



I am delighted to provide you with a summary of the Autumn Statement and Comprehensive Spending Review. This is the first time since 2007 that the two have combined and there is much to report and much that will help strengthen the economic recovery.

The public spending plans set out in the Spending Review mean Britain will reach a surplus of £10.1 billion in 2019/20 – that's higher than was forecast at the Budget and means Britain will be out of the red and into the black.

The Spending Review announced there will be no cuts in the police budget with real terms protection for police funding and delivers on the Government's commitment to spend 2 per cent of our national income on defence.

In total, the Spending Review commits £4 trillion pounds over the next five years. A huge commitment of the hard-earned cash of British taxpayers, and the Conservative Party knows we have an obligation to make sure it is well spent. Our approach is not simply retrenchment, it is to reform and rebuild, with:

- **Full funding of the Five Year Forward View put forward by the NHS itself** as the plan for its future with the first £6 billion delivered up-front next year.
- **The biggest real terms rise in the basic State Pension in 15 years.** Thanks to our commitment to the triple lock, next year the basic state pension will rise by £3.35 to £119.30 a week.
- **The biggest house building programme by any government since the 1970s** with a doubling of the housing budget to over £2 billion a year. Our bold plan to back families who aspire to buy their own home will deliver 400,000 affordable new homes by the end of the decade.
- **The phasing out entirely of the local government grant.** By the end of the parliament local government will keep all of the revenue from business rates. We will abolish the uniform business rate so councils will be able to cut rates to attract new businesses, but because the amount government raises in business rates is much greater than the amount we give to local councils through the local government grant we will phase that grant out entirely and devolve additional responsibilities.

- **New apprenticeship levy to deliver 3 million apprenticeships.** This will ensure large businesses share the cost of training, but businesses with a wage bill below £3 million won't have to pay. We will also increase funding for apprenticeships to make sure they are high quality apprenticeships.
- **Real terms protection of the schools budget.** We will maintain funding for free infant school meals, protect rates for the pupil premium, and increase the cash in the dedicated schools grant. We're also going to open 500 new free schools and University Technical Colleges, and invest £23 billion in school buildings and 600,000 new school places.
- **The largest ever investment in free childcare so working families get the help they need.** From 2017, we will fund 30 hours of free childcare for working families with three and four year olds. We'll support £10,000 of childcare costs tax-free and, to support nurseries delivering more free places for parents, we'll increase funding for the sector by £300 million.
- **The improvement in the nation's finances used to help on tax credits.** Because of the improvement in the public finances, the simplest thing to do is not to phase these changes in, but to avoid them altogether. Tax credits are being phased out anyway as we introduce universal credit.
- **Average saving of £30 from the projected energy bills of 24 million households** by introducing a cheaper domestic energy efficiency scheme.

More locally, the spending review is also delivering:

- **£50 million for agri-tech centres at Sandhutton.** The funding will be shared by the Centre for Innovation Excellence in Livestock and the Centre for Crop Health and Protection, further cementing our position at the forefront of agricultural technology.
- **North York Moors National Park funding protected.** Funding for National Parks will be protected, benefiting the Yorkshire Dales, North York Moors and Peak District.
- **£1 million to Welcome to Yorkshire.** The funding in 2015/16 and 2016/17 will support a cultural festival in 2016, building on the success of their first festival in 2014.
- **£200 million for Transport for the North (TfN).** This funding will support TfN's running costs and ongoing work programme, and the roll-out of an Oyster-style smart and integrated ticketing system across the North.
- **£300 million Transport Development Fund.** This funding will enable development work for transformative capital infrastructure schemes for construction in this parliament and the early 2020s. This could include development funding for Northern Transport Strategy proposals, following advice from the National Infrastructure Commission.

- **£400 million Northern Powerhouse investment.** Together with the British Business Bank and Local Enterprise Partnerships in the North West, Yorkshire and the Humber and Tees Valley we are creating a Northern Powerhouse Investment fund of over £400 million to invest in smaller businesses.
- **£22 million UKTI package for the Northern Powerhouse.** This includes £7 million to establish a Northern Powerhouse Investment Taskforce bringing together UK Trade and Investment (UKTI) and Local Enterprise Partnerships and Combined Authorities, and £15 million for trade missions and events to showcase the North and maximise export potential.
- **New Enterprise Zones for York Central and Leeds City Region.** Managed by Local Enterprise Partnerships, these zones provide incentives to businesses to set up and for local authorities to reinvest in local economics, driving growth and supporting job creation in the regions. Enterprise Zones have supported over 15,000 jobs and leveraged £2 billion in private investment nationally. The Humber Enterprise Zone will be extended.
- **£138 million for city infrastructure research.** The funding will support the UK Collaboration for Research in Infrastructure and Cities which will establish research hubs across the UK, including at Birmingham, Leeds, Manchester, London and Bristol.
- **£400 million from the Grand Challenges fund up for grabs for science and research.** There will be a competition to allocated £400 million from the £2.9 billion fund, allowing investment in major research facilities of national significance and backing the most innovative regional proposals for new science projects.
- **£250 million National Potholes Fund.** We will fill over 4.5 million potholes through a new dedicated Potholes Action Fund – with total roads maintenance funding equivalent to filling 20 million potholes a year.
- **Major roads upgrades. Sadly no more news on the A64 at this stage!** Work has begun or will begin soon on a number of major road upgrades in Yorkshire and the Humber this parliament, including: £88 million upgrade to the A160/A180 around the Port of Immingham; and three strategic road studies have commenced on the Trans Pennine Tunnel, the A66/A69 and the M60 West of Manchester.
- **£1.2 billion from the Local Growth Fund.** Around £1.2 billion from the £12 billion Local Growth Fund has been committed to Yorkshire and the Humber.
- **Better flood protection for around 110,200 homes.** We will be investing over £355 million on 263 flood defence schemes in Yorkshire and the Humber by 2021, better protecting around 110,200 homes.

- **Health North launched to improve the health and wealth of the region.** The government is announcing the launch of Health North, a collaborative project supported by the Northern Health Science Alliance – a partnership of leading universities and NHS Trusts in the North of England. As part of the foundation stage of Health North, we will provide £20 million over four years to establish four pilot ‘Connected Health Cities’ in Newcastle, Manchester, Liverpool and jointly in Leeds and Sheffield.
- **Support for the 2021 Rugby League World Cup.** Following the success of hosting London 2012 and the Rugby World Cup, the government supports the ambition to host the 2021 Rugby League World Cup in the Northern Powerhouse.
- **Funding flexibility for the South and West Yorkshire Police.** We will provide additional flexibility to the South Yorkshire and West Yorkshire Police and Crime Commissioners (PCCs) to raise their Council Tax precept by £5 per year over the Spending Review period. Most PCCs have a two per cent per year limit.
- **Great Exhibition in the North.** £5 million for a Great Exhibition in the North, which will celebrate the great art, culture and design of the north and £15 million for a Great Exhibition Legacy Fund for future cultural investment in the North.
- **Schools in Yorkshire and the Humber.** We are rebuilding and refurbishing 58 schools in the worst condition through the Priority Schools Building Programme. We’ve opened 25 free schools in Yorkshire and the Humber since 2010 and already approved applications to open seven more this parliament.

## Commentary from the Treasury

**Getting public spending back under control.** The Spending Review delivers the £12 billion of savings needed in government departments. Over the spending review day to day government spending is set to fall by an average of 0.8% a year in real terms, compared to an average fall of 2% over the last five years.

**Britain paying its way in the world – with a higher surplus than forecast in the Budget.** Sound public finances are not the enemy of sustained growth, they are its precondition. Our plan puts the security of working people first, so we're prepared for the inevitable storms ahead. The OBR forecast that the deficit will fall to 3.9% of national income in 2015/16, a third of what it was in 2010, then down to 2.5% in 2016/17, 1.2% in 2017/18, 0.2% in 2018/19, and then a surplus of 0.5% of GDP in 2019/20 – higher than forecast in the Summer Budget – rising to 0.6% in 2020/21. The debt forecast had been lowered to 82.5% of national income in 2015/16, falling to 81.7% in 2016/17, 79.9% in 2017/18, 77.3% in 2018/19, 74.3% in 2019/20 and 71.3% in 2020/21.

**Ensuring taxes are paid.** The Summer Budget set out measures to raise the £5 billion a year from tax avoidance, evasion, and imbalances promised in our manifesto. Today we go further with action including new penalties for the General Anti Abuse Rule, action on disguised remuneration schemes and stamp duty avoidance, and stopping abuse of the intangible fixed assets regime and capital allowances. We're also reinvesting £800 million of savings from a more efficient HMRC to tackle evasion and avoidance.

### Reinforcing our national security with the resources to protect us at home and project our values abroad

**Protecting police funding in real terms.** There will be no cuts to the police budget at all. We also invest in state-of-the-art mobile communications for emergency services, new technology at our borders, and a 30% rise in the counter-terrorism budget.

**There is no economic security without national security.** We will meet our commitment to spend 2% of our income on defence, providing new equipment for our military, new capabilities for our special forces, new defences for our cyberspace, and new investments in our intelligence agencies. And we'll commit to spending 0.7% of our national income on overseas development, changing spending to both meet our moral obligation to the world's poorest and help those in the fragile and failing states on Europe's borders. We also protect in real terms the FCO budget.

### A modern, integrated health and social care system that supports people at every stage of their lives

**Fully funding the Five Year Forward View put forward by the National Health Service itself.** We are making a half a trillion pound commitment to the NHS over this parliament – the largest investment in it since its creation. In this Spending Review we deliver a £10 billion real increase in the health service budget, with the first £6 billion delivered up-front next year. We also commit £600 million additional funding for mental health, and abolish the cap on student nurses places by replacing direct funding with loans for new students.

**The biggest real terms rise in the basic state pension in 15 years.** Our triple lock means next year the basic state pension will rise by £3.35 to £119.30, with pensioners now £1,125 a year better off than they were when we came to office. And we have set the full rate for the new single tier pension for new pensioners from April next year at £155.65. The best way to afford generous pensioner benefits is to raise the pension age in line with life expectancy, as we are already set to do in this parliament.

**Enabling local government to meet growing social care needs.** To ensure they can provide the good social care needed for our health service to function effectively local authorities responsible for social care will be able to levy a new social care precept of up to 2% on council tax to be spent only on adult social care. It's part of major reform we're making to integrate local health and social care services by the end of the decade, supported by increasing the Better Care Fund with an extra £1.5 billion by 2019/20.

### Extending opportunity with reforms to our public services so they meet consumers demands and help the most vulnerable

**Facing up to the growing crisis of home ownership in our country.** We are setting out a bold plan to back families who aspire to buy their own home, doubling the housing budget to over £2 billion a year to deliver the biggest house building programme since the 1970s. This will mean 400,000 affordable new homes by the end of the decade, almost half of which will be Starter Homes, sold 20% below market value to young first time buyers, and 135,000 of which will be our new Help to

Buy: Shared Ownership, removing many restrictions on shared ownership. As part of this plan we're also extending the Right to Buy to housing association tenants; accelerating housing supply by reforming planning and releasing public land for homes; introducing a new London Help to Buy to address the housing crisis in our capital; and from April 2016 introducing a new rate of Stamp Duty 3% higher on the purchases of additional properties like buy-to-lets and second homes to fund local communities and new housing.

**We are making the largest ever investment in free childcare.** Funding 30 hours free for working families of 3 and 4 year olds from early 2017, and supporting £10,000 of childcare costs tax-free, available to parents with incomes below £100,000.

**Protecting the schools budget in real terms over the next five years.** We do this as we help every school become an Academy and open 500 new free schools and University Technical Colleges. A new national funding formula will start to be introduced from 2017, phasing out the arbitrary and unfair system which means a child from a disadvantaged background in one school can receive half the funding as a child in the same circumstances in another school.

**An apprenticeship levy on large employers to deliver 3 million apprenticeships.** To make sure they are high quality we are increasing the funding per place by 15 per cent, with a new business-led body to set standards. We will also protect Further Education funding in cash terms and extend tuition fee loans support to those studying higher skills in FE.

**Reforming our justice system.** We will close under-used courts, funding a £700 million investment in new technology to make the justice process more efficient and our courts fit for the modern age. We will also close Victorian prisons unsuitable for rehabilitation in our cities, selling them to create space for new housing and building 9 new modern prisons in the parliament.

### **Spreading economic power and wealth through a devolution revolution, and investment in our long-term infrastructure**

**Phasing out entirely the local government grant.** We will abolish the uniform business rate so councils can cut rates to attract a new business to their area, and allow local authorities to keep 100% of the business rates they raise in their area. But because the amount raised in business rates is much greater than the amount given to local councils through the local government grant we will phase the grant out entirely and devolve additional responsibilities. Accounting for both the fall in grant and the rise in council incomes, by the end of this Parliament local government will be spending the same in cash terms as it does today.

**Funding our vital infrastructure.** We are increasing DfT's capital spending by 50% to £61 billion – the biggest increase in a generation – delivering the largest road building programme since the 1970s, starting construction of HS2, electrifying lines like the Trans-Pennine, Midland Main Line, and Great Western, £300 million for cycling, and a permanent pothole fund as part of a £5 billion increase in roads maintenance spending this parliament. Alongside this we are also investing in the flood defences we need, with over £2 billion committed to protect 300,000 homes. And we are investing in our energy infrastructure, including doubling our spending on energy research, with a major commitment to small modular nuclear reactors. We're also backing our arts, heritage, media and sport, including increasing spending on the Arts Council, our national museums and galleries, and UK Sport.

**Investing in our world leading science and innovation.** We are protecting the science budget in real terms, so it will be £500 million higher by the end of the decade. We're also funding projects like the Royce Institute of advanced materials; we'll implement the recommendations of Paul Nurse's review of our research councils; and we'll continue to support innovation, including increasing spending on Catapult centres and protecting cash support given through Innovate UK.

**Addressing the geographic imbalance our economy has had.** Recently the West Midlands, Liverpool, Sheffield, the North East and Tees Valley joined Greater Manchester in agreeing to create elected mayors in return for new powers. Today we announce the Local Growth Fund will be funded with £12 billion in this parliament, and the creation of 26 new or extended Enterprise Zones.

**Backing the UK's devolved administrations.** In Wales we are setting a funding floor for this parliament at 115%, we'll legislate to devolve Income Tax, and fund a Cardiff City Deal; and for Scotland raising capital spending by £1.9 billion through to 2021. Scottish, Welsh and Northern Ireland Offices funding is protected in real terms.

### **Moving from a high welfare, low wage economy - to a low welfare, high wage economy**

**We still achieve £12 billion of welfare savings, but we have listened to concerns about changes to tax credits.** We've had representations that these changes to tax credits should be phased in. Because of the improvement in the public finances, the simplest thing to do is not to phase these changes in, but to avoid them altogether. Tax credits are being phased out anyway as we introduce universal credit.

**Making further reforms to welfare.** We are capping the rate Housing Benefit is paid at for new tenancies in the social sector to the relevant local housing allowance – the same rate paid to those in the private rented sector getting the same benefit.

Housing benefit and pension credit payments will also no longer be paid to people who've left the country for more than a month. And we will extend the same support and conditionality we currently expect of those on JSA to over 1 million more benefit claimants.

**The Autumn Statement forecasts show our plan is working**

**No G7 economy has grown faster than Britain since 2010.** Our economy has grown three times faster than Japan, twice as fast as France, faster than Germany, and at the same rate as the US. Growth is forecast to be 2.4% this year, and forecasts revised up to 2.4% in 2016 and 2.5% in 2017, before returning to its long-term trend with 2.4% growth in 2018, and 2.3% in 2019 and 2020.

**There are more people in work than ever before.** The OBR forecast more than a million extra jobs will be created over the next 5 years. But the job is not done – we want to achieve full employment.

**A truly national recovery.** Since 2010 the North has grown faster than the South, business investment has grown twice as fast as consumption since 2010, and exports have grown faster than imports.