



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

7 September 2021

Dear Secretary of State,

SPENDING REVIEW 2021

I am writing to you about our plans for Spending Review 2021 (SR21).

The Prime Minister and I have agreed that this will be a multi-year Spending Review which will set resource and capital budgets for 2022-23 to 2024-25 and conclude on 27 October 2021, alongside Autumn Budget 2021.

SR21 will set out how we will Build Back Better, deliver the priorities of the British people and continue to support businesses and jobs through:

- a. **Ensuring strong and innovative public services** – making people's lives better across the country by investing in the NHS, education, the criminal justice system and housing;
- b. **Levelling up** across the UK to increase and spread opportunity; unleash the potential of places by improving outcomes UK-wide where they lag and working closely with local leaders; and strengthen the private sector where it is weak;
- c. **Leading the transition to Net Zero** across the country and more globally;
- d. **Advancing Global Britain** and seizing the opportunities of EU Exit;
- e. **Delivering our Plan for Growth** – delivering on our ambitious plans for an infrastructure and innovation revolution and cementing the UK as a scientific superpower, working in close partnership with the private sector.

Our plans for public spending

Since the start of the pandemic, this government has acted on an unprecedented scale to protect people's jobs and livelihoods and to support businesses and public services across the UK. Despite the worst economic recession in 300 years, we have not only got people back into work through the Plan for Jobs but maintained momentum on delivering our promises to the British people.

While doing this, we have also been clear on the need to put the public finances on a sustainable path in the medium term so that we are resilient to future challenges. This was central to the plans that I set out at Spending Review 2020 and at the Budget earlier this year.

The Prime Minister and I have agreed that the envelope for Spending Review 2021 will follow the path of resource and capital spending that we set out at Budget 2021, with the addition of the net revenue raised by the new Health and Social Care Levy and increase to dividends tax rates announced today. The pandemic has demonstrated the challenges facing our health and social care system require a new approach and the additional steps we have announced today reflect this.

Our record and our plans will see core departmental spending grow in real terms at nearly 4% per year on average over this Parliament – a £140 billion cash increase, and the largest real-terms increase in overall departmental spending for any Parliament this century. This includes a step-change in capital investment, building on the significant multi-year commitments we have already made at SR20, as we continue with our plans to deliver over £600 billion in gross public sector investment from 2020-21 to 2024-25. Departments will be expected to carefully prioritise their bids, and we will need to make trade-offs to ensure that this increased spending is focused on the delivery of our key commitments.

Given the continued uncertainty around the path of the virus, we recognise that some additional spending on top of these plans may be required in the immediate term as part of the remaining response to Covid-19. This will be considered in exceptional circumstances only, where reform and efficiencies are not sufficient to fund essential activity.

Public sector pay

To help protect jobs at a time of crisis and ensure fairness between the private and public sectors, SR20 temporarily paused pay rises for public sector workers earning £24,000 or more. NHS workers were exempted from this pause. Those working in the public sector have, on average, better remuneration packages than those in the private sector, with Covid also demonstrating the significant value of job security. For reasons of fairness and sustainability of the public finances, we must continue to ensure that public sector pay growth at SR21 (including all elements of earnings growth and pay drift) retains broad parity with the private sector and is affordable.

Ensuring that every pound is well-spent

As the Prime Minister and I set out to you in April, we also owe it to the British people to ensure that our spending plans are underpinned by a clear focus on delivering our priorities efficiently. The outcomes and real-world impacts of our spending must be at the heart of decisions, underpinned by the best data and evaluation. SR21 must also build on the

progress we have made to identify genuine opportunities across the public sector to deliver reforms, level up across the UK and capitalise on productivity gains made through the pandemic. Your returns must deliver these opportunities and address the actions from the Savings & Efficiency Review to ensure that we can provide a better service for the British public, at lower cost.

The Chief Secretary will write to you shortly to confirm details on the expectations for your department. As set out in the commission received by your officials before Summer recess, your returns for the Spending Review must be **completed by no later than 13 September**, followed by a short window for discussion.

This letter has been copied to the Prime Minister, the Chief Secretary to the Treasury and the Cabinet Secretary.

Best wishes,

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', with a stylized flourish at the end.

RISHI SUNAK