

## Autumn Budget and Spending Review: Initial Observations

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As expected, most of the major announcements in the budget were briefed ahead of the Chancellors Budget address to Parliament and many of the new announcements are the outcomes of previously announced bidding rounds. However, there were a few surprises including the business rate relief and Universal Credit taper.

No new major funding pots were announced in the economic development sphere. The Budget Statement claims to have launched the UK Shared Prosperity Fund, worth £2.5 billion in this parliament and rising to £1.5 billion a year thereafter. However, beyond a reference to a numeracy initiative to help people back into work, we will have to wait until the Levelling Up White Paper is released later this year for further information.

The overview below is not exhaustive and is intended to provide a summary of the main announcements relevant to work areas of ekosgen and our clients. The potential impact of the figures announced today and confirmation of what is genuinely new spending will become clearer over the coming days, however early initial responses to the budget have been provided where relevant.

### Economic Outlook

Overall, the outlook is positive and represents an improvement on what was previously forecast. The **UK economy is expected to return to pre-Covid levels by 2022** – 6 months ahead of what was expected in March 2021.

Longer term, the long-term damage to the economy ('economic scarring') is expected to be 2% of UK economic output, rather than the 3% assumed in March.

**Wages have increased above pre-pandemic levels** (3.4% real terms growth since February 21), however with inflation forecast to rise to over 4% next, year these gains may be eroded if wage growth isn't maintained going forwards.

### Headline Announcements

- The **Universal Credit taper** will be cut by 8% which will offset the £20 a week cut in benefit levels for effected households where someone is work.
- **National Living Wage** to increase to £9.50 ph.

*The IFS note that the combined impact of these policies will benefit lower income households (those with incomes affected by the rise in National Living Wage) who are also in receipt of Universal Credit. However, this will do little to help workless households, who face the removal of the £20 temporary UC uplift plus higher inflation over the coming year.*

- **Business rates** are to be retained, but reformed – including a temporary business rate relief comprising 50% discounts for the retail, hospitality, and leisure sectors in 2022/23. Business Rate multipliers are also to be frozen for next year.
- **Departmental budgets to increase by £150 bn** over the next three years (or £98 billion in real terms / +3.8% a year). Every departmental budget is expected to increase real terms.

*The IFS note that 44% of the cash increases announced for the next three years will go to the Department of Health and Social Care. Consequently, things might still feel tight in other areas. They note a specific challenge for **local government** where, after a jump next year, grant funding for existing services will be more or less frozen in the following two years. It suggests that ‘bigger council tax rises than the government plans to allow could be necessary to maintain services.’*

## Investing in Growth

As trailed at the Conservative party conference, investment is couched in the language of delivering a ‘*high-wage, high-skilled, high productivity economy*’. The Government’s Plan for Growth is centred on ‘*significant investment in innovation, infrastructure and skills.*’

Specific investments include:

- **Building Back Greener** – a range of funding has been identified to support the transition to electric vehicles, funding to encourage walking and cycling, and investment to decarbonise buildings.

*The opposition parties and environmental groups have been critical of the lack of ambition here, particularly when set against a reduction on Air Passenger Duty to support air connectivity within the UK.*

- Confirmation of the £5.7 billion for eight English **city regions to transform local transport networks** through London-style integrated settlements.
- Increasing public **R&D investment** to £20 billion by 2024/25

## Levelling Up

The [Regional Factsheet](#) provides project level funding allocations, including for the Levelling Up Fund Round 1.

- As mentioned above, the **UK Levelling Up White Paper** is expected by the end of the year.
- This will include proposals for the **UK Shared Prosperity Fund** – ultimately worth £1.5 billion a year. The government commits to matching EU expenditure levels in ‘each nation and Cornwall’ each year. So, beyond maintaining the status of Cornwall, we can expect the allocation of funding to differ within each nation from what we have been used to for ERDF and ESF. Some commentators have also noted that the total commitment for this parliament is lower than what would have been received from the EU Structural Funds over the same period.
- There is no reference to the **Community Renewal Fund**, which was intended as a pilot for UKSPF, which raises questions about its delivery in 2022/3.
- £1.7 billion of investment has been announced from the first round of the **Levelling Up Fund**, across 105 projects, has been confirmed. **This includes two bids supported by ekosgen** in Salford and Manchester.

*In addition to taking stock of the LUF funding allocations, by project type and area, some of the now accepted economic appraisal approaches will provide precedents for future submissions. This will be particularly relevant to schemes focusing on leisure, culture, and public health.*

- There is no timetable for Levelling Up Round 2.
- Confirmation of other funding sources include:

- Continuing the **High Street Heritage Action Zone** programme in England to revive 67 historic high streets
- Continuing the government's £5 billion investment in **Project Gigabit** to support the rollout of gigabit capable broadband *in hard-to-reach areas across the whole of the UK*.
- Providing £180 million over the next three years as part of the government's £500 million investment for the **Shared Rural Network**, to deliver high-quality 4G mobile coverage to 95% of the UK.
- The new £1.4 billion **Global Britain Investment Fund**, which will help spread economic opportunities more evenly across the UK by supporting investment in the UK's life sciences, offshore wind, and automotive manufacturing sectors.
- £1.6 billion for the **British Business Bank's (BBB)** regional funds, which provide debt and equity finance to SMEs.
- £150 million additional commitment for the **Regional Angels** programme, which reduces imbalances in access to early-stage equity finance across the UK
- Continued funding for the **Start Up Loans Scheme**, which provides loans and mentoring to people across the UK who want to start a business.

## Housing

- £24bn has earmarked for housing: £11.5bn for up to 180,000 **affordable homes**, with **brownfield sites** targeted for development – including 65% outside of London.
- £640m a year to address **rough sleeping and homelessness**
- No reference to **Homes England** or the potential new HIF funding stream.

## National Infrastructure

- To reflect the introduction of legally binding climate targets, the **NIC** will now have an additional objective to consider how its advice can **support climate resilience and the transition to net zero** carbon emissions by 2050.
- It will also consider interactions between its infrastructure recommendations, the government's legal target to **halt biodiversity loss** by 2030 and implementing biodiversity net gain.
- **High Speed 2** – no reference to the decision regarding the eastern leg (Birmingham to Leeds).

## Devolution

- A number of funding pots identified above (including Levelling Up and UKSPF) will include allocations for the devolved nations.
- In addition, the budget **provides the devolved administrations with an additional £8.7 billion per year** on average through the Barnett formula over this parliament, on top of their combined annual baseline funding of £66 billion. The government state that this will enable further investment in areas such as schools, housing, health and social care, and transport across Scotland, Wales, and Northern Ireland.
- Within England, the Levelling Up White Paper is also expected to set out proposals for further **devolution deals with local leaders**.