

## **Spending Review: Key Issues**

### **Purpose of report**

For information.

### **Summary**

The 2020 Spending Review took place on 25<sup>th</sup> November, outlining the Government's spending plans for 2021/22. The LGA published a full response to the Spending Review. This report focuses on the elements of the Review which are of particular interest to the City Regions Board – UKSPF, freeports, levelling up and jobs and skills.

### **Recommendations**

Members consider the announcements made by the Chancellor and any specific impact on the key policy areas of the Board.

### **Actions**

Officers to take forward any actions arising as a result of member feedback

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## Spending Review: Key Issues

### Background

1. The Government's Spending Review (SR) took place on 25<sup>th</sup> November 2020. The 2020 SR outlines the Government's spending plans for 2021/22 by setting budgets for each central government department. The full set of documents is available on the [Treasury website](#).
2. The LGA [published a media statement](#) responding to the announcements. This highlighted that the announcements at the Spending Review went some way towards meeting core spending pressures and estimated COVID-19 costs next year, but only if councils made full use of council tax raising powers. However, the one-year Spending Review has not addressed the underlying pressures and urgent need for investment in early intervention, adult social care and public health.
3. The LGA's full SR on the day briefing is available at <https://www.local.gov.uk/parliament/briefings-and-responses/spending-review-2020-day-briefing>. This report focuses on the aspects of the SR which address key issues of concern for members of the City Regions Board:
  - UK Shared Prosperity Fund
  - Freeports
  - Levelling Up Fund
  - Jobs and Skills

### Issues

#### **UK Shared Prosperity Fund (UKSPF)**

4. The Chancellor set out how the UK Shared Prosperity Fund (UKSPF) will help to level up and create opportunity for people and places across the UK by providing £220 million additional funding to help local areas prepare over 2021/22 for the introduction of the UKSPF. The fund will target places in most need such as former industrial areas, deprived towns and coastal communities.
5. The LGA response was:
  - 5.1. Having lobbied since the referendum for a domestic replacement for EU funds, we welcomed the clarity this announcement had brought to local government.
  - 5.2. The SR contains the "Heads of Terms" for the UKSPF (the Government's replacement of the European Structural and Investment Funds) and confirms that the fund will be at least £1.5 billion a year.
  - 5.3. Local government has made an offer to co-design the programme with Government and the investment framework for local areas that sits behind this. Councils have a

democratic mandate to represent their communities, as well as respect current local decision making and devolution agreements.

- 5.4. The additional £220 million to help local areas transition to the UKSPF in 2021/22 by running pilots and new approaches is welcomed. The Government must now work with all local areas to ensure there is a smooth transition to the new funding regime.
- 5.5. We will be working with the Welsh LGA to ensure that the new funds meet the needs of councils in Wales.

### **Freeports**

6. The Chancellor announced a minimum of 10 Freeports across the UK – at least one in each of England, Scotland, Wales and Northern Ireland – to bring jobs, investment and prosperity to some of the most deprived communities. The programme aims to establish Freeports as national hubs for global trade and investment across the UK, promote regeneration and job creation and create hotbeds for innovation.
7. The LGA response was:
  - 7.1. Following our calls to Government, we welcomed its commitment in the Freeports Bidding Prospectus to consider more than 10 freeports if bids are particularly strong. It is also positive that seed capital will be provided to winning areas to address local infrastructure constraints. It will be vital that freeports create new jobs and opportunities for local people. We have therefore asked that Government remains alive to the risk of domestic economic displacement of UK domestic businesses in its assessment of bids and as it progresses with winning areas.

### **Levelling Up Fund**

8. The Chancellor announced that a new Levelling Up Fund worth £4 billion will be launched for England. Moving away from a fragmented landscape with multiple funding streams, this new cross-departmental fund for England will invest in a broad range of high value local projects up to £20 million, or more by exception, including bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture.
9. It will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less Government investment in recent years. Spending Review 2020 makes available up to £600 million in 2021/22. The Government will publish a prospectus for the fund and launch the first round of competitions in the New Year.
10. The LGA response was:
  - 10.1. It is good news that this fund moves to tackle our complex and fragmented funding system, which we have long warned about. However, we are concerned by the prospect of a competitive bidding process at a time when councils want to be fully

focused on protecting communities and businesses from the impact of the pandemic.

- 10.2. The best way to make decisions about local investment is by working with councils, who know the needs of their areas best. We want to work with the Government to ensure this fund produces the best possible outcomes for local communities.

### **Supporting Jobs**

11. The Chancellor announced that:

- 11.1. £2.9 billion Restart programme will provide intensive and tailored support to over 1 million unemployed people and help them find work, with approximately £0.4 billion of funding in 2021/22
- 11.2. Funding the £2 billion Kickstart scheme which will create hundreds of thousands of new, fully subsidised jobs for young people at risk of long-term unemployment across Great Britain. The SR20 settlement includes £1.6 billion in 2021/22 which will ensure funding for over 250,000 Kickstart jobs.
- 11.3. Investment of £375 million from the National Skills Fund in 2021/22, which will provide £138 million for the Government's commitment to fund in-demand technical courses for adults, equivalent to A level, and to expand the employer-led boot camp training model.
- 11.4. On Apprenticeships, the Government is:
  - making available £2.5 billion of funding for apprenticeships and further improvements;
    - 11.4.1. allowing levy paying employers to transfer unspent levy funds in bulk to Small and Medium-sized Enterprises (SMEs) with a new pledge function from August 2021.
    - 11.4.2. confirming unspent Levy funds will continue to expire after 24 months;
    - 11.4.3. introducing a new online service to match levy payers with SMEs that share their business priorities for the purposes of Levy transfer from August 2021;
    - 11.4.4. allowing employers in construction and health and social care to front-load training for certain apprenticeship standards from April 2021 and explore whether this offer can be extended to other sectors;
    - 11.4.5. testing approaches to supporting apprenticeships in industries with more flexible working patterns in 2020/21, including considering how to best support apprenticeship training agencies;
    - 11.4.6. extending incentive payments for hiring a new apprentice introduced in the Plan for Jobs to 31 March 2021.

12. The LGA response was:

- 12.1. National and local government should combine resources and expertise to deliver for people and businesses hard hit by the crisis and co-design the solutions.
- 12.2. In 2030 across England there could be as many as 694,000 direct jobs employed in the low-carbon and renewable energy economy, rising to over 1.18 million by 2050.

13. On Restart:

13.1. Support to the long-term unemployment needs to be as close as possible to local communities and the local services they rely on including housing, health, training and debt management. Local government offers to work with the Government to plan, commission and deliver Restart so it can align with local services and training opportunities and deliver optimal impact for people and places.

14. On Kickstart:

14.1. We believe this next phase of Kickstart should be extended to 16-17 year olds at risk on unemployment, and that local government should be able to refer this group into the Scheme.

14.2. Kickstart will work best for young people, businesses and communities if it is planned and delivered in partnership locally. DWP must build local government into the further iterations of the Scheme as we have already set out.

15. On In-demand technical courses for adults:

15.1. Using the National Skills Fund to fund free Level 3 courses for adults not yet qualified to these levels is welcome. We encourage the Chancellor to go further by devolving and localising this support so that it is customised to local need and can offer a clear pathway to further learning and work in places where people live.

15.2. We continue to recommend the Government at least doubles funding for the Adult Education Budget to increase support for the nine million people across England that lack basic literacy and numeracy skills.

16. On Apprenticeships

16.1. The Government has listened to employers and is introducing some long overdue reforms to the apprenticeship levy.

16.2. Local government should be offered more local freedom and flexibility to maximise the use of these funds, for example to widen participation to disadvantaged groups. We look forward to receiving more information on the Government's plan to allow employers to make levy transfers to SMEs enabling local government to work with employers to take a more strategic approach to apprenticeships locally

16.3. We urge the Treasury to reconsider and pause the 24 month expiry policy for unspent levy funds, to prevent employers from losing funds through no fault of their own. The Government should also introduce a levy payment holiday of up to six months for businesses struggling with cashflow problems.

**Implications for Wales**

17. Local government funding is a devolved matter and the Welsh LGA is undertaking its own work programme. We are in regular contact with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work.

**Financial Implications**

18. The provisional 2021/22 local government finance settlement was announced on 17<sup>th</sup> December 2020. Officers are working through the detail.

**Next steps**

19. The Chancellor announced that the next Budget will be taking place on 3 March 2021, with a deadline for representations of 14 January. This timescale is without recent precedent. Officers in the finance team have been working with group leaders on the LGAs submission over the Christmas period.