

Agenda item 3

Comprehensive Spending Review

A brief summary of the Spending Review 2020 (SR20) for the purposes of Team East Sussex. The full 2020 Spending Review policy paper and further funding allocations can be found on the [GOV.UK](https://www.gov.uk) website.

On Wednesday 25 Nov 2020 the Chancellor of the Exchequer delivered the Spending Review 2020 (SR20) to parliament, detailing the Government's spending plans for the coming financial year. Rishi Sunak MP said the Government is spending £280 billion to help the country through Covid-19, prioritising jobs, businesses and public services.

1. UK ECONOMY POSTION:

Fiscal summary of the Government's Covid-19 response:

- £280bn spent to date on Covid-19 response.
- Next year Government will allocate the following: an initial £18bn for Covid-19 response, plus £3bn for the NHS recovery, plus £2bn on Transport, plus £3bn to Local Authorities, plus £250m to end rough sleeping, plus £2.6m to devolved Administrations.
- Together Covid-19 public service funding will total £55bn.

OBR forecasts:

- Economy will contract by 11.3% which is the largest output fall in 300 years.
- Recovery will follow: 5.5% (20/21), 6.6% (21/22), 2.3% (22/23), 1.7% (23/24) & 1.8% (24/25).
- Economic output will not return to pre-crisis levels till the 4th quarter of 2022.
- In 2025 will be around 3% smaller than expected in Mar 2020 budget.

Borrowing / debt:

- UK forecast to borrow £394bn in 2020/21 equating to 19% of GDP – highest borrowing in peacetime history.
- Borrowing then falls: £164bn (21/22), £105bn (22/23), c£100m (4% of GDP) for remainder of OBR forecast.
- Underlying debt equates to 91.9% (20/21).
- Underlying debt forecast to continue rising annually reaching 97.7% of GDP in 2025/26.

Unemployment:

- UK unemployment rate continues to rise to a predicted peak of 7.5% / 2.6 m in Quarter 2 (21/22).
- Unemployment expected to then fall, reaching 4.4% by the end of 2024.

2. POLICY AND INTERVENTIONS ACROSS DEPTS:

Some of the key points from SR20 of particular interest to the public and business sector are summarised here:

- **UKSPF**: will be introduced and over time will at least match EU contributions – guaranteeing £1.5bn per year. Next year Government will provide funding for communities to pilot programmes and new approaches.
- **LEVELLING UP FUND**: introduction of a new £4bn levelling up fund – any local area will be able to bid directly to fund local projects – funding “infrastructure of everyday life”. This will be managed jointly by HMT, DFT and DCLG – projects must have real impact, must be deliverable within this parliamentary term and must command local support.
- **EMPLOYABILITY/ JOBS**: the launch of a £2.9bn Restart Programme, providing tailored support to more than a million unemployed people, helping them find work, with approximately £0.4 billion of funding in 2021/22. £1.6bn for the Kickstart scheme to subsidise 250,000 new jobs for young people at risk of long-term unemployment.
- **WAGES**: national minimum wage rising to £8.91 an hour and extended to those 23+ years old, benefiting 2m people. Pay freeze for public sector.
- **SKILLS**: extra £291m to pay for young people to go into Further Education. £1.5bn to rebuild colleges and £375m for lifetime skills guarantee and extend traineeships, sector-based work academies and the

National Career Service and Apprenticeship system. National Skills Fund launched with £375m support technical courses. £2.5bn towards apprenticeships through the Apprenticeship levy.

- **INNOVATION**: at least £490m for Innovate UK core programmes and infrastructure to support ground-breaking technologies and businesses. Resources to make £270m in new commitments to support priorities in innovation and growth finance.
- **INFRASTRUCTURE**: £100bn of capital spend next year – £27bn more than last year – new roads, rail and cycle lanes, 800 zero emission buses. £90m to fund local EV charging infrastructure. New £7.1bn new home building fund, on top of £12.2bn affordable homes programme. Faster broadband for 5m premises. 4G coverage across 95% of the UK by 2025. New [National Infrastructure Strategy](#) launched. Review of Green Book investment decisions.
- **GREEN, CLIMATE CHANGE & NET ZERO**: over £3bn of new funding to support the Government's Ten Point Plan to accelerate the UK's progress towards Net Zero. A £40m investment in nature recovery through an extended Green Recovery Challenge Fund.
- **FINANCE LOAN PERIODS**: £519m to support the continued delivery of Covid-19 loans, including paying for the 12-month interest free period on the Bounce Back Loan Scheme (BBL) and the Coronavirus Business Interruption Loans (CBIL).
- **BUSINESS RATES**: the business rates multiplier will be frozen in 2021/22, saving businesses in England £575m over the next five years (the Government is considering options for further Covid-19 related support through business rates reliefs, with plans for 2021/22 due to be announced in the New Year). Delay the move to 75 % Business Rates Retention and the implementation of the fair funding review. There will not be a reset of the business rates baseline in 2021/22 and the 100% business rates pilots will continue for a further year.
- **BUSINESS SUPPORT**: £50.7m for business support programmes to improve SME productivity through leadership, management and technology adoption.
- **ACCESS TO FINANCE**: £557.5m of capital funding for the British Business Bank, including:
 - £422m for the Bank's planned activities in 2021/22, providing access to finance for small businesses across the UK and supporting them to grow;
 - £56.5m to fund an expansion of the Bank's Start-Up Loans scheme, providing an additional 1,000 loans to help catalyse new entrepreneurship in the economic recovery from Covid-19;
 - Reform the Public Works Loan Board (PWL) lending terms.

3. BRIEF HEADLINES FROM KEY DEPTS (for purposes of TES):

Ministry of Housing, Communities and Local Government (MHCLG) – p72

- **LEVELLING UP FUND**: The Government is launching a new Levelling Up Fund worth £4bn for England that will attract up to £0.8bn for Scotland, Wales and Northern Ireland in the usual way. This will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. Moving away from a fragmented landscape with multiple funding streams, this new cross-departmental fund for England will invest in a broad range of high value local projects up to £20m, or more by exception, including bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture. SR20 makes available up to £600m in 2021/22. The Government will publish a prospectus for the Fund and launch the first round of competitions in the New Year.

Business, Energy and Industrial Strategy (BEIS) – p78

- Over £500m to support the continued delivery of Covid-19 loans, including paying for the 12-month interest-free period on the Bounce Back Loans and Coronavirus – Business Interruption Loan Schemes.
- Lots of activities/funding around innovation and research: to drive economic growth and forge the UK's future as a global scientific superpower, as set out in the R&D Roadmap, BEIS has been allocated £11.1bn R&D funding (out of an overall Government R&D package of £14.6bn).
- To support the government's Ten Point Plan to accelerate the UK's progress towards Net Zero, ahead of hosting COP26 in 2021, BEIS has been allocated over £3bn of new funding. This includes confirmation of over £1bn to make further progress towards delivering the Government's commitment to invest in the energy efficiency and heat decarbonisation of schools, hospitals and homes.
- To support businesses to grow, £50.7m for business support programmes to improve SME productivity through leadership, management and technology adoption.

Digital, Culture, Media and Sport (DCMS) – p80

- This includes a major investment in digital, making the UK economy more innovative and supporting levelling up across the UK:
 - £1.2bn from 2021/22 to 24/25 to support the rollout of gigabit-capable broadband across the UK, essential in an increasingly digital age for supporting the UK economy. This is part of the Government's £5bn commitment to support gigabit-capable broadband rollout to the hardest to reach areas of the UK.
 - £50m next year as part of a £250m commitment to building a secure and resilient 5G network.
 - Over £200m UK-wide to continue flagship digital infrastructure programmes, including the Shared Rural Network for 4G coverage, Local Full Fibre Networks, and the 5G Testbeds and Trials Programme.
- To support the world-leading culture and heritage sectors, SR20 includes over £150m to continue to strengthen our cultural and heritage infrastructure, including through the Cultural Investment Fund.

Department for Transport (DfT) – p77

- Almost £2bn of investment in electric vehicle charging infrastructure and grants for zero and ultra-low emission vehicles until 2024/25. This includes funding to support the rollout of rapid charging hubs at every service area on England's motorways and major A roads.
- £90m to fund local EV charging infrastructure to support the rollout of larger on-street charging schemes and rapid hubs in England.
- *£1.7bn in 2021/22 for local roads maintenance and upgrades to tackle potholes, relieve congestion and boost connectivity.*
- Road Investment Strategy (RIS2) looks secure with over £58bn of investment confirmed for road and rail transport between 2021/22 and 24/25. This includes investment in strategic roads and rail.
- And lots of other strategic transport investments.

Department for Work and Pensions (DWP) – p85

- This settlement will provide £3.6bn of funding in 2021/22 to deliver labour market support, reflecting the Government's priority of getting people into work. This includes funding for:
 - The new 3-year £2.9bn Restart programme to provide intensive and tailored support to over 1 million unemployed people and help them find work.
 - Work search support measures announced in the Plan for Jobs. This includes the Job Entry Targeted Support, Job Finding Support, the Youth Offer, and Sector-Based Work Academy Programme placements. It also provides additional funding to build on the commitment to double the number of work coaches.
 - The £2bn Kickstart Scheme to create hundreds of thousands of new, fully subsidised jobs for young people across the country. To date, tens of thousands of Kickstart jobs have been created. This settlement confirms funding for over 250,000 Kickstart jobs.

Department for Education (DfE) – p62

- SR20 supports the Government's commitment to level-up education standards by providing for an increase in the schools budget from £47.6bn in 2020/21 to £49.8bn in 2021/22 – an increase of £2.2bn. This reaffirms the Government's commitment at Spending Round 2019 (SR19) to increase the core schools budget by £7.1bn by 2022/23 compared to 2019/20 funding levels, with the Government's three-year investment representing the biggest funding boost for schools in a decade.
- SR20 also supports the Government's commitment to improve skills in the economy and level-up productivity across England by:
 - Providing £291m for Further Education in 2021/22 to ensure that core funding for 16 to 19-year-olds is maintained in real terms per learner. This is in addition to the £400m that the Government provided at SR19.
 - Investing £375m from the National Skills Fund in 2021/22 which will provide: £138m for the Government's commitment to fund in-demand technical courses for adults, equivalent to A level, and to expand the employer-led boot camp training model; £127m to continue support for people to build the skills they need to get into work, building on the summer Plan for Jobs, including

- funding for traineeships, sector-based work academy placements and the National Careers Service; £110m, including £50m of capital investment, to drive up higher technical provision in support of the future rollout of a Flexible Loan Entitlement to test and develop innovative models for local collaboration between skills providers and employers.
- Making available £2.5bn of funding for apprenticeships and further improvements for employers: from Aug 2021 employers who pay the Apprenticeship Levy will be able to transfer unspent Levy funds in bulk to small and medium-sized enterprises (SMEs) with a new pledge function. Unspent Levy funds will still expire after 24 months. The Government will also introduce from Aug 2021 a new online service to match Levy payers with SMEs that share their business priorities (from Apr 2021) allowing employers in construction, followed by health and social care, to front-load training for certain apprenticeship standards. The Government will explore whether this offer can also be made available in other sectors during 2021/22, testing approaches to supporting apprenticeships in industries with more flexible working patterns, including consideration of how best to support apprenticeship training agencies incentive payments for hiring a new apprentice introduced in the Plan for Jobs (extended to 31 Mar 2021).
 - SR20 additionally provides capital investment in the education estate to support levelling-up education across England, including:
 - Funding towards meeting the Government's commitment to £1.5b to bring all Further Education college estates in England up to a good condition.
 - £83m in 2021/22 to ensure that post-16 providers can accommodate the expected demographic increase in 16 to 19-year-olds.
 - £64m in 2021/22 for the Student Loan Company, including for its transformation programme.
 - £162m in 2021/22 to support the rollout of T Levels wave 2 and 3.
 - £72m in 2021/22 to support the commitment to build 20 Institutes of Technology.

Department for Environment, Food and Rural Affairs (DEFRA) – p82

- To support the Government's ambition to tackle climate change and reduce carbon emissions. This settlement includes an additional £40m investment in nature recovery through an extended Green Recovery Challenge Fund.

Local Government – p75

- **Business Rates:** Earlier this year the Government announced that it would delay the move to 75% Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic. In order to provide further stability to the sector, the Government has decided not to proceed with a reset of business rates baselines in 2021/22 and will maintain the existing 100% business rates pilots for a further year. The Government will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23.
- **PWLB monies:** The Government will reform the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield, which presents a risk for both national and local taxpayers. The Government will cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. The Government has also announced the outcome of the Local Infrastructure Rate competition. Six authorities will benefit from £336m in discounted lending for local infrastructure priorities.
- **Other support to business:** £519m to support the continued delivery of Covid-19 loans, including paying for the 12-month interest free period on the Bounce Back Loan Scheme (BBLS) and the Coronavirus Business Interruption Loans (CBILS). Plus, the business rates multiplier will be frozen in 2021/22, saving businesses in England £575m over the next five years (the Government is considering options for further Covid-19 related support through business rates reliefs, with plans for 2021/22 due to be announced in the New Year).

APPENDICES: Supplementary material for information only

1. Levelling-Up Fund

Worth £4 billion for England, will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery.

It seeks to move away from a fragmented landscape with multiple funding streams. This new cross-departmental fund for England will invest in a broad range of high value local projects up to £20m, or more by exception, including bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture.

It will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less Government investment in recent years. SR20 makes available up to £600m in 2021/22.

The Government will publish a prospectus for the fund and launch the first round of competitions in the New Year.

2. UK Shared Prosperity Fund (UKSPF)

The UKSPF will help to level-up and create opportunity across the UK for people and places. It will operate UK-wide, using the new financial assistance powers in the UK Internal Market Bill. Investments and programmes will display common branding. The Government will ramp up funding so that total domestic UK-wide funding will at least match current EU receipts, on average reaching around of £1.5bn a year.

A portion of the UKSPF will target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities. It will support people and communities, opening up new opportunities and spurring regeneration and innovation. Its funding profile will be set out at the next Spending Review. The Government will develop a UK-wide framework for investment in places receiving funding and prioritising:

- Investment in people and skills tailored to local needs, such as work-based training, supplementing and tailoring national programmes (e.g. the Adult Education Budget) and other local support (e.g. for early years).
- Investment in communities and place including cultural and sporting facilities, civic, green and rural infrastructure, community-owned assets, neighbourhood and housing improvements, town centre and transport improvements and digital connectivity.
- Investment for local business including to support innovation, green and tech adoption, tailored to local needs.

Places receiving funding will be asked to agree specific outcomes to target within the UK-wide framework. They will then develop investment proposals to be approved by the Government among a representative stakeholder group. Investment should be aligned with the Government's clean growth and net zero objectives.

A second portion of the UKSPF will be targeted differently: to people most in need through bespoke employment and skills programmes that are tailored to local need. This will support improved employment outcomes for those in and out of work in specific cohorts of people who face labour market barriers.

The Government will set out further details of the UKSPF in a UK-wide investment framework published in the spring.

Additional Funding in 2021/22: to help local areas prepare for the introduction of the UKSPF, the Government will provide additional funding to support our communities to pilot programmes and new approaches. This additional funding will be delivered UK-wide, using the new financial assistance powers in the UK Internal Market Bill. Further details will be published in the New Year.

3. Net Zero investment

To support the Government's Ten Point Plan to accelerate the UK's progress towards Net Zero, ahead of hosting COP26 in 2021, BEIS has been allocated over £3 billion of new funding. This includes:

- Providing over £1bn towards the construction of 4 new Carbon Capture and Storage plants by 2030.

- Confirmation of over £1bn to make further progress towards delivering the Government's commitment to invest in the energy efficiency and heat decarbonisation of schools, hospitals and homes.
- £160m to upgrade our portside manufacturing capabilities to help build the next generation of offshore wind farms.
- £240m to support industry to produce low-carbon hydrogen at scale and over £80m to test its use in heating buildings.
- Up to £525m towards the development of a large-scale nuclear project, subject to value for money assessment, and advanced nuclear technologies, including novel small modular reactors and next generation advanced modular reactors.
- £500m to be spent in the next four years on the development and mass-scale production of electric vehicle batteries and support for associated supply chains, boosting investment into our strong manufacturing bases including in the Midlands and North East.

4. Changing the way the Government invests in places – the Green Book

Alongside SR20, the Government has published a review of the Green Book, designed to ensure that investment decisions are made in a way that spreads opportunity across the UK. The Green Book is the Government's guidance on best-practice for appraisal and is therefore a vital tool for ensuring value for money for taxpayers.

A central finding of the review is that the appraisal process often fails to properly consider how a proposal will deliver the Government's policy ambitions, including levelling-up. This leads to appraisals being focused on a benefit cost ratio (BCR) that does not fully reflect social policy objectives or give ministers the information they need about where costs and benefits fall.

HM Treasury has therefore updated the Green Book to end the dominance of the BCR in decision making. Starting at SR20, appraisals must give a comprehensive picture of cost and benefits, including impacts that are difficult to monetise. In particular, options will be assessed first and foremost based on whether they deliver relevant policy objectives. Any option which fails to do so cannot be considered value for money and will not progress to shortlisting stage. The Government is also changing the guidance so it will no longer be acceptable for proposals to be 'place blind'. Business cases should be developed to align with relevant local strategies and major interventions in the area. In addition, for the first time, business cases for all proposals will have to set out how they will impact different places on a comply or explain basis.

These changes will mean that appraisals and advice to ministers should include much better analysis on how options will deliver their policy goals, as well as which parts of the country look to gain most from them, supporting better-informed decisions.

These updates will feed into future Spending Reviews and HM Treasury will also rollout a tailored programme of training across departments to ensure that the new Green Book guidance is fully embedded in future appraisals.

Alongside these updates to the Green Book, departments will develop relocation plans over the coming year as part of the Government's commitment to levelling-up. The Government is committed to relocating 22,000 roles out of London and the south east by 2030 and will make progress against this target in the next financial year through investment in the Government Hubs and departmental relocation programmes. The Places for Growth Programme will establish a reporting mechanism through which progress on levelling-up will be tracked across Government.