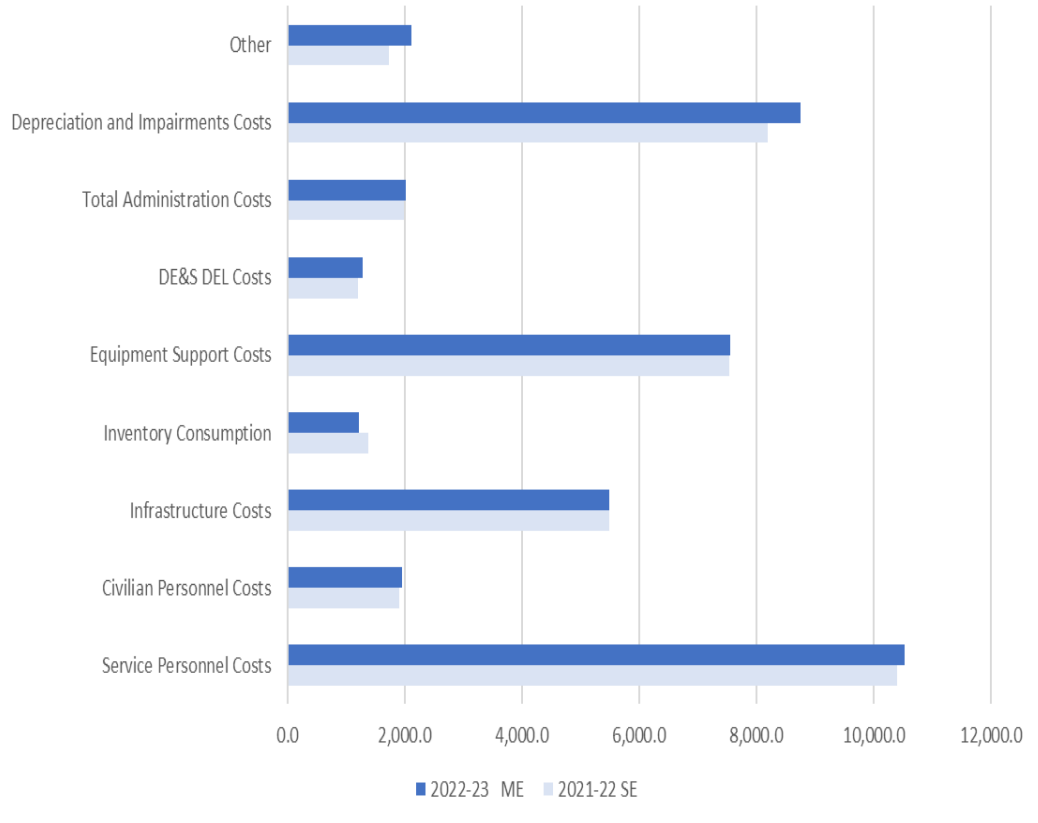
² Initial Budget in Main Estimates 2022-23 (May 2022)

How the MOD spends its day to day expenditure

Breakdown of MOD budget 2022-23 (£ million)*

On 30th June 2022, Boris Johnson PM, announced that Defence spending would increase to 2.5% of GDP by the end of the decade. It is unclear when this additional funding will begin. It is not included in the Main Estimate for 2022/23

RDEL 22/23 Main Estimate vs 21/22 Supplementary Estimate



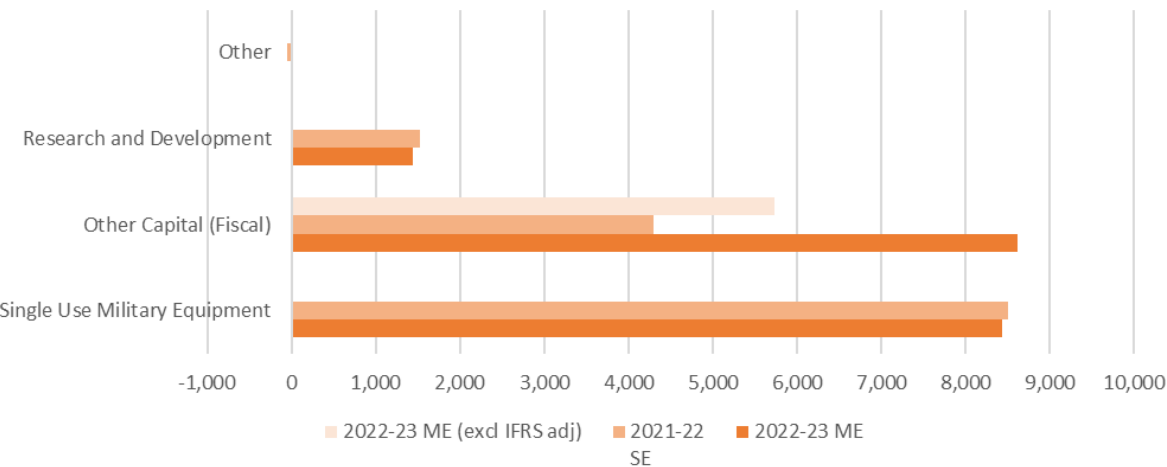
Day-to-day spending (Resource DEL)

- **Personnel Costs** make up 30% of the departments day to day expenditure. Service Personnel expenditure is forecast to increase by 1.2% and Civilian Personnel costs are forecast to increase by 2.4%
- **Depreciation and Impairment costs** are accounting adjustments that reflect either assets being written off or their value being depreciated. This is forecast to increase from £8.2bn in 2021/22 to £8.7bn in 2022/23. In 2020/21 as a consequence of the integrated review, the Department made £1.4 billion impairments to non-current assets because of earlier retirement of platforms and £0.5 billion write-offs to assets under construction because of cancellation or curtailment of equipment procurement programmes. Further consequences of the integrated review will be in future years accounts.
- **Equipment Support costs** (including leases and hire charges for plant, machinery and transport) are forecast to grow 0.2% from last year.
- **Infrastructure costs** are to remain unchanged from last year. The Department has a target to reduce its estate by 30% by 2040/41. Since 2015 it has reduced it by 2%.
- **Administration costs** make up 5% of the department's day to day costs – this remains unchanged from last year.
- **Inventory Consumption** is forecast to reduce by £150m or 11% from last year.

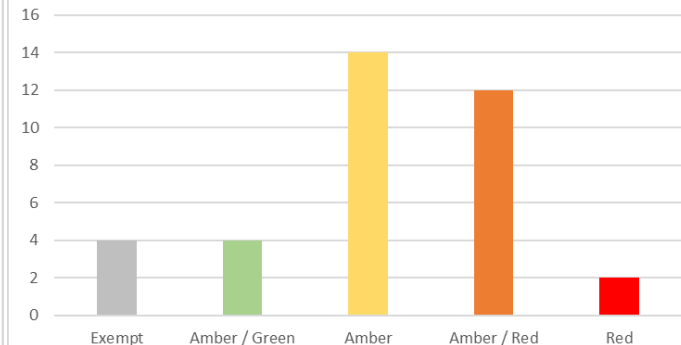
*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

14 of the 36 Major Programmes are ranked ‘Amber / Red’ or ‘Red’

Capital DEL: 22/23 Main Estimate vs 21/22 Supplementary Estimate



Number of Programmes by IPA Ranking



IPA Ranking Definitions

- Green:** Successful delivery of the project on time, budget and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
- Amber Green:** Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
- Amber:** Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
- Amber / Red:** Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible
- Red:** Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.
- Exempt:** Data can be exempt from publication under exceptional circumstances and in accordance with Freedom of Information requirements, i.e national security.

Investment spending (Capital DEL)

The MOD has 36 projects in the Government Major Projects Portfolio (GMPP), 14 of which are ranked either ‘Amber/Red’ or ‘Red’. The 2 ‘red’ ranked programmes are: “Armoured Cavalry 2025” and “Crowsnest Programme”.

The Main Estimate does not break down capital spend by programme. High level movements in capital spend are as follows:

- **Single use military equipment costs** are forecast to **reduce by £78m or -0.9%** vs last year.
- **Research and Development costs** are primarily incurred on the development of new single use military equipment (SUME) and on the improvement of the effectiveness and capability of existing single use military equipment. These costs are also expected to **reduce by £82m or -5.4% vs last year.**
- **Other Capital / Fiscal costs** are expected to **increase by 34% (excluding the IFRS adjustment)** from last year. These costs include capital additions and disposals as well as repayment of capital loans.

Northern Ireland

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

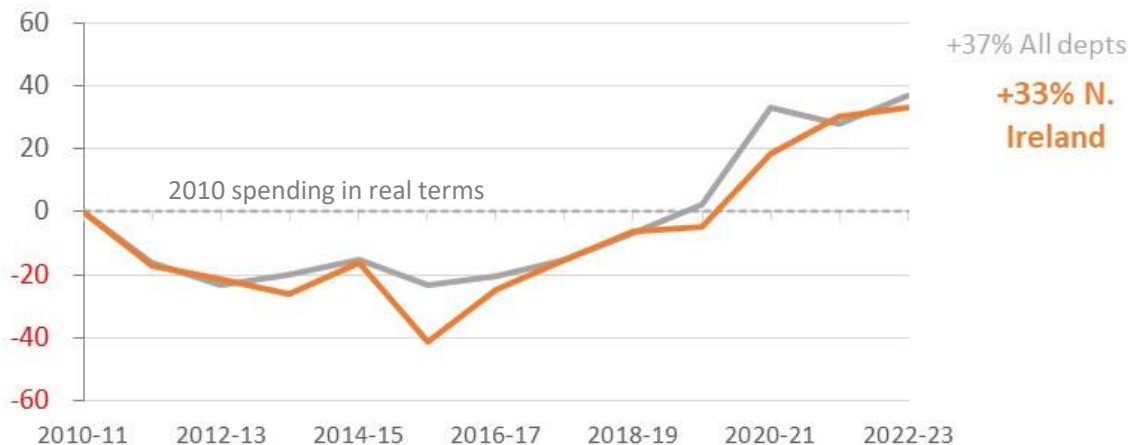
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- Northern Ireland's budget **decreased under austerity**, with real terms reductions in spending of 5.4% in 2015-16 compared to 2010-11. These reductions were not as significant as other departments.
- The significant increase in the budget in 2020-21 was largely as a result of Barnett Consequentials relating to **COVID-19 funding**.
- Some additional funding outside of the Barnett arrangements, such as **post-EU Exit Farm Support, NDNA funding** and **City Deals** has also been provided, **boosting Northern Ireland's funding above** what it would otherwise have been.
- Northern Ireland's RDEL allocation for 2022-23 is 14% larger than in 2010. This compares to a -3% decrease across all departments.

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



Investment spending trends

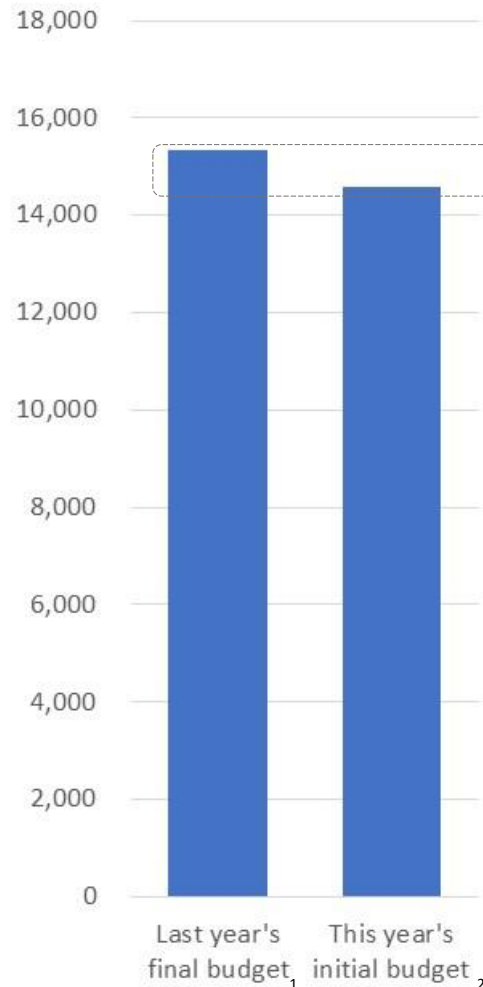
- Northern Ireland's capital budget was severely cut over the austerity period, with real terms reductions of 42.2% in 2015-16. Capital funding has **risen consistently since 2016-17** as a result of Barnett Consequentials of increased capital spend elsewhere and specific capital funding pledges under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

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

Northern Ireland's day-to-day budget decreased by £700.1m (-4.6%)

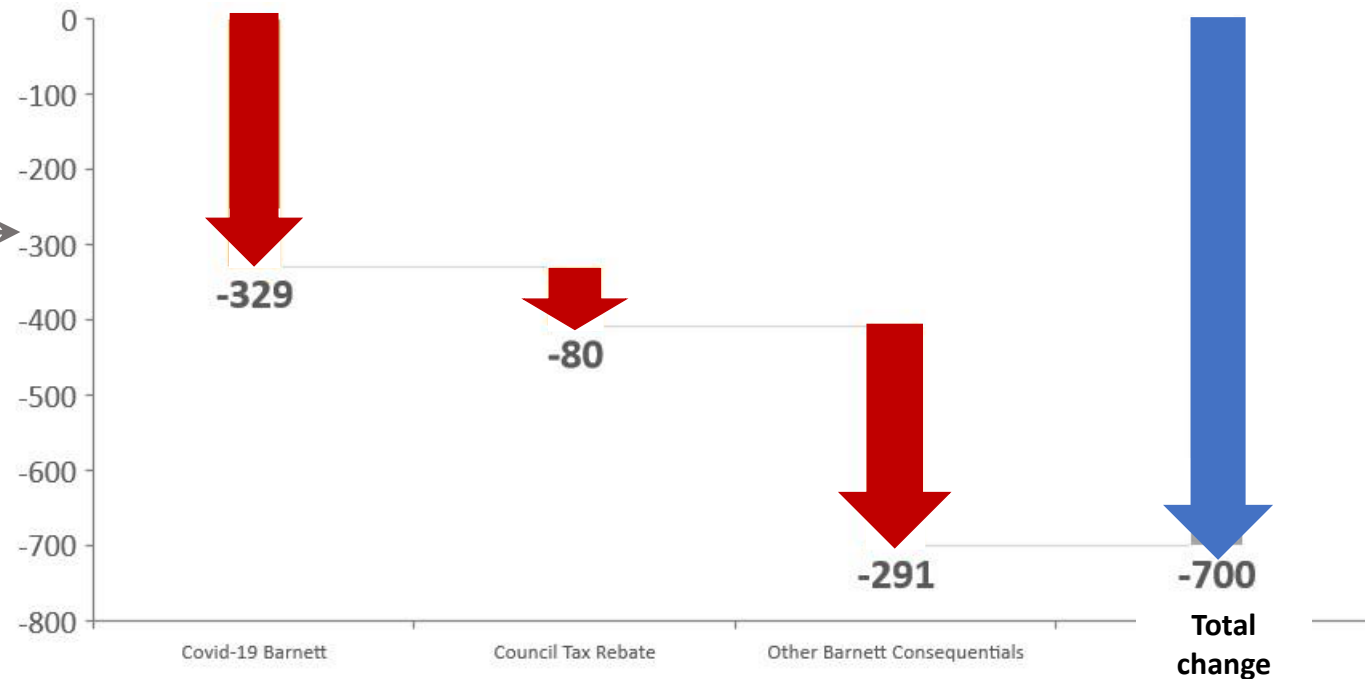
(-4.6%)

Resource DEL budget in £m



Northern Ireland's RDEL spending decrease is driven by Barnett Consequentials.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Covid-19 Barnett Consequentials:** Northern Ireland received £329 million in Covid-19 spend Barnett consequentials in 2021-22. This funding has not been repeated in 2022-23, and has therefore reduced the RDEL budget.
- **Council Tax Rebate:** Northern Ireland received £100.1 million as a council tax rebate in 2022-23, whereas it received £180.2 million as a rebate in 2021-22, therefore overall RDEL has decreased.
- **Barnett Consequentials:** Lower spending across government has meant Northern Ireland received less Barnett Consequential income in 2022-23 than in 2021-22. This is the main reason for the decreased budget.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

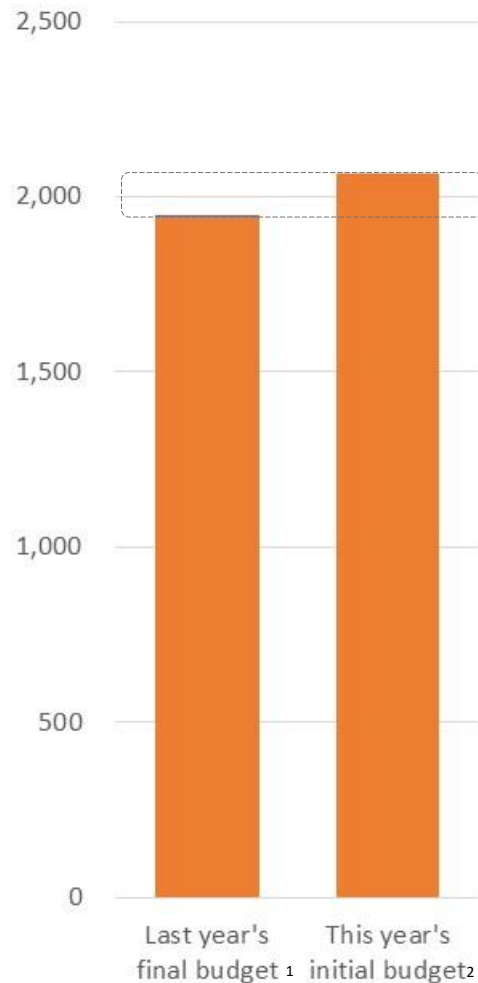
² Initial Budget in Main Estimates 2022-23 (May 2022)

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

Northern Ireland's investment budget increased by £121.8m

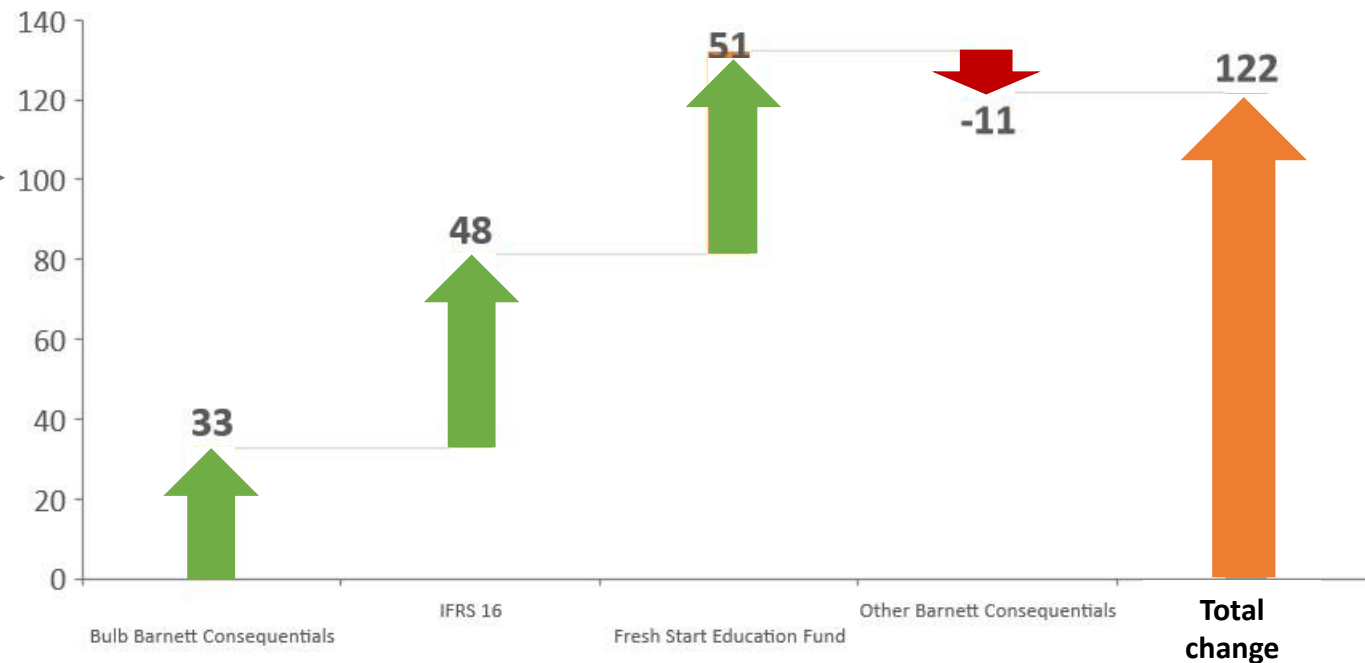
(+6.3%)

Resource DEL budget in £m



Northern Ireland's investment spending increase is driven by lease reclassifications

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **Bulb Barnett Consequentials:** The capital costs of the Special Administrative Regime for Bulb have increased Northern Ireland's capital budget by £33 million of Barnett Consequentials.
- **IFRS16:** The accounting standard changes require lease reclassifications, meaning additional capital budget is required in 2022-23.
- **Fresh Start Educational Fund:** The UK government has provided £51.3 million in capital funding for the Fresh Start fund, outside of the Barnett process. This increases Northern Ireland's capital funding beyond what it would otherwise have been.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

To the Northern Ireland Government

Cash grant to the Northern Ireland Government

£21,633.4 million (+£658.3 million (+3%) compared to last year's final budget)

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) : £41.2 million (+£0.3 million (+1%) compared to last year's final budget)*
- *Investment spending (Capital DEL): £1.7 million (-£0.2 million (-13%) compared to last year's final budget)*

The net increase in RDEL is in line with allocations announced at the Spending Review 2021. It is attributable to:

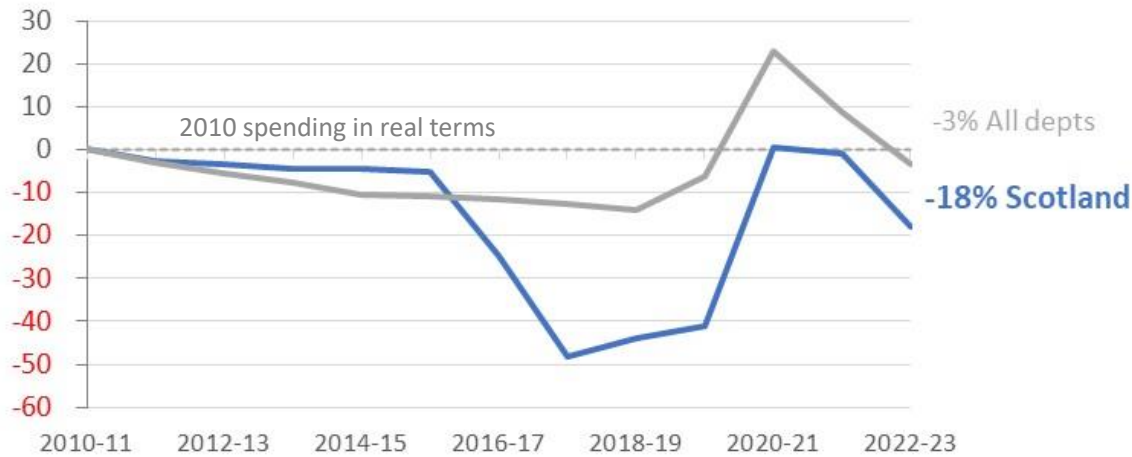
- Election funding costs for the Northern Ireland Assembly elections;
- Political governance planning

The Capital DEL allocation includes IFRS 16 adjustments.

Scotland

Long-term trends in Scotland spending (in real terms)

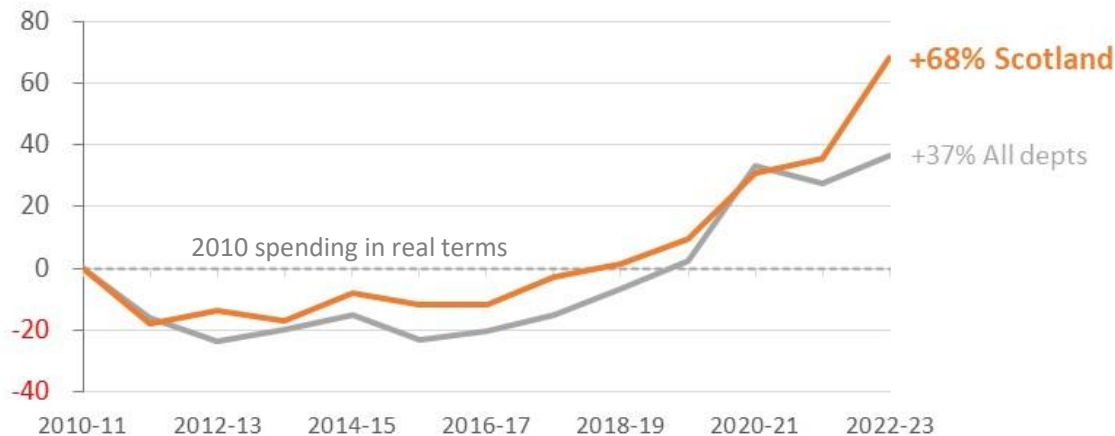
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- Scotland's budget **decreased significantly under austerity**, with real terms reductions in spending of **48% in 2017-18 compared to 2010-11**.
- The significant increase in the budget in 2020-21 was largely as a result of Barnett Consequentials relating to **COVID-19 funding**.
- Some additional funding outside of the Barnett arrangements, such as **post-EU Exit Farm Support** funding and **City Deals**, has also been provided, **boosting Scotland's funding above** what it would otherwise have been.
- Scotland's resource allocation for 2022-23 is 18% lower than in 2010. This compares to an average of 3% decrease across all departments.

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



Investment spending trends

- Scotland's capital budget was not as severely cut over the austerity period and has **risen consistently since 2016-17** as a result of Barnett Consequentials of increased capital spend elsewhere.
- Scotland's 2022-23 capital allocation is 68% larger in real terms than in 2010. This compares to average growth of 37% across all departments.

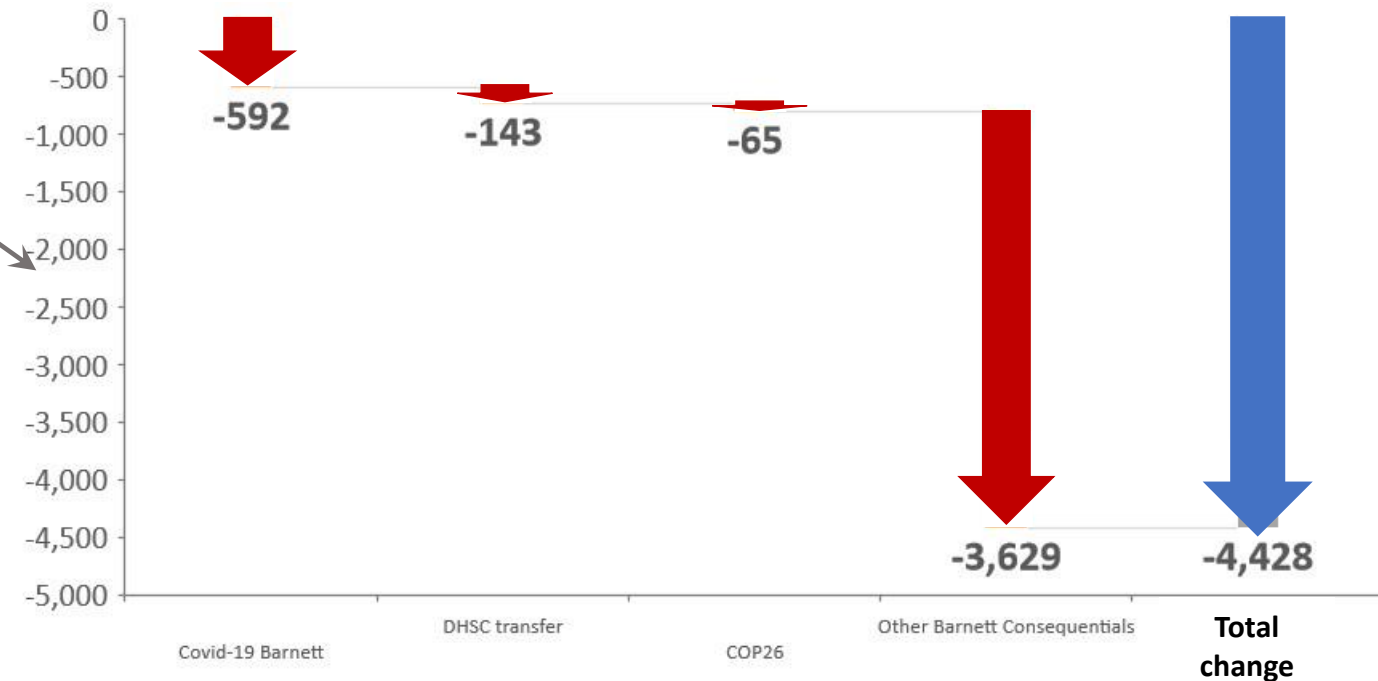
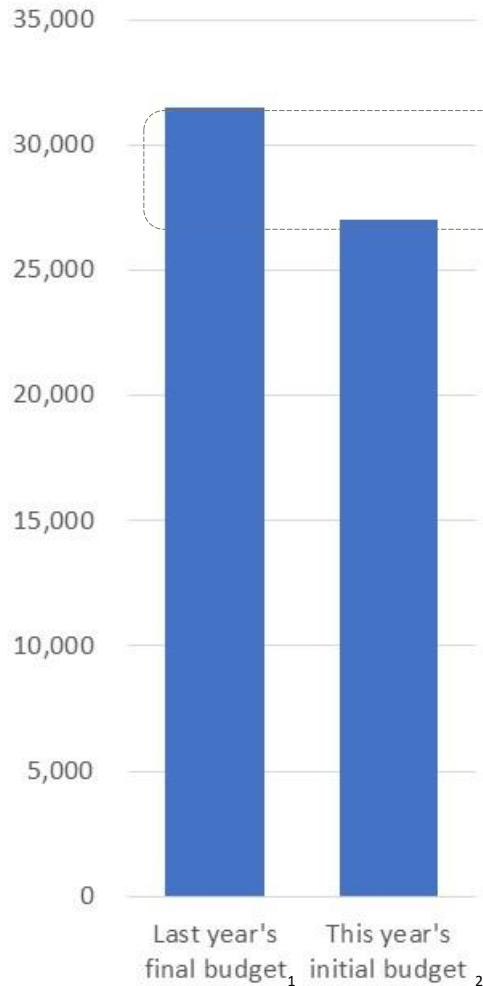
How is Scotland's day-to-day spending changing in 2022-23?

Scotland's RDEL spending decrease is driven by Barnett Consequentials.

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

Scotland's day-to-day budget decreased by £4,428.2m (-14.1%)

Resource DEL budget in £m



Changes in 2022-23

- **Covid-19 Barnett Consequentials:** Scotland received £592 million in Covid-19 spend Barnett consequentials in 2021-22. This funding has not been repeated in 2022-23, and has therefore reduced the RDEL budget.
- **DHSC Transfer:** In 2021-22, Scotland received £143 million in transfers from DHSC to pay for the vaccine rollout in Scotland. This funding has not been repeated in 2022-23.
- **COP 26:** COP26 funding was not received in 2022-23, as it was a one-off event in 2021-22.
- **Barnett Consequentials:** Lower spending across government has meant Scotland received less Barnett Consequential income in 2022-23 than in 2021-22. This is the main reason for the decreased budget.

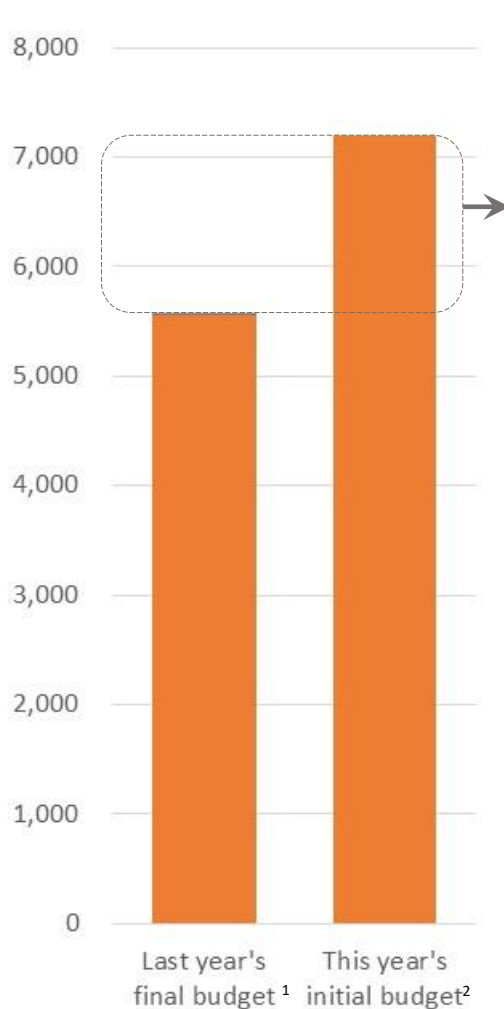
¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

Scotland's investment budget increased by **£1,630.6m (29.3%)**

Resource DEL budget in £m



Scotland's investment spending increase is driven by lease reclassifications

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22



Changes in 2022-23

- **IFRS16:** The accounting standard changes require lease reclassifications, meaning additional capital budget is required in 2022-23.
- **City Deals:** £126 million additional capital funding has been allocated in 2022-23 for City Deals across Scotland.
- **Crossrail Loans- Barnett:** The Barnett Consequentials of loans for Crossrail in England have increased Scotland's capital budget by £10 million.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

To the Scottish Government

Cash grant to the Scottish Government

£26,032.5 million (-£6,736.5 million (-26%) compared to last year's final budget)

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 Scotland Office

- *Day to day spending (Resource DEL) : £13.3 million (+£1.2 million (+10%) compared to last year's final budget)*
- *Investment spending (Capital DEL): £0.05 million (no change compared to last year's final budget)*

The net increase in RDEL is in line with allocations announced at the Spending Review 2021. It is attributable to increases in the running costs of the Office including:

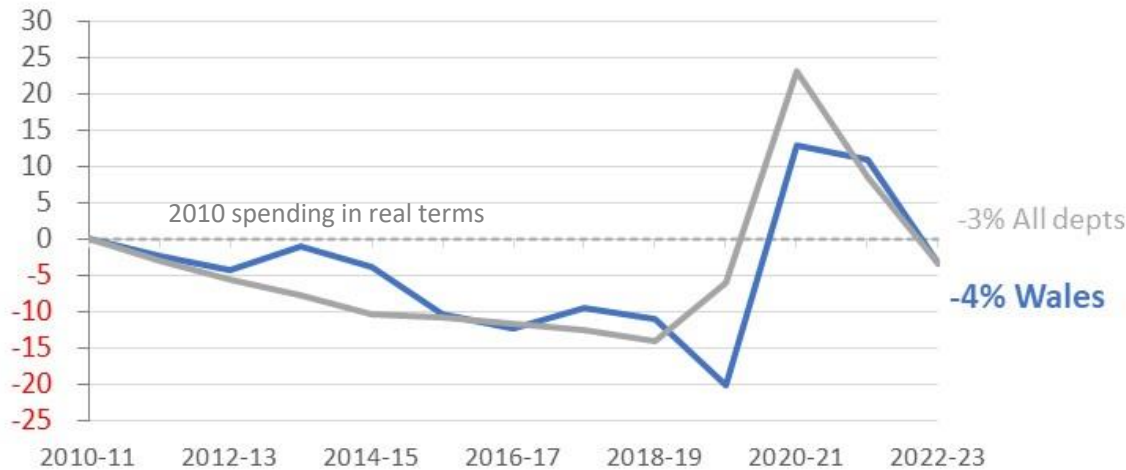
- accommodation,
- staff pay awards and;
- additional posts to deliver the department's priorities over the SR period, including on engagement and on City and Growth deals.

Departmental spending

Wales

Long-term trends in Wales spending (in real terms)

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



Day-to-day spending trends

- Wales's budget **decreased under austerity**, broadly in line with other departments, with real terms reductions in spending of **12.3% in 2016-17 compared to 2010-11**.
- The significant increase in the budget in 2020-21 was largely as a result of Barnett Consequentials relating to **COVID-19 funding**.
- Some additional funding outside of the Barnett arrangements, such as **post-EU Exit Farm Support** funding and **City Deals**, has also been provided, **boosting Wales's funding above** what it would otherwise have been.
- Wales's RDEL allocation for 2022-23 is -4% smaller than in 2010. This compares to a -3% decrease across all departments.

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



Investment spending trends

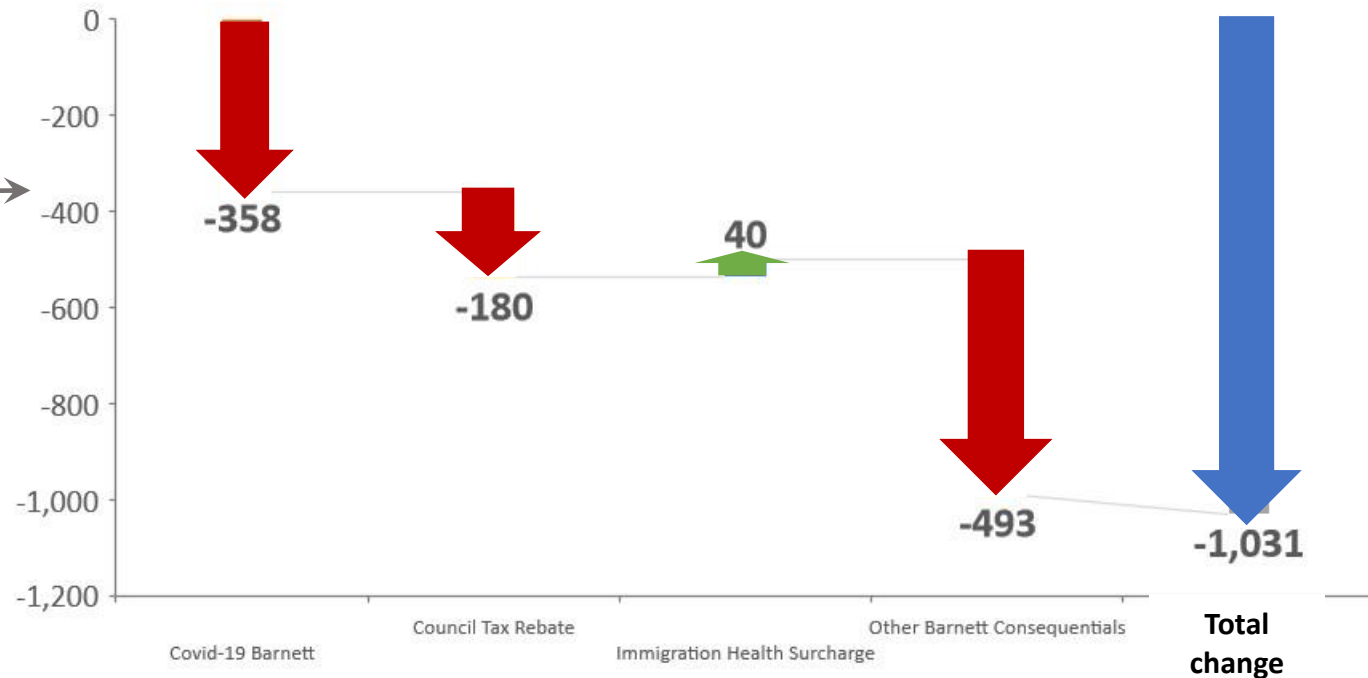
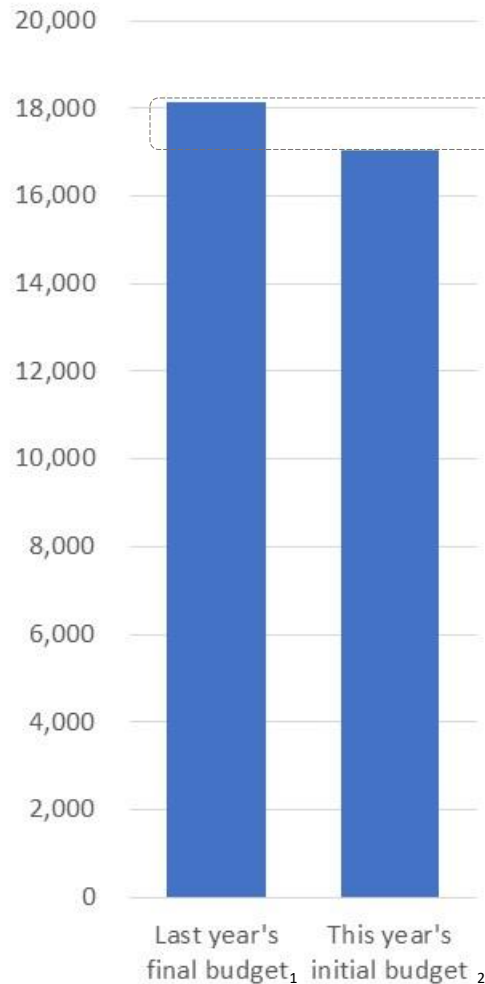
- Wales's capital budget was more severely cut over the austerity period and has **risen consistently since 2016-17** as a result of Barnett Consequentials of increased capital spend elsewhere.
- Wales CDEL allocation for 2022-23 is 33% larger than in 2010. This compares to 37% growth for all departments.

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

Wales's day-to-day budget decreased by £1,031m (-5.7%)

Wales's RDEL spending decrease is driven by Barnett Consequentials.
Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2021-22

Resource DEL budget in £m



Changes in 2022-23

- **Covid-19 Barnett Consequentials:** Wales received £358 million in Covid-19 spend Barnett consequentials in 2021-22. This funding has not been repeated in 2022-23, and has therefore reduced the RDEL budget.
- **Council Tax Rebate:** Wales received £180.2 million as a council tax rebate in 2021-22, but did not receive any new rebate in 2022-23.
- **Barnett Consequentials:** Lower spending across government has meant Wales received less Barnett Consequential income in 2022-23 than in 2021-22. This is the main reason for the decreased budget.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

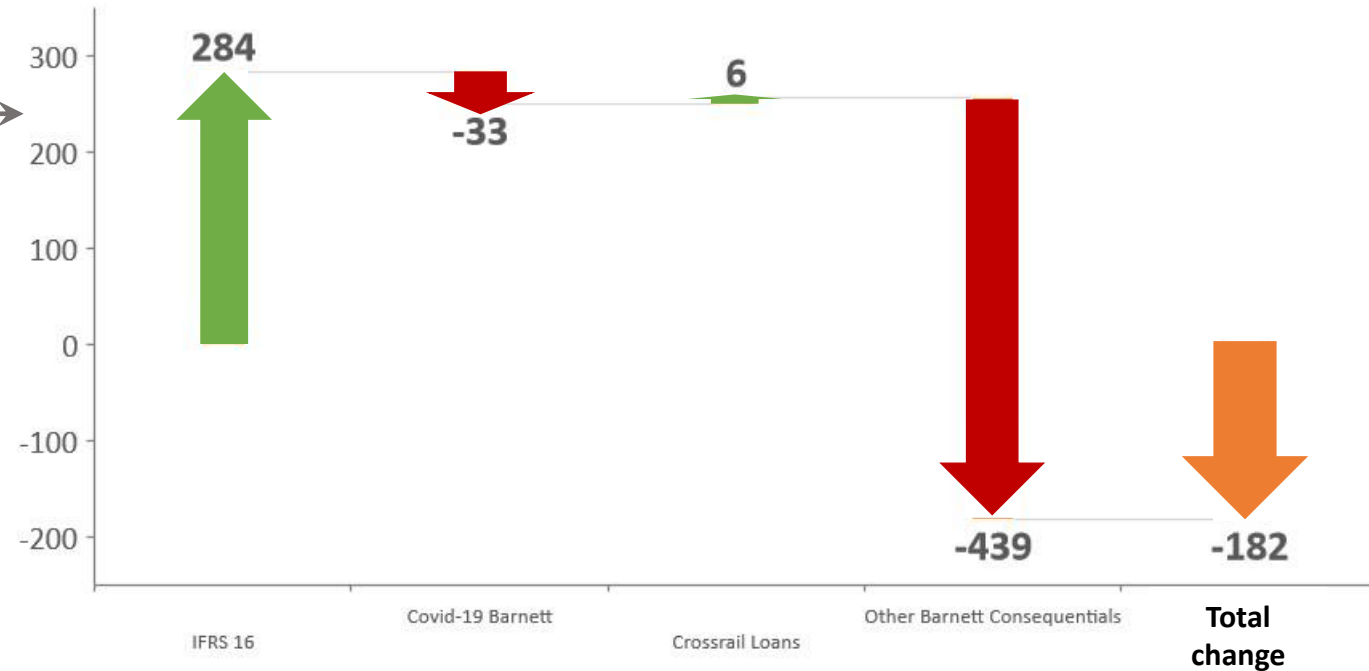
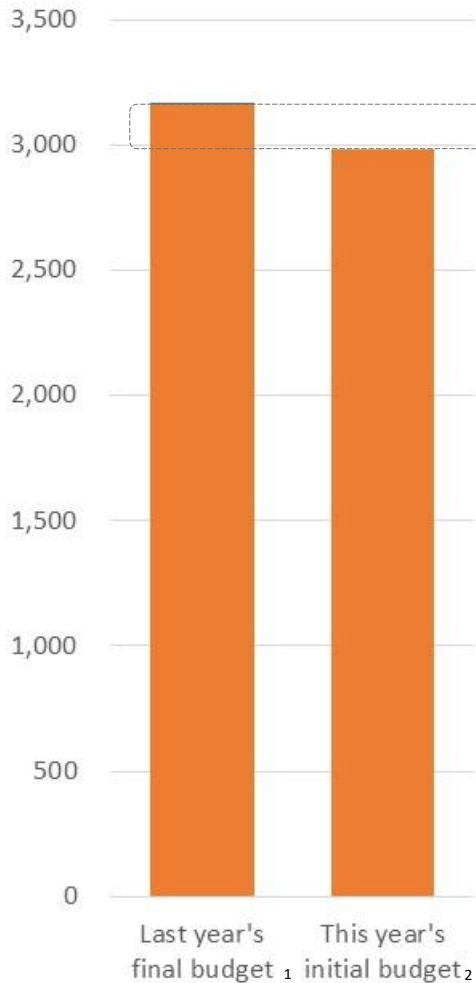
How is Wales's investment spending changing in 2022-23?

Wales's investment budget decreased by £182m (-5.8%)

Wales's investment spending decrease is driven by lower UK capital grants

Changes in Investment (Capital DEL) budget in £m since final budget for 2021-22

Resource DEL budget in £m



Changes in 2022-23

- **IFRS16:** The accounting standard changes require lease reclassifications, meaning additional capital budget is required in 2022-23.
- **Covid-19:** In 2021-22, Wales received Barnett Consequentials from Capital Covid-19 funds across the UK. These schemes have ended, meaning Wales allocation is lower.
- **Barnett Consequentials:** Capital grants outside of the Barnett system have been lower in 2022-23, and are the main reason for the decrease in Capital allocation.

¹ Final Budget in Supplementary Estimates 2021-22 (March 2022)

² Initial Budget in Main Estimates 2022-23 (May 2022)

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

To the Welsh Government

Cash grant to the Welsh Government

£16,459.8 million (-£2,339.4 million (-14%) compared to last year's final budget)

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) : £5.7 million (-£0.7 million (-12%) compared to last year's final budget)*
- *Investment spending (Capital DEL): £0.03 million (In line with last year's final budget)*

The net decrease in RDEL is in line with allocations announced at the Spending Review 2021. It is attributable to the one off costs incurred through relocating the Department's office in Cardiff in 2021-22, and not repeated in 2022-23.