



Department for  
Business, Energy  
& Industrial Strategy

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Dear Darren,

Thank you for your letter of 22 September on the Spending Review.

You will have seen the Chancellor's announcement on 27 October. The annex attached below should address your questions and provide an overview of the BEIS settlement.

Yours sincerely,

**RT HON KWASI KWARTENG MP**  
Secretary of State for Business, Energy & Industrial Strategy

## Annex

### Spending Review Settlement

HM Treasury's official Autumn Budget and Spending Review 2021 (SR21) document is attached. Please see pages 112-4 for a full breakdown of the settlement, including the Department's new set of priority outcomes at section 4.75.

### What our policy priorities are for the Spending Review period, including how these differ from those published in the Outcome Delivery Plan in July 2021

1. BEIS's policy priorities for the Spending Review period mirror my wider priorities for the department: delivering Net Zero, unleashing Innovation and driving Enterprise (captured by the acronym 'ENZI').
2. A refreshed set of public value framework (PVF) outcomes and metrics was published alongside the SR21 settlement. These reflect the department's evolving focus since SR20, while maintaining support for investment, jobs and levelling up across the whole of the UK, as part of our economic recovery from the pandemic and longer-term Plan for Growth.

### For details of spending commitments already made for the period to 2024-25, by year, and by amount

3. The table below sets out BEIS's legal commitments up to the financial year 2024-25, as at June 2021. The figures include programme and capital Delegated Expenditure Limit (DEL) spend but exclude administrative budgets, depreciation and Annually Managed Expenditure (AME).

	2022-23	2023-24	2024-25
Commitments (£bn)	9.45	8.93	8.16

4. In the above, a legal commitment is defined as:
  - i. Contractual commitments: Where a legally enforceable contract is in place, such as:
    - a. Legal contracts – for leasing an asset, paying rents or procurement of services.
    - b. Grant offer documents – where these are signed and legally enforceable.
  - ii. Statutory obligations: Where the department has a statutory duty, enshrined in law, to deliver a service or provide funding. Examples include, but are not limited to:
    - a. A statutory duty to provide a service – here the commitment should be valued at the forecast cost of delivering that service and should exclude the cost of discretionary (i.e. non-statutory) activity.
    - b. Mandatory Subscriptions – for example where BEIS contributes to the budgets of international organisations on behalf of HM Government.
    - c. Where BEIS has undertaken to provide funds to other departments or government bodies.
  - iii. Written commitments: For instance, a letter confirming funding or match spending (where BEIS matches the spend of other departments or Partner Organisations).

## **How the department analysed its priorities and work for this spending round, including how it identified areas of cost saving and the total resources dedicated to the Spending Round**

5. BEIS Ministers and officials prepared for the Spending Review with a relentless focus on delivering Government priorities and value for money for the British public. Within this process we have sought to protect critical activity, whilst also ensuring resource for new departmental responsibilities, as the UK seizes the advantages of becoming an independent sovereign trading nation.
6. Ahead of the Spending Review, BEIS Ministers and officials undertook a robust preparatory programme to:
  - i. Set a clear strategy that prioritised Enterprise, Net Zero and Innovation;
  - ii. Examine and adjust existing activities according to their alignment with this strategy and BEIS's Priority Outcomes, and
  - iii. Develop robust proposals through an iterative process of official and Ministerial scrutiny. Proposals were scrutinised in line with Green Book guidance where applicable.
7. The Spending Review within BEIS is co-ordinated by a cross-functional central team alongside their business-as-usual workload. Officials across the rest of the department contribute to the planning, generation and scrutiny of proposals alongside the day-to-day business of the department.

## **How departmental submissions for the 2021 Spending Review have been affected by the Covid-19 pandemic, including longer term changes to spending responsibilities and policy priorities as identified in the planning for the intended 2020 Spending Review**

8. The Prime Minister and Chancellor took the decision to hold a single-year SR in 2020 to focus on the response to the pandemic and the Government's Plan for Jobs. As we recover from the pandemic, the SR21 submission maintains some support for short-term Covid-19 recovery measures through the British Business Bank. Multi-year funding for this spending round will allow the Department to deliver against longer-term commitments to net zero and R&D, as well as backing long-term growth and boosting enterprise as we recover from the COVID-19 pandemic.

## **What impact leaving the EU has had on the department's spending and policy commitments during the forthcoming Spending Review period**

9. Following the UK's departure from the EU, the Government established new statutory functions, previously performed by the EU on behalf of member states. These form new sovereign functions of the UK government, which constitute additional business-as-usual activities. BEIS has acquired new legally binding responsibilities under the Trade and Cooperation Agreement. The department leads on, or has implementation responsibility for, 10 of the 19 Specialised Committees set up to manage the UK's new relationship with the EU. The range of additional sovereign functions include: domestic policy frameworks where competence previously resided with the EU / Euratom; functions relating to the UK exercising its trade competence as an independent member of the World Trade Organisation; and functions gained as a consequence of the EU/UK Trade and Cooperation Agreement and relating to the operation of the Northern Ireland Protocol.
10. BEIS budget allocations will include provision for funding the UK's contribution to EU programmes including Horizon Europe and Euratom Research & Training. We will pay a fair share, the terms of which are set out in the UK-EU Trade and Cooperation Agreement

(TCA). The exact annual cost will vary depending on factors including GDP, foreign exchange rate considerations, and whether the UK is excluded from any parts of the programme. Funding set aside will cover costs in 2021/22. HMT will allocate funding for future years at SR21. Government will separately provide funding for ongoing UK research projects already awarded under Horizon 2020, Euratom and Copernicus.

11. These programmes will provide a platform through which our scientists and innovators can tackle significant challenges in society – ranging from climate change to global health.

**About policy commitments (including those in legislation) which may have a significant spending impact, such as reducing carbon emissions to net zero by 2050, over the Spending Review period, with likely costs**

12. In our Outcome Delivery Plan, we set out our long-term portfolio, focused on tackling climate change and delivering net zero; unleashing innovation; and backing long-term growth and boosting enterprise.
13. We are committed to cementing the UK's role as a global science and technology superpower, with public spending on R&D rising to £20bn in 2024/25, an increase of around a quarter in real terms over the SR period.
14. As the custodian of the UK's R&D system, BEIS has been allocated £39.8bn for R&D over the SR period, the largest ever budget committed to BEIS for R&D. To support progress towards our statutory commitment to achieving net zero carbon emissions by 2050, BEIS has received £15 billion of funding over the SR period as part of the Net Zero Strategy, building on the Prime Minister's Ten Point Plan for a Green Industrial Revolution.

**How the department intends to measure its performance given any funding settlement**

15. Updated PVF metrics for each of BEIS's Priority Outcomes were published alongside the Spending Review and will be monitored on a quarterly basis. PVF metrics provide an indication of progress but are not a direct measure of BEIS's contribution.
16. We will draft a new Outcome Delivery Plan for 2022/23 which will provide additional information on how BEIS will use the funding settlement to deliver on its Priority Outcomes and our plans to monitor and evaluate performance.
17. We will monitor progress against this plan through our internal governance processes including the BEIS Board and Performance & Risk Committee. We will also report on our progress to the Cabinet Office on a regular basis. BEIS has recently published a Monitoring and Evaluation (M&E) Framework and established a central M&E Hub.