

Spending Review 2020

Statement

On 25 November 2020 the Chancellor of the Exchequer, Rishi Sunak, delivered his 2020 spending review statement where he announced a review that “delivers on the priorities of the British people”. Announcing “Our health emergency is not yet over, and our economic emergency has only just begun”. The Chancellor set out his 3 key priorities as:

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- 1) Responding to Covid-19
- 2) Stronger Public Services
- 3) Investment in Infrastructure

Key points of interest for local government

- Local government will receive around £3Bn additional funding for COVID in 2021/22, of which: £1.55Bn is for additional expenditure pressures, £670M for funding council tax support and £762M to fund 75% of “irrecoverable loss of council tax and business rates revenues in 2020/21”.
- Local authorities will be able to increase their council tax bills by 2 per cent without needing to hold a referendum, and social care authorities will be able to charge an additional 3 per cent precept to help fund pressures in social care.
- £300M additional grant for adult and children’s social care (with confirmation that the £1Bn social care grant in 2020/21 will be rolled forward).
- Where local councils have lost income through COVID-19, Government are extending their existing COVID-19 sales, fees and charges compensation scheme for a further 3 months until the end of June 2021.
- Within MHCLG Local Government Departmental Expenditure Limit (DEL), there is £900M for New Homes Bonus and growth of £200M (in “core resources funding”). Revenue Support Grant will be increased in line with inflation.
- New Homes Bonus (NHB) will continue for a “further year with no new legacy payments”.
- Small business rates multiplier will be frozen in 2021/22 (instead of increasing by inflation %) – but local authorities will be fully compensated for any loss of income.
- Further £254M funding to tackle homelessness and rough sleeping (of which £103M has already been announced).
- £1.7Bn in 2021/22 for local roads maintenance and upgrades to tackle potholes, to relieve congestion and boost connectivity.
- Local authority spending through the public health grant will also continue to be maintained.
- A fundamental review of the Business Rates Retention System will report in Spring 2021.
There will not be a reset of the business rates baseline in 2021/22 i.e. the funding system for authorities will not be changed and councils will continue to benefit from any past growth in their local business rates.
- Reaffirms the government’s commitment to increase the schools budget by £7.1Bn by 2022/23, compared to 2019/20 funding levels.
- £165M in 2021/22 for continuation of the Troubled Families programme.

- Public sector pay rises to be paused next year for other than 1 million NHS workers and those earning below £24,000 – the latter will be guaranteed a £250 annual pay rise. It is worth noting that local council's set their own pay increases, determined at national level negotiations, so this isn't directly set by the Government's announcement.
- Government to reduce Public Works Loan Board (PWLB) borrowing rate by 100bps (1%) for all new Standard Rate and 0.8% on Certainty Rate loans.
- New Levelling Up Fund worth £4Bn – local areas to bid to fund local projects