

Headlines:

- GDP down 11.3%. Debt forecasted to rise to 97% of GDP by 2025-26.
- Council tax referendum limits of £15 for PCCs.
- 75% of council tax losses (due to Covid-19) to be compensated.
- Public sector pay is frozen (excluding NHS and those earning less than £24,000). NLW up 2.2%.
- Technical Support Team estimates Provisional Settlement date of 17 December.

Introduction

On 25 November 2020, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2020 spending review (SR2020). Sometimes referred to as the ‘Spending Round’ or the ‘SR’, the SR2020 sets out public spending totals for the financial year 2021-22. This was the Chancellor’s first SR following his succession from Sajid Javid MP earlier this year.

Alongside the SR2020, the Office for Budget Responsibility [released](#) its Economic and Fiscal Outlook at November 2020. The EFO highlights the significant effects that Covid-19 has had on the UK economy and the OBR’s analysis suggests that spending on unprotected public services such as police, fire and local government is likely to be broadly flat in real per capita terms in 2022-23.

During his speech, the Chancellor said that the SR2020 *“Delivers a once in a generation investment in infrastructure creating jobs,”* following the greatest economic decline in over 300 years.

The SR2020 [document](#) set out the announcements in more detail. This briefing outlines the background and summarises the key SR2020 announcements for police forces. The TST has left in more detail relating to Local Authorities than usual given the closer working that is being undertaken due to the pandemic.

Background

Originally, it was expected that the government would undertake a three-year spending review; with such announcements dating back to the tenure of Phillip Hammond as Chancellor. In fact, the SR2020 is just the third single-year SR in recent times. The 2015 General Election was the reason for the Conservative and Liberal Democrat Coalition government’s one-year SR2013, whilst Brexit was the reason behind the one-year SR2019 (occurring in early September, the deadline for Brexit negotiations was at that time 31 October) with a bill for the 2019 general election (which was published alongside the SR) further adding to uncertainty.

It was expected that, following the UK’s departure from the European Union, the UK economy would be on a less turbulent footing in 2020. However, the impact of Covid-19 has created a far greater uncertainty than that caused by Brexit and so it wasn’t a surprise that government moved from its original three-year CSR plans to a one-year announcement.

Prior to the announcement it was expected that the Chancellor might introduce a further squeeze on public sector pay given the difficult financial backdrop. In the summer of 2020, Mr Sunak suggested that as private sector pay had taken a huge hit, in the "interest of fairness", public sector workers should share the burden.

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However, given that public sector pay has fallen to its lowest level in decades, relative to private sector pay, it was known that such an announcement would face fierce opposition from unions and public sector workers.

Infrastructure and 'green' spending announcements were expected with the government's levelling up (Northern Powerhouse, Midlands Engine etc.) agenda expected to be a focal point. Further, given the protections already afforded to the NHS, schools and defence, unprotected services including local government and prisons were expected to be at a much greater risk of facing cuts.

The Spending Round sets out resource (revenue) and capital Departmental Expenditure Limits (DELs) for each Government department.

Economy

Amid unusually high levels of uncertainty, the OBR forecasts that GDP will fall by 11.3% in 2020 (the sharpest decline since 1709), before returning to growth in 2021. However, the economy is not expected to reach pre-crisis levels until the end of 2022; with long term damage meaning that in 2025 the economy will be approximately 3% worse off than expected pre-Covid.

Police and Crime

Ahead of the 2021-22 Police Settlement the Chancellor announced that Police and Crime Commissioners will be able to raise their council tax precepts by up to £15 (for Band D); this equates to between 5.5% (Surrey Police) and 10.9% (Northumbria Police) and is estimated to total £320m in additional council tax revenue compared with 2020-21. The Chancellor has announced that 75% of collection fund deficits at January 2021 will be funded by government. The remaining deficits will be spread over three years as per recent announcements.

SR2019 included the government's plan to recruit 20,000 additional officers by 2023, with up to 6,000 of these recruited by March 2021. SR2020 confirms that the government remains committed to its target with a further 6,000 to be recruited in 2021-22; paid by a £400m grant.

Economic Crime

An additional £63 million has been announced to tackle economic crime. This includes support for the National Economic Crime Centre (NECC) along with £20m for Companies House Reform.

EU Law Enforcement Cooperation

The SR20 provides £363m worth of funding to maintain law enforcement cooperation with the EU member states as well as to recruit additional Border Force officers.

Public Sector Pay

The government intends to freeze the majority of public sector pay for 2021-22. As expected, the Chancellor used a comparison of public and private sector pay in 2020-21 to support its decision. Exceptions apply to

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NHS doctors, nurses and others and those who earn less than £24,000 (who will receive a pay rise of at least £250). See also National Living Wage below.

Prisons

SR2020 confirms more than £4bn over the next four years to make significant progress in delivering 18,000 modern prison places across England and Wales by the mid-2020s. The SR document states that “This is the largest prison building programme in over a century and will provide a decent, secure and rehabilitative environment for offenders”.

Specifically, SR2020 announced an additional £337m for the criminal justice system in England and Wales including £275m to manage the “downstream demand” impact of the 20,000 additional police officers and to reduce to backlogs in Crown Court.

An additional £119m is included for the ongoing response on the justice system due to Covid-19. This includes an additional £76m to further increase family court and employment tribunal capacity to reduce backlogs as well as £43m to ensure that courts and prisons remain Covid-safe. Also announced was £315m of capital funding to improve the condition of the existing prison estate in addition to £105m for improvements to the court estate.

National Living Wage

The NLW will increase to £8.91 (up 2.2%) in April 2021 and will apply for all aged 23 and over. National minimum wage rates for younger ages are also rising to £8.36 for 21-22-year-olds (2.0%), £6.56 for those aged 18-20 (1.7%), £4.62 for those 16 or 17 (1.5%) and £4.30 for apprentices (3.6%). The daily accommodation offset rate will rise to £8.36 (up 2.0%).

Technology

A total of £600m of funding was announced to fix outdated IT infrastructure to ensure core systems are secure. This includes “new funding” of £268m in HMRC, £232m in the Home Office, £40m in the Ministry of Justice and £64m in the Department for Education to bring technology up to date. This investment aims to reduce the risk of failures and improve efficiency.

Fire and Rescue

SR2020 made no specific reference regarding fire and rescue **but** announced council tax referendum limits in 2021-22 of 2% basic precepts. The Home Office settlement provides a £881m cash increase in core resource funding from 2020-21 to 2021-22. As stated above the vast majority of this is in order to recruit additional police officers.

Nothing of note has been confirmed regarding fire and rescue budgets for 2021-22. The Technical Support Team expects FRA budgets to be protected in real terms for 2021-22 (RSG protected in real terms and LAs compensated for the freeze in the business rate multiplier), with the Home Office Fire Pensions Grant expected to be protected in cash terms. There could be scope for the Pensions Grant to be rolled-in to the baseline, but this too is unconfirmed.

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Covid-19

Ahead of the SR2020 announcement, the government set out its Covid-19 Winter Plan. This separate announcement can be accessed at: <https://www.gov.uk/government/publications/covid-19-winter-plan>. A summary of the Winter Plan is available in the relevant Annex below. Included in the Winter Plan the government has announced that there will be an additional £4 per head of population, per month, for outbreak management for those areas placed in the highest tier of restrictions.

Brexit

Since 2016, former Chancellors announced £8.3bn of spending to support Brexit Preparations, including £2bn in 2020-21. Regarding post-Brexit work, SR2020 provides over £2bn to support repatriation of functions from the EU and to “take back control of UK borders”. Funding includes: £1bn for HMRC, £363m for an additional 1,100 border force officers and £572m for DEFRA.

For the SR2020, the Chancellor faced an important series of decisions regarding funding that is currently allocated by the European Union (agricultural subsidies, research grants to UK universities, regional support funds). The SR2020 states that the UK Shared Prosperity Fund (UKSPF) will increase so that total domestic UK-wide funding will at least match receipts from EU structural funds, on average reaching around £1.5bn per year.

EU Law Enforcement Cooperation

The SR2020 provides £363m worth of funding to maintain law enforcement cooperation with the EU member states as well as to recruit additional Border Force officers. The aim of the additional Border Force officers will be to deliver transit customs arrangements following the end of the transition period; 1,100 Border Force officers will be recruited to help with this goal.

Local Government

Council Tax

The SR2020 includes council tax flexibility of 2% basic precept and an additional 3% in social care precept. Whilst no such announcement was included in the SR2020 document, the OBR’s EFO states that LAs may have the option to defer some of these increases to 2022-23.

Additional council tax flexibilities run alongside £254m in additional funding to help end rough sleeping and a £300m increase in social care grant (alongside the continuation of the £1bn social care grant from 2020-21). From these announcements, **core spending power will rise by 4.5%** (subject to full council tax flexibility use and any data changes or updates before the provisional settlement).

The Chancellor has announced that 75% of collection fund deficits at January 2021 will be funded by government. The remaining deficits will be spread over three years as per recent announcements.

The SR also includes additional funding (£670m) for additional Localised Council Tax Support as a result of increased unemployment. The Government has today [published](#) the number of working age Council Tax Support Claimants up until Q2 of 2020-21. Nationally, the claimant numbers for 2020-21 Q2 are up 11% on the same period last year and the Q1 figures show a 9% increase on Q1 in 2019-20. Pensioner claimants (which make up roughly 37% of all claimants) have fallen by approximately 4% in each quarter. However,

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results for individual authorities are more mixed. Regarding council tax support, the Chancellor has announced that HMT will allocate approximately £500m to LAs based on its assessment of the total additional LCTS.

Local Roads

A total of £19bn was announced under the heading of infrastructure for next year, including £1.7bn for local roads and maintenance upgrades. For more information see Transport below.

Provisional LGF Settlement

The timing of the SR2020 (comparatively SR2019 was announced on 4 September 2019), means that the Provisional Local Government Finance Settlement 2021-22 is likely to be announced late into December. The Technical Support Team understands that a Provisional Settlement date of 17 December is possible but that this could slip.

Education

On 3 September 2019, Education Secretary Gavin Williamson [announced](#), that the government had promised a “a cash increase compared to 2019-20 of £2.6bn to core schools funding next year [2020-21], with increases of £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively”. The SR2020 confirms that the 2019 multi-year Education Settlement continues. Further, the SR2020 includes a plan to build 500 new schools over the next decade.

The government is also providing £220m for the “Holiday Activity and Food” programme to provide activities and meals for disadvantaged children during the Easter, Summer and Christmas Holidays in 2021.

Transport

SR2020 includes the announcement of £12.8bn to “keep the transport networks moving” for 2021-22. This includes around £8bn for rail passenger services in England as well as £4.8bn of further support for buses, light rail, cycling and Transport for London.

Additionally, a further £2bn has been announced to support public transport “to meet the challenges of Covid-19”. This money will be used to ensure continued operation on the railways in 2021-22.

The government has announced £19bn of infrastructure funding for 2021-22, including £1.7bn for local roads and maintenance upgrades. Additionally, the government states that money will be distributed to eight Mayoral Combined Authorities through the Transforming Cities Fund. This fund will be specifically directed through “intra-city” transport settlements over the course of five years.

NHS

The government has continued its £20bn commitment to the NHS (as first announced by then Prime Minister Theresa May), equating to £33.9bn more in cash terms by 2023-24 compared to 2018-19 budgets.

Environment

On 18 November 2020, the Prime Minister [set out](#) his Ten Point Plan for a “Green Industrial Revolution” and to create 250,000 jobs. The plan covered: Offshore wind, hydrogen, nuclear, electric vehicles, public

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transport, Jet Zero and greener maritime, homes and public buildings, carbon capture, nature and innovation and finance.

SR2020 prioritises investment to transition to zero emission vehicles, including by providing £1.9bn for charging infrastructure and consumer incentives. It also provides £1.1bn to make homes and buildings “net zero-ready” as well as a £1bn Carbon Capture and Storage Infrastructure Fund; total investment for the “Green Industrial Revolution” is now £12bn.

Other – Defence and Overseas Aid Commitments

Both Defence and Overseas Aid budgets are usually set in-line with GDP to meet international commitments (2% and 0.7% of GDP respectively). Confirming rumours, the UK has reneged its commitment to Overseas Aid; whilst the effect of Covid-19 on GDP means that aid spending was always going to be cut in cash terms, the Chancellor has announced that for 2021-22 the budget will be 0.5% of government national income, (this represents a likely saving of £4bn). The government intends to return to 0.7% when the fiscal climate improves. The Ministry of Defence will see a £885m cash-terms core funding increase in 2021-22.

Home Office Department Expenditure Limits

Home Office DEL

The table below summarises the Home Office's Departmental Expenditure Limits for 2021-22 (compared against 2019-20 and 2020-21).

Home Office	2019-20	2020-21	2021-22
Core resource DEL excluding depreciation	£12bn	£12.8bn	£13.7bn
Core capital DEL	£0.8bn	£0.8bn	£0.9bn
Covid-19 resource DEL excluding depreciation	£0bn	£1.2bn	£0bn
Covid-19 capital DEL	£0bn	£0bn	£0bn
Total Del	£12.8bn	£14.8bn	£14.6bn

According to the Spending Review document, The Home Office (HO) settlement provides a £881m cash increase in core resource funding from 2020-21 to 2021-22, an increase of 4.9% average real terms increase per year since 2019-20. Capital budgets for the department increase by £128m in cash terms for next year.

The Home Office's capital programme DELs are as follows:

Home Office multi-year capital programme	2021-22	2022-23	2023-24	2024-25	Total
Domestic nuclear security resource DEL	£22.1bn				£22.1bn
Domestic nuclear security capital DEL	£59.8bn	£57.3bn	£127.3bn	£84.6bn	£329bn

The Office for Budget Responsibility (OBR) has [published](#) their Economic and Fiscal Outlook (EFO) alongside the Spending Review.

Council Tax

The [supplementary table \(Expenditure\)](#) in the accompanying documents detail the assumptions that the OBR have made regarding council tax:

	2020-21	2021-22	2022-23	2023-24
England				
Percentage change in Council Tax	5.6%	4.5%	2.1%	1.9%
Percentage change in Council taxbase	0.6%	-0.2%	1.5%	1.6%
Wales				
Percentage change in Council Tax	4.4%	4.6%	4.4%	4.5%
Percentage change in Council taxbase	0.8%	0.8%	0.8%	0.8%

The OBR has factored in a likely increase in eligibility for Council Tax Support due to higher unemployment but this has been outweighed by the decision to allow social care providing councils to increase council tax by up to 5% in 2021-22, **with the option to defer some of that increase to 2022-23.**

Business Rates

The future income from business rates is also forecast to be lower than predicted in earlier forecasts. In 2020-21 the income was £12.3bn lower than originally forecast, which largely reflects the holidays in place for retail, hospitality, leisure and nursery sectors.

Looking further ahead, the freeze in the multiplier in 2021-22 and the lower path for inflation have reduced forecast receipts. Local Authorities are normally compensated for reduced income due to government decisions (i.e. freezing the multiplier) however they are unlikely to be compensated for lower inflation. The EFO also confirms that the next revaluation has been delayed until 2023-24.

2022-23 and Beyond

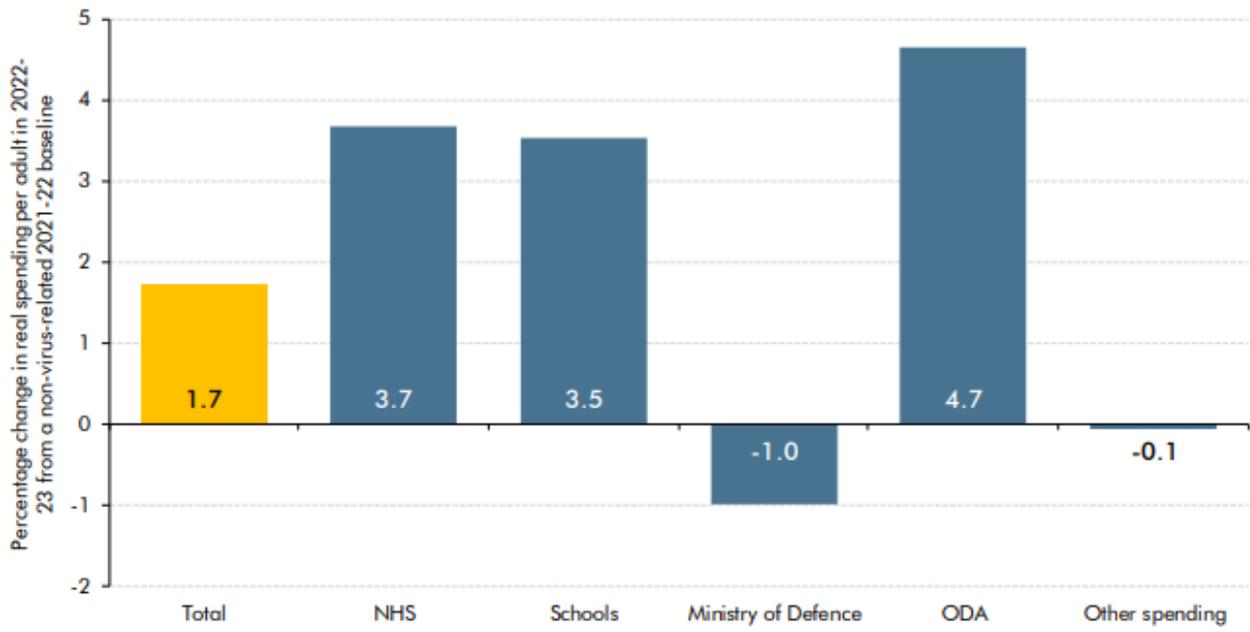
Despite the Chancellor’s assertion that we will not return to austerity, the future years of the spending forecasts do contain real term cuts compared to the original March 2020 budget figures. Non-virus related RDEL spending is £11bn lower in 2022-23 and more in future years. In effect, this locks-in the real terms effect of “business as usual” cuts relative to March 2020.

The OBR states that “the £11bn reduction in the RDEL envelope for 2022-23 could set up another challenging Spending Review next year”. Once funding which has already been allocated for the NHS (£143bn), Schools (£52bn) and defence (£32bn) is accounted for, there remains just £170bn of the £397bn total for all other public services. Even keeping the Overseas Aid budget at 0.5% that would still leave a reduction of £9bn relative to the March totals. The following chart, taken from the EFO implies that **spending on those “unprotected” public services (such as police, fire and local government) is very likely to be broadly flat in real per capita terms in 2022-23.**

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Chart 3.9: Change in real RDEL spending per adult in 2022-23



Introduction

The Government published its [Covid-19 Winter Plan](#) on 23rd November. The UK will return to the regional tiered system of restrictions from the 2 December and those areas placed into the highest tier will be eligible for £4 per head of population, per month, for “outbreak management”. Tiering of each specific area is expected to be confirmed on Thursday 26 November. Summaries of the restrictions in each areas can be found [here](#). These measures are with the aim of bringing “R” below 1 and all of the measures outlined in the report are, of course, to be considered alongside the development of a vaccine as being the best route to returning life in the UK to normal.

Rapid testing – being deployed to NHS front-line staff, social care and other high-risk settings. Driving down outbreaks of the disease in schools and universities but also potentially using them to test entire communities – Government will work with local authorities on this, targeting the areas that need it the most. Increased testing is also planned as an alternative to the need for self-isolation for people who have had close contact with someone who has COVID-19, where people will only have to self-isolate if they test positive. This is being trialled in Liverpool and some institutional settings with roll out intended in the New Year.

Funding: Additional £7bn for the NHS Test and Trace to increase testing and improve contact tracing (bringing the total to £22bn).

Compliance – Upper and Lower tier local authorities are being given streamlined powers to issue improvement and restriction notices to businesses that are breaching Covid-secure rules with the ability to compel the immediate closure of a premises that is not complying. The **Contain Outbreak Management Fund (COMF)** will be extended for those authorities in the **highest level** of restrictions, worth **£4 per head per month** (although it will be reviewed at the start of January).

Funding: COMF extension worth up to £900m, in addition to more than £780m already committed from COMF to date.

Social Care: New legislation is being brought in by the end of the year to require care home providers to restrict all but essential movement of staff between settings in order to reduce transmission. This is in addition to measures including only allowing discharge to care homes from the NHS following an up-to-date COVID test (patients with a positive test to be transferred to a CQC-assured home), the roll out of free Flu vaccinations to care home staff, personal assistants and unpaid carers and free access to PPE.

Funding: No specific additional funding.

Disproportionately Impacted Groups: Funding is to be made available to address the disproportionate impact (direct and indirect) of COVID on at-risk individuals, i.e. those who are elderly, disabled or from an ethnic minority background. The funding will establish a network of Community Champions to help at risk and hard-to-reach communities to access and adhere to the latest Government COVID guidance.

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Funding: £25m – unclear about who this funding will be directed towards, but voluntary and community groups are likely.

Support for the NHS: Funding had already been announced to help the NHS prepare for winter, including maintaining the Nightingale hospital sites and access to the independent sector capacity, increased vaccinations for seasonal flu and the NHS's enhanced discharge policy.

Funding: The Winter Plan includes an additional £205m for the NHS; £80m for recruitment and £125m for additional hospice capacity. The Government has also announced an additional £1bn for the NHS next year to begin tackling the elective backlog, including continuing to prioritise the most urgent patients and enabling catch-up for long waiters, and around £500m to address the mental health backlog, give more people the mental health support they need, and invest in the NHS workforce.

Education: The Winter Plan highlights what has already happened – including the purchase of laptops by the DfE for disadvantage children and the £1bn catch-up funding and additional tutoring for small group tuition for 16 to 19 year olds.

Funding: No additional funding announced.

Christmas – On 24th November, the government announced that between 23 and 27 December people will be able to form exclusive Christmas bubbles of up to three households. For more information please refer to [Making a Christmas bubble with friends and family](#).

Funding: No additional funding announced.