Speech

Spending Review 2020 speech

The Spending Review 2020 speech as delivered by Chancellor Rishi Sunak

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From: HM Treasury and The Rt Hon Rishi Sunak MP

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On Monday, the Prime Minister set out the action we need to take between now and the start of December to control the spread of coronavirus.

Mr Speaker,

Today's 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.

But today's Spending Review also delivers stronger public services.

Paying for new hospitals, better schools and safer streets.

And it delivers a once-in-a-generation investment in infrastructure.

Creating jobs, growing the economy, increasing pride in the places we call home. Mr Speaker,

Our immediate priority is to protect people's lives and livelihoods.

So let me begin by updating the House on our response to coronavirus.

We're prioritising jobs, businesses and public services.

The furlough scheme, support for the self-employed, loans, grants, tax cuts and deferrals as well as extra funding for schools, councils, the NHS, charities, culture and sport.

Today's figures confirm that taken together:

This year, we are providing £280 billion to get our country through coronavirus.

Next year, to fund our programmes on testing, PPE, vaccines – we are allocating an initial £18 billion.

To protect the public services most affected by coronavirus, we are also providing:

£3 billion to support NHS recovery, allowing them to carry out up to a million checks, scans and operations.

Over £2 billion to keep our transport arteries open, subsidising rail networks.

Over £3 billion to local councils.

And an extra £250 million to help end rough sleeping.

And while much of our coronavirus response is UK-wide, the government is also providing £2.6 billion to support the devolved administrations in Scotland, Wales and Northern Ireland.

Taken together, next year, public services funding to tackle coronavirus will total £55 billion.

Mr Speaker,

Let me turn to the OBR's economic forecasts.

And can I thank the new Chair, Richard Hughes, and his whole team, for their work.

The OBR forecast the economy will contract this year by 11.3%, the largest fall in output for more than 300 years.

As the restrictions are eased, they expect the economy to start recovering growing by 5.5% next year, 6.6% in 2022, then 2.3%, 1.7% and 1.8% in the following years.

Even with growth returning, our economic output is not expected to return to pre-crisis levels until the fourth quarter of 2022.

And the economic damage is likely to be lasting.

Long-term scarring means, in 2025, the economy will be around 3% smaller than expected in the March Budget.

Mr Speaker,

The economic impact of coronavirus, and the action we've taken in response, means there has been a significant but necessary increase in our borrowing and debt.

The UK is forecast to borrow a total of £394 billion this year, equivalent to 19% of GDP.

The highest recorded level of borrowing in our peacetime history.

Borrowing falls to £164 billion next year, £105 billion in 2022-23, then remains at around £100 billion, 4% of GDP, for the remainder of the forecast.

Underlying debt – after removing the temporary effect of the Bank of England's asset purchases – is forecast to be 91.9% of GDP this year.

And due to elevated borrowing levels, and a forecast persistent deficit, underlying debt is forecast to continue rising in every year, reaching 97.5% of GDP in 2025-26.

High as these costs are, the costs of inaction would have been far higher.

But this situation is clearly unsustainable over the medium term.

We could only act in the way we have because we came into this crisis with strong public finances.

And we have a responsibility, once the economy recovers, to return to a sustainable fiscal position. Mr Speaker,

This is an economic emergency.

That's why we have taken, and continue to take, extraordinary measures to protect people's jobs and incomes.

And it is clear those measures are making a difference.

The OBR now state – as the Bank of England and the IMF already have - that our economic response has protected jobs, supported incomes and helped businesses stay afloat.

They've said today that business insolvencies have fallen, compared to last year.

And the latest data shows the UK's unemployment rate is lower than Italy, France, Spain, Canada and the United States.

And we're doing more to build on our Plan for Jobs.

I'm announcing today nearly £3 billion for My Right Honourable Friend the Work & Pensions Secretary to deliver a new, three-year Restart Programme to help over a million people who've been unemployed for over a year, find new work.

But I have always said: we cannot protect every job.

Despite the extraordinary support we've provided, the OBR expects unemployment to rise to a peak in the second quarter of next year, of 7.5% - 2.6 million people.

Unemployment is then forecast to fall in every year, reaching 4.4% by the end of 2024.

Mr Speaker,

Today's statistics remind us of something else: coronavirus has deepened the disparity between public and private sector wages.

In the six months to September, private sector wages fell by nearly 1% compared to last year. Over the same period, public sector wages rose by nearly 4%.

And unlike workers in the private sector, who have lost jobs, been furloughed, seen wages cut, and hours reduced, the public sector has not.

In such a difficult context for the private sector – especially for those people working in sectors like retail, hospitality, and leisure I cannot justify a significant, across-the-board pay increase for all public sector workers.

Instead, we are targeting our resources at those who need it most.

To protect public sector jobs at this time of crisis, and ensure fairness between the public and private sectors, I am taking three steps today.

First, taking account of the pay review bodies advice, we will provide a pay rise to over a million Nurses, Doctors and others working in the NHS.

Second, to protect jobs, pay rises in the rest of the public sector will be paused next year.

But third, we will protect those on lower incomes.

The 2.1 million public sector workers who earn below the median wage of £24,000, will be guaranteed a pay rise of at least £250.

What this means, Mr Speaker, is that while the government is making the difficult decision to control public sector pay the majority of public sector workers will see their pay increase next year.

And we want to do more for the lowest paid.

We are accepting in full the recommendations of the Low Pay Commission to increase the National Living Wage by 2.2% to £8.91 an hour; to extend this rate to those aged 23 and over; and to increase the National Minimum Wage rates as well.

Taken together, these minimum wage increases will likely benefit around two million people.

A full-time worker on the National Living Wage will see their annual earnings increase by £345 next year.

And compared to 2016 when the policy was first introduced, that's a pay rise of over £4,000. Mr Speaker,

These are difficult and uncertain economic times – so it is right that our immediate priority is to protect people's health and their jobs.

But we need to look beyond.

Today's Spending Review delivers stronger public services – our second priority.

Before I turn to the details, let me thank the whole Treasury team, and especially My Right Honourable Friend the Chief Secretary for their dedication and hard work in preparing today's Spending Review.

Next year, total departmental spending will be £540 billion.

Over this year and next, day-to-day departmental spending will rise, in real terms, by 3.8% – the fastest growth rate in 15 years.

In cash terms, day-to-day departmental budgets will increase next year by £14.8 billion.

And Mr Speaker, this is a Spending Review for the whole United Kingdom.

Through the Barnett formula, today's decisions increase Scottish Government funding by £2.4 billion, Welsh Government funding by £1.3 billion, and £0.9 billion for the Northern Ireland Executive.

The whole of the United Kingdom will benefit from the UK Shared Prosperity Fund, and over time we will ramp up funding so that total domestic UK-wide funding will at least match EU receipts, on average reaching around £1.5 billion a year.

To help local areas prepare for the introduction of the UKSPF, next year we will provide funding for communities to pilot programmes and new approaches.

And we will accelerate four City and Growth Deals in Scotland, helping Tay Cities, Borderlands, Moray, and the Scottish Islands create jobs and prosperity in their areas.

Mr Speaker,

Our public spending plans deliver on the priorities of the British people.

Today's Spending Review honours our historic, multi-year commitment to the NHS.

Next year, the core health budget will grow by £6.6 billion, allowing us to deliver 50,000 more nurses and 50 million more general practice appointments.

We're increasing capital investment by £2.3 billion.

To invest in new technologies to improve patient and staff experience.

Replace ageing diagnostic machines like MRI and CT scanners.

And fund the biggest hospital building programme in a generation - building 40 new hospitals and upgrading 70 more.

We're investing in social care, too.

Today's settlement allows Local Authorities to increase their core spending power by 4.5%.

Local authorities will have extra flexibility for Council Tax and Adult Social Care precept which together with £300 million of new grant funding gives them access to an extra billions pounds to fund social care.

And this is on top of the extra billion pound social care grant we provided this year, which I can confirm will be maintained into next year.

To provide a better education for our children, we're also getting on with our three-year investment plan for schools.

We'll increase the schools' budget next year by £2.2 billion, well on the way to delivering our commitment of an extra £7.1 billion by 2022-23.

Every pupil in the country will see a year-on-year funding increase of at least 2%.

And we're funding the Prime Minister's commitment to rebuild 500 schools over the next decade.

And we're also committed to boosting skills.

With £291 million to pay for more young people to go into further education.

£1.5 billion to rebuild colleges.

£375 million to deliver the Prime Minister's Lifetime Skills Guarantee.

And extend traineeships, sector-based work academies, and the national careers service.

As well as improving the way the apprenticeships system works for businesses.

And we're also making our streets safer.

Next year, funding for the criminal justice system will increase by over a billion pounds.

We're providing more than £400 million to recruit 6,000 new police officers – well on track to recruit 20,000.

And £4 billion over four years to provide 18,000 new prison places.

New hospitals, better schools, safer streets – the British people's priorities are this government's priorities. Mr Speaker,

Today's Spending Review strengthens the United Kingdom's place in the world.

This country has always and will always be open and outward-looking, leading in solving the world's toughest problems.

But during a domestic fiscal emergency, when we need to prioritise our limited resources on jobs and public services sticking rigidly to spending 0.7% of our national income on overseas aid, is difficult to justify to the British people especially when we're seeing the highest peacetime levels of borrowing on record.

I have listened with great respect to those who have argued passionately to retain this target.

But at a time of unprecedented crisis government must make tough choices.

I want to reassure the House that we will continue to protect the world's poorest:

Spending the equivalent of 0.5% of our national income on overseas aid in 2021, allocating £10 billion at this Spending Review.

And our intention is to return to 0.7% when the fiscal situation allows.

Based on the latest OECD data, the UK would remain the second highest aid donor in the G7.

Higher than France, Italy, Japan, Canada and the United States.

And 0.5% is also considerably more than the 29 countries on the OECD's development assistance committee – who average just 0.38%.

And overseas aid is of course only one of the ways we play our role in the world.

The Prime Minister has announced over £24 billion investment in defence over the next four years, the biggest sustained increase in 30 years.

Allowing us to provide security not just for our country but around the world.

We're investing more in our extensive diplomatic network, already one of the largest in the world.

And providing more funding for new trade deals.

We should, however, judge our standing in the world not just by the money we spend but by the causes we advance and the values we defend.

Mr Speaker,

If this Spending Review's first priority was getting the country through coronavirus.

And its second was stronger public services.

Then our final priority is to deliver our record investment plans in infrastructure.

Capital spending next year will total £100 billion – £27 billion more in real terms than last year.

Our plans deliver the highest sustained level of public investment in more than 40 years.

Once-in-a-generation plans to deliver once-in-a-generation returns for our country.

To build housing, we're introducing a £7.1 billion National Home Building Fund.

On top of our £12.2 billion Affordable Homes Programme.

We'll deliver faster broadband for over 5 million premises across the UK.

Better mobile connectivity with 4G coverage across 95% of the country by 2025.

The biggest ever investment in new roads.

Upgraded railways, new cycle lanes and over 800 zero emission buses.

Our capital plans will invest in the greener future we promised.

Delivering the Prime Minister's ten-point plan for climate change.

We're making this country a scientific superpower.

With almost £15 billion of funding for research and development.

And we're publishing today a comprehensive new National Infrastructure Strategy.

To help finance our plans, I can also announce we will establish a new UK infrastructure bank.

Headquartered in the north of England, the Bank will work with the private sector to finance major new investment projects across the UK – starting this spring. Mr Speaker,

I have one further announcement to make.

For many people, the most powerful barometer of economic success is the change they see and the pride they feel in the places they call home.

People want to be able to look around their towns and villages and say, yes: our community - this place - is better off than it was five years ago.

For too long, our funding approach has been complex and ineffective.

And I want to change that.

Today I'm announcing a new Levelling Up Fund worth £4 billion.

Any local area will be able to bid directly to fund local projects.

The fund will be managed jointly between the Treasury, the Department for Transport and the Ministry of Housing, Communities and Local Government – taking a new, holistic, place-based approach to the needs of local areas.

Projects must have real impact.

They must be delivered within this Parliament.

And they must command local support, including from their Member of Parliament.

This is about funding the infrastructure of everyday life:

A new bypass.

Upgraded railway stations.

Less traffic.

More libraries, museums, and galleries.

Better high streets and town centres.

This government is funding the things people want and places need. Mr Speaker,

Today I have announced huge investment in jobs, public services and infrastructure.

And yet… I cannot deny numbers alone, can ring hollow.

They stand testament to our commitment to create a better nation, but on their own they are not enough to create one.

When asked what our vision for the future of this country is, we cannot point to a shopping list of announcements and feel the job is done.

So, as we invest billions in research and development, we're also introducing a new immigration system ensuring the best and brightest from around the world come here to learn, innovate and create.

As we invest billions in the building of new homes, we're also simplifying our planning system to ensure beautiful homes are built where they are needed most.

As we invest billions in the security of this country, we're also defending free speech and democratic rule, proving our values are more than just words.

And as we invest billions in public services, we're also protecting the wages of those on the lowest incomes and supporting jobs because good work remains the most rewarding and sustainable path to prosperity.

The spending review announced today sets us on a path to deal with the material matters of government and it is a clear statement of our priorities but encouraging the individual and community brilliance on which a thriving society depends, remains, as ever, a work unfinished.

We in government can set the direction, better schools, more homes, stronger defence, safer streets green energy, technological development, improved rail, enhanced roads all investments that will create jobs and give every person in this country the chance to meet their potential.

But it is the individual, the family, and the community that must become stronger, healthier and happier as a result.

This is the true measure of our success.

The spending announced today is secondary to the courage, wisdom, kindness and creativity it unleashes.

These are the incalculable but essential parts of our future, and they cannot be mandated or distributed by government.

These things must come from each of us, and be shared freely, because the future, this better country, is a common endeavour.

Today government has funded the priorities of the British people, and now the job of delivering them, begins.

Mr Speaker, I commend this statement to the House.

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