



## STATEMENT ON THE SPENDING REVIEW

This week the Chancellor will announce a Spending Review which will be a one-year expenditure plan and not the Comprehensive Spending Review (CSR) which understandably has been blown off course by the pandemic. Any government has a range of fiscal and monetary instruments available to them; tax, borrowing and public expenditure. Inevitably the debate on the balance between tax and spend, as well as the levels of borrowing, will form the backdrop to the CSR now expected sometime after the Summer Recess next year.

The essence of the One Nation tradition within the Conservative Party is that economic and social policy should be designed to benefit the ordinary person. In economics, the One Nation tradition supports efficient free markets and is pro-enterprise but opposes monopolistic distortions and privilege. In social policy, we believe in the creation of equality and opportunity for everyone, so that everyone has a right to a fair chance in life.

This week's announcement should have a dual purpose; to continue to help businesses and citizens cope with the impact of the pandemic and to establish or emphasise schemes that will strengthen the economy in the post Covid world. What follows are ten ideas which could be incorporated into the statement and would address this dual purpose.

### Measures to protect our world

We welcome the Government's Climate Change 10 Point Plan and the introduction of "green gilts". We support initiatives to increase renewable energy sources, the continuing commitment to low energy homes, and the whole £12 billion package of Government investment which will create and support up to 250,000 green jobs.

The post Brexit and post Covid world Britain faces means that Global Britain must be more than a slogan. Our commitment to recognise our international responsibilities and to extend our influence through smart power. Therefore, we recommend that the UK's legal requirement and moral responsibility to spending 0.7% of our GDP on international aid be maintained. Covid and the resulting economic decline has had a disproportionate impact on the developing world, meaning this is a time when the UK's support is most needed.

We also warmly welcome biggest programme of investment in British defence since the end of the Cold War. This will help protect the UK far into the future with a focus on investing in the latest technology, including space and cyber. The investment will also create up to 10,000 jobs annually across the UK and help maintain the country's skills in construction and science.

### Spending to support the citizen

Covid has had a huge impact on the education system and disproportionately affected the chances of disadvantaged children. So, the £1bn Covid education package will be beneficial especially the £350m for tutoring. The Government has already set out a £14bn spending package for schools over the next three years, however we suggest two further priorities for extra spending;

If properly targeted the Pupil Premium has been shown to make positive impact on attainment outcomes and the Govt should commit to its continuance but in addition, make an additional sum available to provide a "catch up" element to the Pupil Premium

The Opportunity Areas Scheme encourages local solutions, using what works best for a school or particular learners; sharing ideas, best practice and drawing on the successes of continuing schemes across the country. The Government should support and extend this scheme.

Secondly, the successful NHS Long Term Plan stated that “mental health will receive a growing share of the NHS budget, worth in real terms at least a further £2.3 billion a year by 2023/24” However it is clear that Covid has had a serious mental health impact on many, and so there is likely to be an increasing demand for such support. The Government should therefore accelerate their commitment to mental health and make the £2.3 billion available in 2021/22

### **Spending to support enterprise**

We believe the Government should introduce new Economic Development Zones creating zones of opportunity and employment bringing underused or forgotten areas into effective use. We propose local governance backed by both a central government package of grants alongside tax and employment incentives, but the Government should also consider the introduction of regional recovery bonds for finance. These new zones will have obligations to modernize their production, embed the obligation to up-skill local communities, and adopt “green growth” principles.

Therefore, we recommend the immediate creation of a Fourth Industrial Revolution Emerging Technologies Adoption Fund. The Fourth Industrial Revolution will radically change the way we work, regardless of sector, industry or region. Only by adopting the latest technologies such as AI, 3D printing, big data and embedding them into the way we produce and the way we work across every industry and region.

The trend to remote working is likely to persist for many, so whilst the Government has the commitment to rollout superfast broadband this needs to be accelerated. The ability to work from home across the country cuts commuting, but also levels-up economic activity across the country and create jobs in areas with historic underinvestment. Therefore, the Government should increase the funds available and work with the private sector to speed the roll out of superfast broadband.

In 2011, as part of the Coalition government’s package of post-crash employment and welfare reforms, we launched the New Enterprise Allowance (NEA) to provide unemployed people with financial and practical support to become their own boss. The NEA proved popular especially among disadvantaged groups. As the post Covid economy recovers tailored support should be developed for specific groups facing significant barriers into self-employment. The NEA is a proven success and so the Government should commit to extend this scheme for the next two financial years.

### **Measures to support our post Covid economy**

As One Nation Conservatives we believe we are all in this together then the creation of a right to prevent economic distortions for consumers is a pragmatic embodiment of that. All too often financial institutions and energy suppliers, amongst many others, have loyalty penalties, with contracts rolling over to a worse deal unless the consumer intervenes, or the best deals are only open to new customers. In whatever case the outcome is the same; not all consumers are getting a fair deal. Therefore, we propose a new consumer right to prevent loyalty penalties. This right would be similar to existing rules that outlaw inertia selling and the rules preventing false ‘on sale’ claims.

Every business also has a responsibility to the country, and even more so if the taxpayer has directly supported it. The UK taxpayer has underwritten 100% of the Bounce Back Loan scheme rightly to protect businesses and jobs. These are loans and not grants, as so many seem to assume, and they should be repaid as businesses recover. Therefore, we propose the creation of a ‘Bounce Back Loan Company’, like the student loan scheme such that as a company recovers some element of its profits will be apportioned to pay off its loans. The volume of loans outstanding suggests that this should be established as a formulaic and automated process to guarantee certainty and efficiency.

Sovereign wealth funds have been traditionally set up by countries with large or anticipated budget surpluses. However, the UK has never traditionally enjoyed such a surplus nor has it sought either to establish national incubator/accelerator arrangements or take equity stakes in industries of the future. This is partly because there has been an expansion of universities into this space and partly because the UK has a vibrant VCT/PE industry. However, given the amount of Government backed Covid loans which have been issued, it would seem only right that the Government seeks for the taxpayer to be rewarded and enjoy the benefits of future success by establishing a fund or institution to deliver this opportunity.

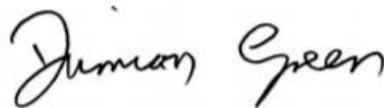
### **Recommendations in full**

The Government should:

- 1. Maintain the UK's 0.7% spending target on international aid;**
- 2. Expand the Pupil Premium to include an additional "catch up" element;**
- 3. Support and extend the Opportunity Areas Scheme;**
- 4. Accelerate their commitment to spend £2.3 billion on mental health by 2023/24, and instead aim to reach this target in the next financial year;**
- 5. Introduce new Economic Development Zones;**
- 6. Create a Fourth Industrial Revolution Emerging Technologies Adoption Fund;**
- 7. Increase the funds available and work with the private sector to speed the roll out of superfast broadband;**
- 8. Extend the New Enterprise Allowance scheme for the next two financial years;**
- 9. Design a new consumer right to prevent loyalty penalties; and**
- 10. Create a 'Bounce Back Loan Company'.**



**Stephen Hammond MP**



**Rt Hon Damian Green MP**