

## Cheshire and Warrington Local Enterprise Partnership

### Overview of Autumn Budget and Spending Review 2021

#### 1. Introduction

1.1 The UK Government Autumn Budget and Spending Review was delivered on 27<sup>th</sup> October 2021 by Chancellor Rishi Sunak, which includes 3-year department budget settlements to 2024/5. The Chancellor echoed the view previously stated by the Prime Minister that the UK needs to move to a 'new economic model' with a high-skills, high productivity economy. Key priorities were set out including levelling up; net zero; education, jobs, and skills; healthcare; crime and justice.

1.2 This short note pulls together a range of background information and analysis. The full statement and supporting documents can be accessed [here](#). KPMG has also developed a handy [one-page](#) summary of the key announcements.

1.3 The Local Government Association also produced comprehensive briefing. This is available [here](#).

#### 2. Economic headlines

2.1 The Office for Budget Responsibility (OBR) is forecasting inflation above 4% in 2022. Unemployment is expected to peak at 5.2% in Q4 2021. The OBR has also revised forecasts from March 2021 up to 6.5% growth in 2021. This is an increase of 2.4%, helping the budget deficit. The Chancellor claims that the economy will return to its pre-pandemic size around the start of 2022. The OBR now expect post-pandemic scarring of potential output to be 2%– rather than the 3% assumed in March this year.

2.2 As pointed out by the OBR the announcements must also be taken in the context of the extensive changes to taxation and spending announced in the March 2021 budget. The Budget projects that corporate and personal taxation rises will equate to almost £50bn per year by 2025/26, taking the overall tax rate (36.2%) to its highest in almost 70 years.

#### 3. Summary of announcements for Cheshire and Warrington

3.1 Securing commitment to **HyNet** was our major Spending Review ask. The Chancellor confirmed that it was chosen as one of the industrial decarbonisation Track One clusters, which means it will be in the first two places in the UK with government support and funding for hydrogen generation and carbon capture and storage. This is a major vote of confidence in the scheme by both Government and industry.

3.2 Cheshire secured an indicative £85m - £144m from **Project Gigabit** fund to provide better broadband to rural homes between 2023 – 25. Government estimates this could benefit 74,300 premises subject to the local procurement.

3.2 Warrington's bid for the **Zero Emission Buses Regional Area (ZEBRA)** scheme was also approved. There will be a £20m+ contribution from Government to roll out an electric bus fleet as well as providing associated charging infrastructure which would be available to all other bus operators in the town. The project will see all 120 buses in the **Warrington Own Buses** fleet replaced with new electric vehicles. Up to £50,000 was also allocated through the Restoring Your Railway 'Ideas Fund' to develop early-stage proposals to reinstate passenger **rail links between Middlewich and Gadbrook Park**.

3.3 The long expected integrated rail plan was delayed with details for HS2 and Northern Powerhouse rail still outstanding. A large amount of **funding for transport went to the major city regions**. We will need to engage with Liverpool City Region and Greater Manchester to understand the impact this funding will have on their

future transport investment plans and any subsequent challenges or opportunities for connectivity across Cheshire and Warrington.

3.4 Successful **Levelling Up Fund** bids were also announced with £1.7bn awarded through competitive bids. Shortly after the Budget the Government also confirmed the areas that would receive **Community Renewal Fund** to pilot projects in advance of the **UK Shared Prosperity Fund**. The Budget confirmed that the Shared Prosperity Fund would be £2.6bn over the 3-year Spending Review. There will be £400m of funding in 2022/23 financial year increasing to £1.5bn in 2024/25.

3.5 The sub-region was unsuccessful in its Levelling Up and Community Renewal Fund bids. Local authority policy leads are engaged with Government officials to get feedback on the proposals submitted to help inform future bidding rounds.

3.6. HM Treasury has provided a [Region and Nations fact sheet](#) which summarises key investments. This shows the investments made across the North-West as well as across the rest of the UK.

#### 4. Strategic economy and business policies

4.1 A key Budget announcement for business was a plan to **reform and cut business rates**. This is a move the Chancellor said amounted to a total cut in business rates worth £7 billion.

- To make the system fairer and timelier, the Chancellor said there would be more **frequent revaluations every three years from 2023**, and the government was introducing investment relief to encourage companies to adopt green technologies. Companies will be able to make property improvements and pay no extra business rates for 12 months and the planned increase in the multiplier in 2022 would be cancelled.
- From 2023, the government will introduce **exemptions for eligible plant and machinery used in onsite renewable energy generation and storage**, and a new 100% relief for eligible heat networks, to support the decarbonisation of buildings.
- To help many of the companies that have been hardest hit by the Covid measures, the Chancellor announced a **one-year 50 percent business rates discount for retail, hospitality, and leisure sectors** up to a maximum of £110,000.
- The Local Government Association notes that local authorities will be fully compensated for the loss of income due to these business rates measures and receive new burdens funding for administrative and IT costs. However, it has raised concerns that the freeze in the business rate multiplier could lead to a reduce in council income without alternative funding sources.

4.2 To help businesses recover from the pandemic, the Chancellor announced a **six-month extension to the COVID recovery loan scheme** to 30 June 2022. There will also be over £1.6bn of funding for the British Business Bank, some of which will be used to help it encourage the development of **regional networks of angel investors** to help people starting a business.

4.3 The government will support UK businesses by extending the temporary £1m level of the Annual Investment Allowance to 31 March 2023. The government is also providing **funding for Start Up Loans to deliver 33,000 loans to entrepreneurs** across the UK looking to start or grow their business. The **Help to Grow** scheme will provide further productivity support to over 100,000 SMEs around the UK through world class management training and digital adoption.

4.4 There was generally good news in terms of **finance for innovation**, with the government committing to the long-term increase in spending on R&D to £22bn per year although the target date for this has been pushed back by two years. Innovate UK's core programmes budget will increase to c.£1bn by 2024-25.

4.5 Changes are being proposed to the **R&D tax credit scheme** to reflect ‘modern research methods’, including expanding the definition of eligible expenditure to include data and cloud costs. Government is also proposing reforms to target relief more closely to activity taking place in the UK rather than supporting R&D undertaken by UK companies overseas.

4.6 In spring 2022, the government will launch the **Scaleup, High Potential Individual, and Global Business Mobility visas**. The government is also launching a Global Talent Network to proactively find and bring talented people to the UK in key science and technology sectors.

4.7 There will be an extra £6bn to maximise employment across the country. Continuing the Restart scheme to provide up to 12 months of intensive and tailored support to long-term unemployed people. Funding approximately **£10m a year in the Sector-Based Work Academy Programme** to continue supporting jobseekers who want to change sectors. Funding to extend the Kickstart scheme to March 2022. Over £60m over the next three years in the Youth Offer, which helps young jobseekers gain new skills, build their confidence, and find lasting work.

4.8 **Corporation Tax will rise** from 19 percent to 25 percent from April 2023, as was announced in the March Budget. It was confirmed that employees, employers, and the self-employed would pay 1.25 percent more in National Insurance to raise funds to help the NHS recover from the pandemic and fund social care provision.

4.9 The government is increasing the **National Living Wage to £9.50 an hour from April 2022**. Government will reduce the taper rate that applies in Universal Credit from 63 percent to 55 percent by 1 December 2021, for some households the Work Allowance will be increased by £500 a year.

## 5. Outstanding issues

5.1 The Budget stated that further details on levelling up would be provided in the government’s new **Levelling Up White Paper**. This was due for publication in Autumn 2021. We also expect this document to say more on the future direction of County Deals. In the Finance Bill published in parallel with the Chancellor’s speech there were **four principles of Levelling Up**. The four principles are:

- spreading opportunity and improving public services, particularly where weaker;
- boosting living standards, particularly where they are lower;
- restoring local pride;
- empowering local leaders and communities.

5.2 These four principles may provide a framework for the Levelling Up White Paper. There is a suggestion in these principles that Government may be looking to bring together both place-based and people-based policies.

5.3 The budget of The Department for Levelling Up, Communities and Housing (**DLUCH**) will increase **9.4 per cent to £12.5bn by 2024/25**. Whilst funding for BEIS, DCMS and MLUHC has increased the detail is to be resolved through Ministerial priority setting and internal allocations. We will need to wait on the outcome of the LEP and Destination Management Organisation (DMO reviews) before we know the LEP’s funding settlement with Government. We will continue these discussions with the Board through our own budget setting processes and with the LEP Network nationally.