

# I AM ADVISED

GUIDE TO

## SPENDING REVIEW 2020

HOW WILL THE KEY ANNOUNCEMENTS  
AFFECT YOU, YOUR FAMILY AND BUSINESS?





*Spending Review 2020 takes place in extremely challenging circumstances. The immense economic uncertainty associated with COVID-19, and the looming end of the Brexit transition period, makes this an extraordinarily difficult time to be formulating public spending plans.*

# Spending Review 2020

This year's Spending Review 2020, which covers just one financial year due to the economic uncertainty caused by the coronavirus (COVID-19) pandemic, was delivered by the Chancellor of the Exchequer, Rishi Sunak, to Parliament on 25 November 2020.

It takes place in extremely challenging circumstances. The immense economic uncertainty associated with COVID-19, and the looming end of the Brexit transition period, makes this an extraordinarily difficult time to be formulating public spending plans.

The Chancellor's opening comments announced that the 'Spending Review delivers on the priorities of the British people. Our health emergency is not yet over. And our economic emergency has only just begun. So our immediate priority is to protect people's lives and livelihoods.'

Mr Sunak commented that the Spending Review 2020 prioritises funding to support the Government's response to COVID-19, invest in the UK's recovery and deliver on promises to the British people. It sets departmental budgets for 2021/22 and devolved administrations' block grants for the same period, confirming that core day-to-day spending – that is, before taking into account COVID-19 spending – will grow at an average of 3.8% a year in real terms from 2019/20 to 2021/22.

The COVID-19 pandemic, the Chancellor says, has caused exceptional hardship for individuals, families and businesses across the UK. The Office for Budget Responsibility's (OBR) forecast expects Gross Domestic Product (GDP) to shrink by 11.3% in 2020.

Mr Sunak confirmed an additional £38 billion for public services to continue to fight the pandemic this year, bringing total support for public services to £113 billion in 2020/21, and total spending on the COVID-19 response this year to over £280 billion.

The Chancellor announced that the Spending Review 2020 will provide a further £55 billion of support for the public service response to COVID-19 during 2021. This funding is targeted to control and suppress the virus, increase support to public services, and support jobs and businesses.

Next year, as a result of the Spending Review 2020, £100 billion of capital spending has been allocated to help kick-start growth and support jobs. Mr Sunak commented that this investment will level up opportunity across all regions of the UK to ensure that the recovery supports everyone, no matter where they live.

Building on the increased investment next year, Spending Review 2020 goes further to maintain momentum on key infrastructure projects with select multi-year settlements. The Chancellor announced this includes targeted investment to deliver a green industrial revolution, tackle climate change and support hundreds of thousands of jobs. ◀

## 2020 Vision

In our Spending Review 2020, we reveal the key announcements. If you would like to review what action you may need to take to keep you, your family and your business on track – or if you have any further questions – please contact us.



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# Spending Review 2020

## Key announcements at a glance

Chancellor of the Exchequer, Rishi Sunak, outlined the Government's spending plans to Parliament on 25 November 2020 for the next financial year, focusing on the response to COVID-19, jobs, public services and infrastructure. These are the key Spending Review 2020 announcements from the Chancellor.

### Growth

- Economy set to contract by 11.3% this year, the biggest decline in three centuries
- GDP to grow by 5.5% next year, 6.6% in 2022, 2.3% in 2023, 1.7% in 2024 and 1.8% in 2025
- Economic output not expected to return to pre-crisis levels until the fourth quarter of 2022
- Unemployment forecast to reach 7.5% next spring, with 2.6 million people unemployed
- Economy 3% smaller in 2025 than was expected in March 2020 Budget forecast

### Borrowing

- Budget deficit £394 billion this year – highest level in peacetime
- Borrowing to remain at £164 billion next year and £100 billion for the remainder of the forecast
- UK debt equivalent to 91.9% of Gross Domestic Product (GDP) this year, rising to 97.5% of GDP in 2025/26

### Public Sector Pay

- Pay rises for the public sector paused next year, with an exemption for more than 1 million nurses and doctors in the NHS.
- 2.1 million public sector workers who earn below the median wage of £24,000 guaranteed a pay rise of at least £250
- National living wage increased to £8.91 an hour, and extended to over-21s
- Overall unemployment forecast to peak next year at 7.5%

### Health and Social Care

- £18 billion spending on COVID-19 testing, PPE and vaccines in 2021
- Core health budget increased by £6.6 billion, including an extra £3 billion for the NHS to cope with COVID-19 pressures
- £1 billion allocated to reduce treatment backlogs and enable delayed operations to proceed
- Target set to hire 50,000 new nurses
- £500 million allocated for mental health services in England
- £325 million to replace ageing diagnostic equipment like MRI and CT scanners
- £300 million extra grant funding allocated to councils to provide social care

### Brexit

- Office for Budget Responsibility (OBR) estimates the UK's economy may shrink by a further 2.1% – on top of the projected impact of COVID-19 – if there is no EU trade deal
- OBR warns of 'various temporary disruptions to cross-border trade' if current talks end without an agreement, affecting growth for up to five years
- Trade deals with other countries, the OBR says, like the US and Japan, are 'unlikely to compensate'

### Departmental Spending

- Day-to-day departmental spending to rise in real terms by 3.8%, the fastest growth rate in 15 years, in cash terms – this will be an increase of £14.8 billion on current levels
- Government to provide the same EU funding amounts for regional development after Brexit
- Funding for communities to pilot programmes will be made next year
- Schools budget increased by £2.2 billion

### Overseas Aid

- Government cutting the overseas aid budget to 0.5% in 2021, allocating £10 billion at this Spending Review

- Intention to return to 0.7% 'when the fiscal situation allows' – the Chancellor says during a 'domestic fiscal emergency', sticking rigidly to spending the international commitment of 0.7% on overseas aid, is difficult to justify to the British people

### Infrastructure and Levelling Up

- Investment in infrastructure totalling £100 billion next year, with plans to deliver the highest levels of sustained investment in 40 years
- Plans to launch a new infrastructure bank, to be headquartered in the north of England
- New £4 billion fund for 'levelling up', to which any local area can bid for the funding of local projects

### Business and Employment

- Business rates multiplier frozen in 2021/22
- £2.6 billion for Restart scheme to support those out of work for 12 months
- £4.6 billion new package to help people back to work
- £375 million skills package, including £138 million to provide Lifetime Skills Guarantee
- £1.6 billion for the Kickstart scheme to subsidise jobs for young people

### Scotland, Wales and Northern Ireland

- £4.7 billion increase for devolved administrations, including £2.6 billion fund to boost COVID-19 recovery
- Based on the Barnett spending formula, Scotland to receive £2.4 billion, Wales £1.3 billion and Northern Ireland £900 million
- As part of Scottish settlement, £570 million allocated to support farmers, £14 million for fisheries and £11 million for regional growth deals ◀

# Spending Review 2020

## Economic and fiscal outlook

Delivering the Spending Review 2020 to Parliament on 25 November 2020, the Chancellor of the Exchequer, Rishi Sunak, commented the coronavirus (COVID-19) pandemic has posed an unprecedented challenge to the UK economy and to economies around the world.

*Mr Sunak commented that the increase in borrowing and debt over the near term to fund the spending at Spending Review 2020 is both necessary and affordable.*



The restrictions needed to limit the spread of the virus, Mr Sunak continued, meant people could not live their lives as normal, and many businesses saw significant falls in turnover or were forced to close temporarily.

Output fell by 25% between February and April this year. In response, the Government introduced exceptional UK-wide support measures to protect jobs and incomes.

Initially, cases fell sharply, allowing for restrictions to be eased. The UK economy then grew rapidly from late spring onwards, and by September Gross Domestic Product (GDP) was around 8% below its pre-pandemic level.

However, since the beginning of the autumn, the UK – like many countries – has seen a resurgence of the virus. The Chancellor announced that the increase in cases has demanded a return to greater restrictions in order to contain the spread of COVID-19, save lives and protect the economy in the longer term. The Government has provided further support, directly and through devolved

administrations, to protect livelihoods and limit damage to the economy.

Amid unusually high levels of uncertainty, the Office for Budget Responsibility (OBR) forecasts that Gross Domestic Product (GDP) will fall by 11.3% in 2020, before returning to growth in 2021. However, the economy is not expected to reach pre-crisis levels until the end of 2022.

Mr Sunak commented that the increase in borrowing and debt over the near term to fund the spending at Spending Review 2020 is both necessary and affordable. It is the Government's responsibility to ensure that the next generation will inherit a strong economy backed by sustainable public finances and that the country will continue to have the space to fund vital public services and prepare for future shocks.

Therefore, over time, and once the economic recovery is secured, the Government will take the necessary steps to ensure the public finances are on a sustainable path. In the meantime, Mr Sunak continued, the Government will continue to make responsible

spending decisions that do not make that process harder than it needs to be.

Despite government action, unemployment has risen as a result of COVID-19. Spending Review 2020 continues the significant action the Government is taking to support jobs. This includes committing £2.9 billion to fund a new three-year UK-wide programme which will provide innovative and tailored support to help over one million long-term unemployed people. To protect the lowest paid, the Government will also increase the National Living Wage in line with the recommendations of the independent Low Pay Commission.

In order to ensure fairness between the public and private sectors, and protect public sector jobs and investment in services as COVID-19 continues to impact the public finances, the Government will temporarily pause headline pay awards for some workforces. Pay rises for over one million NHS workers and the lowest paid will continue despite the challenging economic context. ◀

## Spending Review 2020

# Building a stronger future

During his Spending Review 2020 speech, Chancellor of the Exchequer Rishi Sunak announced the next phase of the Government's infrastructure revolution, with £100 billion of capital expenditure next year to kick-start growth and support jobs.

The Chancellor commented this gives multi-year funding certainty for existing projects – such as school and hospital rebuilding, and flagship transport schemes – and targets additional investment in areas which will improve the UK's competitiveness in the long term, backing new investments in cutting-edge research and clean energy sources of the future.

Increased infrastructure investment is supported by a new National Infrastructure Strategy, which sets out the Government's plans to transform the UK's economic infrastructure. It is based around three central objectives: economic recovery, levelling up and unleashing the potential of the Union, and meeting the UK's net zero emissions target by 2050.

It will be headquartered in the North of England and will work with the private sector to finance new investment projects across the UK. The National Infrastructure Bank will replace the UK's participation in the European Infrastructure Bank following the country's departure from the European Union.

The announcement follows the Government's previous unveiling of the Ten Point Plan for a Green Industrial Revolution. The Government's goal is to 'mobilise £12 billion and potentially three times as much from the private sector, to create and support up to 250,000 green jobs.'

Mr Sunak says, 'Our capital plans will invest in greener future we promised delivering the Prime Minister's 10 point plan for climate change.'

'We're making this country a scientific superpower with almost £50 billion for research and development. And we're publishing today a comprehensive new national infrastructure strategy. To help us finance these plans, I can also announce we will establish a new UK infrastructure bank.'

These objectives will be supported by the creation of a new infrastructure bank to catalyse private investment in projects across the UK, as well as through a comprehensive set of reforms to the way infrastructure is delivered. ◀

## Spending Review 2020

# Building an environment for the economy to bounce back

The Chancellor of the Exchequer, Rishi Sunak, announced during his Spending Review 2020 speech that allocating funding now to support the response to the coronavirus (COVID-19) pandemic will allow the Government to control the spread of the virus, mitigate its harms and build the environment for the economy to bounce back strongly.



**S**pending Review 2020, Mr Sunak commented, confirms a further £38 billion to tackle the virus in 2020/21 and provides £55 billion to support the response to COVID-19 in 2021/22, including £2.6 billion for the devolved administrations.

### This Spending Review 2020 funding is targeted in three key areas:

#### Controlling and mitigating the virus

Supports the mitigation of the virus by funding the development and purchase of successful vaccines and NHS Test and Trace. The Government has now made available £6 billion in total to research and procure COVID-19 vaccines.

#### Public services support and recovery

Ensures public services across the UK have the resources they need to continue tackling the virus and address service backlogs.

#### Supporting jobs and businesses

Continues to prioritise supporting jobs and livelihoods across the UK. The Government is investing an additional £3.7 billion to build on the commitments made in the Plan for Jobs.

As the trajectory of the pandemic remains uncertain, Spending Review 2020 sets aside £21 billion of contingency funding within the £55 billion support package for public services. This will allow the necessary support to be put in place and adapted through the course of next year. ◀

# Spending Review 2020

## Levelling up and the Union



The economic recovery from the coronavirus (COVID-19) pandemic must work for everyone in the UK, and the Spending Review 2020, Chancellor of the Exchequer Rishi Sunak announced, will continue to drive forward the Government's plan to level up opportunity across all regions.

**M**r Sunak commented that infrastructure investment is a key part of this, and Spending Review 2020 targets investment to support regional cities as engines of growth through the Transforming Cities Fund and intra-city transport settlements, rejuvenating towns and communities in need in England through the Towns Fund and ensuring each place is well connected through increased investment in road, rail and broadband.

The Government is launching a new Levelling Up Fund worth £4 billion for England that will attract up to £0.8 billion for Scotland, Wales and Northern Ireland in the usual way. This will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. It will be open to all local areas in England and prioritise bids to create growth and regeneration in places in need, those facing particular challenges, and areas that have received less government investment in recent years. The Government will set out further details on how to support levelling up across the UK in the New Year.

Spending Review 2020 also confirms increased funding of £4.7 billion to the devolved administrations through the Barnett formula in 2021/22, including £2.6 billion related to COVID-19, on top of

their combined baseline of over £60 billion. This provides an additional £2.4 billion for the Scottish Government, £1.3 billion for the Welsh Government and £0.9 billion for the Northern Ireland Executive. This builds on the £16 billion of upfront resource funding the UK Government has provided to the devolved administrations in 2020/21, in addition to their Budget 2020 funding.

Spending Review 2020 delivers further bespoke support, accelerating multi-year projects under four existing City and Growth Deals in Scotland to drive forward the local economic priorities of Tay Cities, Borderlands, Moray and the Scottish Islands. It also invests a further £1.1 billion to support farmers, land managers and the rural economy, and £20 million to support fisheries in Scotland, Wales and Northern Ireland.

Mr Sunak commented that to embed levelling up in future policy making, the Government is changing how it invests in places. The Government has published a refreshed Green Book to ensure that project appraisals properly analyse how proposals deliver the Government's key priorities, including levelling up, and how they will impact different places. The Government is also bringing policy makers closer to the communities they serve by moving more civil servants out of London. ◀

## Spending Review 2020

# Green Industrial Revolution

The recovery from the coronavirus (COVID-19) pandemic, Chancellor of the Exchequer Rishi Sunak says, must be green. Spending Review 2020 provides funding for the Prime Minister's Ten Point Plan, which has set out the Government's vision to tackle climate change whilst simultaneously supporting hundreds of thousands of jobs across the UK.

As transport is one of the highest-emitting sectors, Spending Review 2020 prioritises investment to transition to zero emission vehicles, including by providing £1.9 billion for charging infrastructure and consumer incentives. Spending Review 2020 also provides £1.1 billion to make homes and buildings net-zero-ready.

To push the limits of what is currently possible, Spending Review 2020 also invests in innovative clean energy technologies, building on existing UK strengths and venturing into new industries. This includes £1 billion for a Carbon Capture and Storage Infrastructure Fund, and additional investment in low hydrogen carbon production, offshore wind and nuclear power. This brings total investment to support a green industrial revolution to £12 billion. ◀





*Spending Review 2020 provides the police with the resources they need to tackle crime, with more than £400 million additional funding to continue the recruitment of 20,000 additional police officers by 2023.*

## Spending Review 2020

# Improving outcomes in public services

The Chancellor of the Exchequer, Rishi Sunak, announced that Spending Review 2020 provides substantial additional funding for public services to support the response to the coronavirus (COVID-19) pandemic and continue to increase day-to-day departmental spending.

**A** Ten Point Plan will deliver the Government's priorities to support a high-quality, resilient healthcare system; to level up education standards and provide all learners with a quality education experience; to continue tackling crime to keep people safe; and to support local authorities in their efforts to serve local communities. Devolved administrations will receive funding in line with these investments.

### Spending Review 2020 investing in public services

- Reaffirms the historic long-term settlement for the NHS which provides a cash increase of £33.9 billion a year by 2023/24
- Reaffirms the Government's commitment to increase the schools budget by £7.1 billion by 2022/23, compared to 2019/20 funding

levels. This three-year investment includes an uplift of £2.2 billion from 2020/21 to 2021/22

- Provides the police with the resources they need to tackle crime, with more than £400 million additional funding to continue the recruitment of 20,000 additional police officers by 2023. This funds recruitment of an extra 6,000 officers in 2021/22, on top of £750 million provided in the previous year's Spending Review announcement to recruit the first 6,000 officers and pay for the infrastructure for all 20,000
- Supports local authorities through increasing core spending power by an estimated 4.5% in cash terms next year. Local authorities will be able to increase their council tax bills by 2% without needing to hold a referendum, and social care authorities will be able to charge

an additional 3% to help fund pressures in social care. Spending Review 2020 also provides £254 million of additional funding to help end rough sleeping – a 60% cash increase compared to Spending Review 2019.

To match the UK's ambitions on economic infrastructure, which are set out in the National Infrastructure Strategy, Spending Review 2020 is investing in key infrastructure that supports the UK's world-class public services, delivering on commitments to build hospitals, schools and prisons.

It provides multi-year funding to build 40 new hospitals, launches a ten-year programme to build 500 schools, and provides more than £4 billion to make significant progress in delivering 18,000 prison places across England and Wales by the mid-2020s. ◀

## Spending Review 2020

# Strengthening the UK's place in the world

The coronavirus (COVID-19) pandemic has highlighted the importance of stronger international cooperation and collaboration, and the role of the UK as an international leader in tackling global challenges. UK laboratories are at the forefront of vaccine research, UK firms are creating technological innovations to help tackle climate change, and the UK will host the UN Climate Change Conference of the Parties (COP26) in Glasgow next year.



*The UK is the world's largest donor to the COVAX Advance Market Commitment, an international mechanism to support equitable access for developing countries to COVID-19 vaccines, as well as the largest donor to the World Bank's lending arm for the poorest countries.*

Chancellor of the Exchequer Rishi Sunak commented that Spending Review 2020 ensures that the Government matches the ambitions of a global Britain. It provides the first settlement for the newly-formed Foreign, Commonwealth and Development Office (FCDO), bringing together the UK's development and diplomatic expertise into one department. This will help to maximise the UK's influence as a force for good and maintain the UK's position as a global leader in international development.

Mr Sunak announced the UK will spend the equivalent of 0.5% of gross national income (GNI) as overseas aid in 2021. Spending Review 2020 provides £10 billion of Official Development Assistance (ODA) in 2021/22. This settlement will ensure that the UK remains one of the largest ODA spenders in the world and well above the OECD average. The Chancellor commented that at a time of emergency, sticking to the 0.7% is not an appropriate prioritisation of

resources. He says the Government intends to return to the 0.7% target when the fiscal situation allows.

The UK is the world's largest donor to the COVAX Advance Market Commitment, an international mechanism to support equitable access for developing countries to COVID-19 vaccines, as well as the largest donor to the World Bank's lending arm for the poorest countries.

To cement the UK's future as a scientific superpower and drive economic growth, Mr Sunak announced the Government is providing almost £15 billion for R&D next year. This will boost the UK's world-class research base and increase the productivity and international competitiveness of its innovative firms. This also reinforces the UK's international leadership by harnessing innovation with international partners to address the greatest global challenges, from COVID-19 to climate change.

Defence, the Chancellor announced, is a central pillar of the Government's ambitions to safeguard the UK's interests and values, strengthen its global influence, and work with allies to defend free and open societies. Spending Review 2020 provides Defence with additional funding of over £24 billion in cash terms over four years, including £6.6 billion of R&D, to maintain a cutting-edge military.

This settlement means that the Defence budget will grow at an average of 1.8% per year in real terms from 2019/20 to 2024/25. This reaffirms the UK's commitment to its allies, making the UK the largest European spender on defence in NATO and the second largest in the Alliance.

Spending Review 2020 also provides the UK Intelligence Community with a £173 million funding increase in 2021/22, representing a 5.4% average annual real-terms increase since 2019/20. It also includes over £1.3 billion of capital investment from 2021/22 to 2024/25. ◀

## Spending Review 2020

# Support for employment

A priority for the Government is to protect and support jobs to help ensure that the Department for Work and Pensions (DWP) can tackle unemployment, get people back into work and improve their lives. Spending Review 2020 provides a 28.1% average yearly increase in overall spending in real terms since 2019/20, including support for the department during the coronavirus (COVID-19) pandemic crisis.

Spending Review 2020 provides £3.6 billion of additional funding in 2021/22 for DWP to deliver labour market support.

### This includes funding for:

- The new three-year-long £2.9 billion Restart programme to provide intensive and tailored support to over one million unemployed people and help them find work
- Work search support measures announced in the Plan for Jobs
- The £2 billion Kickstart Scheme to create hundreds of thousands of new, fully subsidised jobs for young people across the country. To date, tens of thousands of Kickstart jobs have been created. This settlement confirms funding for over 250,000 Kickstart jobs

The Government is also providing funding to get more disabled people into work and to improve DWP's health assessments system. ◀



## Spending Review 2020

# Public Sector Pay

Unemployment and redundancies are rising in the private sector, and many are seeing significant wage cuts, the Chancellor of the Exchequer, Rishi Sunak, announced to Parliament during his Spending Review 2020. In the six months to September, private sector wages fell by nearly 1% compared to the previous year, while over the same period, public sector pay rose by 3.9%.

**T**his disparity in recent wage growth between the public and private sector exacerbates the pre-existing position, where the public sector tended to be paid more than the private sector. In 2019, public sector remuneration, including pensions, was approximately 7% higher than in the private sector, rising from 5% in 2017.

Mr Sunak commented that public service pensions are generous, with most enjoying Defined Benefit schemes where employer contributions are around 20% of earnings – around double the typical contribution rate in the private sector.

In order to protect jobs and ensure fairness, the Chancellor announced pay rises in the public sector will be restrained and targeted in 2021/22. Given the unique impact of COVID-19 on the health service, and despite the challenging economic context, the Government will continue to provide for pay rises for over one million NHS workers.

In setting the level for these rises, Mr Sunak says the Government will take into account the challenging fiscal and economic context. The NHS Pay Review Body and Doctor and Dentist's Review Body will report as usual next spring, and the Government will take their recommendations into account. The Government will also prioritise the lowest paid, with 2.1 million public sector workers earning less than £24,000 receiving a minimum £250 increase.

For the rest of the public sector, the Government will pause pay rises in 2021/22. The pay bill represents around 25% of total government expenditure. Pausing headline pay awards next year for some workforces will allow the Government to protect public sector jobs and investment in public services to respond to spending pressures from COVID-19. It will also avoid further expansion of the gap between public and private sector reward. ◀

## Spending Review 2020

# Responding to COVID-19

Since the emergence of the coronavirus (COVID-19) pandemic, the Government has taken action to save lives, support the NHS and mitigate damage to the economy. Spending Review 2020 builds on action so far and prioritises funding to support the Government's continued response to the virus.

**T**hroughout this crisis, the Government has sought to protect people's jobs and livelihoods across the UK while supporting businesses and public services. The Chancellor of the Exchequer, Rishi Sunak, says the Government has spent over £280 billion to do so this year.

Of that, Spending Review 2020 confirms that £113 billion will have been provided across the UK in the course of 2020/21 to support public services – from the NHS, to local government, transport and employment support, including £38 billion of further funding for public services announced. It also announces £55 billion of support to public services in responding to COVID-19 in 2021/22.

Mr Sunak says that since March, the Government has helped to pay the wages of people in 9.6 million jobs across the UK through the Coronavirus Jobs Retention Scheme (CJRS), protecting jobs that might otherwise have been lost. The Government has also supported the livelihoods of an additional 2.6 million self-employed workers.

Businesses have received significant government support in loans, tax deferrals,

business rate reliefs, and general and sector-specific grants. Around a million business properties received over £11.6 billion worth of grants through the Small Business Grant Fund, the Retail, Hospitality and Leisure Grant Fund, and the Local Authority Discretionary Grant Fund.

Throughout the coronavirus crisis, the Chancellor commented, the Government has adapted its economic support as the path of the virus changed. Mr Sunak announced that the Government has subsequently gone further with its support package.

### This includes:

- An extension to the UK-wide Coronavirus Jobs Retention Scheme (CJRS) to 31 March 2021
- An extension of the Self-Employment Income Support Scheme (SEISS) with two further grants covering the period from November to April 2021
- Cash grants of up to £3,000 per month for businesses in England which are legally closed
- Cash grants of up to £2,100 per month for hospitality, leisure and accommodation

businesses which are permitted to remain open but which are suffering from reduced demand due to restrictions on socialising. Local authorities which were subject to these sorts of restrictions between 1 August and 5 November have received additional funding so that they can make backdated grants

- £1.1 billion of one-off funding for councils through the Additional Restrictions Grant in England to enable them to support businesses, as a key part of the local economy
- Extending the application period for the existing UK-wide Loan Schemes and the Future Fund to the end of January and an ability to top-up Bounce Back Loans
- Extending the UK-wide mortgage and consumer credit payment holiday for borrowers
- Extending the £1 million level of the UK-wide Annual Investment Allowance for a further year to the end of 2021, providing businesses with more upfront support, and encouraging them to invest and grow
- £750 million of support to charities supporting those directly affected by COVID-19, £300 million to support professional sports through the winter, and £1.57 billion through the Cultural Recovery Fund to provide a lifeline to vital cultural organisations hard-hit by the pandemic. ◀

*Throughout the coronavirus crisis, the Chancellor commented, the Government has adapted its economic support as the path of the virus changed. Mr Sunak announced that the Government has subsequently gone further with its support package.*



*The Government's long-term target for the National Living Wage (NLW) is to reach two thirds of median earnings by 2024 (subject to economic conditions) and to help ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects.*



## Spending Review 2020

# National Living Wage and personal tax thresholds

Chancellor of the Exchequer Rishi Sunak says the Government remains committed to continuing to support the low paid. Therefore, following the recommendations of the independent Low Pay Commission (LPC), the Government will increase the National Living Wage (NLW) for individuals aged 23 and over by 2.2% from £8.72 to £8.91, effective from April 2021.

**T**his follows the Government's acceptance of a previous recommendation from the LPC that the NLW apply to those 23 and over from April 2021. Mr Sunak commented this decision balances the ambitions of the Government's long-term target for the NLW to reach two thirds of median earnings by 2024 (subject to economic conditions) and helps ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects.

**The Government has also accepted the LPC's recommendations for the other National Minimum Wage (NMW) rates to apply from April 2021, including:**

- Increasing the rate for 18 to 20-year-olds by 1.7% from £6.45 to £6.56 per hour
  - Increasing the rate for 16 to 17-year-olds by 1.5% from £4.55 to £4.62 per hour
  - Increasing the rate for apprentices by 3.6% from £4.15 to £4.30 per hour
  - Increasing the daily accommodation offset rate by 2.0% from £8.20 to £8.36.
- Further, the Government will increase the 2021/22 Income Tax Personal Allowance and Higher Rate Threshold in line with the September Consumer Price Index (CPI) figure. The Government will also use the September CPI figure as the basis for setting all National Insurance limits and thresholds, and the rates of Class 2 & 3 National Insurance contributions, for 2021/22. ◀
- Increasing the rate for 21 to 22-year-olds by 2.0% from £8.20 to £8.36 per hour

## Spending Review 2020

# Extending support to individuals and families

In addition to supporting businesses through these uniquely challenging times, Chancellor of the Exchequer Rishi Sunak announced the Government has extended support to individuals and families who have benefited from increased welfare payments, improved access to Statutory Sick Pay (SSP), and a stay on repossession proceedings and mortgage holidays.



**T**o support those on low incomes throughout the outbreak, the Government has announced a package of temporary welfare measures in place until spring 2021:

- A £20 per week increase to the Universal Credit (UC) standard allowance and Working Tax Credit basic element for 2020/21. This means that for a single UC claimant (aged 25 or over), the standard allowance has increased from £317.82 to £409.89 per month until April 2021
- An increase in the Local Housing Allowance rates for UC and Housing Benefit claimants so that it covers the lowest third of local rents. This increase will mean nearly £1 billion of additional support for private renters claiming UC or Housing Benefit in 2020/21 and benefits over one million households, including those in work. Claimants will gain on average an additional £600 per year in increased housing support
- A relaxation of UC minimum income floor for self-employed claimants
- A rebate scheme reimbursing employers with more than 250 employees for up to

two weeks of SSP per employee. SSP has also been extended to those who are ill or self-isolating due to COVID-19 or who are clinically extremely vulnerable and unable to work as a result

- A £500 million hardship fund that the Government expects local authorities to use to discount the council tax bills of all working age local council tax support claimants by £150. This scheme provides funding for more than three million council tax discounts. Local authorities should use any remaining grant to support those most in need.

In addition to the UK-wide measures, Mr Sunak says the Government has provided support to the devolved administrations to facilitate their response to COVID-19 through an upfront funding guarantee of at least £16 billion for this year. This has provided a total increase this year of at least £8.2 billion of additional funding for the Scottish Government, £5 billion for the Welsh Government and £2.8 billion for the Northern Ireland Executive, on top of their Budget 2020 funding. ◀

## Spending Review 2020 Further support for businesses announced



Spending Review 2020 builds on the support offered to businesses to help them grow through these uncertain times and meet the challenges of the virus. The Chancellor of the Exchequer, Rishi Sunak, confirmed £519 million of funding in 2021/22 to support the continued delivery of COVID-19 loans, including paying for the 12-month interest free period on the Bounce Back Loan Scheme (BBLs) and the Coronavirus Business Interruption Loan Scheme (CBILs).

In addition, the Chancellor announced freezes to the business rates multiplier in 2021/22, saving businesses in England £575 million over the next five years. The Government is also considering options for further COVID-19-related support through business rates reliefs. In order to ensure that any decisions best meet the evolving challenges presented by COVID-19, the Government will outline plans for 2021/22 reliefs in the New Year.

An additional £56.5 million in 2021/22 will be provided to support the vitality and entrepreneurship of the UK by expanding the British Business Bank's Start-Up Loans to meet the increase in demand and support entrepreneurs to start and grow their business. ◀

# Are you on course for the future you've always dreamed of?

Life is full of unexpected moments. But no matter what the outlook, we can set you on course for the future you've always dreamed of. If you would like to discuss any of the announcements made during Spending Review 2020, and what their implications could mean to you, your family and your business, please contact us.

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