



BRIEFING PAPER

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The 2020 Spending Review envelope

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In the 2020 Spring Budget, Chancellor Rishi Sunak [announced the official start](#) of the 2020 Comprehensive Spending Review.

This was originally intended to be the second of this year's trilogy of big financial events (the other two being [the Spring Budget we have just had](#), and the autumn Budget). However, given the rapidly changing nature of the coronavirus outbreak, it now seems likely that the plans will have to change. The timings of these events may be affected, and there may be a series of further financial measures to help to cope with the impact of the outbreak, in addition to the [ones already announced at the Budget](#) and [on 17 March](#).

1. Background to the Spending Review

Every few years, the Treasury sets long-term budgets for each of the government departments. The idea is to give each department certainty about how much money it will have, so they can plan what they want to do.

Spending Reviews are not just important because departments need money to deliver public services. They also give an overall picture of a government's priorities and goals for its time in office. In this case, the Budget [lists four priority areas](#):

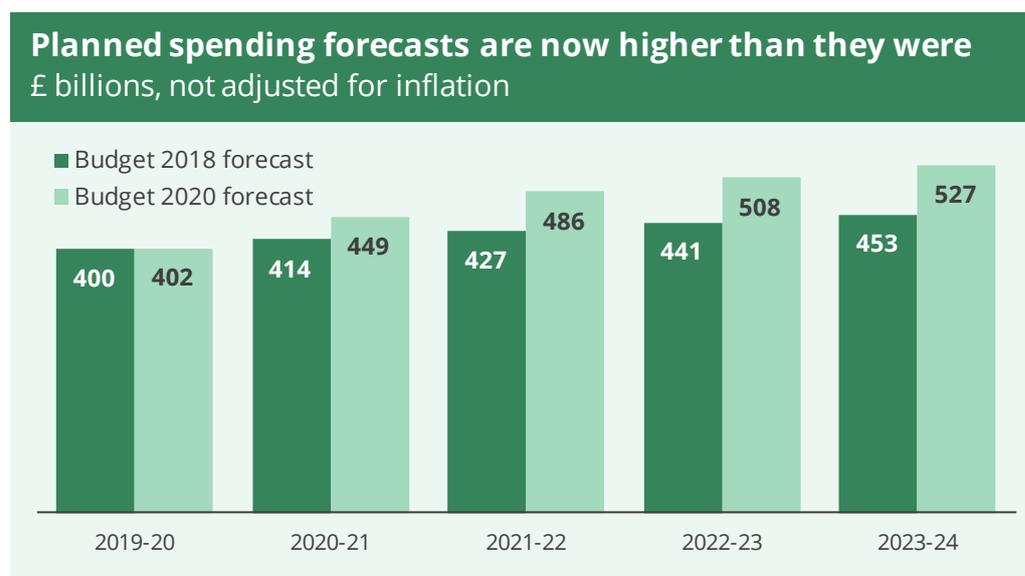
- Levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people, to drive productivity and spread opportunity
- Improving outcomes in public services, including supporting the NHS and taking steps to cut crime and ensure every young person receives a superb education
- Strengthening the UK's place in the world
- Reducing carbon emissions and improving the natural environment

The most recent full Spending Review [was in 2015](#) and planned out spending up to the current year. A [one-year Spending Round last year](#) extended the plans to 2020/21. The new review, which the Chancellor has just announced, is planned to run until July this year (although recent events may mean that this changes). It will set out plans until 2023/24, and until 2024/25 for long-term investment spending.

2. The new spending envelope

The Budget also included the ‘envelope’ for this year’s Spending Review. This is the total amount of money the Treasury plans to allocate between departments over the years covered by the Review. These spending figures were announced before the [recent financial package to cope with the economic effects of coronavirus](#), so the final figures are likely to be somewhat different. How different they are will depend on how long the outbreak lasts, and how long the effects of these financial interventions last.

Even without taking extra coronavirus spending into account, the envelope announced represents a large amount of money – **over £1.5 trillion over three years**.



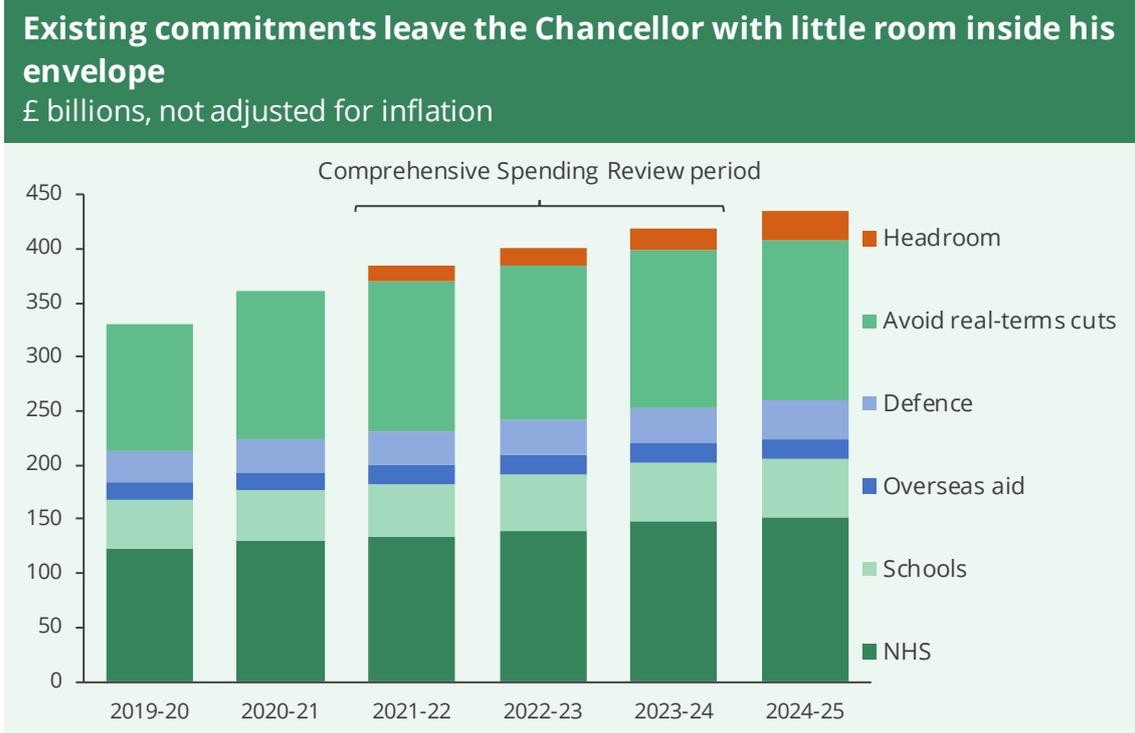
Note: Spending figures are total Departmental Expenditure Limits (DEL) – that is, resource DEL excluding depreciation plus capital DEL.

Source: HM Treasury, [Budget 2018 table 1.9](#) and [Budget 2020 table 1.10](#)

However, several large spending commitments have already been made:

- The [NHS Funding Act 2020](#) sets out funding commitments of between £130 billion and £150 billion for the NHS in every year of the new Spending Review period.
- New funding for schools was laid out at [last year’s Spending Round](#). This lasts until 2022/23 (when it reaches £52 billion).
- The Government has repeatedly confirmed it intends to stick to its current targets of spending at least 2% of GDP on defence, and 0.7% of national income on overseas aid.

Adding these up, and assuming (as in the 2019 Spending Round) that no other departments will see real-terms cuts in their budgets, leaves comparatively little money for new spending.



Note: Spending figures are resource Departmental Expenditure Limits (RDEL) excluding depreciation. NHS and schools funding estimated for the years after their settlements end by assuming flat real-terms growth.

Source: Library calculations, using data from HM Treasury, [Spending Round 2019](#) and [Budget 2020](#); OBR, [Public finances databank](#) and [Economic and fiscal outlook](#)

The ‘headroom’ shown in the chart above is the money left over for everything else, after all of these commitments have been accounted for. It amounts to between £13 billion and £19 billion in each year of the Spending Review period.

This is still a large amount of money, but represents only about 3-5% of the total envelope. The Institute for Fiscal Studies has done some similar analysis, taking into account that the UK will be replacing funding currently coming from the EU. It concludes that [even less money will be available](#) for other departments not covered by commitments already made.

This may help to explain why the Budget [also mentions](#): “an exercise across departments to identify savings and projects that do not provide value for money” or which do not fit with the four priority areas listed above. The message seems to be that although there is new money on offer, there will still be tight control over the purse strings.

3. How people can have their say

Negotiations between departments and the Treasury are likely to take place over the next few months to determine how the money will be divided up.

This is not a process that takes place only within Government. The Treasury has invited interest groups, individuals and representative bodies to [submit representations](#) that suggest new ideas for this money. Submissions are open until 20 May 2020.

Although Parliament has no formal role in the Spending Review process, it can also have an impact. Mel Stride MP, the Chair of the Treasury Committee, has [written to the chairs](#)

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[of all departmental committees](#) asking them to help scrutinise the process and raise important issues.

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