

GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: Spending Round Update

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PURPOSE OF REPORT

This report provides an update on the recent Spending Round setting out the Government's spending plans for 2020/21.

RECOMMENDATIONS

The LEP Board is asked to:

- i. Consider the report and provide feedback

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1. Introduction

- 1.1 The Spending Round sets out the Government's spending plans for 2020-21. Billed as a new economic era by the Chancellor, which turns the page on austerity, the Spending Round confirmed a real increase in day-to-day spending next year of £13.8 billion, detailing departmental resource settlements for priorities including healthcare, education and tackling crime and laying the foundations for an 'infrastructure revolution'. An additional £2 billion of core funding provided to departments for Brexit in 2019-20 will be continued into 2020-21.
- 1.2 This represents the biggest increase in a Spending Review since 2002 and ensures that no Government department will see a fall in its budget next year, with most experiencing real term increases. Analysis by the Resolution Foundation¹ finds that next year one third of the current departmental spending cuts (real RDEL per capita) introduced since 2010 will have been reversed, though the impact of the last ten years of spending restraint is very different across departments. Health departmental spending next year is 14 per cent higher than its 2009-10 level, while spending across the Housing and Communities and Justice departments will respectively remain 52 and 31 per cent lower. Large cuts to working-age welfare will also continue to be felt into the 2020s. The scale of extra spending in 2020-21 means that it is very likely that the Treasury will have broken its 'fiscal mandate' to keep borrowing below two per cent of GDP next year.
- 1.3 Later in the autumn, the government will announce its plans for future capital spending, including through the publication of the National Infrastructure Strategy. A full multi-year Spending Review will be conducted in 2020 for capital and resource budgets beyond 2020-21. This will take into account the nature of Brexit and set out further plans for long-term reform.

2. Departmental Settlements

- 2.1 The remainder of this paper sets out the specific funding settlements for key Government departments, highlighting those areas that are of particular interest to Greater Manchester.

2.2 *Department of Health and Social Care*

The Department of Health and Social Care's resource budget will rise by 3 per cent in real terms, with the NHS receiving a cash increase of £33.9 billion a year by 2023-24 compared to 2018-19. The settlement includes:

- A 3.4 per cent real terms increase in the Health Education England budget, including an additional £150 million for Continuing Professional Development, providing a £1,000 central training budget for health professionals over three years, as well as increased funding for wider education and training budgets
- A real terms increase to the Public Health Grant budget and through the NHS contribution to adult social care through the Better Care Fund (which will increase by 3.4 per cent), to help ensure local authorities can continue to provide prevention and public health interventions

¹ Resolution Foundation (2019) Rounding up: Putting the 2019 Spending Round into context. Available at: <https://www.resolutionfoundation.org/publications/rounding-up-putting-the-2019-spending-round-into-context/>

- Additional funding to deliver the government's commitment to upgrade outdated facilities and equipment in 20 hospitals – sharing an £854 million pot of new funding. This is alongside a £1 billion boost to NHS capital spending in 2019-20 to allow existing upgrades to proceed and to tackle the most urgent infrastructure projects
- £250 million in artificial intelligence, including £78 million in 2020-21, to help with healthcare challenges including earlier cancer detection and discovering new treatments
- An additional £1 billion for adult and children's social care. The government will also consult on a 2 per cent precept that will enable councils to access a further £0.5 billion for adult social care. This funding will support local authorities to meet rising demand and continue to stabilise the social care system. The government will bring forward proposals to put adult social care funding on a fairer and more sustainable footing.
- The Department for Health and Social Care will receive a new multi-year capital settlement at the next capital review. This will look to deliver a smarter, more strategic long-term approach, with investment focused on local areas where the need is greatest.

2.3 **Department for Education**

The Department for Education is the only department in this Spending Round to get a multi-year (3 year) settlement (following the NHS last year), with the schools budget increasing by £7.1bn (3.3%) by 2022-23 compared to 2019-20 funding levels (the schools budget will rise by £2.6 billion in 2020-21, £4.8 billion in 2021-22 and £7.1 billion in 2022-23). Separate to this, each year the government will provide almost £1.5 billion of funding to compensate schools for the increased cost of employer pensions contributions.

In 2020-21, the government will ensure that per pupil funding for all schools can rise in line with inflation (1.8 per cent). The minimum per pupil amount for 2020-21 will increase to £3,750 for primary schools and £5,000 for secondary schools, with the primary schools minimum then rising to £4,000 in 2021-22 in line with the government's commitment;

The additional schools funding includes over £700 million more in 2020-21 compared to 2019-20 funding levels to support children and young people with special educational needs.

£400 million will be invested in Further Education in 2020-21, including £190 million to increase core funding for 16-19 year-olds at a faster rate than core schools funding, and £210 million of funding in targeted interventions such as high-cost programmes, English and Maths resits, T Levels, the Advanced Maths Premium and workforce investments.

There is no detail on post-19 skills funding but DfE has a 3.3 per cent real terms increase in their resource budget in 2020-21, so it is hoped that this will flow through into the Adult Education Budget.

The government will also increase early years spending by £66 million to raise the hourly rate paid to childcare providers through the government's free hour's offers.

2.4 **Home Office**

The Home Office's resource budget will increase by 6.3 per cent. The settlement includes:

- £750m for policing to begin recruitment of 20,000 additional officers by 2023 (up to 6,000 officers are to be in place by the end of 2020-21)
- £45 million in 2019-20 to kick start this recruitment, bringing in up to 2,000 additional officers this year
- £30 million to safeguard children from child sexual exploitation and abuse
- Increasing the budget for counter-terrorism policing in line with inflation
- £110 million additional funding, plus £65 million of Official Development Assistance (ODA), for the asylum system and continuing £150 million funding for the Global Resettlement Programme, to support and protect the most vulnerable refugees
- Maintaining £480 million of Brexit funding in real terms, including continued funding for Border Force capability and delivery of the EU Settlement Scheme.

The government will also undertake a formal review of the powers, capabilities, governance and funding needed across the policing and law enforcement landscape, including the National Crime Agency and the wider justice system, to enable it to improve its response to serious and organised crime. This will report in advance of Spending Review 2020.

2.5 **Ministry of Justice**

The Ministry of Justice resource budget will increase by 4.9 per cent in real terms. The settlement includes:

- Funding to begin delivery of the creation of an additional 10,000 prison places
- £100 million to increase security in prisons through the introduction of more airport-style security scanners, mobile phone detection and prevention technology, and anti-corruption and intelligence operations
- £55 million to support the work of 20,000 additional police officers
- Additional funding to support the ongoing reform of the probation system to help reduce reoffending and improve the quality of post-custody supervision.

2.6 **Ministry of Housing, Communities and Local Government**

The Ministry of Housing, Communities and Local Government budget will increase by 2.7 per cent in real terms. The settlement includes:

- £422 million resource funding to help reduce homelessness and rough sleeping, including an additional £54 million in 2020-21 – a 13% real terms increase compared to 2019-20. MHCLG will decide on the allocation of this
- £241 million from the Towns Fund in 2020-21 to support the regeneration of high streets, town centres and local economies
- Continued funding for the Midlands Engine and Northern Powerhouse (without any detail)
- Continued support to increase home ownership through the Help to Buy equity loan and other housing programmes, including providing Homes England additional funding to deliver more homes where people need them

- Continued funding for the Troubled Families programme, which is transforming the way public services are delivered to support families with complex needs
- £24 million additional funding for the Building Safety Programme to support the new building safety regime and help prevent a tragedy like Grenfell happening again
- £10 million additional funding for English as a second language provision to enable the second wave of the Integration Areas Programme

2.7 **Local Government**

Local Government Departmental Expenditure Limits will increase by £1.1 billion in cash terms.

The increase in Grant is estimated to increase Local Government Core Spending Power by £2.9 billion in 2020-21. Within this:

- The settlement includes additional funding for adult and children's social care (set out in detail under Department for Health & Social Care)
- Local Government's business rate baseline funding levels will increase in line with inflation

HMT confirmed that their assumption in the figures for local government funding was that the referendum threshold for council tax increases would be set at 2 per cent, but the actual figure (to be consulted on) will be decided as part of the local government funding settlement later in the year. They are also expected to make a decision about the future of pilots of 100% retention of Business Rates at the time of the local government funding settlement.

In a letter to all local authority Chief Executives and Leaders, MCHLG have confirmed that Government will delay longer-term reforms, including business rates retention and fairer funding (Review of Relative Needs and Resources) until 2021-22.

2.8 **Department for Transport**

The Department for Transport's budget will increase by 11.4 per cent in real terms. The settlement includes:

- £1.1 billion funding to ensure the Strategic Road Network runs safely and smoothly
- Support for rail passengers and the wider rail network – for example, by committing a further £275 million for maintaining rail infrastructure in 2020-21 compared to 2019-20
- Over £200 million of increased funding to transform bus services, making best use of technology and promoting decarbonisation, to help people make the everyday journeys that matter most to them. Further details will be announced in due course
- Continued support for the development of major transport projects, including pushing on with work on the Leeds to Manchester route of Northern Powerhouse Rail, and driving forward East West rail links in the Oxford to Cambridge Arc

2.9 **Department for Business, Energy and Industrial Strategy**

The Department for Business, Energy and Industrial Strategy's budget will increase by 2.1 per cent in real terms (excluding the Nuclear Decommissioning Authority). The settlement includes:

- £30m to accelerate progress on developing decarbonisation schemes that will help to move the UK towards its Net Zero greenhouse gas emissions target by 2050. Exact information regarding how this funding will be directed will be confirmed in the National Infrastructure Strategy, due out in autumn. Government appear keen to prioritise rebuilding national infrastructure as high-quality, low carbon and reliable infrastructure is essential to how we live, work and travel; and will also help the move towards achieving UK greenhouse gas emissions targets
- £28 million to deliver compliance and enforcement activities against firm underpaying workers under National Minimum Wage and National Living Wage rules
- Support for small businesses to grow, including providing access to finance via the British Business Bank
- Improving the impact of the government's funding for parental leave and pay arrangements by reviewing the effectiveness of existing schemes and consulting on future plans
- Continuing to provide £191 million to support delivery of Brexit-related activities
- £87 million of Official Development Assistance funding to help developing countries reduce their carbon emissions and adapt to the effects of climate change
- £243 million additional funding for the Nuclear Decommissioning Authority to enable it to continue the work of safely decommissioning the UK's nuclear legacy sites
- £8 million funding for Companies House to deliver new policies relating to economic crime and anti-money laundering.

In the autumn, Government will set out plans to significantly boost public Research & Development funding, provide greater long-term certainty to the scientific community, and accelerate its ambition to reach 2.4 per cent of GDP.

2.10 ***Department for Digital, Culture, Media and Sport***

The Department for Digital, Culture, Media and Sport's budget will increase by 4.1 per cent in real terms. The settlement includes:

- Over £300 million to support national museums and galleries
- Over £500 million for Arts Council England and Sport England to drive participation in cultural and sporting activities
- £50 million for UK Sport to support Team GB and Paralympics GB in Tokyo in 2020
- Continued investment in the digital economy, with programmes to support the UK tech sector and help people to stay safe online
- Continuation of the Discover England Fund to promote inbound tourism and showcase visitor destinations across England.

Further detail on how the UK will make progress towards its targets for full fibre broadband will be set out in the National Infrastructure Strategy in the autumn.

2.11 ***Department for the Environment, Food and Rural Affairs***

The Department for the Environment, Food and Rural Affairs budget will increase by 3.3 per cent in real terms. The settlement includes:

- £432 million of Brexit funding, including an additional £20 million to support delivery of Defra's replacement for the Common Agricultural Policy in England, which will prioritise environmental outcomes
- More than £30m increase in funding for air quality
- An additional £30 million for terrestrial and marine biodiversity measures, to support the maintenance and restoration of vital habitats for wildlife, progress nature-based solutions for climate change mitigation and adaptation, and deliver the 25 Year Environment Plan. This investment will also be used to deliver a review into the economic value of biodiversity, similar to the existing natural capital accounts already developed in Greater Manchester, as well as maintaining and restoring habitats, which would link to the Greater Manchester IGNITION Project which seeks to identify innovative investment mechanism for nature based solutions for climate change adaptation.

2.12 ***Department for Work and Pensions***

The Department for Work and Pensions budget will increase by 1.9 per cent in real terms. The settlement includes a £106 million package to fund the Plan for DWP Excellence. This includes

- £40 million for Discretionary Housing Payments to tackle affordability pressures in the private rented sector
- £36 million to ensure DWP decision-making is accurate as well as improving safeguarding by creating a new independent Serious Case Panel
- £7 million to expand Jobcentre advisor support in schools for young people with special educational needs and extending eligibility for Access to Work to internships for disabled people
- £23 million to fund other measures, including support for vulnerable claimants and people with complex needs migrating to Universal Credit, additional outreach activities to support those who are homeless, and increasing the number of Armed Forces champions to support veterans when entering the labour market.

In addition to this, DWP's resource budget will enable the department to continue to:

- improve financial security through the accurate and timely administration of benefit payments, including the secure delivery of Universal Credit
- deliver frontline services
- ensure older people are able to live with the dignity and respect they deserve by supporting private pension saving and delivering the State Pension

There is no detail on the Work & Health Programme, however the increase in DWP's resource budget in 2020-21 will enable them to continue to 'help people move into work and support their progression in work, through targeted

employment support programmes and tailored interventions for disadvantaged groups’.

2.13 **Department for International Trade**

The Department for International Trade’s budget will increase by 2.3 per cent in real terms. The settlement includes:

- Additional funding to deliver a Free Trade Agreement programme
- Funding for the new trade policy framework as the UK leaves the EU
- Funding for the DIT overseas network, regional and sector teams and programme of activities to support UK businesses around the world, break down barriers to trade and strengthen the UK’s leading position as a destination for inward investment
- Continued funding for the DIT-led cross-government GREAT Britain campaign, promoting a truly Global Britain
- Ongoing investment in priority international trade capital projects including to support work to agree free trade agreements and establish an independent trade policy

2.14 **Cabinet Office**

The Cabinet Office’s budget will increase by 7.4 per cent.

The settlement includes £5 million for the new Office for Veterans’ Affairs, which will coordinate across the public sector to improve support for veterans – from ensuring they get the medical treatment they require, to further training and skills after they have transitioned from service to keep them in good jobs, to targeted interventions to prevent veteran homelessness.

3. **Infrastructure**

3.1 The Chancellor’s speech set out plans for an “infrastructure revolution” including: faster broadband, cleaner energy, greener transport, and more affordable fuel bills, more trains and buses to connect cities of the north, world class schools and hospitals and plans to push the frontiers of science and technology and turbocharge ambitions on research and development.

3.2 Government resources will be used to kickstart the infrastructure revolution but the Government will do more to give private investors the confidence to back projects too. Projects will have to show real value for money, with credible delivery plans and budgets. Investment will be targeted at national priorities like regional growth and decarbonisation. However, no specific funding was announced in the Spending Round - further details on these plans will be set out in the Budget later this year and with the publication of the National Infrastructure Strategy.

4. **Focusing on outcomes / public services**

4.1 The Spending Round confirms a new focus by the Government on outcomes for public services. Outcomes and metrics are currently being developed across Government, with further details to be confirmed in the Autumn.

4.2 The Government is embedding a new Public Value Framework to maximise the value it delivers with the money it spends, based on the recommendations of Sir Michael Barber’s report *Delivering better outcomes for citizens*. These reforms mean

future spending decisions, including the multi-year spending review next year, will be shaped by a greater focus on the outcomes to be delivered and informed by better evidence on performance and impact.

- 4.3 The Spending Round also confirms a fund of £0.2 billion in 2020-21 to pilot innovative approaches to cross-public sector working. The aim is to build a better evidence base and test how joint working between two or more public sector organisations can improve outcomes and deliver better value for money. This could present an opportunity for GM to deliver the ambitions presented in its Unified Public Services White Paper