

Member briefing: Budget 11 March 2020

Introduction

The Rt. Hon Rishi Sunak MP, Chancellor of the Exchequer, announced his first Budget on 11 March. The Government's immediate priority is to respond to the Coronavirus which featured throughout his speech. Although the potential impact of the virus on the UK economy and public finances is not reflected in the detailed forecasts of the Office of Budget Responsibility, the Chancellor was confident that the UK economy could cope with a "temporary disruption", and that the underlying health of the economy would not be compromised. This would enable the Government to meet its manifesto commitments, including major increases in infrastructure investment, and "get things done".

Headline messages for South East councils

- In terms of public spending the Budget can be seen as setting the scene for the Comprehensive Spending Review in July. There was relatively little detail on matters such as housing, infrastructure and 'levelling-up', and only passing reference to Social Care and to a Devolution White Paper.
- Temporary changes to the Business Rates system will mean that almost half of businesses will pay no rates in 2020/21. Whilst positive for businesses, and beneficial to many High Streets, the logic of a universal tax to which only half are liable reinforces the need for the Chancellor to progress with the fundamental review of the system.
- The Minister for Housing will make announcements on forthcoming comprehensive reforms to the Planning system on 12 March with the intention of bringing the Planning system "into the 21st century". A Planning White Paper will be published in the Spring.
- Whilst there are increases in transport which should benefit the South East (including for highways maintenance) and specific areas (notably Southampton), the focus is on Mayoral combined authorities elsewhere in the country.

Coronavirus

Announcements included:

- The Chancellor announced a package of measures that will cost **£30bn**.
- The Government will set aside a **£5bn emergency response fund** available to the NHS and other public services. The NHS will however get "whatever extra resources" it needs.
- The Government had already announced that Statutory Sick Pay would be paid on the first day of sickness (rather than the fourth) for people who have been advised to self-isolate and further changes were announced by the Chancellor. There will also be changes to **Employment and Support Allowance and Universal Credit** to provide more immediate support to those below the minimum earning limit and the self-employed.
- The Government will recompense smaller businesses (under 250 employees) for two weeks of pay for those affected (costing £2bn).
- A **£500m Hardship fund** will be made available to local authorities to support the most economically vulnerable. The Government expects most of this to be used to provide Council Tax relief or similar.
- A **£1.2bn Business Interruption Loan Scheme** will be introduced so that business may access loans and overdrafts, with the Government giving banks a guarantee for 80% of any losses.
- The **Business Rate retail discount will be increased from 50% to 100%** for 2020/21 and extended into the leisure and hospitality sectors. This will be available in respect of properties with a Rateable Value of up to £51,000 meaning almost half of businesses will pay no Business Rates in 2020/21. Local authorities will be fully compensated for the impact of these changes.
- To help businesses that do not currently pay Business Rates, the Government will provide £2.2 billion of funding for local authorities to **make grants of £3,000 to around 700,000 businesses**.
- HMRC's Time to Pay service will be enhanced to allow businesses and the self-employed to defer tax payments.

The Economy and Public Spending

Announcements included:

- The Office for Budget Responsibility has reduced its **forecast for GDP growth** to 1.1% in 2020, 1.8% in 2021 and then 1.5%, 1.3%, and 1.4% in the following years.
- Inflation is forecast to be 1.4% in 2020/21 increasing to 1.8% next year. A **budget surplus** is forecast in each of the next five years with borrowing increasing from 2.1% of GDP in 2019/20 to 2.8% in 2021/22. There will be '**fiscal headroom**' of £2.2bn by 2022/23.
- These forecasts do not take account of the economic impact of Coronavirus or associated spending commitments.
- The Chancellor will review the **fiscal framework** and report to Parliament in the autumn. This budget remains within the framework set by his predecessor.

- An independent **Low Pay Commission** will be established with the remit to, if economic conditions allow, ensure that by 2024 the **National Living Wage will reach two-thirds of median earnings** – equivalent to £10.50 at the current time.
- A **multi-year Comprehensive Spending Review** is being undertaken and will be completed by July. There will be a 2.8% real terms increase in public spending over the spending review period.

Public Services

Investing in the NHS - announcements included:

- Confirmation of the **NHS settlement** (January, 2019) for an additional **£34bn per year by 2023/24** and £139bn for health budgets in 2020/21.
- **Over £6bn of additional funding for the NHS** in England. This includes investment in the recruitment, training and retention of: nurses, ensuring there are 50,000 more in the NHS; up to 6,000 more GPs; and 6,000 more primary care professionals, such as physiotherapists and pharmacists.
- Investment in hospitals, including over **£100m in 2020/21 for progress on 40 new hospital projects**. An increase in the DHSC's capital budget of £683m in 2020/21 to allow Trusts to invest in estate refurbishment and building maintenance.
- The Immigration Health Surcharge will rise to £624 with a discount rate of £470 for children.

Adult social care – announcements included:

- The Secretary of State has written to parliamentarians about building cross-party consensus on reform.
- The additional **£1bn** in social care next year (announced in the Spending Round 2019) will continue for **every year of the current Parliament**.

Schools and young people: - announcements included:

- Confirmation of commitments made in the Spending Round 2019 - **a £7.1bn cash increase in funding for schools in England by 2022/23 compared to 2019/20 budgets**.
- New steps to give children more opportunities including an updated **School Sport and Activity Action Plan** following the Comprehensive Spending Review. £29m a year by 2023/24 to support primary school PE teaching. £90m a year for an Arts Premium from September, 2021, on average an extra £25,000 a year per secondary school for three years.

Safety and security: - announcements included:

- On top of the measures announced in the Spending Round 2019 (including the recruitment of 20,000 additional police officers) the Budget makes further investments in the police, security services and justice system.
- **£114m in 2020-21 for counter-terrorism**, including an extra £83m for counter-terrorism policing and £31m for the UK Intelligence Community.
- An additional £67m for the UK Intelligence Community to enable further development of technological capabilities.
- An additional £15m to improve **support to victims** and create a digital hub to make the criminal justice process easier to understand.
- An additional £5m to trial **domestic abuse courts**, allowing criminal and family matters to be considered together. £10m for innovative new approaches **to preventing domestic abuse**, working with PCCs to expand projects and prevention programmes.
- An additional £5m to the **Youth Endowment Fund** to help create a Centre of Excellence for Tackling Youth Violence.
- £68.5m to support community sentences and the use of electronic tags.
- £20m for Fire and Rescue Services to help increase **fire inspection and enforcement capability**, and to build capacity to respond to the Grenfell Tower Inquiry's findings.

Local services and infrastructure: - announcements included:

- In response to local authority use of Public Works Loan Board (PWL) finance to invest in commercial property, the Government will **consult on revising the terms of PWLB lending to ensure that councils invest in housing, infrastructure and front-line services**.
- To enable investment by local authorities, the Government is cutting the **interest rates for investment in social housing by 1 percentage point**, and making available an extra **£1.15bn of discounted loans for local infrastructure projects**.

Businesses & economy

Business and enterprise support: - announcements included:

- Extending the **British Business Bank's Start-Up Loans** programme to the end of 2021/22, supporting up to 10,000 further entrepreneurs access finance to start businesses.

- Investing **£10m to increase Growth Hub capacity** and provide high-quality, core business advice across all 38 Growth Hubs.
- Investing £13m to expand the British Library's network of **Business and Intellectual Property Centres** to 21 cities and **18 local library networks** across England.
- Using the forthcoming Comprehensive Spending Review to make it easier for businesses to access information and support.
- BEIS will lead the development of a digital service to provide tailored information about sources of support.
- Introducing a **Financial Services Bill** which will ensure that the UK maintains its world-leading regulatory standards and remains open to international markets.
- £1.5bn capital investment over 5 years to ensure all **further education** colleges are in good condition, alongside a new £2.5bn **National Skills Fund** to improve the technical skills of adults.

Support for the self-employed: - announcements included:

- Improving access to finance and credit for self-employed people through the **Start-Up Loans programme** and exploring how to improve the guidance for self-employed people applying for a mortgage.
- BEIS will consult on the merits of strengthening the powers of the Small Business Commissioner.
- Launching interactive guidance to **help self-employed people to navigate the tax system**.
- The Government will consider how to provide appropriate support to self-employed parents, as part of its wider review of **Parental Pay and Leave**.

Competition and regulation: - announcements included:

- Accepting all six of the Furman Review's strategic recommendations for unlocking **competition in digital markets**.
- Launching the **Reforming Regulation Initiative** to invite ideas from the public and businesses for regulatory reform. The Government will invest £10m in a second round of the Regulators' Pioneer Fund.
- The Government intends to consult on the introduction of a levy on firms subject to the **Money Laundering Regulations** to help fund action to tackle money laundering and deliver the reforms identified in the Economic Crime Plan.

Global Britain: - announcements included:

- The DIT and the DCMS will pilot a **Digital Trade Network** in the Asia Pacific region to help UK companies access opportunities in new markets.
- DIT will establish local champions in key overseas posts to support exporters from the **Northern Powerhouse, Midlands Engine and Western Gateway**, and will increase the number of international trade advisers outside London. The Budget announces further support for exporters by extending and increasing the lending capacity of UK Export Finance (UKEF), making permanent the additional £2bn provided to UKEF in the Budget 2018 as well as providing a £2bn lending facility for projects supporting clean growth and £1bn to support overseas buyers of UK defence and security goods and services.
- Reviewing the UK's financial technology sector to support growth and competitiveness.

Investing in innovation: - announcements included:

- Increasing public **R&D investment to £22bn per year by 2024/25** (0.8% of GDP). The details will be set out by the Comprehensive Spending Review, but the Budget announces measures with immediate impacts.
- Providing a funding boost of up to **£400m in 2020/21 for research, infrastructure and equipment** in research institutes and universities across the UK. The Government will also provide **£300m for experimental mathematical research** over the next five years. In addition, the Government will invest at least £800m in a blue-sky funding agency focused on high-risk, high-reward science. The Government will increase funding for the UK's foremost specialist institutions by £80m over the next five years.
- Through the CSR, the Government will examine how **R&D funding can best be distributed across the country** to help level up every region and nation.

Societal challenges: - announcements included:

- At least **doubling the Energy Innovation Programme** to help meet the challenge of net zero and ensure that the UK is at the forefront of new decarbonisation technologies.
- Committing an extra £12m to the National Institute for Health Research in 2020/21 for research into preventable diseases.
- Investing £2m in 2020/21 to expand **strategic science and resilience capabilities** of the Government Chief Scientific Adviser and the Government Office for Science.
- Investing £1.4bn over 10 years in the **animal health science facility at Weybridge in Surrey**.
- Providing £180m over 6 years for a state-of-the-art storage and research facility for the Natural History Museum.

Backing businesses to innovate and grow: - announcements included:

- Supporting R&D by increasing the rate of **Research & Development Expenditure Credit from 12% to 13%**.
- Consulting on whether qualifying R&D tax credit costs should include investments in data and cloud computing.

- The **Life Sciences Investment Programme** will provide the British Business Bank with additional resources to make up to £200m in equity commitments to support innovative health and life sciences firms over the next five years. Providing the British Business Bank with resources to make up to £200m of additional investment in UK venture capital and growth finance in 2020/21. Investing over £900m to help UK businesses lead in high-potential technologies **including nuclear fusion, space innovation, and supply chains for the large-scale production of electric vehicles.**

Environment, Climate Change & Waste

Announcements included:

- Reviews into the **economic costs and opportunities of reaching net zero**, and the economics of biodiversity.
- A **Carbon capture and storage Infrastructure Fund** to help decarbonising power and industry.
- A new support scheme for biomethane, funded by a **Green Gas Levy**, to help heating of homes be virtually zero carbon by 2050. The government will also support the installation of heat pumps and biomass boilers through a Low Carbon Heat Support Scheme.
- **Raising the Climate Change Levy** on gas in 2022-23 and 2023-24 (whilst freezing the rate on electricity) and reopening and extending the Climate Change Agreement scheme by two years to encourage businesses to operate in a more environmentally friendly way
- **£403m for the Plug-in Car Grant**, extending it to 2022-23; £129.5m to extend the Plug-in Grants for vans, taxis and motorcycles to 2022-23; £500m over the next five years to support the rollout of a fast-charging network for electric vehicles.
- Removing the entitlement to use red diesel from April 2022, except in agriculture, fish farming, rail and for non-commercial heating (including domestic heating).
- Additional £304m to enable **local authorities to take immediate steps to reduce nitrogen dioxide emissions.**
- A new £640m **Nature for Climate Fund** for tree planting and peatland restoration; a **Nature Recovery Network Fund** to protect, restore and support existing habitats and wildlife; a **Natural Environment Impact Fund** to help prepare green projects that could be suitable for commercial investment.
- A new Plastic Packaging Tax from April 2022 to incentivise the use of recycled plastic in packaging; and £700,000 Extended Producer Responsibility scheme to encourage producers to reduce their packaging and make it more recyclable.
- Funding for a **digital waste tracking system** to provide better data on **waste transport**, and £2m to improve evidence on where **fly-tipping** happens and the best ways to deter it.

Infrastructure

Announcements included:

- A **National Infrastructure Strategy** to be published later in spring 2020.
- £27bn (2020-25) **Road Investment Strategy** (RIS2) for motorways and major A roads, including building the Lower Thames Crossing.
- Confirmation of £1bn allocations from the Transforming Cities Fund for local transport schemes, including **£57m for Southampton; and funding for Portsmouth City Region** subject to further business case approval.
- £4.2bn (from 2022-23) for five-year transport funding settlements for eight Mayoral Combined Authorities (none in the South East).
- Later this year, a new long-term **Single Housing Infrastructure Fund** to unlock new homes in areas of high demand by funding strategic infrastructure and assembling land for development.
- A new **£500m pa Potholes Fund**, resulting in a 50% increase to local road maintenance budgets in 2020-21.
- The **Infrastructure and Projects Authority** will lead a study into supply chain capacity, to inform plans for investment in local transport spending in this year's Comprehensive Spending Review.
- £5bn to support the rollout of **gigabit-capable broadband** in the most difficult to reach 20% of the country.
- Finalisation of the **Shared Rural Network** agreement to improve **mobile phone reception**, with £510m of government funding, which will be more than matched by industry.
- **Doubling** of government investment in the **flood and coastal defence programme** in England to £5.2bn over six years; £120m for the Environment Agency to repair the assets damaged by the storms this winter; £200m over the next six years for a place-based innovative actions to improve resilience to flooding and coastal erosion.
- £39m for the Environment Agency's network of water supply and water navigation assets.

Planning & Housing

To help deliver the government's commitment to delivering 300,000 homes a year by the mid-2020s, announcements included:

- **£12.2bn for the Affordable Homes Programme** and £400m for Mayoral Combined Authorities and local areas to establish housing on brownfield land.

- Confirmation of **Housing Infrastructure Fund allocations totalling £1.1bn** nationally.
- Plans to develop, with local partners, a long-term Spatial Framework to support strategic planning in the **OxCam Arc**. This will support the area's future economic success and the delivery of the new homes required by this growth up to 2050 and beyond.
- Government sees land availability, constrained by the planning system, as the most significant barrier to building more houses. It will shortly set out comprehensive reforms, followed by a **Planning White Paper** in the spring, aiming to create a **simpler planning system and improve the capacity, capability and performance of Local Planning Authorities (LPAs) to accelerate the development process**. Where LPAs fail to meet their local housing need, there will be firm consequences, including a stricter approach taken to the release of land for development and greater government intervention. The government will also explore long-term reforms to the planning system, rethinking planning from first principles, to ensure the system is providing more certainty to the public, LPAs and developers.

Duties/taxes

Announcements included:

- Confirming that the headline **corporation tax rate will remain at 19%** in 2020.
- Increasing the annual rate of the **structures and buildings allowance** to 3% will provide over £1bn of additional relief for businesses by the end of 2024/25.
- Reforming the fixed assets regime, reviewing the UK funds regime, and an industry working group on the future of VAT and financial services.
- Helping small businesses take on extra staff by **increasing the Employment Allowance to £4,000**.
- Introducing a **National Insurance holiday for employers of veterans** in their first year of civilian employment.
- Reducing the lifetime limit on gains eligible for Entrepreneurs' Relief to £1m.
- Confirming that the Government will support shops, pubs, cinemas and music venues by increasing and expanding the business rates discount for retail properties, introducing a new pubs discount, and extending the local newspaper discount.
- A fundamental review of business rates will consider further reforms to the business rates system and will report in the autumn.