



## Spending Round 2019

Vuelio Political Services Summary

4 September 2019

## Introduction

Sajid Javid used today's Spending Round speech to introduce himself to the nation; the UK's first BAME Chancellor, whose dad, he reminded MPs, was a bus driver. He said: 'I'm proud to live in a country where someone with my background can become Chancellor of the Exchequer.'

'Health and education aren't just the names of departments. They're lifelines of opportunity, just as they were for me when I was growing up.'

The Spending Round was delivered against a tense atmosphere in the House of Commons, coming only hours after the Government was defeated in a vote that saw 21 Conservative rebels stripped of the party whip. Javid's upbeat tone was very different from the caution of Philip Hammond, which has been the norm in set piece Treasury speeches since 2016. Twice the Chancellor's speech was interrupted by the Speaker to urge him to keep to the topic of departmental spending, rather than wider commentary on Brexit.

It was very clear that this was a pre-election Spending Round, effectively bringing the austerity programme to an end. The Chancellor was keen to set out his positive vision for the UK economy post Brexit and pledged an additional £13.8bn of spending for education, the NHS and the police in what he described as 'a new decade of renewal'. He confirmed that this 4.1% increase was the fastest rise in day-to-day spending for 15 years. £1.7 billion of the total would be capital spending.

Sajid Javid also confirmed an NHS funding increase of £6.2bn next year including the new equipment and 20 hospital upgrades promised in the Prime Minister's leadership campaign. Education spending would increase by £7.1bn by 2022-23 compared to current levels, with secondary schools set to be allocated a minimum £5,000 per pupil while primary schools will get £3,750 per pupil. The Chancellor also pledged £750m for the 20,000 police officers recently announced by the Prime Minister, including £45m to recruit 2,000 officers by March 2020.

Noting the current focus on the UK's departure from the European Union, Javid promised an additional £2bn in Brexit preparation funding, on top of the £2.1bn previously announced.

The Chancellor added that no Government department would see its budget cut in 2020-21, stating that each 'has had its budget for day-to-day spending increased at least in line with inflation'.

There were additional spending announcements on a wide range of areas including further education, social care, biodiversity and compensation for victims of the Windrush scandal.

Labour's Shadow Chancellor John McDonnell was highly critical of the statement which was only formally announced on 27 August in a press release to political journalists sent out at 10.43pm. He said, 'The people will see today's statement as the grubby electioneering stunt that it is'.

McDonnell added 'Maybe that's why he felt the need to rush out a Spending Round based on figures from March rather than waiting for the Office for Budget Responsibility to tell him officially what the rest of us have known for some time; that the economy – after nine years of Tory austerity – is in bad shape and getting worse'.



## Department of Health and Social Care

- A 3.1% real-terms increase in the department's budget.
- The Spending Round reaffirms the five-year settlement for the NHS with an additional £33.9bn more per year by 2023-24 in order to support quick access to quality healthcare for those who need it and giving every older person dignity and security.
- An additional £150m has been allocated for Continuing Professional Development, providing a £1,000 central training budget over three years for allied health professionals, as part of an increase to the Health Education England budget. There will also be increased funding for wider education and training budgets to support the delivery of the NHS Long Term Plan.
- The Government continues to upgrade outdated facilities and equipment in 20 hospitals with a shared pot of £854m of new funding alongside a £1bn boost to NHS capital spending in 2019-20 so that existing upgrades may proceed, and urgent infrastructure projects may be tackled.
- There will be a real terms increase to the Public Health Grant budget, ensuring that local authorities may continue to provide public health interventions and prevention.
- The Government will invest £250m in artificial intelligence from 2020-21 to explore early cancer detection and new treatment discoveries.
- Additional funding of £1bn has been allocated for adult and children's social care. The Government will also hold a consultation on a 2% Adult Social Care precept, enabling councils to access a further £0.5bn in order to help meet rising demand.



## Department for Education

- The Government has committed an increase in school spending by £7.1bn by 2022-23, with an increase by £2.6bn in 2020-21 and £4.8bn in 2021-22 compared to funding levels in 2019-20.
- Day to day funding for every school will rise in line with inflation and pupil numbers, with historically underfunded schools benefiting the most. In 2020-21, every secondary school will be allocated a minimum of £5,000 per pupil, whilst every primary school will be allocated a minimum of £3,750 per pupil next year, rising to £4000 in 2021-22
- An allocation of over £700m to give more support to children and young people with special educational needs.
- Teachers starting salaries will rise to £30,000 by 2022/23 in order to attract more of the best graduates into teaching, with an allocation of nearly £1.5billion per year to contribute to teacher pensions.
- £400m increase in further education funding in 2020-21, including £190m to increase core funding for 16-19-year-olds and £210m in targeted interventions such as high-cost programmes, English and Maths resits, T Levels, the Advanced Maths Premium and workforce investments
- Early years spending to increase by £66m, in order to raise the hourly rate paid at maintained nursery schools and other childcare providers who deliver on the Government's free hours offers.
- A 3.3% real-terms increase in the department's budget.



## Home Office

- A 6.3% real-terms increase in the departmental budget.
- An additional £750m that will allow 20,000 additional police officers to be recruited by 2023, £45m will be spent on starting recruitment this year with the aim of 6,000 new police officers recruited by 2020-21.
- £30m of extra money to go towards safeguarding children from child sexual abuse, this will go towards technology to allow the worst and most sophisticated offenders to be targeted.
- An increase in the budget for counter-terrorism policing in line with inflation
- A package of funding to go towards protecting and supporting refugees; this includes an additional £110m that will fund Official Development Assistance.
- The Government will review what is needed by the police, wider law enforcement and the National Crime Agency to tackle serious and organised crime. This is intended to be available ahead of the 2020 Spending Review.



## Ministry of Justice

- A 4.9% real-terms increase in the department's budget.
- An extra 10,000 prison places will be created.
- Security in prisons will be improved with £100m of funding that will go towards introducing airport-style security scanners, mobile phone detectors and further intelligence operations.
- There will also be additional funding and support given to the probation system this will support reductions in reoffending and post-custody supervision will be improved.



## Ministry of Defence

- A real terms increase of 2.6 per cent from 2019-20 to 2020-21
- £2.2bn of additional funding, comprising including:
  - up to an additional £1.2bn for the UK's Armed Forces to invest in cyber, shipbuilding and the nuclear deterrent
  - £700m to cover employer pension contributions
  - up to £7m to finalise construction of the British Normandy Memorial
  - a further £300m in 2019-20 for priority capability programmes.
- Single Intelligence Account (SIA):
  - A 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 from 2015-16 onwards.
  - Continued funding to deliver the SIA's commitment to increase collaboration between the three agencies.
  - Increase in the National Cyber Security Programme's budget in 2020-21. This is a key part of the total £1.9bn investment over the Spending Review 2015 period to implement the National Cyber Security Strategy.



## Foreign and Commonwealth Office

- Increase in the FCO's budget in line with inflation from 2019-20 to 2020-21.
- £333m in Official Development Assistance (ODA) funding from the Department for International Development (DFID) in 2020-21, which is in addition to the FCO budget set out above.
- 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. This also includes funding for the British Council, the BBC World Service's World 2020 programmes and Chevening Scholarships.



## Department for International Development

- A continued commitment to spend 0.7% of Gross National Income on Official Development Assistance (ODA), and a 1.5% increase in the Department for International Development's resource budget.
- This will include at least £170m for humanitarian support in Yemen and Syria and for refugees in the region, at least £250m for the international climate and environment funds such as the Green Climate Fund, £30m to support biodiversity in developing nations, and additional DFID staff in other ODA-spending departments to ensure value for money.
- An additional £50m for the Conflict, Stability and Security Fund, bringing it to £1.35m of resource funding, and a total of £305m for the Prosperity Fund.



## Ministry of Housing, Communities and Local Government

- A 2.7% increase in the department's resource budget.
- This includes an additional £54m to reduce homelessness and rough sleeping (a total of £422m), £24m for the Building Safety Programme in addition to £600m to remove aluminium composite material cladding, £10m for English as a second language as part of the second wave of the Integration Areas Programme, £241m from the Towns Fund to regenerate town centres and local economies, continued funding for the Midlands Engine and the Northern Powerhouse, and continued support for Help to Buy equity loans, Homes England, and the Troubled Families programme.
- An increase in the Local Government Departmental Expenditure Limit (DEL) by £1.1bn in cash terms, increasing Local Government Core Spending Power by an estimated £2.9bn in total. This includes a £1bn grant for adult and children's social care, a consultation on a 2% Adult Social Care precept to raise £0.5bn, and an increase in business rate baseline funding levels in line with inflation. These changes are to be reflected in the 2020-21 Local Government Finance Settlement, and the department will consult on the methodology.
- Outside the main settlement, there will be an increase of over £700m for schools' high-needs funding, a real terms increase in the Public Health Grant, and a 3.4% real terms increase in the NHS contribution to adult social care via the Better Care Fund.
- This results in a total of over £3.5bn in additional resources for local authorities.



## Department for Transport

- An 11.4 per cent increase in real terms to the department's resource budget from 2019-20 to 2020-21.
- £1.1bn of funding for the Strategic Road Network.
- A further £275m for maintaining rail infrastructure in 2020-21 compared to 2019-20.
- Over £200m of increased funding to transform bus services.
- Continued funding for the development of major transport projects, including the Leeds to Manchester route of Northern Powerhouse Rail and East West rail links in the Oxford to Cambridge Arc.



## Department for Business, Energy and Industrial Strategy

- A 2.1% real-terms increase in the department's resource budget (excluding the Nuclear Decommissioning Authority).
- This includes £30m to develop decarbonisation schemes (with more details on reaching the Net Zero greenhouse gas emissions target to be announced in the National Infrastructure Strategy in the autumn), £28m on National Minimum Wage and National Living Wage compliance and enforcement, support for small businesses including through the British Business Bank, improving the impact of funding for parental leave and pay arrangements through a review and consultation, continuation of £191m funding for Brexit measures including a UK Global Navigation Satellite System and company law and audit, £87m of Official Development Assistance funding to reduce carbon emissions and adapt for climate change in developing countries, £243m additional funding for the Nuclear Decommissioning Authority, and £8m for Companies House to tackle economic crime.

- A continued commitment to increase research and development spending to 2.4% of GDP by 2027, with plans to boost public spending on this to be set out in the autumn.



## Department for Digital, Culture, Media and Sport

- A 4.1% increase in the department's budget in real terms.
- £46m will be allocated to go towards the Commonwealth Games that will be held in Birmingham this forms part of the Government's £600m package that will bring benefit to the West Midlands.
- The growth in the Department's budget will give £300m to provide continued support to museums and galleries across the UK; £500m for Arts Council England and Sport England and £50m for UK sport which will support the Olympic and Paralympic teams in the 2020 Tokyo Olympics.



## Department for Environment, Food and Rural Affairs

- A 3.3% real-terms increase in the departments resource budget.
- £432m in Brexit funding, including £20m to support the replacement of the Common Agricultural Policy in England.
- Over £30m for air quality, £30m for biodiversity (including the Blue Belt and the Ivory Act), and £8m for animal health, including anti-microbial resistance and bovine tuberculosis.
- A commitment to provide the same amount of cash for farm support until the end of the Parliament.



## Department for Exiting the European Union

- Increase in a resource budget in line with inflation from 2019-20 to 2020-21 to ensure appropriate resource to successfully support Brexit on October 31 and build a new, ambitious future partnership between the UK and the EU



## Department for International Trade

- Increase of 2.3% in real terms to the resource budget from 2019-20 to 2020-21
- Additional funding to deliver an ambitious Free Trade Agreement programme alongside funding for a new trade policy framework as the UK leaves the EU, the DIT overseas network, regional and sector teams and programme of activities to support UK businesses around the world and strengthen the UK's leading position as a destination for inward investment.
- Continued funding for the DIT-led cross-government GREAT Britain campaign plus ongoing investment in priority international trade capital projects.
- These increases will take spending to more than 52% over planned spending when the department was created in 2016 and allow the number of staff to increase by 49% and rising.



## Department for Work and Pensions

- A 1.9% real-terms increase in the department's budget.
- £106m fund that will go towards the Plan for DWP excellence, this includes £40m more funding for Discretionary Housing Payments, £36m to make sure the decision making of the Department and creating an independent Serious Case Panel that will improve safeguarding. 23m will also go towards vulnerable claimants who have complex needs relating to Universal Credit.



## HM Treasury

- A budget increase in line with inflation from 2019-20 to 2020-21 to ensure the department is able to:
  - support sustainable public finances
  - increase productivity and employment
  - enable a stable macroeconomic environment
  - prepare effectively for Brexit on 31 October and help other departments to do the same.



## Cabinet Office

- A 7.4% real-terms increase in the department's budget.
- An additional £10m of funding to support the links between the four nations of the UK ahead of Brexit being delivered.

- £5m of funding will go towards the Office for Veterans' Affairs that will take control of coordinating work across the Government to ensure that former military personnel get all the support they need.
- £13m will go towards initial funding of the UK's presidency of the G7 in 2021.



## Devolved Administrations

- Increases in resource departmental expenditure limit (DEL) for the Scottish Government of £1.1bn (2.1% real-terms increase), for the Welsh Government of £0.6bn (2.3% real-terms increase), and for the Northern Ireland Administration of £0.4bn (1.8% real-terms increase).
- These settlements have been determined using the Barnett Formula, and do not include cross-UK spending on reserved areas, e.g. defence, security and international trade.
- There is also £160m for farmers and land managers in Scotland related to historic Common Agricultural Policy 'convergence' funding allocations. The same cash totals for farm support will be provided until the end of the Parliament.
- Adjustments to block grant related to Scottish and Welsh devolution of tax and welfare will be set in the 2019 Budget, taking account of further welfare powers devolved to Scotland from April 2020.

## Reaction



"The extra funding is a major step forward and a vindication of the campaign which has got us to this point, but the job is not done on education funding. We will continue to talk constructively with the government about the settlement with the aim of ensuring that every school and college is properly resourced."



"£7.1bn will go some way to restoring the cuts we've seen but will not chalk it all off. £66m for Early Years is welcome, but not enough. Likewise for #SEND & 16-19. £4188 per student is a good way short of the £4760 we've been calling for."



"This is a missed opportunity at a time of great uncertainty for the economy. Instead of ploughing even more money into no-deal planning – an outcome that must be avoided at all costs – the Government should have helped shore up business confidence and galvanise growth through a long-term commitment to investing in critical infrastructure."



"If the government is to tackle the housing emergency it is going to need to be more ambitious which is why the promised 'infrastructure revolution' has to include 3 million new social homes."



"After 10 years of cuts, today's announcement from increased investment into CPD may start to put things right. But we're clear, that this only addresses one cause of nurse shortages in the NHS."



"This is welcome news for bus passengers. Bus operators have been investing hundreds of millions in creating the most environmentally friendly fleet the UK has ever had"



"Funding for developing staff skills mid-career is rising by £150 million, which is much less than what would be needed just to get staff back to where they were in 2013/14. And the rest of the budget is hardly rising, leaving almost nothing to get the additional nursing students and GP trainees we urgently need."