

## 4 September 2019

This briefing provides a summary of the main announcements of the Spending Round 2019, including those of particular interest to the charity sector.

## Useful links:

- [HM Treasury Spending Round 2019](#)
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## Overview

Today marked the Chancellor's first major announcement since Boris Johnson has become Prime Minister. In ordinary circumstances, a Spending Review which marked the end of austerity would be front page news, but with a general election all but guaranteed, and sooner rather than later, it's unlikely to receive the attention it deserves. Brexit tumult still found a way to creep into proceedings with the opening few minutes more akin to a party political broadcast on Brexit than a spending review, but eventually normal proceedings did commence with a flurry of announcements, including sizeable increases in spending for many departments. In total the government has committed to an additional £13.8bn spending next year, and no government department receiving cuts (in real terms no less). Alongside the announcements of extra spending, a review of the current fiscal framework was announced, which will be needed given that many commentators and economists have pointed out that the announced spending commitments, combined with a slowdown in the economy, means the structural deficit is likely to rise above 2% of GDP (the current fiscal framework). A number of prominent think tanks, including the Institute for Fiscal Studies and the Resolution Foundation, have claimed that they will have likely breached these rules, particularly if the economy grows more slowly than the March forecast by the OBR.

It's important to note that today has not seen the usual full update on the public finances and economic forecasts from the Office for Budgetary Responsibility, which would usually accompany a spending review. This has made it difficult to determine if the Chancellor is on track to meet the fiscal rules for 2020/21, which requires the Chancellor to keep the budget deficit below 2% of GDP, and what the implications for the public finances will be of these decisions.

Prior to the Spending Review, [CFG alongside other civil society organisations](#) wrote to the Chancellor outlining our joint asks. Increased funding for local government was our primary ask, and it is positive that additional money has been made available, but it does not put local government on the long-term footing which is required. There were no further announcements on the UKSPF or the Community Wealth Fund, but this is perhaps not surprising, as it is not in the remit of a spending review, but civil society will continue to push for this, with the upcoming budget being a pivotal movement.

These joint asks will form the basis of our longer term for the full Spending Review which will take place in 2020.

See below for a top level breakdown of spending commitments for each department relevant to the charity sector:

## Departmental Updates

### Local Government

Local government will see an increase in departmental expenditure of £1.1bn in cash terms, (which translates to an increase in £1bn in real terms) with an increase of local government core spending power of £2.9bn.

### Local Government

Table 2.12: Local Government

	£ billion	
	2019-20	2020-21
Resource DEL excluding depreciation <sup>1</sup>	6.1	8.6
Local Government Core Spending Power <sup>2</sup>	46.2	49.1

There was an extra £1bn announced for grants for adult and children's social care, as well as the 2 per cent social care precept that will enable councils to raise another £500m for adult social care.

Combined with the £2.9 billion increase in Core Spending Power, these announcements mean local authorities will have c. £3.5 billion of additional resources made available in this Spending Round.

While this will do something to mitigate the significant cuts which councils have endured in recent years, and is the biggest year-on-year real terms increase in spending for local government in over a decade, local authorities will still have less money than they did in 2010. CFG has been clear that local government needs to be put on a long term sustainable footing to help protect the most vulnerable in society. We will continue to press for a fair settlement for local government at the upcoming longer term spending review.

MHCLG will also see £422m to help reduce homelessness and rough sleeping, with an additional £54m in 2020-21.

### Cabinet Office

The most significant announcement for the sector with regard to this department was £5m announced for the creation of an Office for Veteran Affairs, which will help improve services for veterans, which amongst other things includes targeted interventions to prevent veteran homelessness.

### Brexit preparations

The chancellor confirmed that the £2bn made available to help departments prepare in 2019-20 will continue into 2020-21. In total HMT has made available £6.3bn to prepare for Brexit. CFG will continue to call for any funding that is made is available, to be available for voluntary sector organisations. CFG polling of our members had indicated that almost three

quarters of charities are not sufficiently prepared for the consequences of no-deal, so require additional support from government, to help them feel assured if we are to exit the EU without a deal in place.

## DCMS

Perhaps the most significant announcement for this department was that the chancellor has asked for DCMS to develop proposals for a new Youth Investment Fund to build new youth centres and invest in existing ones. There are no further details in terms of the amount of money that will be provided. So it is not yet clear how significant this announcement is, we will keep an eye on any announcement, and let you know as soon as we hear more.

## The Charity Commission

The Charity Commission has received a modest increase to its budget of £2.4m, taking its overall funding to £27.3 in 2020/21.

## Small and Independent Bodies

**Table 2.24: Small and Independent Bodies**

	£ million	
	2019-20	2020-21
<b>Resource DEL excluding depreciation</b>		
Office of the Secretary of State for Scotland	10.4	10.6
Northern Ireland Office	21.7	22.1
Office of the Secretary of State for Wales	5.0	5.1
National Savings and Investments	117.8	125.0
Charity Commission	24.9	27.3

More funding for the regulator is to be welcomed and hopefully will mean calls for charging for the regulator are taken off the table for some time. There are further issues of governance and remit (which are outside the purview of the spending review) which still need to be resolved.

## International Development

As expected, the government pledged that the UK would continue to meet its commitment to spend 0.7 per cent of national income (GNI) on overseas aid.

**Table 2.10: Department for International Development**

	£ billion	
	2019-20	2020-21
Resource DEL excluding depreciation	9.3	9.6

**2.22** The UK's spending on Official Development Assistance (ODA) needs to be in the country's national interest and every pound spent should deliver value for taxpayers. The government will continue to develop ODA spending capability across government ahead of the multi-year spending review in 2020, which will reflect the UK's strategic priorities for development.

**2.23** The UK will continue to meet its commitment to spend 0.7 per cent of the country's Gross National Income (GNI) on ODA in each calendar year.<sup>2</sup> This includes:

## Health and Social Care

The Health and Social Care budget has increased by 3.1 per cent in real terms, with a further £6.2bn pledged in 2020/21. £210m was announced for frontline NHS staff, and further investment in training and professional development for nurses and doctors, alongside over £2bn of new capital funding, upgrading 20 hospitals this year.

## Ministry of Justice

### Ministry of Justice

Table 2.5: Ministry of Justice

	£ billion	
	2019-20	2020-21
Resource DEL excluding depreciation	7.6	8.1

The MoJ will see an increase to its budget of 4.9 per cent in real terms by 2020/21, with a portion of this additional funding supporting the reform of the of the probation system.

## Devolved Administrations

- There has been an increase of £1.1bn for the Scottish Government (2.1 per cent in real terms).
- There has been an increase of £600m for the Welsh Government (2.3 per cent in real terms).
- There has been an increase of £400m for the Northern Ireland Administration (1.8 per cent in real terms).

### Devolved Administrations

Table 2.23: Devolved Administrations

	£ billion	
	2019-20	2020-21
<b>Scottish Government<sup>1</sup></b>		
Resource DEL excluding depreciation before block grant adjustments <sup>2</sup>	28.3	29.4
Resource DEL excluding depreciation	16.2	16.6
<b>Welsh Government<sup>3</sup></b>		
Resource DEL excluding depreciation before block grant adjustments <sup>2</sup>	14.2	14.8
Resource DEL excluding depreciation	11.9	12.4
<b>Northern Ireland Administration</b>		
Resource DEL excluding depreciation <sup>4</sup>	10.7	11.1

## In other news

Another piece of big financial news which has understandably been overshadowed is the announcement by the Office for National Statistics that they recommend, first making big changes to RPI (Retail Price Index) by changing the methodology by which it is calculated to mirror that of the CPIH (Consumer Price Index Housing) and then by abolishing it entirely. In response the Chancellor has announced that government will consult on whether to make these changes between 2025 and 2030. Sir David Norgorve, Chair of the UK Statistics Authority, has said: "We have been clear that the RPI is not a good measure, at times

significantly overestimating inflation and at other times underestimating it... We continue to urge the Government and others to cease to use the RPI.”

## Final Thoughts from CFG

“Today’s spending review contained much-expected giveaways. Whilst additional spending is to be welcomed, particularly in respect of areas like social care, in the context of many years of squeezed funding there is a lot of ground to be made up.

The chancellor’s pledge (on social care) could alleviate some of the demand on charities for frontline services but funding is still lower in real terms than at the start of the decade. There is still a very long way to go.

We are pleased to see additional funding for the Charity Commission. We hope that this is evidence that the government has listened to our concerns and has abandoned plans for charities to pay for their own regulator.”

Caron Bradshaw, CEO, Charity Finance Group

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*If you would like to discuss any of the issues arising from the Spring Statement 2019, please contact our the team via the email [policy@cfg.org.uk](mailto:policy@cfg.org.uk)*