

The 2019 Spending Round



Overview

The Spending Round forms part of the Government's financial planning cycle and sets some of the spending limits for Government departments for financial year 2020-21.

The one-year spending round is in place of the full three-year Spending Review that had originally been planned for this year. The Spending Review has been postponed to 2020. As a result the Spending Round covers resource (day-to-day budgets).

The Chancellor committed to delivering the Spending Round 'within the current fiscal rules' of keeping the structural deficit below 2 percent of GDP in 2020-21 and keeping debt falling as a percentage of GDP

Whilst there is no formal role for Parliament, the plans presented today will influence the main Budget later in the year.

The timing of the Spending Round will no doubt seem unusual given the chaotic state of Westminster and high likelihood of a general election. However, it does show that the Government is keen to highlight its domestic priorities and how they differ from those of the previous administration.



Headline announcements & Brexit

- "The fastest increase in day-to-day spending for 15 years" to £13.8 billion, or 4.1 per cent. Including £1.7 billion in capital spending.
- Biggest spending settlement for devolved administrations in a decade, including: £1.2 billion extra funding for Scotland, £600 million for Welsh Government, and £400 million for Northern Irish Executive.
- No Department will be cut next year.
- The Chancellor outlined the Government's commitment to leaving the EU with a deal, but stated that the UK needs to be prepared to leave without a deal.
- To allow departments to prepare for October 31st, and a possible no deal, the Chancellor confirmed that a further £2bn of core funding will be provided to departments.
- This will be in addition to the total £6.3 billion already provided to prepare for Brexit, including £2.1 billion in August this year. As well as the guaranteed funding for UK organisations in receipt of money from EU programmes, if required in the event of a no deal.



Tech

- The Department for Digital, Culture, Media & Sport will see its resource budget increased by 4.1 per cent in real terms from 2019-20 to 2020-21; however, this increase in funding appears to largely be allocated to arts and sports initiatives rather than tech.
- The Chancellor committed to continued investment in the UK's digital economy with the ambition of driving growth and innovation. This will, in part, go towards programmes to support the UK tech sector and to help people to stay safe online.
- An additional £30 million was also committed to the Home Office to help safeguard children from online child sexual exploitation and abuse.
- The Spending Round did not set out any detail on how the Government will make progress towards its targets for full fibre broadband. Rather, further information on this will be set out in the National Infrastructure Strategy, which is due to be published this autumn.

Health

- The Department of Health and Social Care's budget will rise by £.1% in real terms.
- This includes a 3.4% real terms increase in Health Education England (HEE) budget and a real terms increase to the Public Health Grant budgets.
- The funding settlement of £854 million announced by the Prime Minister to go towards upgrading 20 hospitals is accompanied by a £1 billion increase to NHS capital spending in 2019-20, which will in part go towards tackling urgent infrastructure projects.
- Of the £250 million investment in artificial intelligence, £78 million of it would be spent in 2020-21 to go towards early cancer detections, new diagnostic tools and discovering new treatments. It is unclear when the rest of the funding will be allocated.
- The Local Government settlement will contain an additional £1 billion for adult and children's social care. The Government also plans to consult on a 2% precept that would enable councils to access a further £0.5 billion for adult social care.



Energy & Transport

- The Chancellor outlined the Government's key ambitions including: "Cleaner energy, greener transport, and more affordable fuel bills for our homes and offices."
- To achieve this he announced an additional £30 million in funding for the Department of Business, Energy and Industrial Strategy to accelerate programmes focussed on decarbonisation, reiterating the Government's commitment to the Net Zero greenhouse gas emissions target by 2050.
- Full details of decarbonisation plans are promised in the in the National Infrastructure Strategy expected later in the Autumn.
- On transport, the Chancellor announced £275m for maintaining rail infrastructure in 2020-21, and £200m to transform bus services with a focus on ultra-low emissions buses.

