Update to 2020-21 government financing remit

This follows on from the last revision to the DMO's financing remit for 2020-21, published on 16 July 2020, which laid out planned gilt sales of £385 billion up to end-November 2020. This update sets out plans for the remainder of 2020-21.

The financing arithmetic sets out the components of the government's net financing requirement (NFR) and the contributions from various sources of financing. The updated financing arithmetic for 2020-21 is set out in Table 1.

The OBR's forecast for the central government net cash requirement (excluding NRAM plc, Bradford and Bingley and Network Rail) (CGNCR (ex NRAM, B&B and NR)) in 2020-21 is £402.5 billion. This is the fiscal aggregate that determines gross debt sales and is derived from the Public Sector Net Borrowing (PSNB) forecast. The net financing requirement for the DMO in 2020-21 is £483.5 billion.

Planned gilt sales for the DMO will total £485.5 billion in 2020-21 and will be split by maturity and type as follows:

- £167.9 billion of short conventional gilts (34.6% of total issuance)
- £149.6 billion of medium conventional gilts (30.8% of total issuance)
- £134.9 billion of long conventional gilts (27.8% of total issuance)
- £33.2 billion of index-linked gilts (6.8% of total issuance)

HMT is also confirming today that NS&I's net financing target for 2020-21 remains unchanged at £35 billion (+/-£5 billion). On 16 July 2020, this target was revised upwards from £6 billion (+/- £3 billion) to reflect the government's increased funding requirements during the COVID-19 pandemic.

The funds raised from retail savers by NS&I are an important source of government financing. In the first six months of this financial year, NS&I raised £38.3 billion. With gilt yields currently at low levels, however, the government can currently raise finance more cost-effectively through gilt issuance.

Table 1: Financing arithmetic in 2020-21 (£ billion)

	Budget 2020	**November 2020**
CGNCR (ex NRAM, B&B and NR)(1)	65.3	402.5
Gilt redemptions	97.6	97.6
Planned financing for the Official Reserves	0.0	0.0
Financing adjustment carried forward from previous financial years(2)	-0.8	18.4
Gross Financing Requirement	162.1	518.5

	Budget 2020	November 2020
Less:		
NS&I net financing	6.0	35.0
Other financing items(3)	0.0	0.0
Net Financing Requirement (NFR) for the DMO	156.1	483.5
DMO’s NFR will be financed through:		
Gilt sales, through sales of:		
– Short conventional gilts	51.0	167.9
– Medium conventional gilts	34.2	149.6
– Long conventional gilts	42.3	134.9
– Index-linked gilts	20.6	33.2
– Unallocated amount of gilts	8.0	0.0
Total gilt sales for debt financing	156.1	485.5
Total net contribution of Treasury bills for debt financing	0.0	-2.0
Total financing	156.1	483.5
DMO net cash position	0.5	0.5
Figures may not sum due to rounding		

(1) Central Government Net Cash Requirement (excluding NRAM plc, Bradford and Bingley (B&B) and Network Rail (NR)).

(2) The £18.4 billion financing adjustment in 2020-21 carried forward from previous years reflects the 2019-20 outturn for CGNCR ex, as first published on 23 April 2020.

(3) Prior to the publication of the end-year outturn in April each year, this financing item will mainly comprise estimated revenue from coinage.

Further information

1) The relationship between PSNB and the CGNCR (ex NRAM, B&B and NR) is set out in paragraph 4.191 of the OBR’s October 2018 EFO.

2) Additional details of the revised financing programme, including the DMO’s planned operations calendar for January to March 2021, are set out in the DMO’s financing remit announcement, as published on its website today.

3) The DMO has raised £393.6 billion via gilt sales in 2020-21 to date.

4) HMT and the UK Statistics Authority (UKSA) have today also published the outcome of their joint consultation on reform to the Retail Prices Index methodology.

5) Further information can be found at:

[Spending Review to fight virus, deliver promises and invest in UK’s recovery]

- billions of pounds to help tackle Covid-19 next year
- increased funding to deliver stronger public services
- £100 billion capital spending including infrastructure to drive UK’s recovery and support jobs

Delivering the Spending Review, Rishi Sunak said his immediate priority was to protect people’s lives and livelihoods as the country continues to battle the outbreak – allocating £55 billion to tackle the virus next year.

He also set out how the government would deliver stronger public services – honouring the promises it made to the British people with core day-to-day departmental spending growing by £14.8 billion in cash terms next year compared to 2020/21. From 2019/20 levels, that is an average growth of 3.8% a year, the fastest rate in 15 years.

The Chancellor also announced how the government would deliver the next stages of its record investment plans in infrastructure to drive the UK’s recovery and level up for a greener, stronger future with £100 billion of capital spending next year and a £4 billion Levelling Up Fund.

Setting out the budgets for government departments and devolved administrations’ block grants for 2021/21, the Chancellor of the Exchequer Rishi Sunak said:

> Today’s Spending Review delivers on the priorities of the British people. Our health emergency is not yet over, and the 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, and increasing pride in the places people call home.

Covid-19 support

The Spending Review builds on the unprecedented action already provided to tackle the pandemic so far. It confirms an additional £38 billion for public services to continue to fight the pandemic this year, and a further £55 billion to departments to respond to Covid-19 next year, including £2.6 billion for the devolved administrations.

Investment targeted at controlling and suppressing the virus – and saving lives – includes funding to enhance testing capacity, purchase vaccines, increase supply of key Covid-19 medicines, and purchase and distribute PPE.

Targeted funding is also being provided to support vital public services to help them meet and recover from the challenges of Covid. This includes money to help the NHS recover and address delayed treatments, extra funding for local authorities, support for transport, and funding to help the justice system address backlogs.

Investing in public services and delivering promises

Delivering real-world improvements to the day-to-day services provided by public services is at the heart of the government's vision to rebuild for a stronger future. The Spending Review delivers on the government's promises to support a high quality, resilient healthcare system, level up education standards, continue tackling crime to keep people safe, and support local authorities in their efforts to serve local communities. This includes:

- A £6.3 billion cash increase in NHS spending in 2021-22, compared to 2020-1, as well as funding to invest in new diagnostic equipment, support training for the NHS workforce, refurbish and maintain infrastructure, and eradicate mental health dormitories. This is in addition to £3 billion of investment to support NHS recovery.
- A £2.2 billion uplift for the core schools' budget in 2021-22 compared to 2020-21 levels of funding. In addition, the Spending Review will fund investment in Further Education, continue delivering opportunities for lifelong learning, and fund the Holiday Activities and Food programme to provide enriching activities and a healthy meal for disadvantaged children in the Easter, Summer and Christmas holidays in 2021.
- An additional £400 million to help recruit 20,000 additional police officers by 2023, with 6,000 new officers in 2021-22, £63 million to tackle economic crime, and £337m extra funding for the criminal justice system, along with establishing a world-leading Counter Terrorism Operations Centre.
- Increasing core spending power for local authorities by an estimated 4.5 per cent in cash terms, along with over £3 billion of additional Covid 19 support and an extra £254 million of funding to tackle homelessness and rough sleeping.

Throughout the pandemic the government have provided an unprecedented economic support package to protect and create jobs. The Spending Review builds on this by investing an additional £3.6 billion to build on commitments made in the Plan for Jobs.

This includes the new 3-year £2.9 billion Restart scheme to help more than one million unemployed people find work.

Building back better

The Spending review announces the next phase of the government's infrastructure revolution with £100 billion of capital expenditure next year, to kickstart growth and support hundreds of thousands of jobs. It gives multi-year funding certainty for select projects – such as school and hospital rebuilding, housing and 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, investing in a greener future by delivering against the Prime Minister's ten-point plan for climate change.

The Chancellor also set out plans to further the levelling up agenda by launching a new £4 billion Levelling Up Fund that will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. A refreshed Green Book will also better link projects and programmes to Government objectives, including on levelling up and Net Zero.

This is supported by the new National Infrastructure Strategy outlining the government's long-term vision for infrastructure investment, and a new UK infrastructure bank – headquartered in the north of England – to work with the private sector to finance major new investment projects across the UK. And to ensure that Government policies that have the most impact on levelling-up are created by those living in communities outside of London and the South East, the Treasury will set up its Northern headquarters next year. This is part of a wider work that will see thousands of civil servants move to the regions and nations of the UK.

To help people with their finances, the Chancellor also announced an increase in the National Living Wage, by 2.2% to £8.91 an hour from April 2021, likely benefiting around two million of the lowest paid. Alongside that, 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. And to help businesses, the business rates multiplier will be frozen in 2021-22, saving businesses in England £575 million over the next five years.

The Spending Review also strengthens the UK's place in the world as open and outward-looking, leading in solving the world's toughest problems. The UK will spend the equivalent of 0.5% of national income as overseas aid in 2021. The Spending Review therefore provides £10 billion of Official Development Assistance (ODA) in 2021-22. This will ensure the UK remains one of the largest overseas aid donors in the world. And to provide security not just for the UK but also around the world, the Chancellor also confirmed the announcement made by the Prime Minister which will see over £24 billion of investment in defence, the biggest sustained increase in 30 years.

Further information on projects funded by capital spending next year:

- almost £19 billion of transport investment next year, including £1.7 billion for local roads maintenance and upgrades
- significant increases in research and development (R&D) with almost £15 billion in 2021-22 including funding for clinical research to support delivery of new drugs, treatments and vaccines
- £4.2 billion for NHS operational investment next year to allow hospitals to refurbish and maintain their infrastructure, and £325 million of new

investment in NHS diagnostics equipment to improve clinical outcomes
- over £260 million to continue the transformative digital infrastructure programmes, including the Shared Rural Network for 4G coverage, Local Full Fibre Networks, and the 5G Diversification and Testbeds and Trials Programmes

Multi-year funding to deliver:

- a step-change in investment to tackle climate change and deliver the Prime Minister's Ten Point Plan for a Green Industrial Revolution, including funding for electric vehicle charging infrastructure, and new Carbon Capture and Storage (CCS) clusters by 2030
- over £58 billion of investment confirmed for road and rail, levelling up across the country
- nearly £20 billion of investment underpinning the Government's long-term housing strategy, including £7.1 billion for a National Home Building Fund and confirming over £12 billion for the Affordable Homes Programme
- a multi-billion capital investment to deliver the Government's commitments on building 40 hospitals by 2030, rebuilding 500 schools over the next decade, and delivering 18,000 modern prison places across England and Wales by the mid-2020s
- a doubling of flood and coastal defence investment across England investing £5.2 billion over six years
- £1.2 billion to subsidise the rollout of gigabit-capable broadband, as part of the government's £5 billion commitment to support rollout to the hardest-to-reach areas of the UK
- over £22 billion of funding for High Speed 2, Europe's largest construction project

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National Living Wage increase to protect workers' living standards

Press release

Announcement of the 2021 National Living Wage and National Minimum Wage rates.

The Government has today announced the National Living Wage (NLW) and National Minimum Wage (NMW) rates which will come into force from April 2021. It accepted in full recommendations made by the Low Pay Commission at the end of October.

The National Living Wage will increase by 2.2 per cent from £8.72 to £8.91, and will be extended to 23 and 24 year olds for the first time. For workers aged under 23, Commissioners recommended smaller increases in recognition of the risks to youth employment which the current economic situation poses.

Bryan Sanderson, Chair of the Low Pay Commission, said:

> Recommending minimum wage rates in the midst of an economic crisis coupled with a pandemic is a formidable task. The difficulty in looking forward even to next April is daunting. There are strong arguments concerning both low-paid workers – many performing critically important tasks – and the very real solvency risks to which small businesses are currently exposed. In these unprecedented conditions, stability and competence are prime requirements.

> Our value as a social partnership is to use the imperfect economic evidence to produce a recommendation which is professionally researched and dispassionate. Most importantly, after much debate it has the support of the business, trade union and academic representatives who make up the Commission. We have opted for a prudent increase which consolidates the considerable progress of recent years and provides a base from which we can move towards the Government's target over the next few years.

The increase in the NLW will mean that low-paid workers' incomes rise broadly in line with predicted wage growth; and modestly ahead of projected increases in prices, meaning low-paid workers' living standards should be protected. Commissioners do not believe the increase presents a significant additional risk to employment prospects, beyond the already challenging outlook.

The LPC's recommendations comprised:

	Rate from April 2020	Rate from April 2021	Increase
National Living Wage	£8.72	£8.91	2.2%
21-24 Year Old Rate	£8.20	£8.36	2.0%
18-20 Year Old Rate	£6.45	£6.56	1.7%
16-17 Year Old Rate	£4.55	£4.62	1.5%
Apprentice Rate	£4.15	£4.30	3.6%
Accommodation Offset	£8.20	£8.36	2.0%

Low Pay Commissioners remain committed to the Government's goal of ending low pay. Given uncertainties over the long-term economic outlook, they have not recommended any change to the Government's target of the NLW reaching two-thirds of median earnings by 2024. The LPC's report sets out an indicative future path for the NLW; but the effects of furloughing on pay data limit its precision this year.

The LPC submitted its recommendations on 30 October, meeting the deadline set by the Government. This was before the announcement of further lockdown restrictions in England and the extension of the Coronavirus Job Retention Scheme.

Notes for Editors

1. The Low Pay Commission is an independent body made up of employers, trade unions and experts whose role is to advise the Government on the minimum wage. The rates announced today follow recommendations agreed unanimously by the Commission and accepted by the Government.
2. In line with the end-October deadline set in its remit, the LPC submitted its recommendations to the Government on 30 October 2020, following final deliberations from 27-29 October.
3. The LPC is today publishing two documents: the letter of advice from Bryan Sanderson to the Rt Hon Alok Sharma MP, setting out the Commission's recommendations and rationale; and a short report summarising the evidence on which these recommendations were based. The LPC's full report, setting out its evidence base in detail, will be published in early December.
4. From April 2021, the National Living Wage (NLW) will be the statutory minimum wage for workers aged 23 and over. It currently applies to workers aged 25 and over. The reduction in the NLW age threshold follows a review of the structure of the National Minimum Wage youth rates and recommendations made by the LPC in autumn 2019. The threshold will further reduce to 21 by 2024.
5. Different minimum wage rates apply to younger age groups: 21-22 year olds (from 1 April 2021), 18-20 year olds, 16-17 year olds and to apprentices aged under 19 or in the first year of an apprenticeship.
6. The Government has set a target for the NLW to reach two-thirds of median earnings by 2024. The LPC makes recommendations on this basis. The NLW was originally introduced in April 2016 and had a target of 60% of median earnings by 2020, which the April 2020 uprating to £8.72 was forecast to reach.
7. In its remit letter to the LPC in March, the Government asked the LPC

"to monitor the labour market and the impacts of the National Living Wage closely, advise on any emerging risks and – if the economic evidence warrants it – recommend that the government reviews its target or time-frame. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects." The full remit letter is available here.

8. Rates for young workers and apprentices are lower than the NLW in reflection of lower average earnings and higher unemployment rates among these groups. International evidence also suggests that younger workers are more exposed to employment risks arising from the pay floor than older workers. Unlike the NLW (where the Government accepts the possibility of some consequences for employment as a result of achieving the target), the LPC's remit requires us to recommend rates for younger workers and apprentices as high as possible without causing damage to jobs and hours.
9. The LPC also makes recommendations on the Accommodation Offset, the maximum allowable deduction from wages for employer-provided accommodation, applicable for each day of the week. In April 2021 it will increase to £8.36 per day, in line with the 21-22 Year Old Rate.
10. The National Living Wage is different to the UK Living Wage and the London Living Wage calculated by the Living Wage Foundation. Differences include that: the UK Living Wage and the London Living Wage are voluntary pay benchmarks that employers can sign up to if they wish, not legally binding requirements; the hourly rate of the UK Living Wage and London Living Wage is based on an attempt to measure need, whereas the National Living Wage is based on a target relationship between its level and average pay; the UK Living Wage and London Living Wage apply to workers aged 18 and over, the National Living Wage to workers aged 23 and over. The Low Pay Commission has no role in the UK Living Wage or the London Living Wage.
11. The nine Low Pay Commissioners are: Bryan Sanderson, Professor Sarah Brown, Professor Richard Dickens, Kate Bell, Kay Carberry, Simon Sapper, Neil Carberry, Clare Chapman and Martin McTague.
12. Bryan Sanderson can be contacted via the Low Pay Commission's press office (0207 211 8132).

Published 25 November 2020

The future of Parole: Problems and solutions webinars

Press release

The Parole Board is holding two online events with Cambridge Centre for

Criminal Justice and the Institute of Criminology to explore the future of parole.

The Parole Board recently hit the headlines after the Government announced a Root-and-Branch Review of the parole system to explore a number of areas including potentially opening hearings up to the public.

The review will build on recent reforms but will also look at more fundamental changes.

So, what does the future hold for the parole system? What are the problems faced by the current system and what are the solutions?

The Parole Board, together with the Cambridge Centre for Criminal Justice and the Institute of Criminology of the University of Cambridge, will hold two webinars on the topic. They will be two hours each, from 8-9 December 2020, between 5 – 7 pm.

Parole Board Chair Caroline Corby and CEO, Martin Jones will speak at the event alongside other experts including; Professors David Feldman, Nicky Padfield, Rob Canton, Julian Roberts, and Simon Creighton, of Bhatt Murphy.

The detailed programme will be available shortly.

To register for the events, please follow the links below:

The Future of ‘Parole’: Identifying ‘problems’:

The Future of ‘Parole’: Identifying ‘solutions’:

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Essential maintenance from 2pm,

Saturday 28 November

News story

DVLA’s contact centre will close at 2pm on Saturday 28 November instead of our usual 4pm due to essential maintenance.

DVLA’s contact centre will close at 2pm on Saturday 28 November instead of our usual 4pm due to essential maintenance and will reopen on Monday 30 November as normal. Our email service will also be unavailable during this time.

Essential maintenance will also take place on our automated tax payment phone line – 0300 123 4321. This phone line will be unavailable from 2pm on Saturday 28 November until Sunday morning.

All our online services will be available as normal. Go to www.gov.uk/browse/driving to find information and advice.

You can go online to tax a vehicle at www.gov.uk/vehicle-tax

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