

# Autumn Budget and Spending Review 2021

Summary of key planning, housing and infrastructure announcements

# Headline Summary

## The Economic Picture and Implications for Local Government

### Economic Context

- The **economy is expected to grow more quickly** (and unemployment to peak lower) than March forecasts: the OBR now projects growth to be 6.5% this year, 6% in 2022, 2.1% in 2023, 1.3% in 2024, and 1.6% in 2025.
- **Unemployment projections have improved:** projected to peak at 5.2% in the final quarter of this year, down from 6% (2m fewer people).
- However, **inflation is now expected to peak at a higher rate:** at the time SR21 was published, inflation was expected to hit 4.4% in 2022. Since then, further price rises and cost of living pressures make an even higher figure plausible.
- A key takeaway is the **level of economic uncertainty:** rising inflation, rising COVID-19 cases and serious supply chain issues could all affect the OBR's growth projections (and therefore change the Government's tax and spending figures)
- The household outlook is also uncertain: **short-term cost of living pressures** could be acute for some.

### Tax, Spend and Benefits

- The Chancellor will **spend a substantial chunk of the windfall from above-expected growth on public spending** (£56bn): spending rises in real terms by 3.8% a year over the SR period
- This is also possible because of **previously announced tax increases** from March (Income and Corporation Tax) and September (National Insurance Contributions).
- These increases should be seen in the context of a decade of cuts for many Departments. By the end of SR21 period **many Departments will still have real-terms budgets well below 2010 levels.**
- The headline **National Minimum Wage** will increase to £9.50 (with changes to associated rates for younger workers, apprentices etc)
- The **Universal Credit taper rate** will be reduced from 63% to 55%, meaning that people will keep more of their earnings. But this will only benefit the ~1/3 of GM UC recipients who are in work. This will cost £3bn (£7bn was saved by removing the £20 uplift).

### Local Government and GM Overview

- Local government spending is better than expected, but the situation deteriorates over the SR period: The headline is **£1.6bn of new grant funding per year;** but this is flat so is chipped away by demand and demographic pressures in years 2 and 3.
- Rising real-terms funding and spending power in years 2 and 3 is **driven by funding for the new social care cap** and eligibility reforms.
- As in previous years, Spending Power figures also **assume Council Tax increases.** Referendum limits will stay 2% a year core, 1% for social care and £10 for policing.
- The SR **confirms a range of discreet programmes, initiatives and funding streams, including:** Earn Back, Supporting Families, Made Smarter, Rough Sleeper Initiative, and multiple work and skills funds.
- GM received £1.07bn from the **City Region Sustainable Transport Settlements (CRSTS),** the highest single allocation.

# Further detail

## Some relevant highlights by Department

### DLUHC

- **Funding profile for UKSPF:** £0.4bn (22/23), £0.7bn (23/24), £1.5bn (24/25) – 80% revenue. We expect further detail about how this will operate in practice through the Levelling Up White Paper.
- **SR21 committed to publishing the Levelling Up White Paper by the end of the year** (*now delayed to early 2022*)
- Increased revenue spending on **rough sleeping**, reaching £639m p.a. by 2024/25.
- £1.7bn allocated for successful bids to Round One of the **Levelling Up Fund**. Five successful bids in GM across four districts. Round Two launches in Spring.
- New spending on **housing and land:** £1.8bn for housing supply, including a £300m fund to be allocated to MCAs and LAs.
- An additional £65m to **digitise the planning system**.
- Confirms £5bn to **remove unsafe cladding** (though the DLUHC SoS has since indicated he is pausing the Leaseholder Cladding Loan Scheme while he reviews the approach)
- Up to £200m for the **Freeports programme** (the Liverpool City Region Freeport includes Port Salford)

### DEFRA

- Over £250m over 3 years to deliver on the **25 Year Environment Plan, inc.** Local Nature Recovery Strategies
- Reaffirming doubling of investment from last 6-year **flood and coastal erosion** programme.

### BEIS

- **Change of R&D funding target**, now increasing public spending on R&D to £20bn by 2024/25, £22bn by 2026/27.
- Delivering **Innovation Strategy, inc.** increasing universities' core funding by £1.1bn, and core Innovate UK programmes' funding by £1bn p.a., by 2024/25
- £1.4bn **Global Investment Fund** focused on automotive, life sciences, offshore wind.
- £15bn for BEIS to implement the **Net Zero Strategy** and help the UK reach net zero by 2050 (inc. funding for innovation grants, support for the offshore wind sector, and nearly £4bn for energy efficiency improvements and clean heat installation).
- Confirmed **continuation of Made Smarter**

### DfT

- £1.07 for GM from the **City Region Sustainable Transport Settlement**
- **£50k Restoring Your Railways funding** for appraisal work on Ashton-Stockport line.
- Nationwide road **connectivity** investment (£24bn) – inc for several M60 projects (A66 and Simister Island).
- £2bn for **cycling and walking** - includes newly announced £710m (likely to fund 'Active Travel Fund 4').
- Reconfirming £3bn for **bus services over the Parliament:** includes £1.2bn over 3 years allocated competitively based on Bus Service Improvement Plans (BSIPs)

### DCMS

- £1.2bn of the previously announced £5bn **Project Gigabit** commitment.
- £850m for **culture and heritage** infrastructure (inc funding to restore or regenerate 100 libraries)
- Funding for **community and youth resources:** £205m for grassroots football infrastructure, £22m for tennis courts, and £560m for youth services.