Dods Monitoring:
Spending Round 4th September 2019

Round up of all key announcements and reaction
What is a spending round?

The Spending Round is part of the financial planning cycle and will set some of the spending limits for Government departments for financial year 2020-21. This is in place of the full three-year Spending Review that had originally been planned for this year, and which has now been postponed to 2020, due to the Tory leadership contest.

Spending reviews typically take place every two to four years and cover the spending plans for the next few years. These plans take the form of annual limits for each department on their total spending that can reasonably be planned in advance (this is known as ‘DEL’ spending). As capital budgets are already in place out to the end of 2020/21, the Spending Round will only set resource (day-to-day) budgets.

Parliament’s Control and Scrutiny

The process for holding a Spending Review is not laid out in legislation and there is no formal role for Parliament. Scrutiny of the Government’s spending plans takes place through the Budget later this year and the Estimates next year and Select Committees can also investigate them.

Economic Analysis

This ‘mini’ spending review comes before the OBR new forecasts, which provides both a political opportunity and a risk, as the fiscal headroom is yet to be recalculated according to the new October OBR forecasts.

The OBR’s last forecast, in March, gave the Government ‘headroom’ of around 1.2 per cent of GDP below the 2 per cent target. The OBR judged that the Government was on course to meet its target for borrowing and debt in 2020/21. Under the current OBR forecasts, the headroom stands at £15bn, but the Resolution Foundation thinktank thinks at least £10bn of headroom could be erased by accounting for the latest developments in the economy.

The PMI survey revealed this morning shows that business expectations were at their lowest in more than three years. PMI compiler IHS Markit said the overall economy looked on track to shrink again in the July-September period at a quarterly rate of 0.1 per cent. If this materialises it would mean the UK would enter the first recession since the financial crisis.
Overview

In a speech that was interrupted by the Speaker for its lack of financial detail, Sajid Javid presented his first fiscal event. He recommitted his predecessor’s pledge to turn the page on austerity, increasing total day to day spending by £13.8bn, the fastest increase in spending in the last 15 years. This total spending amount is close to the total fiscal headroom as of spring - a figure which is widely expected to shrink radically when OBR reports again in October. He nevertheless remains for now within the fiscal rules he had committed to - structural borrowing below 2 per cent of GDP and falling debt-to-GDP.

Focussing on education, police and health (including social care), the chancellor also boldly promised an infrastructure revolution in what he claimed was a fastest spending review. Most noticeably, the biggest win of this spending round appears to be his former department.

Today also saw another big financial event with the publishing of the Purchasing Manager’s Index (PMI) which raised concerns of the UK entering a recession. Nevertheless the Chancellor sounded optimistic, as he claimed that the economy was growing, public finances were strong, and borrowing costs are low, allowing the Government to increase spending.

The assumption regarding the size of the fiscal headroom has of course come under criticism from the opposition with Shadow Chancellor John McDonnell arguing that Javid was claiming to use the headroom which he knew has largely disappeared. He also accused Javid of failing to deliver an end to austerity.

Beyond the Chamber, Paul Johnson of the Institute of Fiscal Studies tweeted that spending in most department was still well below 2010 levels and “no deal and economic slowdown would probably mean another dose of austerity”.

With a General Election looming and Brexit still dominating the parliamentary agenda, the lack of certainty of the Government drastically impacts the feasibility of this plan. A plan which intends to show the Government commitment to ending austerity and creating a long-term plan for the economy.

Summary

- Day-to-day spending increase of £13.8bn (4.1 per cent); including £1.7bn in capital spending.
- Biggest spending settlement for devolved administrations in a decade, including: £1.2 billion extra funding for Scotland, £600 million for Welsh Government, and £400 million for Northern Irish Executive.
- No Department budget will be cut next year
- £1.2 bn extra funding for Scotland
- £600m for Welsh Government
- £400m for Norther Irish Executive
- £10m of additional funding to strengthen the links between the four nations of the Union as the UK leaves the EU with £5 m will be allocated to the Territorial Offices
- New outcomes and metrics will form a central part of Single Departmental Plans for 2020-21, which will set out detailed implementation plans for the funding agreed in this Spending Round
- New Public Value Framework to maximise the value the government delivers with the money it spends, based on the recommendations of Sir Michael Barber’s report Delivering better outcomes for citizens; it will form the framework of the next Spending Review;
With the UK legally scheduled to leave the EU on October the 31st, this Spending Round was expected to contain a number of provisions relating to the UK’s impending departure.

Javid certainly made some effort to bring up the topic throughout his speech to the House – he was chastised midway through by the Speaker for focusing too much on the Opposition’s Brexit policy, rather than Governmental spending.

It could be seen as a surprise, therefore, that the substance of the Spending Round itself contained relatively little in the way of hard policy related to Brexit.

An increase in the money available to “Brexit delivery” was widely anticipated, as Government rushes to maintain a positive relationship with the EU after leaving, as well as putting measures in place to mitigate against the impact of no deal. Other than that, the only other Brexit-specific announcement was a modest increase in the budget available to the Department for Exiting the European Union, in line with inflation.

Part of this comparative inactivity can be attributed to the fact that the UK’s future relationship with the EU is so uncertain – at this stage, the UK and EU could finish the year with any relationship from No Deal to full membership. With the Autumn statement pencilled in for later in the year, Javid will be optimistic that a clearer picture will have emerged for him to make more concrete spending commitments to ensure a smooth transition.

As long as the UK remains within the EU, the Department for International Trade is hamstrung by European regulations limiting the development of new trade deals. Following the UK’s departure from the EU, the department is set to take an increasingly influential role within Government, and it is therefore of little surprise that it received a real-terms cash boost to help drive some of its headline campaigns and highlight the benefits of UK trade.

**Commitments**

- The £2bn made available for "Brexit delivery" next year.
- An increase of 2.3 per cent in real terms to the Department for International Trade’s resource budget from 2019-20 to 2020-21.
- Ongoing investment in priority international trade capital projects including to support work to agree free trade agreements and establish an independent trade policy.
- Continued funding for the DIT-led cross-government GREAT Britain campaign, promoting a truly Global Britain.
- £2bn of core funding provided to departments for Brexit in 2019-20 will be continued into 2020-21. This money will be used to help pay for the costs of establishing a new relationship with the EU.
- A resource budget increase for DExEU in line with inflation from 2019-20 to 2020-21. This will ensure appropriate resource to successfully support Brexit on 31 October and “build a new, ambitious future partnership between the UK and the EU”.
- As part of the Home Office settlement, the Spending Round commits to maintaining £480 million of Brexit funding in real terms, including continued funding for Border Force capability and delivery of the EU Settlement Scheme.
Written by Andy Frain

When Boris Johnson returned from Buckingham Palace following his confirmation as Prime Minister, he used his first major speech to highlight his priorities for Government. Alongside traditional tentpole issues like crime, education and health, Johnson was keen to emphasise his support for a massive expansion of full-fibre broadband.

It was a cause he had championed as a backbencher, writing in the Telegraph that the Government’s pledge for nationwide full-fibre by 2033 was “pitifully unambitious” and pledging to achieve it as early as 2025.

Given the prominence Johnson have given the issue, it was a surprise, therefore, to see a substantial lack of detail on those plans in the Spending Round. Instead, plans have been pushed back to the proposed National Infrastructure Strategy this autumn. The only real hint of a planned expansion came in the comparatively large budgetary increase for the DCMS Department.

That increased budget will come under pressure from other areas too. Birmingham’s last-minute confirmation as host of the upcoming Commonwealth Games means that the city is relying heavily on central government for funding and an upcoming UK & Ireland World Cup bid is widely anticipated.

British museums and theatres have been forced to rely increasingly on non-Governmental funding in recent years, but the new administration’s general loosening of the purse strings has attracted the attention of the UK’s cash-starved cultural institutions. Javid announced a small boost for the UK’s national museums and galleries, but it would not be a surprise to see other cultural spaces receive similar support. The ongoing review of National Parks lies within the remit of DEFRA, but some increased support for them is very possible in the near future.

Johnson is not the first Prime Minister who has been keen to flex his cultural credentials. Before she was ousted from Downing Street, Theresa managed to squeeze out the Tourism Sector Deal which pledged to boost tourism nationwide, linking tourism with the wider industrial strategy.

Tourism received a small mention in the Spending Round, with a boost for the Discover England Fund, but the strategy is still expected to roll out at some point over the coming months.

Commitments

- 4.1 per cent increase in real terms to the DCMS resource budget from 2019-20 to 2020-21. This includes:
  1. Increasing the department’s resource budget in line with inflation and providing £46 million for the Birmingham Commonwealth Games, part of the government’s commitment of almost £600 million to the games
  2. Over £300 million to support the UK’s national museums and galleries;
  3. Over £500 million for Arts Council England and Sport England to drive participation in cultural and sporting activities;
  4. £50 million for UK Sport to support Team GB and Paralympics GB to success in Tokyo 2020

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

- Continuation of the Discover England Fund to promote inbound tourism and showcase visitor destinations across England.
The Health and social care funding have been present in the media over the last couple of weeks, with Johnson keen to make big announcements after becoming Prime Minister.

The most prominent announcements are in social care which the Government has come under a great deal of pressure to address. Social care has long been the biggest concern for the UK healthcare service and the general public, and Johnson has been keen to address the issue. As reference to the eagerly anticipated social care green paper appear to be a distant memory, the Spending Round has directed money at local authorities in order to address the issue.

Alongside social care was the big announcement on workforce, which adds value to the NHS Long Term Plan and NHS People Plan. Workforce is a particular issue within healthcare as immigration restrictions remain unclear as the Brexit exit date moves ever closer. Whilst comments have been made to ensure that NHS workforce will not be impacted by Brexit, the Government has failed to release official commitments or details on the subject.

Yet there also remained some surprises, despite ever mounting pressure on the Government to address funding in public health focus was instead given to the NHS estate and infrastructure.

Moreover, the Spending Round focused on tackling rare diseases internationally as part of a wider initiative to promote global health security. This emphasis upon reducing the threats faced by issues such as Ebola and AMR highlight the intrinsically internationalist approach that the Government has begun to utilise.

In a similar light, the Government has renewed its efforts to promote public health through preventative mechanisms, including a cash injection of £250m of investment in artificial intelligence for areas such as cancer detection and creating new and innovative drugs.

As the UK seeks to withdraw from the EU, greater impetus is being placed on increasing domestic funding towards research for medical innovations. Such efforts will certainly be underpinned by the Government’s plans to set out a significant boost of public R&D funding in autumn.

**Commitments**

- Increase to the Health Education England (HEE) budget, including an additional £150 million for Continuing Professional Development, providing a £1,000 central training budget over three years for each nurse, midwife and allied health professional, as well as increased funding for wider education and training budgets to support delivery of the NHS Long Term Plan
- Five-year settlement for the NHS with an additional £33.9 billion more per year by 2023-24 compared to 2018-19 budgets
- 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
- £1 billion boost to NHS capital spending in 2019-20 to allow existing upgrades to proceed and to tackle the most urgent infrastructure projects
- Real term increase to the Public Health Grant budget
- Additional £1 billion for adult and children’s social care. In addition, the government will consult on a 2 percent Adult Social Care precept that will enable councils to access a further £0.5 billion
DHSC will receive a new multi-year capital settlement at the next capital review investing in global health security, by tackling dangerous disease outbreaks like Ebola, supporting new research and immunising millions of children against deadly diseases.

The Government is committed to increasing levels of research and development (R&D) to at least 2.4 per cent of GDP by 2027. In the autumn, the government will set out plans to significantly boost public R&D funding, provide greater long-term certainty to the scientific community, and accelerate its ambition to reach 2.4 percent of GDP.

£250m of investment in artificial intelligence from 2020-21 and discovering preventative solutions to issues such as cancer.

Stakeholders Reaction (Health and Social Care)

National disability charity Sense has welcomed the government’s promise of £1.5 billion for social care. The money though is a first step on a long road to recovery for a sector that needs a long-term sustainable funding solution.

Care England has welcomed the £1.5 billion of new money for social care and has stressed the importance of this funding reaching the front lines of care services.

The Alzheimer’s Society expressed disappointment that the Government “hasn’t done enough”, claiming that £1billion can only “stave off the utter collapse of our social care system”.

The Royal College of Physicians has welcomed the funding announcements for the NHS but warns delivery is at risk without sustained additional investment for the health and care workforce, prevention and social care.

The Academy of Medical Royal Colleges has responded to the Chancellor’s spending review by welcoming the announcement of extra funding for social care but highlighted the disappointment for not seeing “specific funding for public health and prevention”.

Nuffield Trust has said that "today’s Spending Round is sadly a missed opportunity to turn around years of cuts to the crucial budgets that support the NHS and the patients who depend on it”.

The Patients Association has said that Chancellor Sajid Javid has delivered some good news but has not been bold enough in the context of long-running cuts and has provided sticking plasters to the issues.

London Councils has praised the investment in support for Children with Special Educational Needs and Disabilities and adult social care, however they state that the funding must be effectively distributed and long-term funding must be ring fenced: http://bit.ly/2kt42VY

The Children’s Society have said the Chancellor’s announcements do not go far enough in ensuring public services are equipped to tackle key issues facing children such as levels of poverty, unhappiness, mental health and knife crime: http://bit.ly/2lzgT9d
The debate around the Department for Foreign Affairs and Department for International Development has raged since DFID’s establishment under the last Labour Government, with some, traditionally on the right of politics, arguing for DFID to be incorporated into the FCO and the 0.7 percent aid commitment to be scrapped.

Boris Johnson’s election as Prime Minister sparked some concern with defenders of UK Aid after he wrote a foreword for a report published earlier in the year. The report argued for the scrapping of the 0.7 percent target and for the Foreign Office to incorporate both DFID and the Department for Trade. Johnson labelled the report as “hard to disagree” with and so defenders of the 0.7 percent target will have been relieved to hear of the Government’s continued commitment to it in the Chancellor’s Spending Round.

Funding in the Foreign Office has also been a cause of concern. A recent British Foreign Policy Group report argued that since the UK joined the EEC in 1973, core diplomatic spending has fallen from 0.5 percent of public sector current expenditure to 0.1 percent, arguing that the significant drop in staffing overseas had had a negative impact on UK diplomacy. This argument gets more significant when Britain looks to ‘re-establish’ itself on the world stage post Brexit.

The argument for Foreign Office funding is in line with the narrative around increasing defence spending, in that ‘hard power’ is also intertwined with diplomatic ‘soft power’. Defence has long been on the Conservative Parties radar, both in terms of spending and the treatment of veterans. The Ministry of Defence was long warned about a fall in military numbers and the lack of money to ‘modernise’ equipment. The Spending Round seeks to address these issues, although the MoD will be very aware that their existing problems with army numbers will still take a long time to resolve.

Commitments

- An increase to the FCO resource budget in line with inflation from 2019/20 to 2020/21
- £333m in Official Development Assistance (ODA) funding from DFID in 2020/21
- FCO spending across its core budget and DFID transfers will increase by 3.6 per cent in real terms from 2019-20 and 2020-21;
- Continued funding to support the Africa Strategy, Brexit preparations and Global Britain initiative, including 1,000 staff positions, and a total of 14 new and upgraded posts opening by 2021;
- Continued commitment to spend 0.7 per cent of the country’s Gross National Income (GNI) on ODA in each calendar year;
- At least £170m to deliver humanitarian support to Yemen and Syria and support for refugees in the region, including Jordan and Lebanon;
- At least £250m to the international climate and environment funds, including the Green Climate Fund;
- An additional £30m to support developing nations to conserve and enhance their biodiversity, to help halt and then reverse the decline in global biodiversity;
- Scaled-up support for cross-government ODA capability building through the provision of additional DFID staff to assist other departments spending ODA;
- The CSSF has been allocated an additional £50 million of ODA funding in 2020-21, providing £1.35bn of resource funding in total towards the Aid Strategy and national security priorities;
- The Prosperity Fund has been allocated a total of £305m in 2020-21;
The £5m for the new Office for Veterans’ Affairs, which will coordinate across the public sector to improve support for veterans;

£2.2bn of additional funding for the Ministry of Defence for: £1.2 billion for UK Armed Forces; £700m to address the increased cost of employer pension contributions; £7 million to finalise construction of the British Normandy Memorial; a further £300m in 2019-20 to press on with funding priority capability programmes.
Central Government has come under pressure from local authorities to increase their respective spending power for a long time. Local authorities have been under pressure to increase social care provision in order to meet local demand. This is one of the biggest year-on-year spending rises in local authority funding since 2010. Today’s announcement allows local authorities to be more forward looking in deciding how to fund key services over the next year, despite this current spending round not outlining any plans for long-term financial commitments to local Government.

Many local authorities have introduced provisions to tackle homelessness and today’s bolstered fund to help reduce homelessness and rough sleeping can help in local authorities efforts. Today’s announcement marks a 13 percent increase in real terms compared to 2019/20. The Government unveiled their rough sleeping strategy last year with aims to end homelessness by 2027, it is unclear how far today’s funding announcement will go in assisting the Government in its policy aims.

Today’s announcement on more money for the Town’s Fund which was established this summer, confirms the Government’s ambition to regenerate high streets, town centres and local economies. This initiative is something many benefiting local authorities have welcomed. It shall be interesting to see whether this new fund fits into the Governments new National Infrastructure Strategy which shall be announced this Autumn.

The spending round has committed to continuing support for home ownership through a range of Government schemes, this is unsurprising as Johnson seems keen to make sure that more people can own a home. Many in the sector will have to hope that the next spending review includes more on the strategies to deliver more homes and upgrading existing homes to make sure they are net-zero by 2050. Perhaps as part of the Government’s upcoming national infrastructure strategy.

The Government were under a lot of pressure to make some sort of announcement on social care funding for local authorities and they have obliged. Many questions still remain about the future of local authority funding beyond 2021 as well as the newly formed Government’s plans for housing more generally.

**Commitments**

- A 2.7 per cent real terms increase to the department’s resource budget from 2019-20 to 2020-21.
- £422 million resource funding to help reduce homelessness and rough sleeping, including an additional £54 million in 2020-1. This represents a real-terms increase of 13 per cent compared to 2019-20.
- £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. This comes on top of £600 million of government funding for the removal of aluminium composite material (ACM) cladding in the private and social residential sectors.
- £10 million additional funding for English as a second language provision. This will enable the second wave of the Integration Areas Programme.
- A total of £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.

♦ 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.

♦ The Government shall double the places of worship fund next year.

♦ The Local Government settlement includes an additional £1 billion grant for adult and children’s social care.

♦ The government will consult on a 2 per cent Adult Social Care precept that will enable councils to access a further £0.5 billion, bringing the total increase in funding for social care to £1.5 billion.

♦ Local Government’s business rate baseline funding levels will also increase in line with inflation.

♦ Call to the Department for Digital, Culture, Media and Sport to build and refurbish more youth centres with a new youth investment fund.

**Stakeholders Reaction (Housing, Communities and Local Government)**

The **Federation of Master Builders** has welcomed the £241 million to be spent on the regeneration of high streets, town centres and local economies via the Towns Fund and additional support for Homes England. They have also welcomed further funding for further education and the resources to train more apprentices and make T levels a success.

The **Local Government Association** has welcomed the announcement in the Spending Review that has delivered a “more than £3.5 billion for vital local services” and are please that this funding helps provide much needed stability for councils: [http://bit.ly/2ktYqut](http://bit.ly/2ktYqut)
Transport and Infrastructure

Written by Hugo Fulford

The Spending Round delivered by the Chancellor was fairly light on new announcements for transport and infrastructure projects.

The Chancellor reaffirmed Government support for Northern Powerhouse Rail (NPR) and the East West rail links in the Oxford to Cambridge Arc. Whilst no announcements were made of additional funding for either of these projects, it is expected that the National Infrastructure Strategy will set out how the Government intends to move both of these projects forward.

Alongside a commitment to an additional £275m for maintaining rail infrastructure, the Chancellor outlined £1.1bn funding for the Strategic Roads Network. The investment in the Strategic Road Network could look to deflect the negative assessment of the UK road network, highlighted in the transport committee’s local roads funding and governance report, which the Government is yet to respond too.

Whilst an unexpected boost was provided to bus services, little was said for how the UK transport sector would meet its 2050 net zero target, with only £30m to promote decarbonisation schemes. However, the Chancellor indicated that eye-catching transport and infrastructure initiatives would be set out in the National Infrastructure Strategy, set to be published in the autumn.

The autumn is expected to be busy, with the Rail Review expected soon, the decision on HS2 and the publication of the National Infrastructure Strategy.

Commitments

- The an 11.4 per cent increase in real terms to the department’s resource budget from 2019-20 to 2020-21;
- £1.1 billion funding to ensure the Strategic Road Network runs safely and smoothly, enabling a high-performing road network that will support the economy;
- 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.
- 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.
- An additional £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. Further detail on how the UK will make progress towards this ambitious target will be set out in the National Infrastructure Strategy this autumn.
Despite the big message being austerity is ending, welfare as whole features comparatively little in the Spending Round with disparate mentions to increase spending in areas that impact those most vulnerable in society. The round itself has stated that it has “considered the possible impact on people with a disability.” Much of the focus has remained at the local level, with local authorities receiving additional support to ensure disabled adults will be direct beneficiaries from funding for adult social care services, and an increased level of support would be given to young disabled people accessing work through jobcentres.

The biggest standout announcement is the consultation for MHCLG on accessible housing standards in building regulations, which has been an increasingly prominent demand from a range of disability charities.

In contrast, the absence of substantive details on Universal Credit and Personal Independence Payments could be considered a surprise, especially given its presence as one of the more controversial aspects of the previous Government. Although Johnson announced he would keep the system in place during his leadership bid, questions remain as to whether Johnson will halt the roll out as it continues to prove more unpopular.

### Commitments

- 1.9% increase in real terms to the department’s resource budget from 2019-20 to 2020-21
- £106 million package to fund the Plan for DWP Excellence
- £40 million additional funding for Discretionary Housing Payments to tackle affordability pressures in the private rented sector in England and Wales
- £36 million to ensure DWP decision-making is accurate and the application processes are straightforward and accessible, 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 a range of 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
- Continued funding of initiatives such as the Enhanced Support Offer will allow disabled people to receive tailored support from jobcentre advisers.
- Disabled adults will be direct beneficiaries from funding for adult social care services
- MHCLG will consult on mandatory accessible housing standards in building regulations, ensuring new properties are built with good accessibility standards to reflect the needs of older and disabled people
- Additional funding to tackle rough sleeping and homelessness, including improving the use of support services to address the significant needs of rough sleepers
- Additional funding is provided to children and young people with special educational needs through the high needs block of the Dedicated Schools Grant.
Citizens Advice Scotland have said that ‘the Chancellor’s Spending Round is a missed opportunity to deal with the problems caused by Universal Credit delays’.
The agriculture sector across the UK has expressed grave concern relating to the impact of no-deal Brexit on the industry, and what this means in real terms for farmers. Despite the fact that the Government did not omit agriculture from their Spending Round, they have yet to confirm the exact funding available to reassure farmers that they will continue to be supported, and clarification of this has long been called for. Alongside this, potential future trade partnerships have been commented upon widely, as the impact of tariffs on farm produce and fishing, and the lack of tangible new trade agreements have caused concern in the sector.

For rural areas who currently have access to the Rural Development Programme as funded by the European Agricultural Fund for Rural Development, concerns lie with the future of such payments, and the future of public goods programmes which aim to provide farmland biodiversity and natural resources such as water and soils. Biodiversity and damage to the environment is also a source of worry in the sector, as climate change and pollution are two key factors that place it under threat. Questions remain about how the Government plans to meet its commitment to achieve net zero emissions by 2050, and with reports estimating that around £42bn is needed every year to tackle the climate emergency, the Government is under pressure to deliver realistic solutions.

Energy generation currently produces just over 36 per cent of UK emissions, and the industry continues to be under pressure to reduce emissions as part of the Government’s net zero commitment as the Science and Technology Committee’s recent report, Clean Growth: Technologies for meeting the UK’s emissions reduction targets, made it clear the Government’s plans are not sufficient. The sector has been awaiting the Energy White Paper from BEIS for nine months now, leaving energy retailers and producers restless and attempting to predict future policy direction. The UK’s oil and gas industry have set out plans to reduce or offset emissions in line with UK and Scottish Government’s net zero ambitions, but also place emphasis on the need for the deployment of low carbon technologies such as CCUS and hydrogen. Further to this, nuclear decommissioning activities as conducted by the Nuclear Decommissioning Authority continue to move forward, and the Sellafield plant has now been emptied of fuel.

Commitments

- The Department for the Environment, Food and Rural Affairs settlement includes a 3.3 per cent increase in real terms to the department’s resource budget from 2019-20 to 2020-21
- £160m to farmers and land managers in Scotland in relation to historic allocations of Common Agricultural Policy ‘convergence’ funding.
- £432m of Brexit funding to deliver a safe and ambitious departure from the European Union (EU), while setting global standards in protecting and harnessing value from the natural environment. This includes an additional £20m to support delivery of Defra’s replacement for the Common Agricultural Policy in England, which will prioritise environmental outcomes.
- Funding to deliver the government’s commitment to pass on to the next generation a natural environment protected and enhanced for the future, including: more than £30m for air quality, £30m for terrestrial and biodiversity measures, and £8m for animal health to tackle antimicrobial resistance and bovine tuberculosis.
- Provision of same cash total in funds for farm support until the end of parliament.
As part of the settlement for the Department for International Development, at least £250m to the international climate and environment funds, including the Green Climate Fund – the leading fund dedicated to help meet the landmark Paris Agreement on climate change – to limit global warming to well below two degrees and help developing countries prepare for its impacts.

The Business, Energy and Industrial Strategy settlements includes;

- The a 2.1 per cent increase in real terms to the department’s resource budget from 2019-20 to 2020-21, excluding the Nuclear Decommissioning Authority;
- An additional £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. Further detail on how the UK will make progress towards this ambitious target will be set out in the National Infrastructure Strategy this autumn;
- £87m of Official Development Assistance funding to deliver the Government’s commitments to help developing countries reduce their carbon emissions and adapt to the effects of climate change;
- £243m additional funding for the Nuclear Decommissioning Authority to enable it to continue the work of safely decommissioning the UK’s nuclear legacy sites

**Stakeholders Reaction (Environment, Food, Rural Affairs and Energy)**

Following the Spending Review, the Friends of the Earth have criticised the government for undermining the commitment to take “the climate and biodiversity crisis seriously”.

The Country Land and Business Association has said that there are a ‘raft of potential supportive measures which have been ignored’ in this review. The CLA has argued for short term funding for farming in case of a no-deal Brexit and sufficient funding for rural development and broadband coverage across the country.

The SNP has said that the government is ‘conspiring to end devolution as we know it by trying to dictate how farm funding is allocated in Scotland’. UK ministers are seeking to direct how Scottish government ring-fenced money for farmers is spent.
Whilst the Chancellor’s spending round expounded on the Government’s planned expenditure for 2020/21, Department for Education was conspicuously afforded a series of three-year funding settlements. This is likely reflective of widespread public disquiet over the sustainability of education funding, but also responds to vociferous demands from the Education Select Committee for a long-term funding settlement offering stability to schools. Many of the announcements were trailed in the media during Johnson’s election campaign and were included in yesterday’s statement from the Secretary of State Gavin Williamson.

Eye-catching funding pledges have been greeted with a mix of cautious optimism, scrutiny and scepticism. The EPI has published analysis concluding that the Government’s per pupil funding plans were “likely driven by political expediency rather than need” and would benefit affluent schools the greatest. Adult education is noticeable by its absence, whilst disappointment has also been expressed concerning the limited core funding increases for the 16-19 phase. Indeed, further education has been the biggest loser since 2010, with real terms per student funding falling by 16 percent between 2010 and 2019. A one-year increase of £190m does little to remediate this long-term decline.

Nevertheless, even withstanding the pressures of inflation and increased pupil numbers, a £7.1bn increase in school funding represents a significant commitment which will largely be welcomed by headteachers and schools. With employer pension contributions rising from 16.48 per cent to 23.68 per cent this month, schools will also welcome the extension of Teachers Pension Scheme Employer Contribution Grant for a further two years to 2022/23.

These announcements come at a time of significant upheaval within the education system. The Government’s response to Augar and consultations on Level 3, 4&5 courses are all still outstanding. Whilst today’s announcements will go some way towards alleviating anxiety over school budgets, the Government have their work cut out in aligning and resourcing employer led standards across, apprenticeships, T-levels and Higher Technical Qualifications. Such efforts will be integral to assuaging broader concerns over skills shortages post-Brexit.

**Commitments**

- The Department for Education settlement represents a 3.3 per cent increase in real terms to the overall resource budget from 2019/20 to 2020/21
- Increase the schools’ budget by £7.1bn by 2022/23, £4.6bn above inflation. This will rise by £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23.
- £1.5bn of funding to compensate schools for the increased cost of employer pension contributions
- Per pupil values in the national funding formula will increase by at least 4 per cent in nominal terms by 2020/21. 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
- £700m to support children and young people with special educational needs
- £400m investment in Further Education in 2020-21, includes £190m to increase core funding for 16-19-year-olds. £210m of funding in targeted interventions such as high-cost programmes, English and Maths resits, T Levels, the Advanced Maths Premium and workforce investments.
- £10m additional funding for English as a second language provision, enabling the second wave of the Integration Areas Programme
Stakeholders Reaction (Education and Skills)

The **National Education Union** commented that the Spending Review saw a “major shift in Government policy”. However, also warned that spending was still “significantly short of what is required”.

The **NAHT** has the Chancellor’s commitment to further education spending, claiming it as a “big win” and that it will go “some way to restoring the real-terms cuts”. But emphasised that “gaps still remain” and that “we need to work with the government to make sure the money goes where it is most needed”.

The **Sixth Form Colleges Association** has welcomed the £400million investment in 16 to 19 education and is a foundation upon which to build.

The **Association of School and College Leaders** has welcomed the money promised by the government, but noted that “even with this additional funding there will still be a shortfall” in education funding: [http://bit.ly/2kj1Sbx](http://bit.ly/2kj1Sbx)
With worries of a No Deal Brexit running high in the business community, the spending round provided little assurance for the business sectors and offered little support for underlining the productivity issues. The £2.6bn increased spending for Brexit preparation does not focus on the readiness of businesses, nevertheless it includes money for border and customs operations, which should be welcomed news to businesses relying on cross border operations running smoothly.

Increased 16 to 19-year-old funding could be interpreted as a potential win for employers, with increased funding for employer led T-level reforms. However, a points-based immigration system, to which the Chancellor re-committed in the speech, is likely to continue to raise questions with regards to meeting the needs of employers.

Promising an ‘infrastructure revolution’, with a National Infrastructure Strategy announced for this autumn, the chancellor has raised the hopes but gave few details on any plans.

The commitment to rollout the Making Tax Digital for VAT is likely to be a disappointment for SMEs seen as unprepared for this, with a recent survey revealing that small businesses are 56 per cent more likely to overpay their taxes due to mistakes when filing for VAT than they are to be fined for not paying enough. However, funding for HMRC Brexit preparation and for increasing the uptake of HMRC’s digital services and IT maintenance will probably land well.

**Commitments**

**Business**

♦ Through £60m to extend the trade GREAT campaign for another year
♦ the £2.6bn increased spending for Brexit preparation: border and customs operations, critical medical supplies and support for UK nationals abroad
♦ a £400m investment in Further Education in 2020-21
♦ £30m to accelerate progress on developing decarbonisation schemes to move towards the Net Zero target by 2050
♦ £191m to support delivery of Brexit-related activities, including the development of a UK Global Navigation Satellite System option
♦ £382m Brexit funding for HMRC including to support businesses and taxpayers in all scenarios and develop long-term transit and infrastructure solutions
♦ Continue rollout and operation of Making Tax Digital for VAT, increase the uptake of HMRC’s digital services, maintain HMRC’s IT infrastructure and consolidate the HMRC estate into 13 large, modern regional centres by 2023.
♦ 29 per cent increase in real terms to UK Export Finance’s resource budget, funded from premium income, to enable increased support for UK exporters
♦ continued funding for the Midlands Engine and Northern Powerhouse
♦ recommite to increasing R&D top at least 2.4 per cent of GDP by 2027
♦ Continue the Discover England Fund;
Support for small businesses, including through the British Business Bank

Employment

- £28m for compliance and enforcement activities against firms underpaying workers under National Minimum Wage and National Living Wage rules; improving employer awareness, identifying underpayment, helping return any lost wages to workers, and taking action on employers for underpayment;
- £7m 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;
- 3.3 per cent increase in spending for Department of Education which includes funding for apprenticeships, and the National Retraining Scheme.
- review the effectiveness of existing parental leave and pay arrangements and consulting on how the government should prioritise and balance different levels of support to ensure they meet the needs of parents and their employers;

Financial Services

- 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;

Stakeholders Reaction (Business, Economy and the Financial Sector)

- £8m for Companies House to deliver new policies relating to economic crime and anti-money laundering.

Reacting to the 2019 Spending Review the Liberal Democrats have labelled the figures as fantasy due to the “economic threat to the UK posed by Brexit”.

The Institute of Economic Affairs has warned that the money committed in the Spending Review risks “undermining the good work done... to almost eradicate the budget deficit”. Going further to state that the money promised will “do nothing to fix the long-term” issues facing the NHS.

The Scottish Government criticised the Spending Review for failing to provide certainty and highlighted that the “additional funding doesn’t mitigate impact of austerity”: [http://bit.ly/2kuuWwH](http://bit.ly/2kuuWwH)

The Scottish Liberal Democrats have said that the funding announced for the Scottish economy and farmers would pale in comparison to the potential damage of Brexit.

The British Chambers of Commerce have said “‘There were encouraging words from the Chancellor on infrastructure and a welcome boost for further education. But, despite the big headline figures this Spending Review was limited in scope and detail, highlighting that the ongoing Brexit impasse continues to frustrate much-needed Westminster action on the domestic business environment.’

London First has commented that the Spending Round has been a “missed opportunity” when in a time of uncertainty for the economy and businesses. Furthermore, they highlight the necessity for the Government to implement the recommendations of the independent National Infrastructure Commission and invest in vital projects across the country: [http://bit.ly/2lBBY32](http://bit.ly/2lBBY32)
The CBI have said that “Businesses will be heartened to see the Government’s ambition to overcome regional inequalities and revitalise our education system.” They have also welcomed plans to strengthen local economies, boost exporting potential and transition to a low-carbon economy while expressing the desire to see more detail in the forthcoming infrastructure review: http://bit.ly/2lYqdnl

The Institute of Directors have said that long-term funding and planning is needed for businesses in order to deal with Brexit with under-pressure business communities needing more direct support: http://bit.ly/2kryCZb

The Association of Convenience Stores has said that in light of the announcements on recruiting more police, convenience retailers are continuing to invest in crime prevention measures in their stores but that it is vital they are supported by the police and criminal justice system: http://bit.ly/2lymw7L

The Public and Commercial Services Union has criticised the Spending Review for “sticking a plaster over a gaping wound”. Highlighting, among other things, that the “promise of extra border force staff... is too little too late.”
Home Affairs and Justice

Written by Guinevere Poncia

As if the Home Office could not get any bigger, Chancellor Sajid Javid began the meaty part of his spending round speech by announcing a rise in Home Office Spending of 6.3 per cent real terms - the biggest increase in fifteen years. Evident from Javid’s speech was the Government’s commitment to keeping people safe – bolstered by a raft of spending increases for police, security, and justice.

The Government has come under immense pressure in recent years to tackle violent crime, after severe cuts in police numbers led to rising crime in local communities. The Chancellor rose to the occasion and announced a colossal £750 million for policing, to support the delivery of the much-touted 20,000 police officers, 6,000 of which will be in place by the end of 2020-21. Such moves have in the past been criticised for failing to tackle the root causes of crime or offer better rehabilitation services.

With the rise of the internet, the behaviour of criminals has altered dramatically. To reflect the changing nature of criminality, the Chancellor announced a formal review of powers, capabilities, governance and funding across the policing and law enforcement landscape, to include the National Crime Agency. This review will report before the Spending Review in 2020. Alongside this, £30m for tackling online child sexual exploitation will in part fund cutting-edge technology to catch the most “sophisticated” offenders.

Counter terrorism also had a welcome increase in its budget in line with inflation, and one may expect this to be directed towards tackling online radicalisation. Alongside this, there was a 2.5 per cent real terms increase in funding for the security and intelligence agencies. The intelligence services came under intensive scrutiny following the five UK terror attacks in 2017, which led to criticism from MPs on the Intelligence and Security Committee. Now, Brexit poses a potential threat to international security-sharing arrangements, and questions remain over how it will impact national security.

Echoing announcements over the summer recess, the Chancellor confirmed that funding will be allocated to begin delivery of the government’s £2.5 billion commitment to create an additional 10,000 prison places. The Ministry of Justice received a 4.9 per cent real terms increase in its resource budget and £620 million increase in its capital budget. These form part of the Government’s approach to tackling violent crime and increasingly complex criminal cases. This will be supported by ongoing reforms to the probation system.

Commitments

- 6.3 per cent real terms increase in Home Office spending.
- £750m to fund the first year to recruit 20,000 police officers with an extra £44m this year so that police officers can be in place by end of March.
- A formal review to review the powers and resources needed ahead of the full Spending Review.
- Increasing the budget for counter-terrorism policing in line with inflation – including continuing the additional £160m announced at Budget 2018.
- Funding to begin delivery of the government’s £2.5b commitment to create an additional 10,000 prison places.
- £100m to increase security in prisons.
- Additional funding for probation reforms.
- £30m of new funding to tackle online child exploitation.
- 4.9 per cent real terms increase in the resource budget for the Ministry of Justice.
- £620m increase in MoJ capital budget.
- £55m for across the criminal justice system.
- £80m for the Crown Prosecution Service.
- 12.4 per cent increase in real terms to the Law Officers’ Departments resource budgets from 2019-20 to 2020-21.
- 2.5 per cent real terms increase in funding for the security and intelligence agencies.
- Funding for additional resources and capabilities in 2020-21 and maintaining funding to preserve the 1,900 increase in intelligence officers.
- Continued support to deliver the Single Intelligence Account’s (SIA’s) commitment to increase collaboration between the three agencies.
- Confirmation of the previously agreed growth in the National Cyber Security Programme’s budget in 2020-21.
- Putting funding in place to give victims of the Windrush scandal the “compensation they deserve”.
- Double places of worship fund next year.
- £110 million additional funding, plus £65 million of Official Development Assistance (ODA), for the asylum system.