

By Philip Brien,
Matthew Keep

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Public spending during the Covid-19 pandemic

Summary

- 1 What's the total cost of pandemic spending?
- 2 Where did the money come from?
- 3 What's next for public spending?

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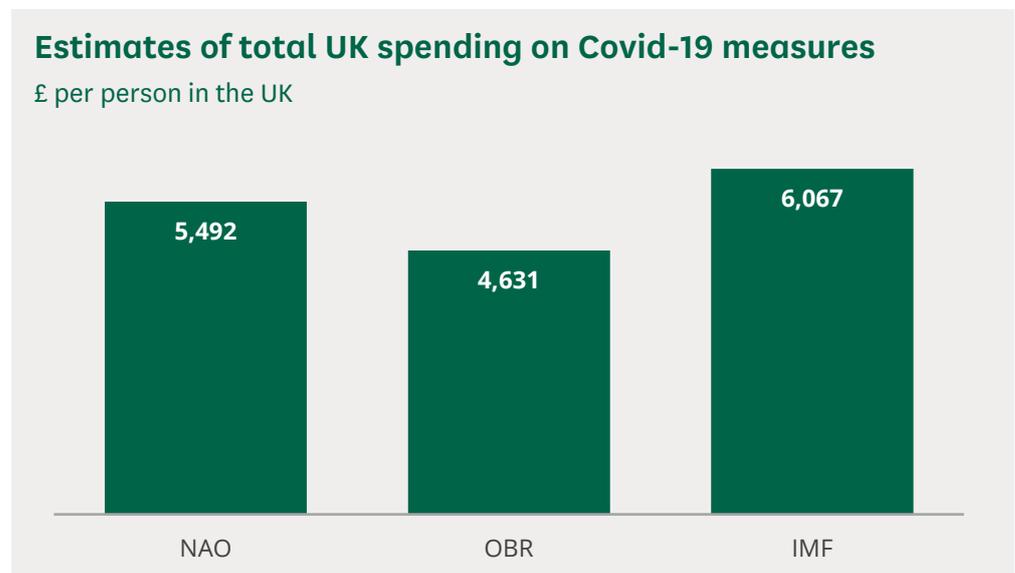
Contents

Summary	4
1 What's the total cost of pandemic spending?	6
1.1 Overall government spending	6
1.2 Departmental and functional breakdowns	7
1.3 Regional distribution	11
1.4 Procurement	14
2 Where did the money come from?	17
2.1 Government receipts	17
2.2 Borrowing	19
2.3 Emergency funding approval	21
2.4 Scrutiny of spending	21
3 What's next for public spending?	23

Summary

The Covid-19 pandemic has resulted in very high levels of public spending. Current estimates of the cost of Government measures announced so far range from about £310 to £410 billion. This is the equivalent of about £4,600 to £6,100 per person in the UK.

Official figures show that spending in 2020/21 was about £167 billion higher than had been planned before the pandemic for that year.



Source: National Audit Office, Office for Budget Responsibility, International Monetary Fund (see section 1.1 for details). Calculated using UK population estimate from ONS, [Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020](#), 25 June 2021

Most of this extra money was spent on public services (such as the NHS), support for businesses, and support for individuals. Some of the largest schemes include the Coronavirus Job Retention Scheme (CJRS, sometimes called the furlough scheme) and NHS Test and Trace.

The departments responsible for the most extra spending were HMRC, the Department for Health and Social Care, and the Department for Business, Energy and Industrial Strategy.

All public spending is eventually paid for by taxes and other government income, but the amounts raised by these fell during the pandemic (which is common in recessions). The Government accounted for this shortfall by increasing borrowing to £323 billion in 2020/21. As the cost of borrowing is currently very low, this doesn't pose an immediate problem, but does leave the public finances vulnerable to increases in these costs.

Although most spending directly related to the Covid-19 pandemic is currently forecast to end after 2021/22, the long-term effects of the pandemic may cause pressures in public spending for some time to come.

In the Autumn Budget and Spending Review in October 2021, spending forecasts increased substantially, particularly for health spending. However, it's not clear how far this is a response to the pandemic.

1 What's the total cost of pandemic spending?

1.1 Overall government spending

The Covid-19 pandemic is ongoing, and we will likely never know the total that the Government has spent in response. This is because the costs of the pandemic include not only spending on new programmes that directly deal with the effects of the virus, but also higher indirect costs associated with the major changes in society and people's behaviour in 2020. These indirect costs are much harder to measure. The Library's briefing [Coronavirus: Economic impact](#) has more on the economic impact of Covid-19 in general.

Different organisations have therefore come up with different estimates for the total amount of public money spent on the pandemic. Some of the main ones are as follows:

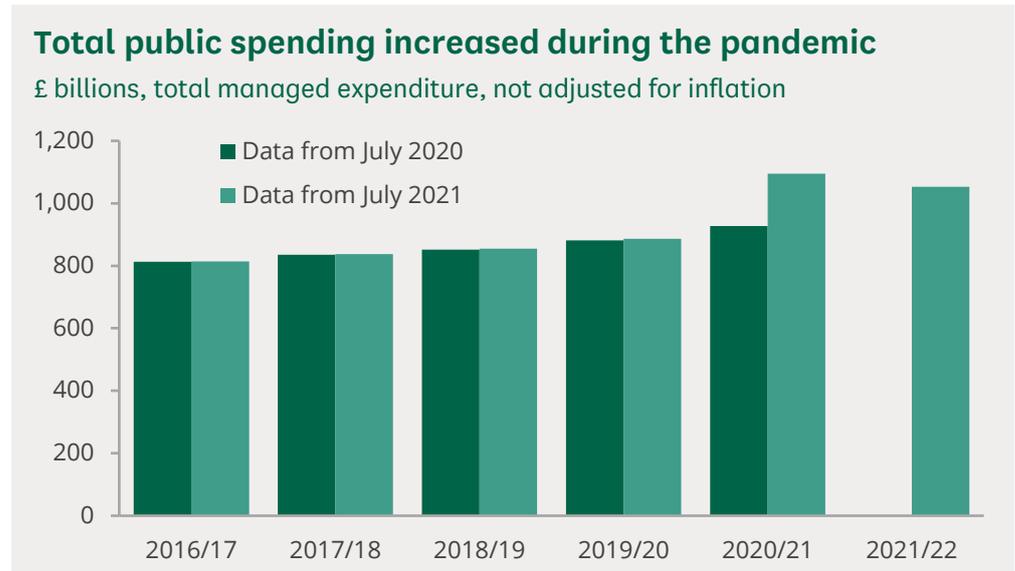
- The **Office for Budget Responsibility** (OBR) estimated in March 2022 that the total cost of “pandemic-related support measures” would be **£311 billion**. Of this, about £229 billion was estimated to be spent in 2020/21, £78 billion in 2021/22, and much smaller amounts (£1 billion per year or less) in subsequent years. This represents a significant decrease relative to its earlier estimate of £346 billion in March 2021. The difference largely comes from various programmes, such as NHS Test and Trace, costing less than expected.¹
- The **National Audit Office** (NAO) runs a [Covid-19 cost tracker](#), which is regularly updated with estimates of the total lifetime cost of Covid-19 support measures, as well as the total spent so far. As of September 2021, the estimated total cost was **£368 billion**; at least £259 billion of this had already been spent.²
- The **International Monetary Fund** (IMF) keeps a database of important fiscal measures that governments around the world have taken in response to the pandemic. As of September 2021, its estimate for total UK spending was **£407 billion** in direct spending and in taxes and duties the Government chose not to collect, or leave until later. It also estimates a total of £353 billion in “off-budget” measures, mostly spending that may

¹ Office for Budget Responsibility, [Economic and fiscal outlook – March 2022](#), 23 March 2021, table A.7

² National Audit Office, [COVID-19 Cost Tracker](#), retrieved 12 November 2021

occur in the case of defaults on emergency loans to businesses; most of this is not expected to end up as direct costs.³

The Government has also published the first official figures for the amount of money spent in 2020/21, as part of HM Treasury's [Public Expenditure Statistical Analyses](#) publication.⁴ Although this does not include an estimate of money specifically spent on Covid-19, we can compare the outturn figures to earlier forecasts to get an idea of how much spending plans have changed.



Note: July 2020 data did not include a forecast for 2021/22.

Source: HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021

Total spending in 2020/21 was £1,094 billion, a difference of £167 billion from the £928 billion forecast in July 2020. This was the first time that total public spending has ever exceeded £1 trillion (£1,000 billion) in a single year and was an increase of 23.5% compared to the previous year (this was the largest year-on-year change since 1975/76).⁵

1.2

Departmental and functional breakdowns

As the Covid-19 pandemic was a public health emergency, the extra spending required has not been spread evenly across Government. There are several breakdowns available for this spending, showing which parts of Government have been spending the most.

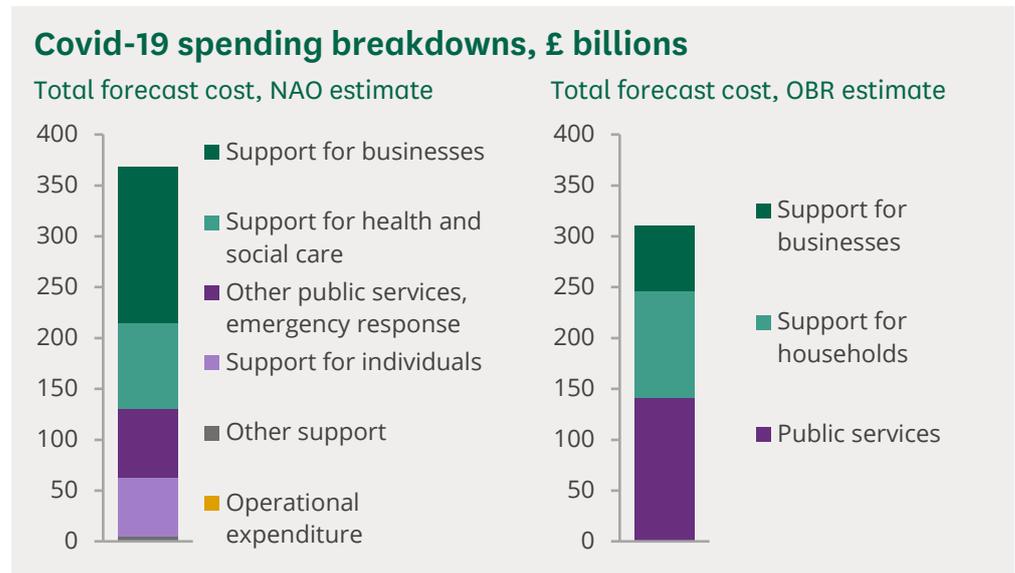
³ International Monetary Fund, [Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic](#), September 2021

⁴ HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021

⁵ Office for Budget Responsibility, [Public finances databank](#), 23 July 2021

High level breakdowns by area

Both the OBR and NAO's data can be broken down into broad types of financial support, as shown in the chart below.



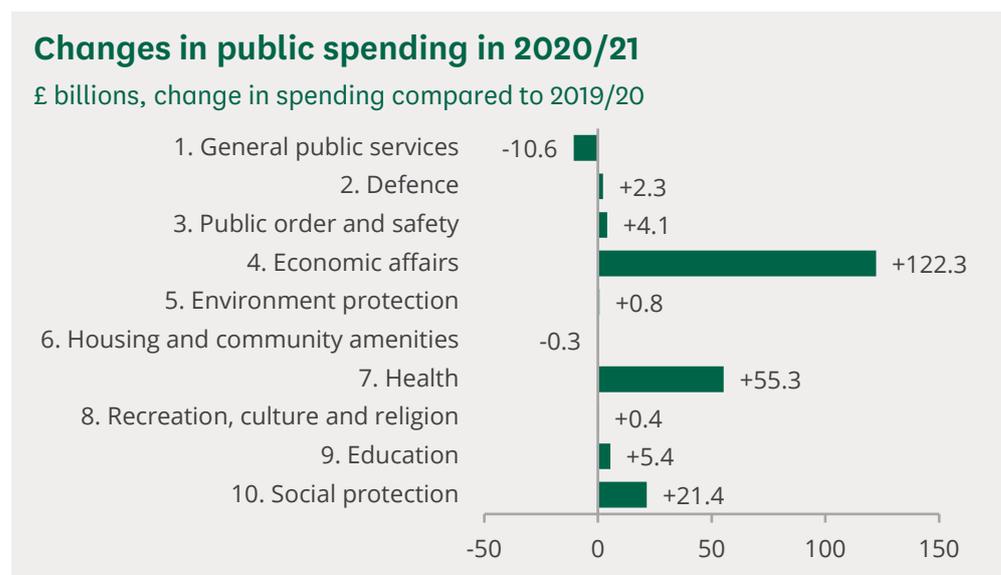
Source: Office for Budget Responsibility, [Economic and fiscal outlook – March 2022](#), 23 March 2022; NAO, [COVID-19 Cost Tracker](#), retrieved 12 November 2021

Both sources agree that most extra spending has been on public services, support for businesses and support for individuals. However, they disagree on which of these is the highest. The NAO estimates that support to businesses has been the largest, at £154 billion, while the OBR puts the total for this category much lower (at £64 billion). For the OBR, spending on public services has been the largest.

This discrepancy is almost entirely because the two organisations disagree on how to classify the Coronavirus Job Retention Scheme (CJRS, also known as the furlough scheme). The NAO considers it to be support to businesses, while the OBR classifies it as support for households.⁶

Finally, the Treasury publishes a breakdown of public spending each year, using the UN's Classifications of the Function of Government (COFOG) system. Comparing the breakdown of spending in 2020/21 to the previous year lets us see which government functions had the largest increases in 2020/21. The spending is shown in the chart below.

⁶ Both interpretations are entirely reasonable, as furlough payments were directly made to businesses but were used to support salaries.



Source: HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021

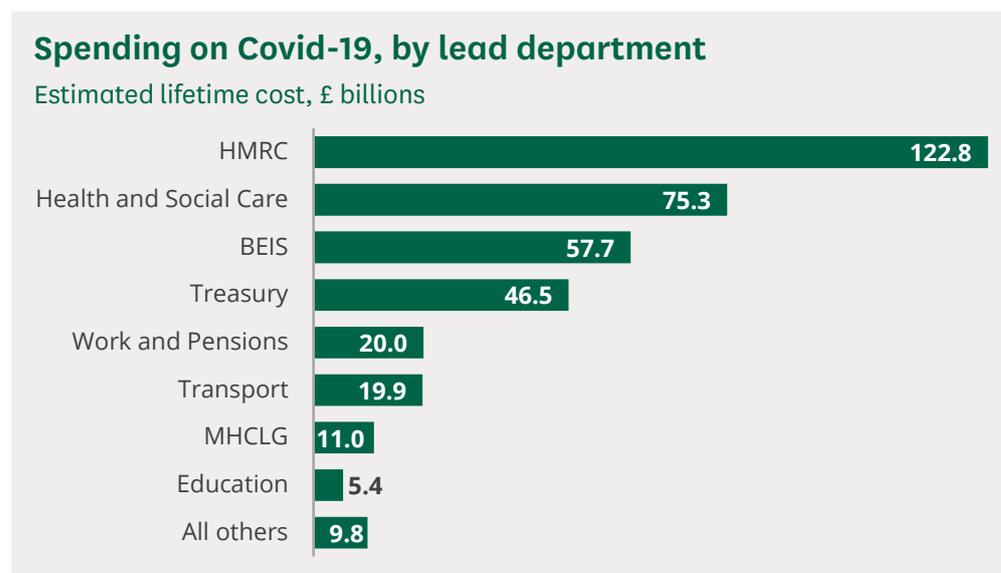
This shows that ‘economic affairs’ had the largest increase in 2020/21, at £122 billion (this is again almost certainly the effect of the CJRS and similar schemes). Health spending and social protection spending also had significant increases. The only function to have a significant decrease in spending was general public services,⁷ probably because the reduction in the Bank of England’s base rate meant that the cost of maintaining public debt fell significantly.⁸

Government departments’ spending

We can also look at the Government departments that have spent the most. The NAO’s cost tracker dataset is organised in a way that lets us look at the amounts spent by each department, as follows:

⁷ General public services are services that can’t be easily classified anywhere else. The category includes the cost of running the government, foreign economic aid, and financial and fiscal affairs.

⁸ The Bank of England’s base rate was cut to 0.1% on 19 March 2020 in response to the pandemic, the lowest level it has ever reached. Because much of the Government’s debt is held by the Bank of England, the cost of maintaining that debt (its interest rate) is also effectively 0.1%.

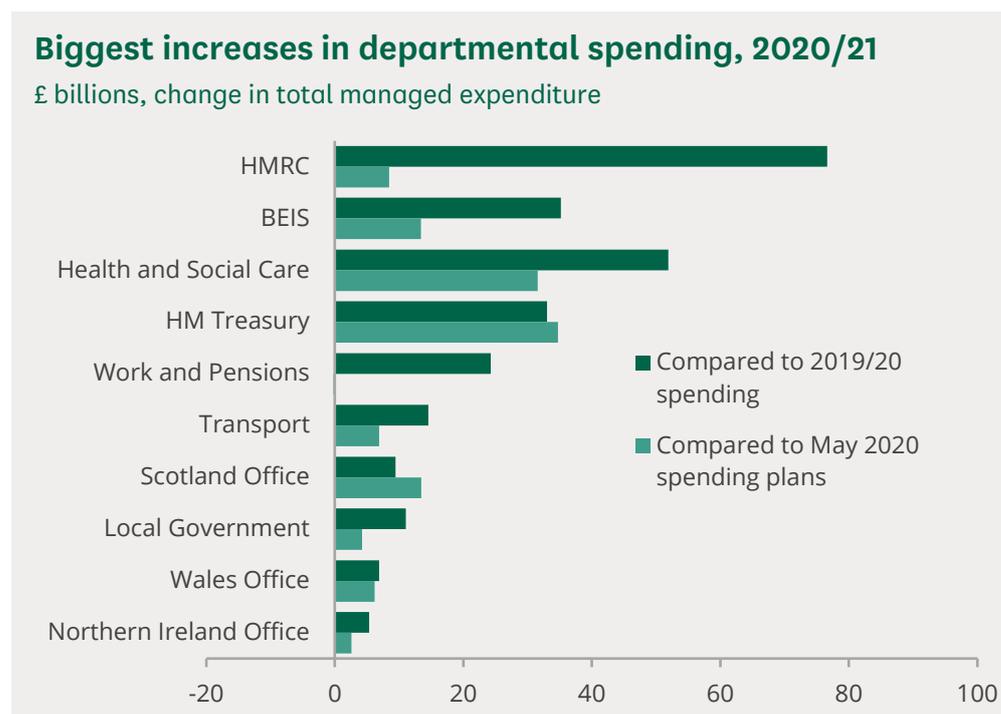


Source: NAO, [COVID-19 Cost Tracker](#), retrieved 12 November 2021

This shows that HMRC has been responsible for more Covid-19 spending than any other department. This isn't surprising considering it is the department responsible for both the CJRS and the Self-Employment Income Support Scheme (SEISS), as well as measures like the temporary VAT cut for some industries.

The other departments which spent particularly heavily were the Department for Health and Social Care (responsible for several high-cost measures such as NHS Test and Trace, PPE procurement, and the vaccination programme), and the Department for Business, Energy and Industrial Strategy (BEIS, which funded the Bounce Back Loan Scheme and several business grant funds, among other things). These three departments together are responsible for almost 70% of all Covid-19 spending.

Similar patterns can be seen in the Treasury's spending data for 2020/21. This has the advantage of being official Government data, but the figures are lower as they cover only a single financial year. The chart below shows the departments which had the largest changes in their overall spending between 2019/20 and 2020/21.



Source: HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021 (and [2020 edition](#))

This confirms that HMRC, BEIS, and the Departmental for Health and Social Care had the largest spending increases in 2020/21 compared to the previous year.

The comparison to the May 2020 spending plans shows that different departments incurred much of this extra spending at different times. In particular, HMRC's planned spending for 2020/21 was already much higher by May 2020 than it had been in 2019/20, because the furlough scheme was already in place by then. The department which spent the most relative to its May 2020 plans was HM Treasury. This is possibly because several of the measures which were the Treasury's responsibility (such as business rates relief) began after that point.

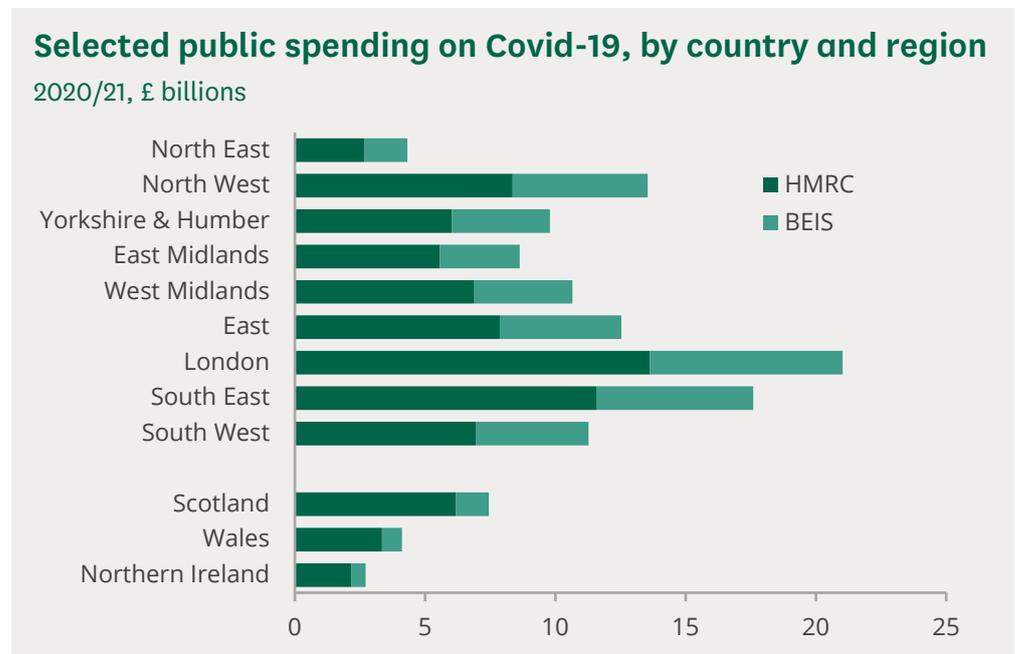
1.3 Regional distribution

There is little published information on the parts of the UK in which most public spending on Covid-19 took place. This is partly because the location of spending can be difficult to determine – for example, spending on PPE could be associated either with the location of the supplier or the place where the PPE was used.

HM Treasury's [Country and regional analysis: 2021](#), which came out in November 2021, does include some estimates of regional breakdowns for specific Covid-19 spending programmes. These programmes include HMRC spending on the Coronavirus Job Retention Scheme (CJRS), the Self-Employment Income Support Scheme (SEISS), and the Eat Out to Help Out

Scheme, as well as spending by BEIS on business loan schemes, business support grants, and the [Vaccines Taskforce](#).

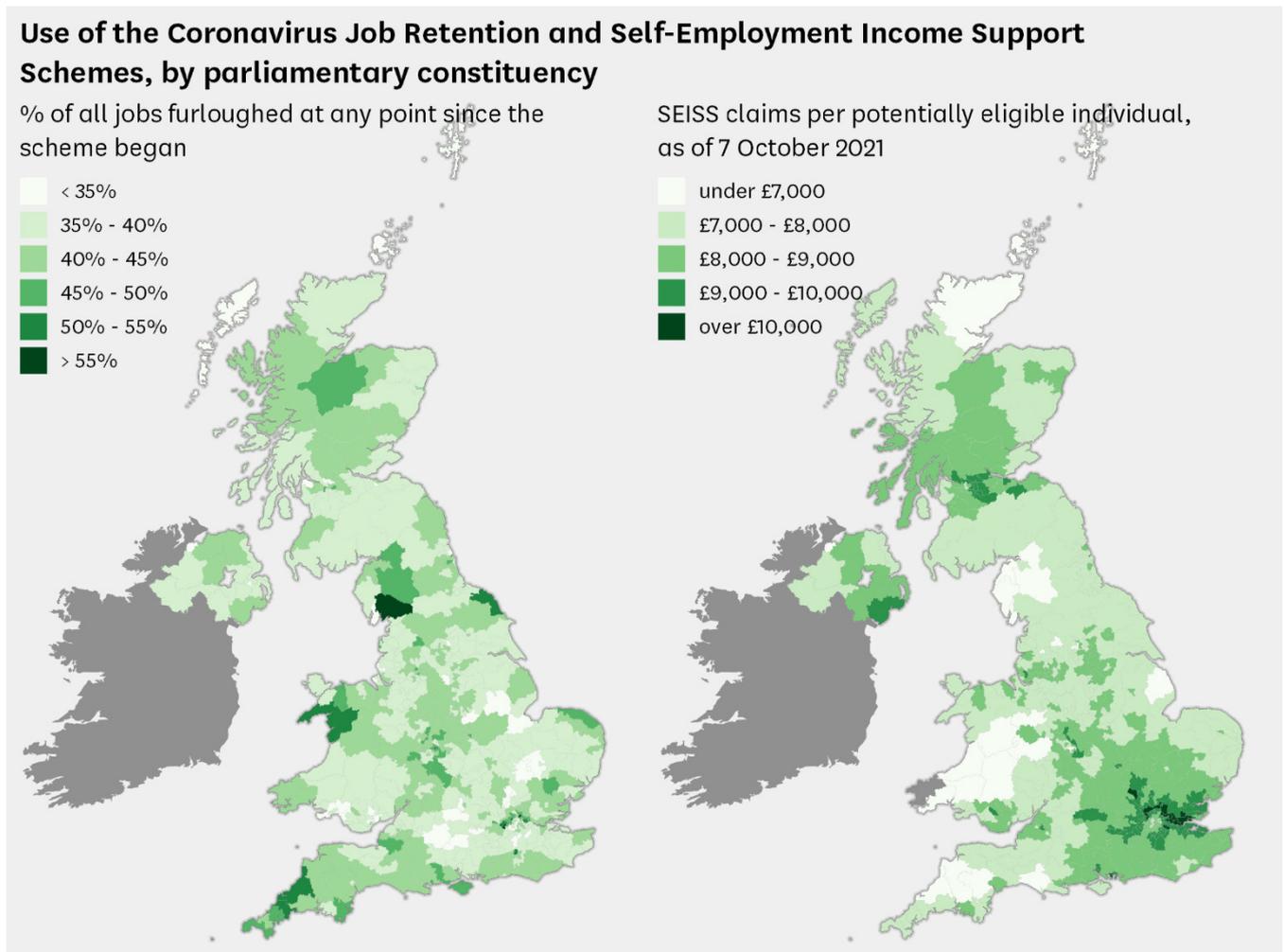
The spending on these programmes can be broken down by country and region and split between HMRC and BEIS spending, as shown in the chart below.



Source: HM Treasury, [Country and regional analysis: 2021](#), 24 November 2021

This chart shows that London has received more spending from these programmes than any other English region. All English regions other than the North East received more spending than Scotland, Wales or Northern Ireland (although this does not include any spending by the devolved administrations on similar programmes).

The Government has also published local-level information for some of its programmes. In some cases, spending figures are published; in others, the published statistics only tell us the level of the programme’s activity. In the latter cases, the published information should only be treated as a rough indication of the amount of spending in each area.

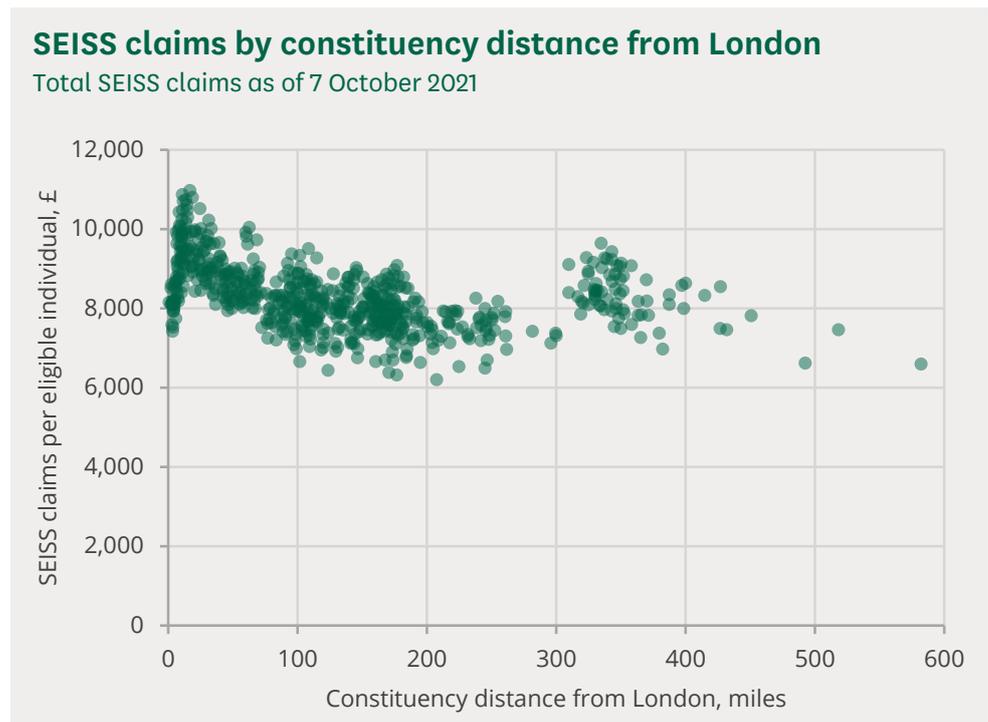


Source: [HMRC coronavirus \(COVID-19\) statistics](#), 4 November 2021

The maps above show how much the CJRS and SEISS (the support schemes for employees and the self-employed, respectively) were used in each area.

Almost all UK regions used **the CJRS** extensively, with 30 to 55% of jobs furloughed at least once almost everywhere in the UK. The heaviest use of the scheme was in the constituency of Westmorland and Lonsdale (Cumbria), where 59% of employments were furloughed. Other constituencies with very high use of the scheme were in parts of London, Wales and Cornwall.

By contrast, the highest use of **the SEISS** was strongly concentrated around London (although not so much within it) – this becomes a clear pattern when we plot each constituency's average SEISS claims per person against their distance from London.



Note: Each dot represents one parliamentary constituency. Distances are calculated as the straight-line distance from the geometric centre of the constituency to Charing Cross.

Source: [HMRC coronavirus \(COVID-19\) statistics](#), 4 November 2021

This shows that the highest levels of SEISS claims have been just outside London, with the level dropping off fairly steadily further away. A second peak is visible in the data around Edinburgh and Glasgow, suggesting that the areas with the highest SEISS claims are to be found just outside major cities.

Further data on the Government's employment support schemes is available in the Library's briefing [Coronavirus: Impact on the labour market](#).

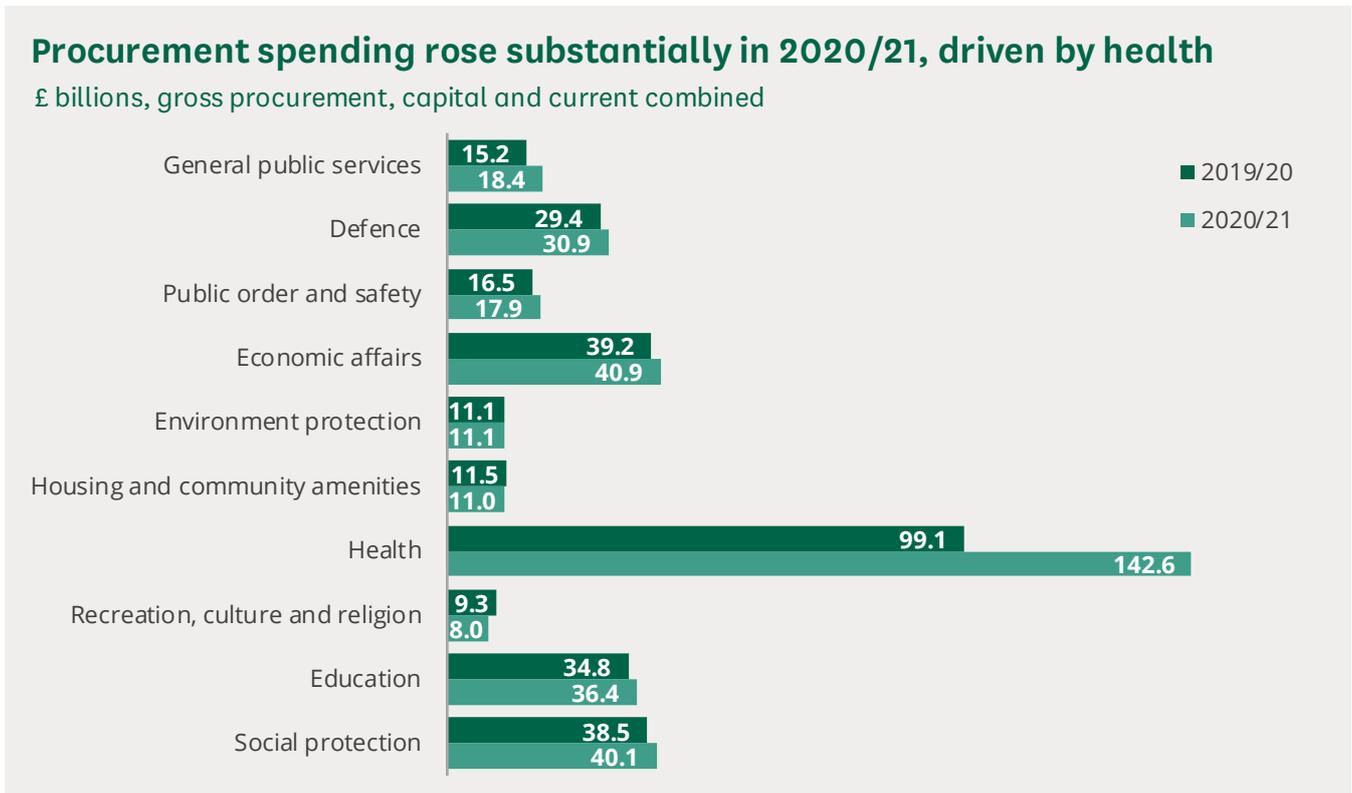
The Government has also published data on the amount of money it provided to local authorities in England through various support schemes during the pandemic. These are broken down in the Library's [data dashboard on local authority funding](#), which shows the amount that went to each authority from each government scheme.

1.4 Procurement

One of the ways in which the Government achieves its goals is to buy goods and services. This is referred to as 'procurement' and can cover a wide range of things. Procurement has been used extensively during the Covid-19 pandemic, for sourcing supplies such as personal protective equipment (PPE) and ventilators, and for services such as consultancy or NHS Test and Trace.

Gross spending on public sector procurement increased by £53 billion or 17% between 2019/20 and 2020/21. Most of this increase was due to a £43 billion increase in health spending, a rise of 44%.⁹

Published budgets for 2021/22 suggest procurement spending will stay at around the higher levels seen in 2020/21.¹⁰



Source: HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021, tables 5.5 and 5.6

Market intelligence company Tussell has tracked contracts awarded by the Government that relate to coronavirus since the start of the pandemic. While this information can be patchier than the Treasury data above, it does give more detailed information on spending in particular areas – for example it estimates that contracts for £14.6 billion have been awarded for PPE.¹¹

Due to the urgency of the public health crisis, many procurement procedures have been expedited. In some cases, these procedures resulted in suppliers being chosen without the contract being put out to tender or otherwise advertised. Organisations both within and outside Parliament have looked

⁹ HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021, tables 5.5 and 5.6. Figures include procurement by the public sector from the public sector.

¹⁰ HM Treasury, [Public Expenditure Statistical Analyses 2021](#), 20 July 2021, tables 2.2 and 2.3 – note that these figures are based on government budgets which do not cover all of the public sector, unlike the other figures quoted.

¹¹ Tussell, [Latest Updates on UK Government COVID-19 Contracts and Spending](#), 5 November 2021

into the way that procurement worked during the pandemic. The Library's debate pack on [Covid-19 contracts and the public inquiry into the handling of the outbreak](#), published for an opposition day debate on 7 July, has further information.

2

Where did the money come from?

The Government funded most of its 2020/21 spending through the receipts it raised from taxes and other sources. But the Government spent more than it raised from these receipts and it borrowed to make up the difference.

Governments borrow in most years, but the amount borrowed in 2020/21 was a peacetime record. Borrowing financed around 29%, or around £1 in every £3.50, of public spending in 2020/21.¹²



Source: ONS. [Public sector finances – October 2021](#)

2.1

Government receipts

The Government raised £792 billion from taxes and other revenues in 2020/21. These Government receipts were 9.3% lower in 2020/21 than forecast before the pandemic and 4.4% lower compared with 2019/20. These falls are relatively small considering the larger contraction in the size of the UK economy.

Receipts usually fall during a recession and usually fall slightly faster than the size of the economy.¹³ However, during 2020/21, receipts fell to a lesser extent than the economy, which meant that receipts were larger relative to the size of the economy in 2020/21, compared with 2019/20.¹⁴ This is despite the

¹² ONS. [Public sector finances – October 2021](#)

¹³ The OBR puts this down to “the effects of fiscal drag going into reverse and sharper falls in taxes linked to asset prices, which themselves vary more than one-for-one with GDP”. OBR. Fiscal Risks Report. July 2021, [para 2.23](#)

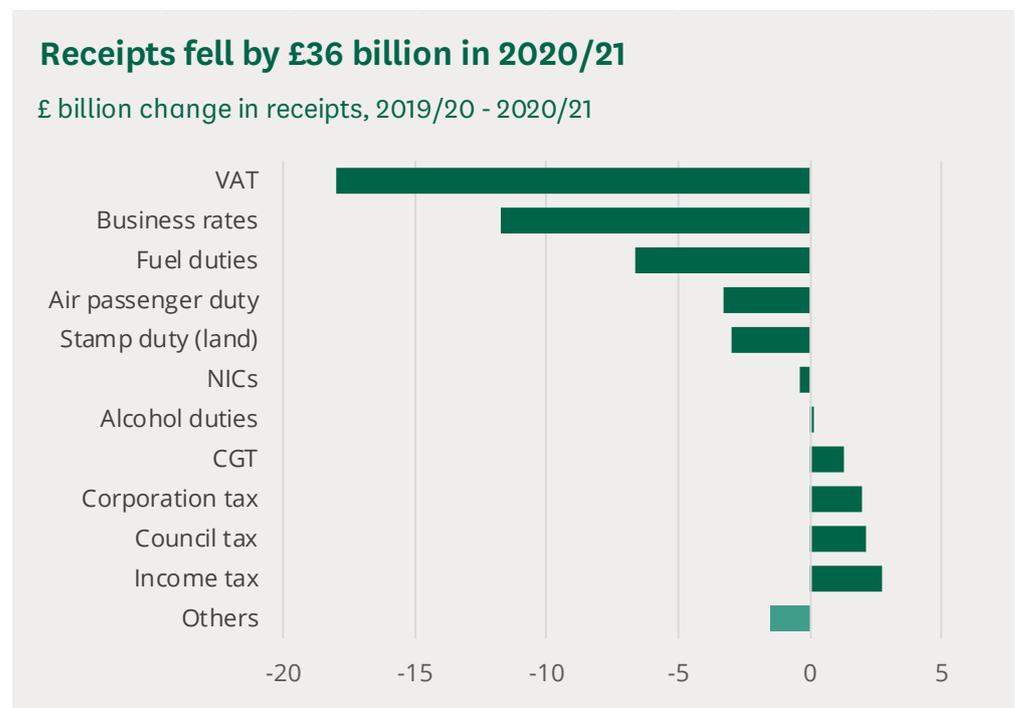
¹⁴ Receipts were equivalent to 36.9% of GDP in 2020/21 and 36.6% of GDP in 2019/20. They were forecast (in March 2020) to be equivalent to 37.9% of GDP in 2020/21.

Government making tax cuts that reduced receipts, such as holidays for business rates and stamp duty and cuts to VAT for the hospitality sector.

It's likely that, overall, receipts held up relatively well because of the financial support that the Government provided to protect household incomes and support businesses. For example, for personal income taxes, wages and salaries grew during 2020/21, despite the fall in economic output, particularly due to the support provided through the furlough scheme. Corporation tax receipts benefited from the grants and business rates relief provided to businesses in 2020/21, which supported their taxable profits.¹⁵

Not all receipts held up as well. Largely due to public health restrictions, air passenger duty receipts were 91% lower and fuel duties were 24% lower than in 2019/20. Almost exclusively because of the business rates holiday for retail, hospitality and leisure businesses, business rates receipts were £12 billion lower in 2020/21, compared with 2019/20.

VAT receipts fell to the greatest extent in cash terms. VAT receipts were around £18 billion lower in 2020/21, compared with 2019/20. The fall in VAT receipts reflects both the fact that in 2020/21 consumers were less able to go out and spend and that the Government cut VAT from 20% to 5% for the 'hospitality, accommodation and attractions' sector. Strength in other areas of spending meant that VAT receipts didn't fall to a greater extent. For instance, higher government procurement brought in VAT receipts as did strength in the financial sector and home improvements.¹⁶



Source: ONS. Public sector finances, UK: October 2021, [Appendix D](#)

¹⁵ OBR. Fiscal risks report – July 2021, [para 2.24](#)

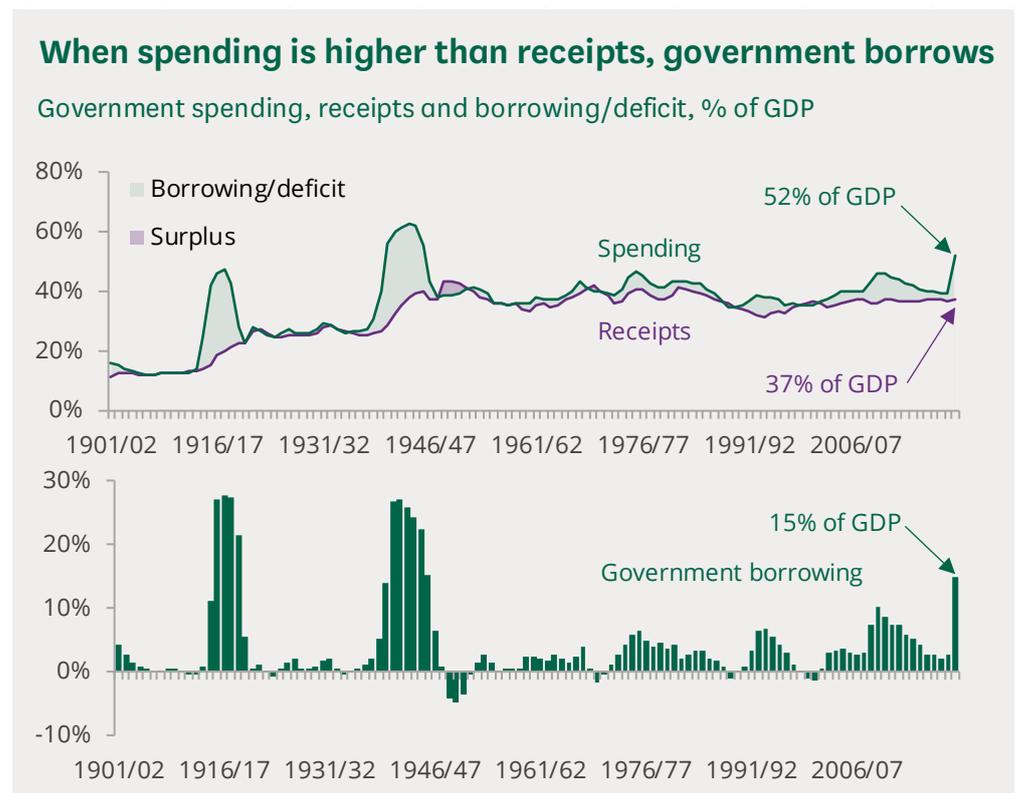
¹⁶ OBR. Fiscal risks report – July 2021, [para 2.24 & ONS. Public sector finances – October 2021](#)

2.2

Borrowing

The Government spent £323 billion more in 2020/21 than it raised from receipts. It borrowed to fund the difference. The difference between government spending and receipts is often referred to as the Government's budget deficit.

In 2019/20, the Government borrowed £57 billion. Before the pandemic, it was forecast to borrow £55 billion in 2020/21. The £323 billion it actually borrowed in 2020/21 was equivalent to 15.1% of GDP, which is a peacetime record.



Source: OBR. [Public finances databank – October 2021](#) [accessed on 24 November 2021]

How does the Government borrow?

The Government borrows by selling bonds, which are usually referred to as gilts.¹⁷ These are essentially “IOUs” which the Government sells to investors and pays interest on. Purchasers of government bonds include pension funds, insurance companies, asset managers, banks, households and overseas investors.

Once the bonds have been bought, they can be traded by investors on secondary markets. Of course, when one investor in the secondary market

¹⁷ The Debt Management Office (DMO) is the Treasury's agency responsible for debt and cash management for the UK Government. The DMO works to ensure the most cost-effective financing of the government's debt obligations and auctions government bonds.

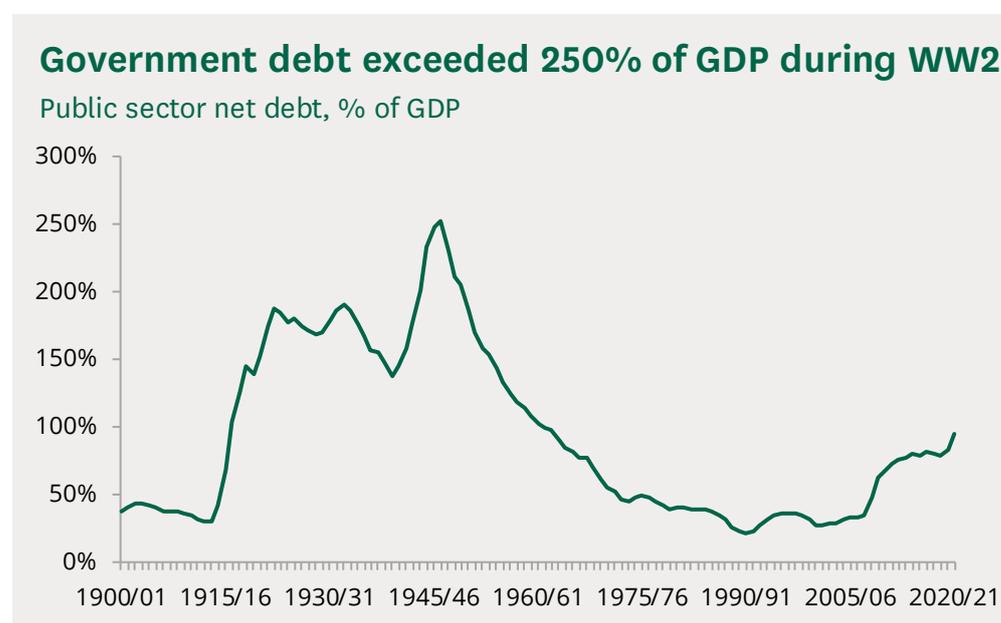
sells their bond to another investor, there is no new funding given to the Government.¹⁸

Further information is available in the Library Insight [Coronavirus: Government debt, an explainer](#).

Government debt

Broadly speaking, government debt is the accumulation of its outstanding past borrowing. Outstanding gilts make up most of government debt.

As a result of the pandemic, government debt is set to rise by over 20% of GDP.¹⁹ It's grown from 82% of GDP in January 2020 to 95% of GDP in October 2021. While this is the highest level since the early 1960s, government debt has been higher in the past.



Sources: ONS. [Series HF6X](#). OBR. [Public finances databank – October 2021](#) [accessed on 24 Nov 2021]

The cost of borrowing

The Government has been able to borrow throughout the pandemic at very low rates of interest. Before the pandemic, investors were willing to lend to the Government at low rates and they have continued to do so. In fact, rates fell during periods of 2020/21.

It wasn't just the cost of new borrowing that remained low during 2020/21. The interest cost of the Government's existing debt stock is affected by the rate at which investors will lend, the interest rate set by the Bank of England and inflation, which all fell during 2020/21.

¹⁸ The fixed payments from the bond will now have to be paid to the new owner of the bond.

¹⁹ OBR. Fiscal risk report – July 2021, [para 2.13](#)

Relative to tax revenues, government's debt interest costs are at a 320-year low.²⁰ Most economists agree that so long as the Government's borrowing costs remain low, high levels of debt aren't of immediate concern.²¹ However, high levels of debt leave the public finances more vulnerable to surprises in interest rates and inflation.²²

The Office for Budget Responsibility assessed the risks associated with the Government's elevated stock of debt in its [Fiscal risks report – July 2021](#).

2.3 Emergency funding approval

Regardless of whether government spending is funded by receipts or by borrowing, it still needs to be approved by Parliament. This happens through the Estimates process. Twice a year, the Government puts its proposals for each department's spending before Parliament, which then votes on whether to accept these plans.

The Estimates process can take some time to complete, and sometimes unexpected spending pressures mean there isn't time to carry it out before money previously approved runs out. There are mechanisms in place to help with this – in particular, the Contingencies Fund exists to provide advanced funding to departments, which is then paid back in the next Estimates, effectively shifting approval of the funding to later in the year.

The Contingencies Fund's normal rules limit it to providing no more than 2% of the previous year's spending, to discourage its everyday use. In the case of the Covid-19 pandemic, this limit was insufficient to cope with the huge sums of money required to deal with the pandemic. The Government therefore passed the [Contingencies Fund Act 2020](#) and the [Contingencies Fund Act 2021](#) to raise the Fund's spending limit (to 50% of the previous year's limit in 2020/21, and to 12% in 2021/22).

Actual usage of the Fund in 2020/21 came to a total of £214.7 billion, most of which was paid back in the 2020/21 Supplementary Estimates.²³

2.4 Scrutiny of spending

Parliament generally gives little formal scrutiny to Government spending before it takes place – the Estimates process is the only formal opportunity to

²⁰ IFS. Green Budget 2020: Chapter 4, 13 October 2020, [Figure 4.14](#); Bank of England, [A millennium of macroeconomic data](#); OBR. [Public finances databank](#)

²¹ See: IFS. [The outlook for the public finances under the long shadow of COVID-19](#), June 2020; Resolution Foundation, [Doing more of what it takes](#), April 2020

²² OBR. Fiscal Sustainability Report – July 2020, [para 5.47](#)

²³ HM Treasury, [Contingencies Fund account 2020 to 2021](#), 16 September 2021

do so, and only a small proportion of the overall proposed budget is debated and individually approved. The use of emergency spending powers in the pandemic resulted in relatively little Covid-19 spending receiving any detailed formal scrutiny in advance of its being spent.

However, there has been considerable scrutiny of the spending on Covid-19 since it took place. Some of the more significant ways in which this has happened include the following:

- The National Audit Office (NAO) has carried out several investigations into different areas of Government operation during the pandemic. It has covered, among other things, [supply of PPE](#), [Government procurement](#), and [overall learning from the response to the pandemic](#).²⁴
- The Public Accounts Committee has carried out inquiries, many of them based on NAO reports. Apart from an overall inquiry on the [whole of Government response to Covid-19](#) in July 2020, it has also looked at areas including [procurement and the supply of PPE](#), [local government finance](#), [support for education](#) and [support for jobs](#).²⁵
- The Treasury Committee has carried out a large multi-stage inquiry on the [economic impact of coronavirus](#). The first stage in particular looked at the Government and the Bank of England's financial response to coronavirus, and the inquiry has produced [several reports so far](#).²⁶

²⁴ National Audit Office, [The supply of personal protective equipment \(PPE\) during the COVID-19 pandemic](#), 25 November 2020, [Investigation into government procurement during the COVID-19 pandemic](#). 26 November 2020, [Initial learning from the government's response to the COVID-19 pandemic](#), 19 May 2021

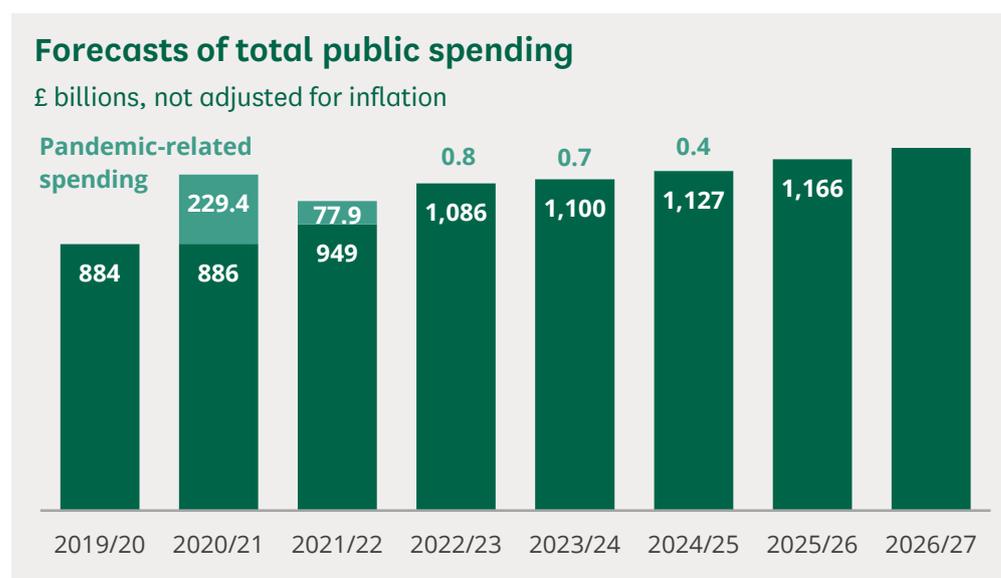
²⁵ Public Accounts Committee, [Whole of Government Response to COVID-19](#), 23 July 2020, [COVID-19: Government procurement and supply of Personal Protective Equipment](#), 10 February 2021, [COVID-19: Local government finance](#), 4 June 2021, [COVID-19: Support for children's education](#), 26 May 2021, [Covid-19: Support for jobs](#), 20 December 2020

²⁶ Treasury Committee, [Economic impact of coronavirus](#) reports

3

What's next for public spending?

The Government's own plans for future spending currently assume there will be no significant spending on Covid-19 after 2021/22 (although the OBR forecast that relatively small amounts of spending – around £1 billion per year or less – will continue until at least 2025/26).²⁷ However, overall spending will continue to increase.



Source: OBR, [Economic and fiscal outlook – March 2022](#), 23 March 2022, table A.7 and supplementary expenditure table 3.3

It does seem likely that spending pressures from Covid-19 will be around for rather longer than 2021/22. The OBR's [Fiscal risks report](#), published in July 2021, lists a number of these pressures, including:

- **Government-guaranteed loans:** The Government guaranteed nearly half of all lending to small and medium sized businesses in 2020/21, as well as significant lending to larger businesses. There is currently no good estimate of how many of these businesses might default on their payments, resulting in a cost to the Treasury. This will depend on the economic recovery, as well as on individual companies.
- Ongoing demand on **health services**, particularly if NHS Test and Trace needs to continue running into 2022/23 or further vaccination and revaccination programmes continue. There may also be pressures on mental health services due to the impact of the pandemic and the

²⁷ See OBR, [Economic and fiscal outlook – March 2022](#), 23 March 2022, table A.7

lockdowns, and extra spending on clearing the backlog of treatments that were delayed during the pandemic.

- Extra spending on **education** to make up for the schooling lost due to school closures.²⁸
- Spending on the changes to **transport** as people's working patterns change. Spending on the railways and on Transport for London in particular remains very difficult to predict, as we do not yet know how people's use of public transport is likely to change in the longer term.

The OBR's Economic and fiscal outlook publication in October 2021 did not identify any further spending pressures but did say there was still a possibility of pandemic-related spending increasing again if new restrictions had to be introduced, or if a new and vaccine-resistant variant of the virus emerged.²⁹

The additional spending pressures caused by the pandemic may have fed into the Chancellor's decision to increase spending in the Autumn Budget and Spending Review in October 2021. As explained in the Library's [summary briefing](#), the total amount of spending allocated to departments was much higher than previously announced. In 2022/23 alone, total day-to-day planned spending was set to be nearly £27 billion higher than had been previously planned at the March 2021 Budget.³⁰

A large proportion of this extra spending has been allocated to health. In 2024/25, health spending will be £18.8 billion higher in real terms than it was in 2021/22, an increase larger than any other department. Education, foreign policy and local government are some of the other areas receiving large increases.

These spending increases have resulted in total spending as a proportion of the economy (sometimes called the 'size of the state') forecast to grow to its highest sustained level since the 1970s. The tax burden (again as a proportion of the economy) is also forecast to reach its highest level since the 1950s.³¹

However, it is not necessarily the case that these spending increases are directly linked to the Covid-19 pandemic. Following the Budget and Spending Review, Paul Johnson, director of the Institute for Fiscal Studies, said these were "almost entirely a set of policy choices unrelated to the pandemic". He also said the Chancellor was primarily responding to greater need in healthcare and a decade of low funding for other areas.³²

²⁸ For more on this, see the Library's debate pack [Estimates day debate: Measures to support education recovery](#), 25 June 2021

²⁹ OBR, [Economic and fiscal outlook – October 2021](#), 27 October 2021

³⁰ [Commons Library Research Briefing CBP-9351. Autumn Budget and Spending Review 2021: A summary, 28 October 2021.](#)

³¹ OBR, [Economic and fiscal outlook – October 2021](#), 27 October 2021, paragraph 1.4

³² Institute for Fiscal Studies, [Autumn Budget and Spending Review 2021](#), 28 October 2021

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