

Appendix One - Autumn Budget and Spending Review 2021

1. Introduction

- 1.1. On Wednesday 27th October 2021 Chancellor of the Exchequer Rishi Sunak delivered the Autumn Budget and Spending Review to the House of Commons. The budget was presented with a generally upbeat tone and pitched as government preparing the country for a post-COVID future, with tax and spend announcements covering many policy areas. This is the first budget delivered to the House that is focused on recovery from COVID, with the previous budget statement delivered on 4th March 2021 being more focused on mitigating against the economic impact of the pandemic on people and businesses.
- 1.2. The budget unveiled higher than anticipated public spending funded through tax increases with the aim of boosting productivity growth. The Chancellor has hinted to Conservative backbenchers that he intends to cut taxes before the next election.
- 1.3. This briefing provides a summary of the announcements that are most relevant to Manchester City Council and our partners and stakeholders. For ease of reading announcements have been grouped according to broad policy areas.

2. Economic and Fiscal Overview

- 2.1. The economic impact of COVID-19 clearly sets the fiscal context for this budget; however, it should be recognised that Brexit continues to affect the economy in ways which are continuing to evolve. The budget statement did not make any particular reference to negative impacts of Brexit on the economy.
- 2.2. Economic indicators at the time of the budget statement include:
 - Inflation in September was 3.1% and is likely to rise further, with the Office of Budgetary Responsibility (OBR) expecting Consumer Price Inflation (CPI) to average 4% over the next year.
 - Growth this year is revised up from 4% to 6.5%. The OBR then expect the economy to grow by 6% in 2022, and 2.1%, 1.3% and 1.6% over the next three years. The OBR have revised down their scarring assumption from 3% to 2% of GDP.
 - Real terms wage growth of around 3% since February 2020
 - Underlying debt is forecast to be 85.2% of GDP this year, then 85.4% in 2022-23, before peaking at 85.7% in 2023-24.
 - Borrowing as a percentage of GDP is forecast to fall from 7.9% this year to 3.3%, then 2.4%, 1.7%, 1.7% and 1.5% in the following years.
 - Overall spending at Government departments would increase by 3.8% in real terms.

2.3. The Chancellor also set out a new Charter for Budget Responsibility. The Charter sets out two fiscal rules:

1. Public sector net debt must, as a percentage of GDP, be falling.
2. The state should only borrow to invest in our future growth and prosperity. Everyday spending must be paid for through taxation.

3. Local Government Finance

3.1. The most significant feature of the budget for local government is the announcement of a multi-year settlement to enable councils to drive levelling up, the equivalent of a 3% increase in core spending power. £4.8bn of grant funding will be available to local government over the next three years, the equivalent of £1.6bn a year. The referendum threshold for increases in council tax is expected to remain at 2% per year. Local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year.

3.2. While the multi-year funding settlement is a positive development for local authorities, it should be noted that changes to business rates may affect income. While the retention of business rates pilot will continue, there will be a one year 50% discount to business rates for retail, hospitality, and leisure businesses up to a maximum of £100,000. It is expected that local authorities will be compensated for loss of income as well as being provided with new burdens funding to cover administrative costs.

3.3. Other business rates changes include:

- More frequent revaluations, taking place every 3 years from 2023
- 12 months relief for businesses adopted green technology or property improvements from 2023
- Cancellation of next year's business rates multiplier increase making bills 3% lower
- The temporary £1 million level of the Annual Investment Allowance will be extended for UK businesses until 31 March 2023.
- The Recovery Loan Scheme will also be extended until 30 June 2022, although the government guarantee it will be reduced from 80% to 70%.

4. Relevant national and regional investments

4.1. Investment funding announced was framed as part of the wider levelling up agenda with focus on regions outside London and the Southeast. As we previous announcements, much of the funding made available appears to be piecemeal and allocated via competitive application process. Announcements included:

4.2. *Levelling Up Fund* – the first 105 places to receive funding from the £4.8 billion Levelling Up Fund were announced. Manchester's Culture in the City bid has been

awarded £19,823,516 but the bid for Withington Village has not been successful. Across Greater Manchester projects in Bury (2 projects), Bolton, Tameside, and Salford will also receive funding. There are currently no details on timescales or criteria for Round 2.

- 4.3. *Community Ownerships Fund* - The first 21 projects to receive funding from the Community Ownership Fund were also announced totalling £5.3 million. The overall fund is for £150 million. Wigan and Hyndburn were the only 2 NW projects funded in this round. The 2nd round will be announced shortly.
- 4.4. *Shared Prosperity Fund* - There was no announcement for the Community Renewal Fund which were submitted at the same time as the Levelling Up fund. GMCA submitted £3 millions of projects on behalf of Manchester to this fund. However, a 3-year budget for the SPF has been announced as follows. As expected, this shows a “ramping up” to European levels of funding by year 3. The revenue/capital split is also as expected and differentiates from the Levelling Up fund which is capital.

£ Billions	2022-3	2023-4	2024-5
Resource	0.4	0.7	1.5
Capital	0.0	0.1	0.3

- 4.5. *Supporting* local priorities, the UKSPF (UK Shared Prosperity Fund) will include a new initiative (‘Multiply’) to help hundreds of thousands of adults across the UK improve their numeracy skills. All areas will receive access to a learning platform and funding to improve adult skills. £560 million is being allocated to this scheme as part of the SPF. (*There are no current details whether this is out of the above figures or in addition to.)
- 4.6. *Levelling up parks fund* - £9 million made available in 2022-23 to fund more than 100 green spaces across the UK on unused, undeveloped, or derelict land that will broaden accessibility for all.
- 4.7. *Housing* - an additional £1.8 billion for housing supply consisting of:
- £300 million locally led grant funding for Mayoral Combined Authorities and Local Authorities to unlock smaller brownfield sites for housing
 - £1.5 billion to regenerate underused land and deliver transport links and community facilities.
 - Reconfirmation of £11.5 billion investment through the Affordable Homes Programme (2021-26) of which £7.5 billion is over the SR21 period. 65% of the funding will be for homes outside London.
- 4.8. *Culture* - a raft of announcements including:

- £850 million for cultural and heritage infrastructure to safeguard national treasures and boost culture in local communities and on high streets
- £52 million in new funding for museums and cultural and sporting bodies next year to support recovery from COVID-19 and an additional £49 million in 2024-25 thereafter
- £14 million in each year to support creative industries, including supporting SMEs to scale up and providing bespoke support for film and video game industries
- £205 million to transform grassroots football infrastructure and multi-use sports facilities by rolling out up to 8,000 state-of-the-art community pitches and £22 million to refurbish more than 4,500 public tennis courts.

5. Health and Social Care

5.1. As expected, the budget included many measures designed to support the NHS (National Health Service) in dealing with the consequences of the COVID-19 pandemic. Social care announcements included:

- £3.6 billion will go directly to local government to implement the cap on personal care costs and changes to the means test. The Health and Social Care Levy is expected to raise £5.4 billion of additional funding to reform adult social care.
- The Government also confirms that £1.7 billion will be invested over three years to improve social care more broadly of which at least £500 million will be dedicated to improving skills, qualifications, and wellbeing in the adult social care workforce.
- Capping personal care costs at £86,000 and expanding the means tested support to people with less than £100,000 in relevant assets
- A new funding package of £104 million by 2024-25 to take forward reforms to unregulated provision in children's social care, improving safeguarding standards.
- £7 million in 2024-25 to implement DfE's Adoption Strategy 'Achieving Excellence Everywhere', to improve access to services and support for adopted children and their families.
- £259 million over the SR21 period to maintain capacity and expand provision in secure and open residential children's homes.
- The public health grant will be maintained over the SR21, with a continued £100 million announced last year to tackle obesity.

6. Children and Families

6.1. The most significant announcement is the investment of £500 million over the next three years to transform 'Start for Life' and family help services in half of the council areas across England. This will fund a network of Family Hubs, Start for Life services, perinatal mental health support, breastfeeding services, and parenting programmes. It will also expand the Supporting Families programme with

an additional £200m of funding, providing up to 300,000 families with high quality, multidisciplinary support.

6.2. Government has also committed £200 million per year to continue the holiday activities and food programme, providing healthy food and enriching activities for disadvantaged children in England, delivering the government's Flexible Childcare Fund commitment.

6.3. Other announcements include:

- £170m by 2024/2025 to pay providers more. This includes an increase to the hourly rate to be paid to early years providers for the government's free hours offers.
- £200m for the Supporting Families programme, representing around a 40% real-terms uplift in funding by 2024-25.
- £150 million for training of early years staff to support children's lost learning.
- £104 million by 2024-25 for reforms to unregulated children's social care, and £7 million by 2024-25 to improve access to services and support for adopted children and their families.
- £259 million will be provided over the SR period so more children and young people can receive the care they need.

7. Education

7.1. The announcement of an additional £4.7 billion towards the core schools' budget in England by 2024-25 will be welcomed by headteachers and is the equivalent to an increase of almost £1,500 per pupil compared with 2019-20. The government has also committed to "level-up" school education standards by rebuilding 500 schools in England over the next decade as part of a long-term rebuilding programme and committing to increase teacher starting salaries to £30,000.

7.2. Other announcements include:

- £2.6 billion for 30,000 new school places for children with special educational needs and disabilities (SEND) in England, more than tripling current capital funding levels to over £900 million by 2024-25.
- £3.2bn to help education recovery, including a £1bn Recovery Premium for the next two academic years, and support for additional learning hours, tutoring courses for disadvantaged pupils and teacher training.
- £560 million for youth services in England, including financing the government's commitment to a Youth Investment Fund, which will deliver up to 300 youth facilities in areas most in need.
- £1.8 billion over to help schools to deliver evidence-based approaches to support the most disadvantaged pupils and more learning hours for 16–19-year-olds.

8. Employment and Skills

- 8.1. Given Manchester's increasing focus on fair pay and good conditions, particularly to reduce the cause of poverty in the city, the announced increase in the National Living Wage (NLW) by 6.6% to £9.50 an hour for people aged 23 and over is particularly welcome.
- 8.2. The government has also committed to increasing skills spending by £3.8bn, an increase of 42%, over the parliament. The Budget looks to meet the government's commitment to the National Skills Fund by providing 29% real terms increase in adult skills funding from 2019-20 to 2024-25.
- 8.3. Other announcements include:
 - £3 billion for post-16 education and adult education and training. including quadrupling the number of skills camps in areas such as artificial intelligence, cybersecurity and nuclear.
 - £2.6bn has for the UK Shared Prosperity Fund to help people access new opportunities UK-wide, including through the Multiply adult numeracy programme, which will receive £560 millions of funding.
 - An additional £1.6 billion by 2024-25 has been set aside for 16–19-year-olds' education in England, maintaining funding rates in real terms per student.
 - Increasing apprenticeships funding to £2.7 billion by 2024-25 and continuing to meet 95% of the apprenticeship training cost for employers who do not pay the Apprenticeship Levy and will also deliver apprenticeship system improvements for all employers.
 - The £3,000 apprentice hiring incentive for employers will be extended until 31 January 2022 and the government will invest approximately £10 million a year in the Sector Based Work Academy Programme (SWAPs) for work experience, new skills, and retraining.
 - Expansion of Plan for Jobs schemes taking the total DWP (Department for Works and Pensions) spend on labour market support to more than £6 billion over the next three years.
 - £68 million (by 2024-25) to "level up" the adult skills system.
 - £1.5 billion capital investment to improve the condition of the Further Education (FE) estate in England.
 - Funding to open 20 Institutes of Technology (IoTs) throughout England.

9. Housing and planning

- 9.1. Most housing announcements are covered earlier in this report (see section 4.7) however a number of announcements are particularly relevant to Manchester, including the allocation of £5bn to remove unsafe cladding from highest-risk buildings, partly funded by Residential Property Developer Tax charged at 4% on profits exceeding an annual allowance of £25 million.

9.2. Other relevant announcements include:

- £65 million will go towards developing new software to support the digitisation of the planning system. The system will be rolled out to up to 175 local authorities in England in the first phase.
- £639m a year by 2024-25 will go towards eradicating rough sleeping and homelessness.

10. Climate and Net Zero

10.1. While climate change and net zero did not feature heavily in the Chancellor's speech and initially attracted criticism for some changes to Air Passenger Duty and roads funding, there are several relevant announcements for local government. However, the bulk of announcements in this section are not relevant to Manchester and concern large scale national infrastructure and investment.

- £300 million will be provided to implement free, separate food waste collections in every local authority in England from 2025.
- £950 million for the Home Upgrade Grant and £800 million for the Social Housing Decarbonisation Fund. It also allocates £1.4 billion to help decarbonise the public sector estate in England.
- £2 billion of investment in cycling and walking over the parliament to build hundreds of miles of high-quality, segregated bike lanes and other facilities to improve cyclists' safety. This includes £710 millions of new investment in active travel funding over the next three years
- £3.9 billion for energy efficiency improvements and clean heat installation in buildings, making the transition to net zero cheaper and easier for households, while making their homes warmer. This also support the decarbonisation of the public estate.
- £315 million for the Industrial Energy Transformation Fund to help firms cut their carbon emissions and reduce energy bills.
- £450 million to grow the heat pump market in England and Wales as part of the ambition to work with industry to reduce the costs of heat pumps by 25-50% by 2025. The Budget and SR continues support for heat networks in England with £338 million to encourage private investment.
- £620 million for public charging in residential areas and targeted plug-in vehicle grants, building on the £1.9 billion committed at SR20. The SR and Budget also announces an increase in capital support to £817 million over the SR21 period for the electrification of UK vehicles and their supply chains.
- From 2023, the government will introduce exemptions for eligible plant and machinery used in onsite renewable energy generation and storage and a new 100% relief for eligible heat networks, to support the decarbonisation of buildings.

11. Welfare and benefits, unemployment

- 11.1. As expected, the impact of the ending of the Universal Credit uplift has been softened by reducing the taper rate by 8% from 63% to 55%, meaning Universal Credit claimants will be able to keep an additional 8p for every £1 of net income they earn. There will also be a £500 per year increase to the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced (known as Work Allowances).
- 11.2. The government will continue the temporary increase in the surplus earnings threshold to £2,500 for Universal Credit claimants until April 2023, when the threshold will reduce to £300.
- 11.3. Workers leaving the furlough scheme and making a Universal Credit claim who will be prioritised through the Job Finding Support scheme, and older workers who will benefit from additional support to return to, or remain in, work. In addition, young people will continue to benefit from the extension of existing schemes, and jobseekers with disabilities will benefit from extra work coach support.
- 11.4. The government announced the £500 million Household Support Fund on 30 September, which will provide £421 million to local authorities in England. Local Authorities are best placed to direct help to those who need it most, and at least 50% of the funding will be used to support households with children

12. Transport

- 12.1. Greater Manchester has been awarded £1.07bn in capital funding for the infrastructure elements of the Bee Network integrated transport plan, however detail on wider regional rail improvements and HS2 was notable in its absence.
- 12.2. In addition, £2 bn of investment in cycling and walking is expected over the Parliament, including £710m of new active travel funding. £620m of additional investment to support the transition to electric vehicles, including public charge points in residential areas and targeted plug-in vehicle grants.

13. Other relevant announcements

- 13.1. Finally, there were a selection of policy announcements hidden in some of the detail that are of interest to local authorities. These include:
- Continued funding for the places for growth programme, which aims to move 22,000 civil service roles outside London by 2030, to bring policymakers closer to the communities they serve.
 - The Levelling Up White Paper will provide further information on the government's plans regarding devolution deals. The government has already committed to £7.5 billion of non-ringfenced 'gainshare' investment funding over 30 years, as part of nine city region devolution deals, including £750 million being delivered over SR21.

- Full funding for association to the European Union scientific research initiative Horizon Europe, enabling further collaboration with European partners in research and development.
- £42 million has been promised for new programmes that reduce crime and drugs misuse and £108 million to continue existing programmes.
- Funding of £20,520 per person will be made available to local authorities resettling circa 20,000 Afghan refugees over the next five years. An additional £17 million will be available for housing costs, along with an extra £20 million pot of flexible funding.
- End to the public sector pay freeze.

14. Conclusion

14.1. This budget marks a shift from previous conservative governments with tax raises and increasing spending aimed at boosting growth contrasting with previous years' austerity. There were few Manchester specific announcements although many of the planned initiatives and changes will be particularly relevant to our recovery plans. As usual, detail on many announcements will arrive over the coming weeks and months.

14.2. Reaction from think tanks, trade unions industry bodies and other organisations has generally been cautiously positive. Many have noted the impact of ten years of austerity as context, and wider economic circumstances such as the rate of inflation will mean that some policy announcements are less effective than they initially appear.

14.3. While increases in funding will be welcome by public services, increases in inflation, living wage, public sector pay and normal council running costs mean that the impact of extra funding is unlikely to be very significant. Cost of living increases, and tax rises mean that many families will be worse off, however the very poorest families should see small real terms increase in income.