

September 2019 spending round

Overview

Today, the government has set out its spending plans for 2020/21. This was a one year 'fast-tracked' spending round with the intention to hold a full spending review in 2020, to set multi-year budgets. The government said that as departmental capital budgets already exist for 2020/21, the spending round today deliberately focused on revenue spending.

Chancellor Sajid Javid delivered today's speech against a backdrop of political uncertainty, with the House of Commons set to debate a bill today designed to prevent the UK leaving the EU without a deal and to vote on whether to hold an early general election.

His statement therefore set the tone for a potential general election campaign, with the chancellor committing to providing "additional money on the people's priorities of healthcare, education and tackling crime".

This briefing outlines the economic headlines announced in the spending round, key announcements for health and the wider economy, and NHS Providers' response. It is not clear at this stage how these commitments will be funded.

Economic overview

- Unlike with a typical annual budget, today's spending round was not accompanied by independent macroeconomic analysis from the Office for Budget Responsibility (OBR).
- Today's announcements will see total government spending rising to £878.6bn in 2020/21 – an increase of £13.4bn on the OBR's forecasts published alongside this year's Spring Statement. This will bring government spending up to 38.6% of gross domestic product – an increase of 0.5 percentage points from 2018/19.
- The spending increase will be funded by additional borrowing. In his speech to the Commons, Mr Javid said the cost of government borrowing stands at a record low, at a time when interest rates are below 1%.
- Justifying the decision to increase public spending funded by borrowing, the chancellor focused on reductions in the deficit which currently stands at 1.1% of GDP in 2018/19, compared with nearly 10% in 2010.
- In his speech, Mr Javid said that he would review the government's fiscal framework ahead of the Budget, which is expected before the end of the calendar year.

Department of Health and Social Care spending

- The Department of Health and Social Care's (DHSC) resource budget will rise by 3.1% in real terms between 2019/20 and 2020/21.
- The government has reaffirmed a cash increase for the NHS England budget of £33.9bn by 2023/24 compared to 2018/19.
- The DHSC will receive a new multi-year capital settlement in 2020. The government has suggested this will form part of a full spending review which will look at the country's health infrastructure, including the construction of new hospitals, and investment in modern diagnostics and technology. The Spending Review will also specifically acknowledge the need to address "current critical safety issues in the NHS estate" as part of this capital settlement.
- As announced last month, £1.1bn has been added to DHSC capital spending in 2019/20 for upgrades and maintenance, bringing the capital budget up to £7bn for the current year. Additional funding of £854m will be invested into upgrading facilities and equipment in 20 hospitals over the next several years.
- The anticipated capital spend for 2020-21 is £7.1bn. This represents a slight increase from the 2018 Budget figure of £6.8bn.

NHS England revenue Budget		
Year	2019/20	2020/21
NHS England budget (£bn)	123.7	129.9

Department of Health and Social Care budget: revenue and capital		
Year	2019/20	2020/21
DHSC revenue budget (£bn)	132.3	138.9
DHSC CDEL (£bn)	7	7.1
Total (£bn)	139.3	146

Health specific announcements

- The chancellor announced a 3.4% increase to the Health Education England budget, including an additional £150m for Continuing Professional Development, providing a £1,000 central training budget over three years for each nurse, midwife and allied health professional, as well as increased funding for wider education and training budgets.

- The government is making available £250m of investment in artificial intelligence, including £78m in 2020-21. The intention is to improve early cancer detection and to discover new treatments.

Other relevant announcements

Brexit

- The spending round confirms that the £2bn of core funding provided to departments for Brexit in 2019-20 will be continued into 2020/21 to fund any costs of establishing a new relationship with the EU once the UK has left the EU.

Local government funding

- The spending round includes a £1bn grant for adult and children's social care in addition to maintaining £2.5bn of existing social care grants.
- The government announced that they will consult on a 2% Adult Social Care precept that will enable councils to access a further £0.5bn, bringing the total increase in funding for social care to £1.5bn. The government has made it clear this money should help improve social care provision to ease demand for NHS services.
- Local Government's business rate baseline funding levels will also increase in line with inflation. These changes will be reflected in the Local Government Finance Settlement for 2020/21.
- Local authorities will receive additional resources through a real terms increase in the Public Health Grant and through the NHS contribution to adult social care through the Better Care Fund, which will increase by 3.4% in real terms, in line with the overall NHS long-term settlement.

Press statement

NHS Providers press statement setting out our response to the spending round is below and also accessible [online](#).

Responding to the spending round for 2020/21 announced by Chancellor Sajid Javid, the chief executive of NHS Providers, Chris Hopson said:

"We welcome the clear sign from the government today that the NHS is a key domestic priority. We have been calling for a new approach to investment in our NHS, its buildings and infrastructure, so it is good to see that the government has committed to do this at the next spending review.

"NHS trusts will also welcome the additional funding for training and development and public health, and will be relieved to see some extra money earmarked for overstretched social care services. But today's announcements, whilst welcome, just focus on the immediate short-term. We still need concrete long-term funding commitments on capital, public health and education if the NHS is to deliver its long term plan."

Useful links

The full text of the Chancellor's speech
Spending Round 2019: document