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**Report to:** Leeds City Region Enterprise Partnership Board (LEP Board)

**Date:** 21 January 2021

**Subject:** **Comprehensive Spending Review**

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## 1. Purpose of this report

- 1.1. To provide the LEP Board with information on the Comprehensive Spending Review (CSR) following the announcement by Government on 25 November 2020.

## 2. Information

### Background

- 2.1. In September 2020, the Combined Authority submitted a representation to the CSR which built on the Economic and Transport Recovery Plans for West Yorkshire. Recognising the significant impact of COVID-19 the CSR submission focused mainly on what is needed to realise a recovery that will deliver on 'Levelling Up', supporting the national recovery, and outlining the 5-year priorities for rescuing, re-imagining and resilience of the West Yorkshire economy and its transport network.
- 2.2. The Treasury's CSR announced 25 November 2020 was set for one-year only, 2021-22. For the Combined Authority this shortened timescale provides focus on the priorities of rescuing and re-imagining; what we can act on now and begin to set as future aspirations. Longer term resilience and how we deliver future prosperity are opportunities to evolve from updated forecasting following this CSR.

### Government's Comprehensive Spending Review: 25 November 2020<sup>1</sup>

- 2.3. The Government announced that the CSR focus is on the priorities of:
- Protecting people's lives and livelihoods providing the support they need to get through Covid

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<sup>1</sup> Spending Review 2020: <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020#fn:97>

- Making good on the Government's promise to deliver strong public services by investing in schools, hospitals, safer streets and more
- Delivering record investment plans in infrastructure to level up and spread opportunity across the United Kingdom.

2.4. A high-level summary of the Chancellor's CSR announcements and the Office for Budget Responsibility's forecast is in Appendix 1 to this paper.

#### What the announcement did not include

2.5. While there was no mention of **mayoral capacity funding or funding for LEPs and Growth Hubs**, we understand that this may continue although the quantum is unclear. Further information will be provided when it is available. Also, there was no extension to the Local Growth Fund announced last year by Government.

2.6. The Chancellor's announcement did not specifically respond to

- regional recovery plans
- specific major infrastructure projects
- further education reform
- job creation

2.7. There was also no additional detail on the Prime Minister's ten-point plan 'Green Industrial Revolution' announcement made on 18 November 2020:

- Build on the £1bn energy innovation fund
- £5bn for alternative greener ways of travel
- £5.2bn to create new flood and coastal defences in England by 2027

2.8. While preparations for the end of the Transition Period are mentioned, there was no mention of any additional support being available for businesses in transitioning to the new arrangements.

#### What this means for our Economic Recovery Plan Action Areas:

2.9. Although the CSR did not directly reply to regional submissions, there may be opportunities to fund some of the priorities detailed in the Economy Recovery Plan. They were structured in three action areas of Good jobs & resilient businesses, Skills & training, and, Accelerated infrastructure. The next section explains how the announcements could support these priorities. However, as there was no announcement of additional funding for local economic recovery plans, proposals are being brought forward about priorities for funding the plans from local devolved funding where available.

## 'Good jobs & resilient businesses', and 'Skills & training'

### Shared Prosperity Fund

- 2.10. The UK **Shared Prosperity Fund** will seek to tackle inequalities between communities by raising productivity, especially in those parts of the country whose economies are furthest behind and replace the current European Structural and Investment Funds (ESIF).
- 2.11. The CSR announcement included government's continued commitment to eventually matching current ESIF funding levels, on average reaching around £1.5bn per year, but the actual funding profile will be set out in the next spending review. There is no confirmed start date (although 2022 is implied) or confirmation of what period the fund will operate over. The CSR contains a 'Heads of Terms' indicating that a proportion of the fund will target places most in need, such as ex-industrial areas, deprived towns, and rural and coastal communities. There will be a framework for investment published in Spring 2021.
- 2.12. The advance announcement on UKSPF in the CSR was that there will be £220m additional funding 2021-22 to help local areas prepare for the introduction of the UKSPF by piloting programmes and new approaches. It is expected that further details will be published in the.
- 2.13. There is no indication as to what level the UK-wide fund will operate at (e.g. Local Authority, LEP, Mayoral Combined Authority, or other), but places receiving funding will be asked to agree specific outcomes to target within the UK-wide framework.

### Employment and Skills

- 2.14. The announcement included a new £4.3 billion package for the Department of Work and Pensions, which includes a new £3 billion **Restart programme** over 3 years to help 1 million people who have been unemployed for more than 12 months find work. It also includes £1.3 billion to increase capacity in job centres. **National living wage** will increase by 2.2% to £8.91 per hour extended to those aged 23 and over from April 2021.
- 2.15. To improve **skills** in the economy and level up productivity, there is a provision announced in the CSR of £291 million for Further Education in 2021-22, and an investment of £375 million from the National Skills Fund in 2021-22 which will provide traineeships and support to build skills with greater flexibility for adults to study technical and academic qualifications for up to 4 years across their lifetimes, allowing for retraining. £2.5 billion of funding will be made available for Level 3 qualifications for adults in skills valued by employers: apprenticeships and further improvements for employers.

- 2.16. Spending in schools will increase by £2.2 billion, with a commitment to bring Further Education college estates in England up to a 'good' condition by providing £1.5 billion over six years. There will be additional funds to 'catch-up' learning and £220 million winter food fund in response to Covid.

#### 'Accelerated infrastructure'

#### Levelling up

- 2.17. The Chancellor announced a new '**Levelling up fund**' worth £4 billion to invest in local infrastructure that has a visible impact on people and their communities, and to support economic recovery through a broad range of high value projects up to £20 million (or more by exception). It is expected that the fund will be open, via a competitive process, to all local areas in England and bids will be prioritised based on driving growth, regeneration need, challenges and historic levels of government investment. The government will publish a prospectus for the fund and launch the first round of competitions in the New Year.

#### National Infrastructure Strategy

- 2.18. The CSR announced the commitment to publish a new National Infrastructure Strategy and establish a new **National Infrastructure Bank** headquartered in the North of England to finance major new infrastructure projects across the UK. This will start in the Spring, but the location of the bank was not announced.
- 2.19. Capital spending on infrastructure 2021-22 will be £100 billion, which is £27 billion more in real terms than 2020-21. The announcement on this included a renewed commitment following previous announcements to deliver **faster broadband** for 5 million premises across the UK. There was also a commitment to deliver better mobile connectivity with 4G coverage increased to 95% of the country by 2025.

#### Green Industrial Revolution

- 2.20. On 18 November 2020, the Prime Minister outlined a ten-point plan for a Green Industrial Revolution to tackle climate change, whilst creating and supporting up to 250,000 jobs<sup>2</sup>. The ten-point plan and announced new investment to deliver on six points of the plan, (carbon capture, hydrogen, nuclear, electric vehicles, homes and public buildings, and greener maritime) builds on investment announced 2019-20 which included £1 billion energy

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2 PM outlines his Ten Point Plan for a Green Industrial Revolution for 250,000 jobs:  
<https://www.gov.uk/government/news/pm-outlines-his-ten-point-plan-for-a-green-industrial-revolution-for-250000-jobs>

innovation fund, £5 billion for alternative greener ways of travel, and £5.2 billion to create for new flood and coastal defences in England by 2027.

- 2.21. The CSR announced a priority of investment to **transition to zero emission vehicles**, including £1.9 billion for charging infrastructure and consumer incentives. There is also £1 billion for a **Carbon Capture and Storage Infrastructure Fund**, and additional investment in low hydrogen carbon production, offshore wind, and nuclear power. It also provides £1.1 billion to make homes and buildings net zero-ready.

### Transport

- 2.22. Continued contributions to public transport support the Covid response includes £2 billion confirmed funding for **rail services** in 2021-22, which builds on the estimated £12 billion of support the government already committed to provide for transport services in 2020-21. There is almost £19 billion in transport investment next year, including £1.7 billion for **local roads maintenance** and upgrades to tackle potholes, relieve congestion and boost connectivity. This is a confirmed investment of over £58 billion for road and rail transport between 2021-22 and 2024-25.
- 2.23. Over £2.5 billion has been confirmed for eight city regions across England for 2022-23, maintain the government's commitment of £4.2 billion for five-year consolidated intracity transport settlements, subject to appropriate governance being in place. This includes West Yorkshire, as agreed through the devolution deal.
- 2.24. The Department for Transport settlement also includes almost £2 billion in **electric vehicle charging** infrastructure, and grants for zero and ultra-low emission vehicles until 2024-25. This includes funding that will support the rollout of **rapid charging hubs** at every service area on England's motorways and major A roads.

### Buses

- 2.25. In addition to the continued public transport support contributions (above) it was announced that £300 million will be allocated in 2021-22 to drive transformation of bus services. £120 million in 2021-22 will complete the first All Electric Bus Town in combination with the Department for Transport's existing commitment, and will support the delivery of over 800 cleaner, greener, quieter zero emission busses.
- 2.26. While not finalised, it is understood that devolution of recovery funding could be possible to Mayoral Combined Authorities, and that the Department for Transport are encouraging 'recovery partnerships' between transport

authorities and bus operators. Further details are awaited and the Combined Authority has written to the Government asking to work with it on proposals.

### Local Government Funding

- 2.27. The CSR announcement included funding announcements for Local Government of:
- £3 billion in support for meeting Covid pressures
  - £254 million of funding to tackle homelessness and rough sleeping

## **3. Clean Growth implications**

- 3.1. The CSR announced priority investments on incentivising zero emission vehicles use and the necessary supportive infrastructure, carbon capture and storage, and additional investments in low carbon energies (see 2.19). These announcements could support the Combined Authority's Clean Growth ambitions to becoming a net zero carbon economy by 2038, with significant progress by 2030. There are, however, no immediate implications on Clean Growth arising as a direct result of this report.

## **4. Financial Implications**

- 4.1. There are no immediate financial implications as a direct result of this report. The implications of the Comprehensive Spending Review funding provisions will be subject to future reports.

## **5. Legal Implications**

- 5.1. There are no legal implications arising from this report.

## **6. Staff implications**

- 6.1. There are no staffing implications arising from this report.

## **7. External Consultees**

- 7.1. No external consultations have been undertaken.

## **8. Recommendations**

- 8.1. To note the elements of the Spending Review as they may be seen to align with the Combined Authority's and LEP's economic recovery priorities.

## **9. Background Documents**

- 9.1. Economic Recovery Plan: <https://www.westyorks-ca.gov.uk/media/4413/draft-west-yorkshire-economic-recovery-plan-v8-to-sept-ca.pdf>
- 9.2. CSR submission summary: <https://westyorkshire.moderngov.co.uk/documents/s17612/Item%208%20-%20Comprehensive%20Spending%20Review.pdf>

## **10. Appendices**

- 10.1. Appendix 1: Summary of CSR announcements and Office for Budget Responsibility's forecast