Spending Review and Autumn Statement 2015: beyond the headlines

George Osborne, Chancellor of the Exchequer, presented his spending plans for this Parliamentary period on Wednesday 25 November. The level of spending promised was higher than many had anticipated, although the Chancellor remains committed to returning the UK's public finances to surplus by 2020.

Transport spending programme

The Chancellor's call for deep cuts among unprotected Whitehall departments1 generated some lurid numbers for the press, not least in the 37% real-terms cut in the Department for Transport (DfT) resource budget. However, most of DfT's money is in capital, and much of this is already ring-fenced.

The previous commitment to major increases in the Strategic Road Network budget remained, as did Network Rail's 2014-2019 investment plan. DfT's capital budget is forecast to rise from £6.1 billion in 2015-16 to £12.4 billion in 2020-21.

The Government also remains committed to beginning construction of HS2 in this Parliament.

Other notable commitments for this Parliament included:

- Protection of the £4.9 billion allocation for local roads capital maintenance, with an additional £250 million for a permanent potholes fund
- Over £6 billion committed to the Local Growth Fund
- £1.3 billion to local transport authorities in Integrated Transport Block funding for small transport schemes outside London
- £475 million for the local majors transport schemes
- new £300 million Transport Development Fund , supporting development work for transformative infrastructure projects
- more than £600 million between 2015-16 and 2020-21 to support uptake and manufacturing of ultra-low emission vehicles (ULEVs)
- more than £300 million to cycling investment between 2015-16 and 2020-21.

DfT's remit mostly extends only to England but increased capital spending also filters through to the devolved nations under the terms of the Barnett formula. Thus Scotland will receive an additional £1.9 billion for capital investment, Wales £900 million, and Northern Ireland £600 million. This is for all capital, however, not only transport.

English sub-national changes

There is considerable change in the nature of local government funding, even if the headline cuts seem less than expected (1.7% pa in real terms, or a cash terms rise from £40.3 billion to £40.5 billion in 2019/20).

[1] The protected areas of spending are health, schools, overseas development aid and defence

The headline figure disguises much greater cuts in central funding, which will be more than halved in real terms. Locally generated and retained funding, particularly as a result of the return of control over business rates, is expected to make up the difference. Such change to the business rate regime will however require primary legislation.

Directly-elected mayors of combined authority areas will be given the power to raise an additional Community Infrastructure Levy (CIL). London's mayor has had this power for some time, and Greater Manchester will be the first outside the capital to receive it when their metro mayoralty begins in 2017. Merseyside and the West Midlands have also undertaken to elect metro mayors.

Also related to planning consents, the government will bring forward proposals for a more standardised approach to Section 106 viability assessments, and extend the ability to appeal against unviable agreements to 2018.

At a larger-than-local scale, the Chancellor announced £13 billion investment in transport for the Northern Powerhouse (albeit this is achieved by summing individual areas' allocations), and £50 million specifically for Transport for the North (an increase on the £30 million announced in the Summer Budget).

While Transport for London will receive an £11 billion funding settlement, the Government will also phase out the resource grant it makes to TfL, which represents 6% of the London body's budget. It is expected that this will save £700 million in 2019-20.

Skills

The Government has committed to delivering 3 million apprenticeships by 2020, 25% more than in the previous Parliament. These will be funded through the previously-announced levy – the Chancellor confirmed this week that levy would be set at 0.5% of an employer's paybill. Businesses with paybills less than £3 million would pay no levy at all.

Funding for the core adult skills participation budgets will be protected in cash (not real) terms while support for STEM (Science, Technology, Engineering, Mathematics) subjects in higher education will be protected in real terms.

Further Reading

https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents
https://www.gov.uk/government/news/department-for-transports-settlement-at-the-spending-review-2015
https://www.gov.uk/government/news/department-for-communities-and-local-governments-settlement-at-the-spending-review-2015
https://www.gov.uk/government/news/department-for-business-innovation-and-skills-settlement-at-the-spending-review-2015